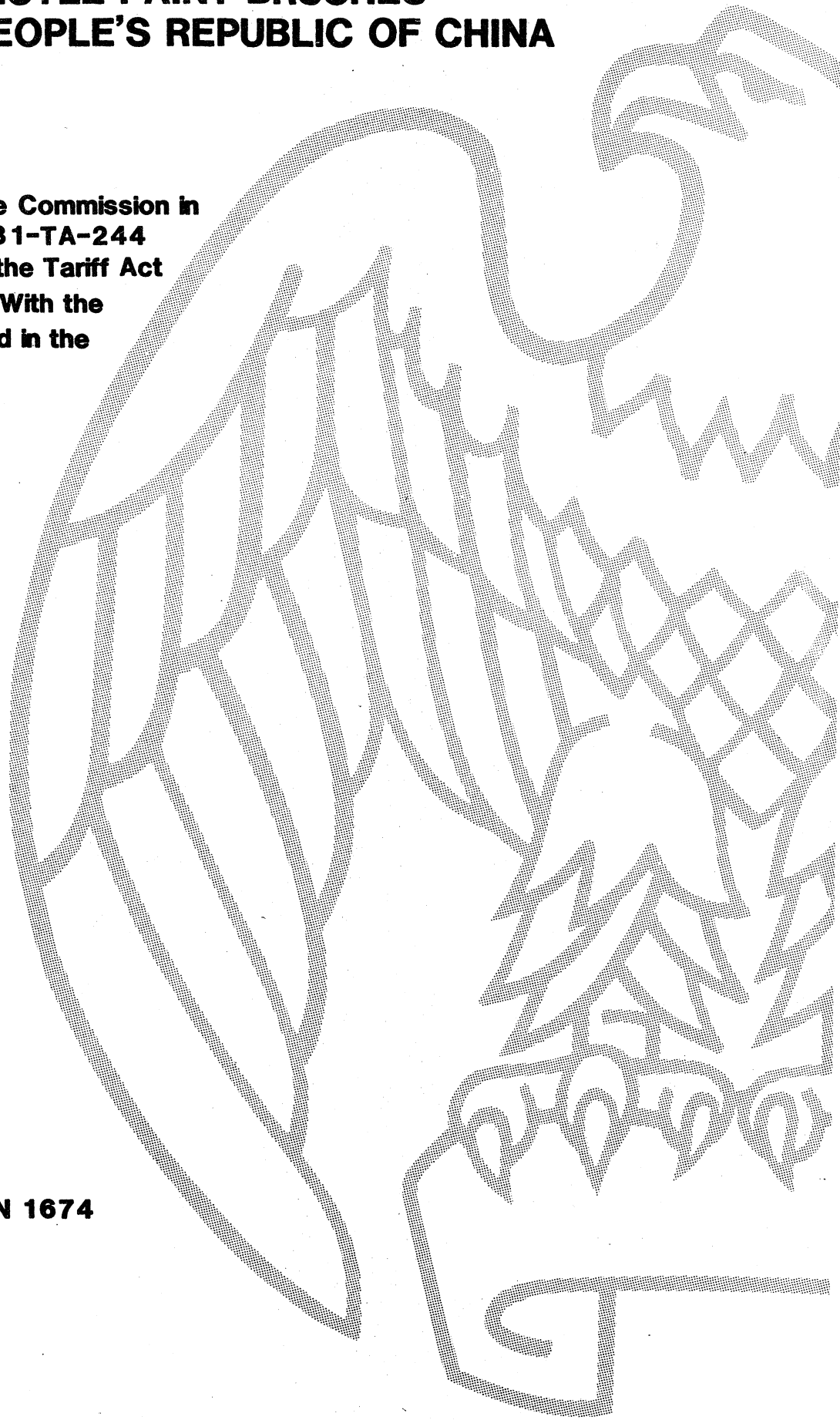


# **NATURAL BRISTLE PAINT BRUSHES FROM THE PEOPLE'S REPUBLIC OF CHINA**

**Determination of the Commission in  
Investigation No. 731-TA-244  
(Preliminary) Under the Tariff Act  
of 1930, Together With the  
Information Obtained in the  
Investigation**

**USITC PUBLICATION 1674**

**APRIL 1985**



# **UNITED STATES INTERNATIONAL TRADE COMMISSION**

## **COMMISSIONERS**

**Paula Stern, Chairwoman**  
**Susan W. Liebeler, Vice Chairman**  
**Alfred E. Eckes**  
**Seeley G. Lodwick**  
**David B. Rohr**

This report was prepared by:

Lawrence Rausch, Investigator  
Rhett Leverett, Commodity Analyst  
Richard Laylor, Financial Analyst  
Dwight Reeves, Financial Analyst  
Michael Youssef, Economist  
Carol McCue Verratti, Attorney  
Vera Libeau, Supervisory Investigator

**Address all communications to**  
**Kenneth R. Mason, Secretary to the Commission**  
**United States International Trade Commission**  
**Washington, DC 20436**

# C O N T E N T S

	Page
Determination.....	1
Views of the Commission.....	3
Information obtained in the investigation:	
Introduction.....	A-1
The products:	
Description and uses.....	A-1
Manufacturing process.....	A-3
U.S. tariff treatment.....	A-4
Channels of Distribution.....	A-5
Nature and extent of alleged sales at LTFV.....	A-5
U.S. producers.....	A-5
U.S. importers.....	A-7
Apparent U.S. consumption.....	A-7
Consideration of material injury to an industry in the	
United States.....	A-8
U.S. production, capacity, and capacity utilization.....	A-8
U.S. producers' domestic shipments.....	A-9
U.S. producers' exports.....	A-10
U.S. producers' inventories.....	A-11
U.S. employment, wages, and productivity.....	A-12
Financial experience of U.S. producers.....	A-15
Operations producing all paint brushes.....	A-15
Operations producing natural bristle paint brushes.....	A-18
Overall establishment operations.....	A-19
Capital expenditures.....	A-20
Research and development expenditures.....	A-20
Capital and investment.....	A-20
Consideration of the threat of material injury to an industry in the	
United States:	
Consideration factors.....	A-21
Capacity of foreign producers to generate exports and the	
availability of export markets other than the United States.....	A-21
U.S. importers' inventories.....	A-22
Consideration of the casual relationship between alleged material	
injury or the threat thereof and allegedly LTFV imports:	
U.S. imports and market penetration:	
Imports from all sources.....	A-22
Imports from China.....	A-25
Prices.....	A-25
Trends in prices to wholesaler/distributors.....	A-27
Trends in prices to retailers.....	A-31
Transportation costs.....	A-32
Exchange rates.....	A-32
Lost sales and revenues.....	A-32
Appendix A. Notice of the Commission's institution of a preliminary	
antidumping investigation.....	A-35
Appendix B. Notice of the Department of Commerce's institution of	
an antidumping investigation.....	A-39
Appendix C. List of witnesses appearing at the Commission's conference.....	A-43

## Contents

## Tables

1. Paint brushes: U.S. rates of duty, by TSUS items,-----	A-4
2. Paint brushes: Principal U.S. paint brush manufacturers, their locations, share of the U.S. market in value in 1982, and share of dollar value of U.S. imports from China in 1984-----	A-6
3. Paint brushes: U.S. producers' domestic shipments imports, for consumption, and apparent U.S. consumption, 1982-84-----	A-8
4. Paint brushes: U.S. production, practical capacity, and capacity utilization, 1982-84-----	A-9
5. Paint brushes: U.S. producers' domestic shipments, 1982-84-----	A-10
6. Paint brushes: U.S. producers' export shipments, 1982-84-----	A-11
7. Average number of employees, total and production and related workers, in U.S. establishments producing paint brushes, and hours worked by the latter, 1982-84-----	A-13
8. Wages and total compensation paid to production and related workers in establishments producing paint brushes, 1982-84-----	A-14
9. Labor productivity, hourly compensation, and unit labor costs in the production of paint brushes, 1982-84-----	A-15
10. Income-and-loss experience of *** U.S. producers on their operations producing all paint brushes, 1982-84-----	A-16
11. Income-and-loss experience of *** U.S. producers on their operations producing all paint brushes, 1982-84-----	A-17
12. Income-and-loss experience of *** U.S. producers on their operations producing natural bristle paint brushes, by firms, 1982-84-----	A-18
13. Income-and-loss experience of *** U.S. producers on overall operations of their establishments within which paint brushes are produced, by firms, 1982-84-----	A-19
14. Paint brushes: U.S. imports for consumption, by principal sources, 1982-84-----	A-23
15. Paint brushes: Ratios of imports from China and all countries to apparent U.S. consumption, 1982-84-----	A-24
16. Paint brushes: Domestic producers' and importers' weighted-average f.o.b. prices on sales to wholesalers/distributors and imports' margins of underselling or (overselling), per bush, by products, and by quarters, January 1982-December 1984-----	A-28
17. Paint brushes: Domestic producers' and importers' weighted-average f.o.b. prices on sales to retailers, and imports' margins of underselling (overselling), by products and by quarters, January 1982-December 1984-----	A-30

Note.—Information which would reveal the 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, DC

Investigation No. 731-TA-244 (Preliminary)

NATURAL BRISTLE PAINT BRUSHES FROM  
THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in the subject investigation, 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 threatened with material injury 2/ by reason of imports from the People's Republic of China of natural bristle paint brushes, except artists' brushes, provided for in item 750.65 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On February 19, 1985, a petition was filed with the Commission and the Department of Commerce by the United States Paint Brush Manufacturers and Suppliers Ad Hoc Import Action Coalition, Washington, DC, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of natural bristle paint brushes from the People's Republic of China. Accordingly, effective February 19, 1985, the Commission instituted preliminary antidumping investigation No. 731-TA-244 (Preliminary).

---

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

2/ Commissioners Eckes and Rohr also determined that there was a reasonable indication that an industry in the United States is materially injured by reason of imports from the People's Republic of China of natural bristle paint brushes, except artists' brushes, which are alleged to be sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 6, 1985 (50 F.R. 9138). The conference was held in Washington, DC, on March 15, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of natural bristle paint brushes from the People's Republic of China (China) which are allegedly sold at less than fair value (LTFV). 1/

Like product and the domestic industry 2/

In an antidumping investigation material injury is determined by assessing the impact of LTFV imports on the domestic industry as defined in section 771(4) of the Tariff Act of 1930:

The term 'industry' means the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. 3/

"Like product" is defined in section 771(10) of the Tariff Act of 1930:

The term 'like product' means a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title. 4/

The imports that are the subject of this investigation are natural bristle paint brushes of various sizes and qualities from China. 5/ Paint brushes are tools generally used to apply paint, stain, or varnish, but they also may be used to apply other liquid or semi-liquid substances to a surface

---

1/ Commissioners Eckes and Rohr also find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of natural bristle paint brushes from China which are allegedly sold at less than fair value (LTFV).

2/ Commissioner Lodwick does not join this section of the opinion. See his additional views at 13.

3/ 19 U.S.C. § 1677(4).

4/ 19 U.S.C. § 1677(10).

5/ Paint brush heads, which are natural bristle paint brushes without the handle, are also covered by this investigation. There are no known imports of paint brush heads from China. For this preliminary investigation natural bristle brush heads are considered "like" natural bristle paint brushes.

or for cleaning areas such as removing metal scrap around machinery. The bristle part of paint brushes can be made with natural bristle (usually from boar) or with synthetic fibers such as nylon or polyester.

Most of the paint brushes imported from China are "chip" brushes--less expensive brushes that occupy the low end of the paint brush market. However, during recent years, higher quality brushes also have been imported. No brushes with synthetic bristles have been imported from China.

Domestic manufacturers produce paint brushes that are identical in characteristics and uses to the imports from China. 6/ However, they also produce synthetic bristle paint brushes, as well as brushes made with a combination of the two types of bristles. 7/

Petitioners argue that the domestically produced products that are "like" the imported articles are natural bristle paint brushes. Respondents, on the other hand, maintain that the like product should be defined to include all paint application materials, including brushes with synthetic bristles and paint rollers. 8/ Another possible definition of the "like" product would include all paint brushes, with both natural and synthetic bristles, but not other types of paint applicators.

Based upon the information available in this preliminary investigation, natural bristle and synthetic bristle paint brushes do not seem sufficiently

---

6/ In addition to paint brushes most of the domestic paint brush manufacturers also manufacture paint rollers and pads.

7/ Report of the Commission (Report) at A-1.

8/ Chairwoman Stern notes that regardless of whether these products are included within the definition of like product, respondents' arguments regarding the effects of the growth in sales of water-based paint at the expense of oil-based paint, the related growth in sales of synthetic bristle brushes, and the growth in sales of rollers and other paint application materials on sales of natural bristle brushes are relevant to the issue of causation, and will be further explored in any final investigation.



similar in characteristics and uses to consider all paint brushes to be "like" the imported product. 9/ Natural bristle brushes are clearly "like" the imported product. Accordingly, we determine that the like product is domestically produced natural bristle brushes of all sizes and qualities. The domestic industry for which injury is to be assessed is that portion of the U.S. paint brush manufacturing industry devoted to the production of natural bristle paint brushes.

We gave careful consideration to whether certain of the domestic producers who are also importers of Chinese bristle brushes should be excluded from the domestic industry under § 771(4)(B) of the Tariff Act of 1930, the related parties provision. However, the present record does not allow us to fully evaluate this issue at the preliminary stage of this investigation, and inclusion of the limited data available from possibly related parties did not skew our aggregate data. 10/ In any final investigation with more complete information, we again will consider the definition of the like product and the related-party question.

---

9/ Natural bristle paint brushes are used to apply oil-based paints, stains, varnishes, and shellac. They tend to absorb water and therefore are not recommended for water-based paint, where synthetic brushes generally are used. Natural bristle brushes also have more industrial applications than synthetics which are vulnerable to damage from hot machinery. Mixed-bristle brushes are specialty items designed as all-purpose paint brushes.

10/ This investigation is unusual in that the parties have indicated that most domestic producers are not direct importers of brushes from China. Rather, they purchase them indirectly from importers, some of whom are other domestic manufacturers. See, e.g., Petitioners' post-conference brief at 10, n.6. The Commission's questionnaire responses indicate substantial numbers of "other purchases" that were not identified by source. In any final investigation we will clarify the source of these purchases and examine whether they should be treated as imports that are relevant to the related parties provision.

Condition of the domestic industry 11/

Consumption of natural bristle paint brushes increased 80 percent during the period of investigation. However, production and capacity utilization in the domestic industry declined during this period. Production decreased by approximately 8 percent, from 24,702,000 brushes in 1982 to 22,756,000 in 1984. Capacity utilization dropped from 47.3 percent to 42.3 percent over the three years. It should be noted that capacity increased slightly during this period, which contributed to the decrease in capacity utilization. 12/

Unlike production, domestic shipments increased during the period, rising 14 percent, from 27,887,000 brushes in 1982 to 31,792,000 in 1984. 13/ The number and value of U.S.-produced natural bristle paint brushes that were exported declined from 1982 to 1983, but recovered beyond 1982 levels in 1984. 14/

U.S. producers' inventories and the ratio of such inventories to shipments increased substantially from 1982 to 1984. Rising inventories and shipments in the face of decreasing production probably reflect the increasing purchase of imports for resale by the domestic industry. 15/

Employment data show that the average number of production and related workers producing natural bristle paint brushes increased from 1982 to 1983,

---

11/ Commissioner Lodwick provides further discussion of particular pertinence to the condition of the domestic industry as he defines it in his additional views at 13.

12/ Report at A-9. Capacity increased from 52,202,000 in 1982 to 53,827,000 in 1984. Id.

13/ Id. at A-10. We note that the discrepancy between the trends for domestic production and shipments probably indicates that some domestic producers reported shipments for all brushes, including imports, rather than for just domestically produced brushes. We shall attempt to clarify this discrepancy in any final investigation.

14/ Id. at A-11.

15/ Id.

but then declined in 1984. 16/ Hourly compensation remained relatively stable over the period of investigation. 17/

None of the domestic producers responding to the questionnaire kept separate financial data for natural bristle paint brush operations. Several producers submitted data by allocating costs; some of these allocated on the basis of sales, which does not give a reasonable estimate of manufacturing costs and, therefore, profit levels. The limited financial data available 18/ show that all producers were profitable on the basis of gross profits, and most, on the basis of operating profits. 19/ However, both aggregate operating income and the ratio of operating income to sales declined during the period of investigation. 20/ 21/

---

16/ Id. at A-13.

17/ Id. at A-14.

18/ Chairwoman Stern notes petitioner's argument that the Commission should take into account recent acquisitions or closings of certain companies in assessing the condition of the industry and the effect of the subject imports. However, respondents testified that these changes were not related to competition by imports from China. Tr. at 74-75. We were unable to resolve this issue in this preliminary investigation, but will examine it in any final investigation.

19/ Report at A-18.

20/ Id. Chairwoman Stern notes that net sales for both all paint brushes and natural bristle paint brushes increased during the period. In addition, both the ratio of gross income to net sales and the ratio of cost of goods sold to net sales for all brushes remained relatively stable during the 1982-84 period. Rather, increases in the ratio of GS&A expenses to net sales explain the decline in aggregate operating profit margins. Id. at Table 10. Furthermore, no individual producer's data skewed the aggregate data. Id. at Table 11. Thus there is no decline in gross profit margins as one would expect to see as a result of price suppression or depression. Thus, the financial data currently in the record fails to demonstrate evidence of present injury by reason of the subject imports. In any final investigation, I will request that the staff ensure that the profitability data reflect sales of domestically produced brushes only, and that information be developed on historical profit trends and industry averages.

21/ Commissioners Eckes and Rohr find that the decrease in domestic production, capacity utilization, and operating profits and the increase in inventories during the period of investigation provide a reasonable indication of material injury to the domestic natural bristle paint brush industry.

Reasonable indication of threat of material injury

The Trade and Tariff Act of 1984 amended the Tariff Act of 1930, in part, by defining factors the Commission must consider in determining whether there is a threat of material injury. 22/ Since in this preliminary investigation we did not obtain data concerning some of these factors, we made our determination on the best information available. We note that the Act does not limit our consideration to the listed factors but requires that at least those be considered.

The new Act also establishes a standard for a threat determination which had previously been articulated by the Court of International Trade in Alberta Gas. 23/

---

22/ The factors contained in the Act that are relevant to this investigation are:

- (1) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
- (2) Any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level,
- (3) The probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
- (4) Any substantial increase in inventories of the merchandise in the United States,
- (5) The presence of underutilized capacity for producing the merchandise in the exporting country,
- (6) Any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and
- (7) The potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigations under section 701 or 731 (of the Tariff Act of 1930) or to final orders under section 706 or 736 (of the Tariff Act of 1930) are also used to produce the merchandise under investigation.

23/ Alberta Gas Chemicals, Inc. v. United States, 1 Ct. Int'l Trade 312, 321, 515 F. Supp. 780, 789 (1981).

(ii) Basis for Determination--Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition. 24/

As we noted earlier, paint brushes imported into the United States from China are all natural bristle brushes. The volume of imports from China have increased dramatically during the period under investigation. In quantity, these imports of brushes rose from 10,098,000 in 1982, to 17,557,000 in 1983, to 37,690,000 in 1984. In value, the increase rose from \$2,277,000 in 1982, to \$3,958,000 in 1983, and to \$6,493,000 in 1984. As a share of apparent U.S. consumption of natural bristle paint brushes, Chinese imports accounted for 25.4 percent in 1982, 34.1 percent in 1983, and 52.6 percent in 1984. 25/ U.S. producers accounted for 73 percent of apparent U.S. consumption in 1982, 63.3 percent in 1983, and 46.8 percent in 1984.

There is information available indicating that the United States could receive an increasing share of Chinese paint brush exports. Recently, in Canada, Australia, the United Kingdom (U.K.) and West Germany, antidumping investigations regarding Chinese paint brushes have been concluded. An antidumping determination issued by Canada indicates that imports from China face potentially substantial antidumping duties. Based on a dumping finding in Australia, an agreement was entered into with the Chinese exporter limiting future shipments. In response to the investigations in the U.K. and West Germany, China agreed to limit its exports of natural bristle paint brushes in

---

24/ 19 U.S.C. § 1677(7)(F)(ii).

25/ Report at A-24. As a share of U.S. consumption of all paint brushes, Chinese imports represented 8.1 percent in 1982, 11.9 percent in 1983, and 21.6 percent in 1984.

the European Community. 26/ The restrictions on importation into these countries could make the United States is an even more attractive market for Chinese brushes.

Information available on prices shows that the Chinese imports are being sold at very low prices. There is substantial evidence that these imports generally undersell the comparable domestic products, and we have confirmed lost sales on the basis of price. 27/ 28/ The low prices suggest that imports will continue to increase. 29/ Further, there has been a substantial increase in importers' inventories of Chinese paint brushes. The inventories are well over three times their level in 1984 when compared to 1982. 30/

Another factor in our determination on threat is the trend in the types of natural bristle paint brushes being imported from China. In 1980, when Chinese paint brushes were first imported into the United States, they were

---

26/ Id. at A-21. Chairwoman Stern emphasizes that the antidumping actions brought in other countries, while relevant to the "displacement" factor in analyzing whether China's exports to the United States will increase, are not necessarily relevant to our analysis of material injury since the nature of the U.S. paint brush market, which is dominated by synthetic brushes, apparently is different from those of other countries whose markets are dominated by bristle brushes.

27/ Id. at A-28-A-30.

28/ Commissioners Eckes and Rohr find that underselling by Chinese imports already has resulted in lost sales and depressed domestic prices which may have injured the domestic industry.

29/ Chairwoman Stern notes petitioner's argument that China's ability to increase exports of natural bristle brushes is virtually unlimited. Respondents argue that China's plants are currently operating near full capacity, face supply constraints regarding natural bristle, and have other major export markets. There is little concrete data in the record at this time regarding capacity utilization in the Chinese industry, bristle supply in China, and historical trends regarding China's export markets. She notes with appreciation the efforts of the Chinese Government to provide the Commission with some information on these issues in the limited time available for this investigation. See March 25, 1985, Statement of Zhon Xikang. She requests that such efforts continue in the final investigation.

30/ Report at A-22. The specific numbers are confidential.

all low quality "chip brushes," affecting only a small portion of the U.S. paint brush market. 31/ By 1984, however, approximately 25 percent of the brushes imported from China were natural bristle brushes of a higher quality, according to conference testimony. This indicates that the U.S. market affected by Chinese imports is expanding in scope, and the potential for material injury to the domestic industry is increasing.

Based on the information available in this record that addresses the question of threat of material injury we have concluded that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of natural bristle paint brushes from China allegedly sold at LTFV. 32/

---

31/ "Chip brushes" are natural bristle paint brushes that are made with fewer bristles, usually unfinished wooden handles or handles of cheap material, and the brush heads are usually attached to the handles by crimping the metal ferrule and not by attachment with nails. Id. at A-1-A-2.

32/ Chairwoman Stern notes that the record in this preliminary investigation raises several issues which we were unable to resolve in the limited time available, such as whether the imports from China have created their own "disposable" market or helped expand the overall market, and whether the low-end of the U.S. market has been dominated by other low-priced imports, even before the introduction of Chinese imports. She will examine these issues further in any final investigation.





## Additional Views of Commissioner Lodwick

I concur in determining that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the imports of natural bristle paint brushes from the People's Republic of China which are allegedly sold at less than fair value. However, I differ in my definition of the like product and domestic industry. My views are presented below. In addition, I am providing discussion related specifically to the condition of the industry that I have defined. Finally, I share the views of my colleagues with regard to a reasonable indication of threat of material injury and feel that the majority discussion is equally relevant to the industry as I have defined it.

The domestic industry

I also feel that definition of like product warrants further examination should this preliminary investigation return for final. However, for the purposes of this preliminary investigation I am taking a broad view and define the like product as all paint brushes.

Paint brushes are implements used to apply paint, stain or varnish, but may also be used for other purposes. 1/ All paint brushes have similar characteristics in that they are comprised of a bristle part, which can be made of either natural bristle (primarily from the boar) or of synthetic fibers (such as nylon or polyester), fastened to some type of handle, usually made of wood, plastic or metal. 2/

---

1/ Rpt. at A-1.

2/ Id.

The primary use for brushes is the application of paint, stain or varnish. 3/ Some brushes are used by the "do-it-yourself" market. These brushes account for the largest amount of total U.S. paint brush sales. 4/ Some brushes are used by professionals. These are generally the highest quality brushes. Some brushes are used as chip brushes. 5/

Based on currently available information I discern no clear division among the characteristics and uses of these three types of brushes. Many of the imported Chinese brushes are used in all three applications as are many of the domestically-produced brushes.

Therefore, I find that, although there is a domestically-made brush identical to the imported product, there is sufficient overlap of characteristics and uses with synthetic brushes to warrant a preliminary definition of like product as all paint brushes.

In light of that finding, I also determine that the domestic industry is comprised of that portion of U.S. firms devoted to the production of both natural and synthetic bristle paint brushes.

---

3/ Id.

4/ Id. at A-2.

5/ Id.

### Condition of the Industry

The performance of the domestic paint brush industry was generally stable over the period of investigation. Key performance indicators, such as production, capacity, utilization, shipments and exports, were either stable or rose slightly over the 3-year period. 1/

Certain other indicators demonstrated a somewhat more precarious condition for the domestic paint brush industry. U.S. producers' end-of-year inventories for 1984 were 15 percent above their previous 3-year average. 2/ While apparent consumption of all paint brushes increased by 40 percent between 1982 and 1984, domestic shipments increased by only 14 percent and domestic production by only 8 percent over the same period. 3/

Net sales increased over the period of investigation. 4/ Despite this increase, the ratio of operating income to net sales fell in each year under investigation. At the same time, gross profit as a percentage of net sales remained at about the same level indicating that firms were able to pass manufacturing costs along to consumers. 5/

---

1/ Rpt. at A-9, A-10, A-11.

2/ Rpt. at A-11.

3/ Rpt. at A-8, A-9.

4/ Rpt. at A-16.

5/ Id. There appears to have been a large increase in general, selling and administrative expenses over the 3-year period. If this case should return as a final, I would expect to explore further the relationship between these expenses and the drop off in operating income. It may be that the stable gross margins reflect efforts on the part of domestic producers to adjust their product mix to compete with imports.



## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On February 19, 1985, the U.S. International Trade Commission and the U.S. Department of Commerce received petitions filed by counsel on behalf of the United States Paint Brush Manufacturers and Suppliers Ad Hoc Import Action Coalition, Washington, DC, alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from the People's Republic of China (China) of natural bristle paint brushes, except artists' brushes, with or without handles, provided for in item 750.65 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective February 19, 1985, the Commission instituted antidumping investigation No. 731-TA-244 (Preliminary) under section 733 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 such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after receipt of a petition, or in this case, by April 5, 1985.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, the U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 6, 1985 (50 FR 9138). 1/ The public conference was held in Washington, DC, on March 15, 1985, and the Commission voted on this investigation on March 28, 1985. 2/

## The Products

Description and uses

Paint brushes are implements used to apply paint, stain or varnish, but may also be used for other purposes. The bristle part of the brush can be made with natural bristle, primarily from the boar, or with synthetic fibers, such as nylon or polyester. Either filling is fastened with a metal ferrule to some type of handle, usually made of wood, plastic, or metal. The imported brushes from China which are the subject of this investigation are natural bristle paint brushes. 3/ 4/

Paint brushes come in several quality ranges and in a wide variety of widths and lengths. At the lower end of the market, in terms of quality, are brushes referred to by the industry as "chip" or "utility" brushes. Chip brushes are generally 2 inches or less in width and are usually thin, with all

---

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

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

3/ Artists' brushes are not covered by this investigation.

4/ Paint brush heads, which are paint brushes without the handle, are also covered by this investigation. There are no known imports of paint brush heads from China.

bristles approximately the same length. These brushes are used extensively in the industrial market to remove chips and other scrap generated during machining operations, to apply lubricants, glue or adhesives, and so forth. Chip brushes may also be used to apply paint by users seeking an economical applicator and willing to accept a less than quality finish. At present, large quantities of chip brushes are imported into the United States from China. Such brushes from China are made of natural bristle attached to an unfinished wooden handle. Comparable brushes are also manufactured by U.S. producers. Because synthetic fibers melt or otherwise deteriorate from the heat during use on machinery, they are not generally used in chip brushes. Chip brushes account for an estimated 20 percent of the U.S. paint brush market, in terms of value. 1/

Brushes used by the general consumer or "do-it-yourself" market are also produced in a variety of styles and sizes. These brushes are made from either synthetic fiber or natural bristle and, occasionally, from a blend of both. 2/ These brushes may have either plastic or wood handles; generally bristle thickness increases as quality increases. Consumer brushes produced for this market are in the medium price range and account for about 70 to 75 percent of total U.S. paint brush sales. 3/

The best brushes, in terms of quality, are those manufactured for the professional market; this is also the smallest segment of the industry, accounting for approximately 5 to 10 percent of total U.S. paint brush sales. 4/ These brushes are made of the highest quality natural bristle or synthetic filament. Most professionals reportedly prefer natural bristle brushes, if for no other reason than tradition. These brushes require the largest amount of bristle or filament and generally have nicely finished wood handles.

Natural bristle paint brushes are generally recommended for use with oil base paints, stains, varnishes, and shellac. They are usually not recommended for use with water base paint due to the natural bristles' tendency to absorb water, keeping paint on the brush and not on the surface being painted. 5/ Synthetic bristle paint brushes are generally recommended for use with water-based paint, but may also be used with oil-based paints, and other solvent-soluble coatings. Industry sources indicate that currently about 80 to 85 percent of U.S. paint purchases are latex or water-based paint.

Other types of paint applicators include rollers, paint pads, and spray applicators. Generally, these articles are used for the application of paint to large surfaces and complement the paint brush rather than compete directly with it. There are also "throw-away" foam applicators which do compete at the low end of the paint brush market. 6/

---

1/ See transcript of public conference at p. 145.

2/ Counsel for petitioner reported to the Commission's staff on Feb. 21, 1985, that sales of mixed-bristle brushes represent an insignificant share of the market. Respondents at the preliminary conference estimated mixed-bristle brush sales might represent 5 percent of the U.S. market.

3/ See transcript of public conference at p. 145.

4/ Id.

5/ Id.

6/ See transcript of public conference at p 50.

### Manufacturing process

The manufacture of paint brushes involves a series of steps which can be exclusively performed by hand or in conjunction with highly automated machinery. The degree to which the production process can favor the use of automated machinery depends upon the quantity and quality of the brushes to be produced.

The first step begins with the preparation of the bristle. Virtually all U.S. manufacturers purchase their bristle exclusively from China, already processed. Bristle comes from four different provinces in China, the principal differences being degree of stiffness, length, and occasionally color. The color of natural hog bristle is generally white, black, or gray, but it can be dyed any color or shade. Most U.S. manufacturers also make brushes from synthetic fiber or filaments <sup>1/</sup> which come in 2 types: (1) filaments of the same thickness and (2) tapered filament. The principal materials used for synthetic filament are nylon and polyester.

After the natural bristle is unpacked, and, if necessary, prepared for use, it is then "mixed," either by hand or in a mixing machine. This process blends fibers of different types and lengths. Lower quality brushes are usually composed of bristles of all the same kind and length.

Bristles are then weighed, either by hand or machine, and placed into a metal ferrule, which encloses the bristle or filament. Strips of wood or cardboard, called plugs, are inserted into the filament to fill any gaps and make the brush appear fuller. Epoxy or glue in liquid form is put into the ferrule to hold the bristles or filament in place. This may be done by either machine or hand. At this stage of production the article is referred to as a "brush head."

After the epoxy has dried, the brush head may go through several additional processes, depending on the quality of the brush. Excess fibers are removed and the bristle may be flagged—a process that splits the tip of the bristle and allows it to hold more paint. The brush may also be trimmed and tapered slightly on each side, again to enhance its liquid retention ability. The fibers or filaments may be cut to vary the lengths. Synthetic fiber brushes of nontapered polyester often require an extra step or two since the ends need more treatment than those of hog bristle which is naturally tapered. Also, the higher the quality of the brush, the more treatment it receives.

A handle is then inserted into the brush head. This may be done by hand or by machine. In China, wooden handles are used almost exclusively. U.S. manufacturers use primarily plastic handles, frequently treated to look like wood. Plastic handles cost approximately half as much as solid wood handles. Generally, only in the highest quality paint brushes are wooden handles used in the production of domestic brushes. The handle is either attached to the ferrule by a staple-set process or by crimping (stamping the ferrule against the handle), which is somewhat less expensive. Excess fibers are literally combed away, generally by hand. The brush is then inspected and packaged, boxed, and readied for final shipment.

---

<sup>1/</sup> \* \* \*

U.S. producers have highly automated equipment which can perform most of the manufacturing processes. Certain steps may be done by hand, particularly for more expensive, higher quality brushes, or for small production runs when it is more cost effective. Paint brush manufacture in China is reported to be highly labor intensive. 1/ Some elementary machinery may be used but machinery is not used to the extent that it is in the United States.

Most U.S. manufacturers are basically assemblers; they buy bristle, ferrules, and handles from suppliers and produce the paint brush, whereas in China most plants are more vertically integrated in that they manufacture the handle and ferrule and frequently process the crude bristle before making a paint brush.

#### U.S. tariff treatment

Natural bristle paint brushes, synthetic fiber paint brushes, and brush heads 2/ are classified for tariff and statistical purposes under the provisions of item 750.65 of the TSUS, as "paint brushes, except artists' brushes."

The column 1 (most-favored-nation) rate of duty for item 750.65 is 4 percent ad valorem; the column 2 rate of duty is 50 percent ad valorem (table 1). 3/ Imports from China are entitled to column 1 treatment; there are no known imports of the subject articles from column 2 countries. The staged duty reductions as a result of the MTN are shown in table 1; the current rate, in effect since 1981, is the final rate and no reductions are scheduled.

Paint brushes classified in this item, if products of beneficiary countries, are eligible for duty-free entry under the Generalized System of Preferences and Caribbean Basin Initiative.

Table 1.—Paint brushes: U.S. rates of duty, by TSUS items, 1980-87

Pre- TSUS item No.	MTN col. 1 rate of duty <u>1/</u>	Staged col. 1 rate of duty effective with respect to articles entered on or after Jan. 1—							
		1980 <u>2/</u>	1981	1982	1983	1984	1985	1986	1987
750.65—	10%	7%	4%	4%	4%	4%	4%	4%	4%

1/ Rate effective prior to Jan. 1, 1980.

2/ The first staged rate reduction became effective Jan. 1, 1980.

3/ \* \* \*.

2/ Based on a conversation with G. Brownschweig, the National Import Specialist for brushes, U.S. Customs Service, New York, on Feb. 14, 1985.

3/ Applicable to countries enumerated in general headnote 3(f) of the TSUS.



### Channels of distribution

Paint brushes are marketed throughout the United States, primarily by sales representatives working for the manufacturing companies. These representatives call on the various hardware and paint stores that retail this product. Most U.S. paint brush manufacturers market their product nationwide. Brushes may be sold to wholesale hardware distributors which distribute them through their organization on a national basis. Brushes are also sold directly to mass merchants and discounters, who account for about 50 percent of the total market. <sup>1/</sup> Many of these merchants and discounters also import brushes directly. Most major U.S. paint brush manufacturers display their complete line, which usually includes all types of paint applicators such as paint pads and rollers, as well as brushes, at the National Hardware Show and International Housewares Show, both held in Chicago, IL. Few orders are written at these shows, but manufacturers often introduce new products or new packaging concepts.

### Nature and Extent of Alleged Sales at LTFV

Petitioner alleges that imports of natural bristle paint brushes from China are being sold in the United States at LTFV. Because China is a nonmarket economy, the petitioner selected a surrogate country, Sri Lanka, to determine foreign market value. According to the petitioner, Sri Lanka was deemed most appropriate for this purpose based on the existence of domestic natural paint brush manufacturing facilities in that country and its somewhat comparable level of economic development.

In order to determine estimated dumping margins, petitioner compared adjusted domestic sales prices for Sri Lanka-made natural bristle paint brushes with prices offered by exporters of China-made natural bristle paint brushes to importers in the United States. These comparisons yielded margins of underselling ranging from 29.10 percent to 497.94 percent.

### U.S. Producers

Approximately 30 companies produced paint brushes in the United States in 1984. These companies are scattered throughout the country, with concentrations in the Midwest and Northeast regions. Less than 4,000 persons are employed in the manufacturing of paint brushes. Most producers are small- to medium-sized family-owned firms, although several are divisions of larger corporations. There have been several acquisitions and mergers in the past few years as the industry has tended to become more concentrated. Virtually all companies manufacture both natural bristle and synthetic fiber paint brushes; many also manufacture paint pads and rollers in order to offer a full line of paint applicator products. Several of the companies produce other types of brushes unrelated to paint brushes. A growing number of U.S. producers have begun importing paint brushes, both from China and other sources, particularly smaller, lower quality brushes, such as the "chip" brushes.

---

<sup>1/</sup> \* \* \*.

Table 2 lists the principal U.S. manufacturers of paint brushes and their relative share of the U.S. market.

Table 2.—Paint brushes: Principal U.S. paint brush manufacturers, their locations, share of the U.S. market in value in 1982, and share of dollar value of U.S. imports from China in 1984

Name of firm	Location	Estimated share of U.S. paint brush market 2/	Share of U.S. imports from China 5/
		<u>Percent</u>	
Petitioners: 1/			
Baltimore Brush	Brockton, MA	***	***
Elder & Jenks, Inc	Bayonne, NJ	***	***
EZ Painter Corp	Milwaukee, WI	***	***
H & G Industries	Belleville, NJ	***	***
Joseph Lieberman & Sons	Philadelphia, PA	***	***
PPG Industries	Baltimore, MD	***	***
Purdy, Inc	Portland, OR	***	***
Rubberset Co	Cleveland, OH	***	***
Thomas Paint Applicators	Johnson City, TN	***	***
Wooster Brush Co	Wooster, OH	***	***
Producers in opposition to petition:			
American Brush Co	Claremont, NH	***	***
Edy Brush	Amsterdam, NY	***	***
Linzer Products	Flushing, NY	***	***
All other:			
Bestt Roller, Inc	Fond du Lac, WI	***	***
Condom Bros. Co	Pittsburgh, PA	***	***
Corona Brushes, Inc	Tampa, FL	***	***
Essex Graham Co	Chicago, IL	***	***
Paint Brush Corp	Vermillion, SD	***	***
Paint Master, Inc	Flushing, NY	***	***
Royal Paint Roller	Brooklyn, NY	***	***
Shur-Line Mfg., Inc	Lancaster, NY	***	***
Stebbins & Roberts, Inc	Little Rock, AR	***	***

1/ There were 2 members of the coalition who were suppliers only and did not produce paint brushes.

2/ The most recent data available on the size of the U.S. paint brush industry are taken from the 1982 Census of Manufactures, which shows that the value of producers' shipments was \$132.7 million in 1982. Questionnaire respondents accounted for \*\*\* percent of the total paint brush industry in 1982.

3/ Did not respond to the Commission's questionnaire.

4/ Less than 1 percent.

5/ Total imports of natural bristle paint brushes from China amounted to \$6.5 million in 1984. Respondents to the Commissions' producers' questionnaire accounted for \*\*\* percent of total imports from China.

6/ Did not report any imports from China.

## U.S. Importers

Approximately \* \* \* firms imported paint brushes from China into the United States in 1984. In addition to traditional importers, this number includes several mass merchandise and general importing companies. A number of U.S. producers are also direct importers. 1/ Most of the companies import natural bristle, as well as synthetic fiber brushes. Only natural bristle brushes are being imported from China. In 1984, the largest importer was \* \* \*. The second largest was \* \* \*, followed by \* \* \* and \* \* \*. Most of the importers which import from China have been cultivating their business relationship with the Chinese for several years. U.S. importers report that a significant lead time (usually a minimum of 12 weeks) 2/ is required for all brush orders from China; frequently, an order is placed for an entire year, with shipments to be made at specified times during that year.

## Apparent U.S. Consumption

Apparent U.S. consumption of paint brushes rose steadily during the period examined in the preliminary investigation. U.S. consumption of all paint brushes increased from 124 million brushes in 1982 to 148 million brushes in 1983, or by 19 percent (table 3). Paint brush consumption continued to grow in 1984, reaching 174 million brushes and representing an increase of 18 percent over consumption in the preceding year. Apparent consumption of natural bristle paint brushes followed a similar but more sharply rising pattern during 1982-84. Natural bristle paint brush consumption increased from 40 million brushes in 1982 to 51 million brushes in 1983, or by 30 percent, and then increased by 40 percent the following year. The share of the U.S. market for paint brushes supplied by imports rose from 24.9 percent in 1982 to 29.4 percent in 1983, and then increased to 38.8 percent in 1984. The share of the domestic market for natural bristle paint brushes supplied by imports was greater than that for all paint brushes. Imports accounted for 27.0 percent of natural bristle paint brush consumption in 1982, rose to 36.7 percent in 1983, and rose again to 53.2 percent in 1984.

---

1/ At the conference, one of these U.S. producers, American Brush Co. stated that importing the less-expensive paint brushes from China helped his firm to compete with the very large U.S. producers. See transcript of public conference at p. 79.

2/ \* \* \*.

Table 3.—Paint brushes: U.S. producers' domestic shipments, imports for consumption, and apparent U.S. consumption, 1982-84

Item and year	Domestic shipments <u>1/</u>	Imports	Apparent consumption	Ratio of imports to—	
				Shipments	Consumption
		<u>1,000 units</u>		<u>Percent</u>	
Paint brushes:					
1982	93,431	31,041	124,472	33.2	24.9
1983	104,574	43,532	148,106	41.6	29.4
1984	106,643	67,624	174,267	63.4	38.8
Natural bristle paint brushes:					
1982	29,013	<u>2/</u> 10,751	39,764	37.1	27.0
1983	32,573	<u>2/</u> 18,924	51,497	58.1	36.7
1984	33,506	<u>2/</u> 38,150	71,656	113.9	53.2

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaire.

2/ Imports of natural bristle paint brushes are the sum of imports reported for China and Hungary.

Source: Shipments, compiled from questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

#### Consideration of Material Injury to an Industry in the United States

The information in this section of the report is compiled from the data submitted in response to the Commission's questionnaires. It is therefore understated to the extent that a few domestic firms that produce the subject products did not respond to the Commission's questionnaires. Nevertheless, all of the major producers of paint brushes have responded, and they are believed to account for more than \* \* \* percent of total U.S. paint brush production, and more than \* \* \* percent of all U.S. natural bristle paint brush production. 1/

#### U.S. production, capacity, and capacity utilization

Total U.S. production of paint brushes increased moderately during 1982-84, as shown in table 4. Paint brush production increased from 86 million brushes in 1982 to 91 million in 1983, or by 6 percent, and increased by another 2 percent in 1984. Total productive capacity for paint brushes increased by approximately 2 percent from 1982 to 1983 and by the same amount the following year. Substitution of more productive machinery for older

1/ The aggregate value of product shipments in 1982 by all responding producers was compared to data published in the 1982 Census of Manufactures.

Table 4.—Paint brushes: U.S. production, 1/ practical capacity, 2/ and capacity utilization, 1982-84

Item	1982	1983	1984
Paint brushes:			
Production-----1,000 units----	86,051	90,853	93,109
Capacity-----do-----	173,768	176,665	180,435
Capacity utilization-----percent----	49.5	51.4	51.6
Natural bristle paint brushes:			
Production-----1,000 units----	24,702	24,678	22,756
Capacity-----do-----	52,202	52,611	53,827
Capacity utilization-----percent----	47.3	46.9	42.3

1/ Production and capacity figures are understated to the extent that all producers did not respond to the questionnaires of the U.S. International Trade Commission.

2/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

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

equipment is responsible for this expansion in domestic capacity. Utilization of paint brush capacity edged up in each year examined. From 49.5 percent in 1982, capacity utilization rose to 51.4 percent in 1983, and to 51.6 percent in 1984.

Production of natural bristle paint brushes trended downward during 1982-84. For the 3-year period examined, production of such brushes totaled 25 million units in 1982, and then declined slightly in 1983 and by 8 percent in 1984. U.S. capacity to produce natural bristle paint brushes increased slightly from 1982 to 1983 and by 2 percent in 1984. Contrary to the trend discussed for all paint brushes, utilization of natural bristle capacity declined from 47.3 percent in 1982 to 46.9 percent in 1983, and to 42.3 percent in 1984.

#### U.S. producers' domestic shipments

U.S. producers' domestic shipments of all paint brushes are presented in table 5. U.S. producers' shipments increased from 88 million brushes in 1982 to 98 million brushes in 1983, or by 11 percent. Such shipments rose to 100 million brushes in 1984, representing an increase of 2 percent from the level reported in 1983.

Table 5.—Paint brushes: U.S. producers' 1/ domestic shipments, 2/ 1982-84

Item	1982	1983	1984
Paint brushes:			
Quantity-----1,000 units-----	87,806	97,827	99,960
Value-----1,000 dollars-----	***	102,742	111,886
Unit value-----per brush-----	***	\$1.05	\$1.12
Natural bristle paint brushes:			
Quantity-----1,000 units-----	27,887	30,891	31,792
Value-----1,000 dollars-----	***	30,475	33,128
Unit value-----per brush-----	***	\$0.99	\$1.04

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaire.

2/ Does not include intracompany and intercompany transfers.

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

U.S. producers' shipments of natural bristle paint brushes followed a similar upward trend as that reported for all paint brushes, increasing by 11 percent from 1982 to 1983 and by 3 percent the following year.

U.S. producers were asked to provide estimates of their shipments of domestically produced brushes that were 2 inches in width or under, and those brushes over 2 inches in width. As discussed earlier, most chip brushes are 2 inches or under in width; such brushes constituted approximately two-thirds of the natural bristle brush shipments during 1982-84, but have been declining as shown in the following tabulation (in percent):

<u>Natural bristle</u> <u>brushes</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
2 inches or under-----	68	66	63
Over 2 inches-----	32	34	37

There is no information currently available to determine how many of the brushes reported as 2 inches or under are chip brushes or are narrow brushes of higher quality.

#### U.S. producers' exports

U.S. producers' exports of paint brushes fluctuated downward during 1982-84 (table 6). U.S. producers exported 477,000 brushes in 1982, 420,000 brushes in 1983, and 461,000 brushes in 1984. Exports of paint brushes averaged well under 1 percent of U.S. producers' total shipments throughout the period examined.

U.S. producers' exports of natural bristle brushes increased irregularly during 1982-84. Such exports decreased from 189,000 brushes in 1982 to 149,000 brushes in 1983, and then increased to 219,000 brushes in 1984.

Table 6.—Paint brushes: U.S. producers' export shipments, 1/ 1982-84

Item	1982	1983	1984
Paint brushes:			
Quantity—————1,000 units—:	477	420	461
Value—————1,000 dollars—:	819	899	1,089
Unit value—————per brush—:	\$1.72	\$2.14	\$2.36
Natural bristle paint brushes:			
Quantity—————1,000 units—:	189	149	219
Value—————1,000 dollars—:	346	325	470
Unit value—————per brush—:	\$1.83	\$2.18	\$2.15

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaire.

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

Principal export markets for U.S.-produced paint brushes include Canada, Australia, Mexico, and Japan.

#### U.S. producers' inventories

U.S. producers, as a rule, keep large inventories of paint brushes so that unscheduled demand can be met quickly. 1/ U.S. producers' end-of-period inventories are shown in the following tabulation.

	<u>Inventories</u> <u>(1,000 units)</u>	<u>Ratio of inventories</u> <u>to shipments</u> <u>(percent)</u>
Paint brushes:		
As of Dec. 31—		
1981—————	23,518	1/
1982—————	20,996	22.5
1983—————	18,613	17.8
1984—————	24,249	22.7
Natural bristle paint brushes:		
As of Dec. 31—		
1981—————	6,056	1/
1982—————	5,381	18.5
1983—————	5,790	17.8
1984—————	9,103	27.2

1/ Not available.

A-11

U.S. employment, wages, and productivity

Data on U.S. employment, wages, and productivity in establishments producing paint brushes, as reported in responses to the Commission's questionnaires, are provided in tables 7-9. The ratio of production and related workers to total employees fluctuated between 77 and 79 percent during 1982-84. Production and related employees producing paint brushes accounted for 58 percent of total production and related workers in 1982, 60 percent in 1983, and 61 percent in 1984.

The average number of production and related workers producing paint brushes increased by 10 percent from 1982 to 1983, and by 5 percent in 1984. The average number of production and related workers producing natural bristle paint brushes increased by 11 percent from 1982 to 1983, and then declined by 6 percent in 1984.

Labor productivity rates and unit labor costs in the production of all paint brushes and for natural bristle paint brushes are presented in table 9.



Table 7.—Average number of employees, total and production and related workers, in U.S. establishments producing paint brushes, and hours worked 1/ by the latter, 1982-84

Item	1982	1983	1984
Average employment:			
All employees:			
Number—	1,821	1,906	1,958
Percentage increase—	<u>2/</u>	4.7	2.7
Production and related workers producing—			
All products:			
Number—	1,403	1,503	1,542
Percentage increase—	<u>2/</u>	7.1	2.6
Paint brushes:			
Number—	816	899	942
Percentage increase—	<u>2/</u>	10.2	4.8
Natural bristle paint brushes:			
Number—	223	247	232
Percentage change—	<u>2/</u>	10.8	-6.1
Hours worked by production and related workers producing—			
All products:			
Number—thousands—	3,972	4,296	4,503
Percentage increase—	<u>2/</u>	8.2	4.8
Paint brushes:			
Number—thousands—	2,841	3,077	3,169
Percentage increase—	<u>2/</u>	8.3	3.0
Natural bristle paint brushes:			
Number—thousands—	419	480	464
Percentage change—	<u>2/</u>	14.6	-3.3

1/ Includes hours worked plus hours of paid leave time.

2/ Not available.

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

Wages and total compensation paid to production and related workers producing all products and those paid to production and related workers producing paint brushes are shown in table 8.

Table 8.—Wages and total compensation <sup>1/</sup> paid to production and related workers in establishments producing paint brushes, 1982-84

Item	1982	1983	1984
Wages paid to production and related workers producing—			
All products			
1,000 dollars—	19,906	21,394	23,450
Paint brushes:			
Value—1,000 dollars—	12,270	12,938	14,018
Percentage increase—	<u>2/</u>	5.4	8.3
Natural bristle paint brushes:			
Value—1,000 dollars—	2,604	2,870	2,940
Percentage increase—	<u>2/</u>	10.2	2.4
Total compensation paid to production and related workers producing—			
All products:			
Value—1,000 dollars—	25,137	30,711	33,710
Percentage increase—	<u>2/</u>	22.2	9.8
Paint Brushes:			
Value—1,000 dollars—	15,348	16,323	17,649
Percentage increase—	<u>2/</u>	6.4	8.1
Natural bristle paint brushes:			
Value—1,000 dollars—	3,325	3,657	3,732
Percentage increase—	<u>2/</u>	10.0	2.1

<sup>1/</sup> Includes wages and contributions to Social Security and other employee benefits.

<sup>2/</sup> Not available.

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

Table 9. —Labor productivity, hourly compensation, and unit labor costs in the production of paint brushes, 1982-84

Item	1982	1983	1984
Labor productivity:			
For paint brushes			
units per hour—	30.29	29.53	29.38
For natural bristle paint brushes:			
Quantity—units per hour—	58.95	51.41	49.04
Percentage change—	1/	-12.8	-4.6
Hourly compensation: 2/			
For paint brushes—per hour—	\$4.32	\$4.20	\$4.42
For natural bristle paint brushes—per hour—	\$6.21	\$5.98	\$6.33
Unit labor costs:			
For paint brushes—per unit—	\$0.18	\$0.18	\$0.19
For natural bristle paint brushes—per unit—	\$0.13	\$0.15	\$0.16

1/ Not available.

2/ Based on wages paid excluding fringe benefits.

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

#### Financial experience of U.S. producers

\* \* \* U.S. firms returned producers' questionnaires, of which only \* \* \* furnished usable income-and-loss data for their operations in producing all paint brushes, natural bristle paint brushes, and on their overall establishment operations during 1982-84. 1/ The \* \* \* firms' aggregate sales of all paint brushes ranged between \* \* \* percent of total establishment sales in 1983 and \* \* \* percent in 1984. Their aggregate sales of natural bristle paint brushes averaged \* \* \* percent of all paint brush sales during 1982-84.

Operations producing all paint brushes.—The aggregate financial performance of the \* \* \* U.S. producers is presented in table 10. Net sales increased each year during 1982-84, from \* \* \* in 1982 to \* \* \* in 1983, a gain of 11.5 percent, then increased 10.5 percent to \* \* \* in 1984. The gross profit margin dipped in 1983 to 36.5 percent of sales from 38.2 percent in 1982, then improved to 38.6 percent of sales in 1984. However, both operating income and the ratio of operating income to sales declined each year during 1982-84. Operating income decreased from \* \* \* in 1982 to \* \* \* in 1984, or by 13.4 percent. The operating profit margin declined from 13.0 percent in 1982 to 11.1 percent in 1983, then dropped again in 1984 to 9.2 percent. None of the \* \* \* firms reported an operating loss during 1982-84.

1/ \* \* \*.

Table 10.—Income and loss experience of \* \* \* U.S. producers on their operations producing all paint brushes, 1982-84 1/

Item	1982	1983	1984
Net sales—1,000 dollars—	***	***	***
Cost of goods sold—do—	***	***	***
Gross profit—do—	***	***	***
General, selling, and administrative expenses			
1,000 dollars—	***	***	***
Operating income—do—	***	***	***
Depreciation and amortization expense—1,000 dollars—	***	***	***
Ratio to net sales of—			
Gross profit—percent—	38.2	36.5	38.6
Operating income—do—	13.0	11.1	9.2
Cost of goods sold—do—	61.8	63.5	61.4
General, selling, and administrative expenses—do—	25.2	25.5	29.4
Number of firms reporting operating losses—	0	0	0

1/ \* \* \*.

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

A summary of all paint brushes financial data for each individual company is presented in table 11.

Table 11.—Income-and-loss experience of \* \* \* U.S. producers on their operations producing all paint brushes, by firms, 1982-84

Item	1982	1983	1984
Net sales:			
* * *	*	*	*
Gross profit:			
* * *	*	*	*
Operating income or (loss):			
* * *	*	*	*
Depreciation and amortization:			
* * *	*	*	*
Ratio to net sales of Gross profit:			
* * *	*	*	*
Total-----percent-----	38.2	36.5	38.6
Operating income:			
* * *	*	*	*
Total-----percent-----	13.0	11.1	9.2

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

Operations producing natural bristle paint brushes.—A summary of income-and-loss data for each of the \* \* \* producers, by individual firm, is presented in table 12.

Table 12.—Income-and-loss experience of \* \* \* U.S. producers on their operations producing natural bristle paint brushes, by firms, 1982-84

Item	1982	1983	1984
Net sales:			
* * *	*	*	*
Gross profit:			
* * *	*	*	*
Operating income or (loss):			
* * *	*	*	*
Depreciation and amortization:			
* * *	*	*	*
Ratio to net sales of Gross profit:			
* * *	*	*	*
Total—percent—	35.2	33.5	35.6
Operating income:			
* * *	*	*	*
Total—percent—	9.0	7.7	7.2

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

Most of the machinery, equipment, and labor force used in the production of natural bristle paint brushes are also used in manufacturing other kinds of paint brushes. None of the responding producers keep separate income-and-loss data on natural bristle paint brush operations. The basis used for allocating each of the costs and expenses to natural bristle paint brushes operations varied from producer to producer. However, the \* \* \* largest producers, \* \* \* and \* \* \*, which accounted for \* \* \* percent and \* \* \* percent, respectively, of 1984 aggregate sales, based their allocation of the costs and expenses of

producing natural bristle paint brushes on the percentage of natural bristle paint brush sales to all paint brush sales. Allocation on a sales basis does not usually have any direct relationship with actual manufacturing costs. \* \* \*, accounting for \* \* \* percent of aggregate 1984 sales, did not indicate its method of allocation, and \* \* \*, accounting for \* \* \* percent of 1984 sales, estimated all costs and expenses without explaining the basis of estimation. Hence, the majority of income-and-loss data developed by the companies and presented in table 12 is limited in its use as a reasonable measure of profitability on the operations of natural bristle paint brushes.

Overall establishment operations.—A summary of establishment financial data for each individual company is presented in table 13.

Table 13.—Income-and-loss experience of \* \* \* U.S. producers on overall operations of their establishments within which paint brushes are produced, by firms, 1982-84

Item	:	1982	:	1983	:	1984
Net sales:						
* * *		*		*		*
Gross profit:						
* * *		*		*		*
Operating income or (loss):						
* * *		*		*		*
Depreciation and amortization:						
* * *		*		*		*
Ratio to net sales of Gross profit:						
* * *		*		*		*
Total—————percent—	:	35.1	:	34.3	:	36.5
Operating income:						
* * *		*		*		*
Total—————percent—	:	11.5	:	10.5	:	11.6

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

Capital expenditures.—\* \* \* firms furnished data relating to their capital expenditures on facilities to produce all establishment products. \* \* \* also reported capital expenditures on facilities to produce both all paint brushes and natural bristle paint brushes, and \* \* \* reported small amounts for all paint brush facilities. \* \* \* and \* \* \* accounted for \* \* \* percent of expenditures for natural bristle paint brush facilities in 1984. \* \* \* invested \* \* \* in new machinery and equipment, and \* \* \* expended \* \* \* for building improvements and \* \* \* for machinery and equipment. Such data are summarized in the following tabulation (in thousands of dollars):

	<u>1982</u>	<u>1983</u>	<u>1984</u>
All establishment products-----	1,866	1,804	2,601
All paint brushes-----	573	490	1,293
Natural bristle paint brushes-----	170	169	551

Research and development expenditures.—\* \* \* producers provided research and development (R&D) expenses. \* \* \* reported such expenses for both all paint brushes and natural bristle paint brushes, and \* \* \* reported R&D expenditures for all paint brushes only. \* \* \*, \* \* \*, and \* \* \* accounted for \* \* \* percent of R&D expenses for all paint brushes in 1984. \* \* \* accounted for \* \* \* of the \* \* \* expended on natural bristle paint brushes R&D in 1984. Research and development expense data are summarized in the following tabulation (in thousands of dollars):

<u>Product line</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
All paint brushes-----	***	***	***
Natural bristle paint brushes-----	***	***	***

Capital and investment—U.S. producers were requested to provide comments on any actual or potential negative effects of imports of natural bristle paint brushes from the People's Republic of China on their firms' growth, investment, and/or ability to raise capital. \* \* \* companies responded, \* \* \* of which cited no negative effects. The responses of the other \* \* \* companies are as follows:

EZ Paints Corporation: \* \* \* \* \*

The Wooster Brush Co.: \* \* \* \* \*.

The Purdy Corporation: \* \* \* \* \*.

PPG Industries: \* \* \* \* \*.

Baltimore Brushes Inc: \* \* \* \* \*.

Joseph Lieberman & Sons Inc.: \* \* \* \* \*.

Paint Brush Corporation: \* \* \* \* \*.



## Consideration of the Threat of Material Injury to an Industry in the United States

### Consideration factors

In its examination of the question of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase in LTFV imports, the rate of increase in U.S. market penetration by such imports, the amount of imports held in inventory in the United States, and the capacity of producers in the countries subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of paint brushes and of their U.S. market penetration is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly LTFV Imports."

### Capacity of foreign producers to generate exports and the availability of export markets other than the United States

Current data on the capacity of producers in China to produce natural bristle paint brushes and to generate exports of such merchandise are not available for this preliminary investigation. There is known to be a fairly large brush industry in China with many of the factories producing paint brushes. An industry source estimated that nearly every province in China (25 provinces) had at least one paint brush plant and generally several plants were located in those four provinces that produce bristle. Industry sources also reported that different brush plants in China produce paint brushes for different markets geared to satisfy that market's specific design and style preferences. For example, some plants manufacture brushes for export to the United States and Canada, and others produce for export to the Middle East. Plants in China compete internally for export orders and they also compete among themselves for available bristle. Certain brushes require a particular bristle produced in only one of the four bristle producing provinces; this bristle may not always be available in the quantities desired. <sup>1/</sup>

China exports approximately \* \* \* percent of its paint brushes to \* \* \*, \* \* \* percent to \* \* \*, \* \* \* percent to \* \* \*, and the balance to \* \* \*, \* \* \*. <sup>2/</sup> Recently, China's export markets have been limited somewhat as a consequence of dumping investigations conducted in several countries.

The Antidumping Tribunal in Canada determined, effective June 20, 1984, that dumping into Canada of natural bristle paint brushes is injurious to the production in Canada of the like goods. The weighted-average margin of dumping was 62.7 percent.

Australia also conducted a dumping investigation during 1984 on paint brushes manufactured from hog bristles in China. They concluded that such brushes had been exported to Australia at dumped prices and that evidence existed that these exports have caused injury to the Australian industry. Subsequently, an agreement was entered into with the Chinese exporter to limit future shipments.

---

<sup>1/</sup> \* \* \*.

<sup>2/</sup> See statement of Zhou Xikang, submitted on Mar. 25, 1985.

In response to antidumping investigations filed in the United Kingdom and West Germany, China agreed to limit its exports of natural bristle paint brushes to the European Community.

#### U.S. importers' inventories

The Commission requested the major importers of paint brushes from China to provide information concerning their imports and inventories. Their responses with respect to natural bristle paint brushes are reported in the following tabulation:

	<u>Inventories</u> (1,000 units)	<u>Ratio of inventories</u> <u>to reported imports</u> (percent)
1981-----	***	***
1982-----	***	***
1983-----	***	***
1984-----	***	***

#### Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly LTFV Imports

#### U.S. imports and market penetration

Imports from all sources.—Aggregate imports of paint brushes increased sharply during 1982-84. Total imports increased from 31 million brushes in 1982 to 44 million brushes in 1983, or by 40 percent, and then increased by another 55 percent in 1984 (table 14). Total imports of paint brushes accounted for an increasing share of the U.S. market during the period examined. In 1982, imports supplied 24.9 percent of apparent U.S. paint brush consumption; their share rose to 29.4 percent in 1983 and to 38.8 percent in 1984 (table 15). The largest foreign suppliers of paint brushes to the U.S. market in 1984 were China, Taiwan, the Republic of Korea (Korea), and Hong Kong, as shown in the following tabulation (in percent):

<u>Country</u>	<u>Share of</u> <u>total imports</u>
China-----	55.7
Taiwan-----	32.2
Korea-----	7.4
Hong Kong-----	2.2
Canada-----	.7
Hungary-----	.7
Argentina-----	.3
All other-----	.8
Total-----	100.0

Table 14.—Paint brushes: U.S. imports for consumption, by principal sources, 1982-84

Source	1982	1983	1984
Quantity (1,000 units)			
China	10,098	17,557	37,690
Taiwan	10,873	15,783	21,793
Korea	7,741	6,714	4,987
Hong Kong	1,146	1,216	1,459
Canada	17	14	471
Hungary	653	1,368	460
Argentina	125	418	205
West Germany	70	115	119
Japan	14	162	106
Brazil	19	0	81
All other	285	186	255
Total	31,041	43,532	67,624
Value (1,000 dollars)			
China	2,277	3,958	6,493
Taiwan	1,618	2,390	3,529
Korea	1,355	1,245	859
Hong Kong	66	133	554
Canada	19	11	57
Hungary	517	1,362	485
Argentina	40	195	68
West Germany	30	73	33
Japan	8	22	78
Brazil	6	0	56
All other	273	225	219
Total	6,208	9,613	12,430
Unit value			
China	\$0.2255	\$0.2255	\$0.1723
Taiwan	.1488	.1514	.1619
Korea	.1750	.1854	.1721
Hong Kong	.0579	.1092	.3796
Canada	1.0891	.7691	.1215
Hungary	.7917	.9963	1.0531
Argentina	.3207	.4668	.3324
West Germany	.4275	.6341	.2767
Japan	.5884	.1325	.7355
Brazil	.3242	—	.6905
All other	.9566	1.2082	.8618
Total	.2000	.2208	.1838

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

Table 15.—Paint brushes: Ratios of imports from China and all countries to apparent U.S. consumption of all paint brushes, and to apparent U.S. consumption of natural bristle paint brushes, 1982-84

(In percent)			
Source	1982	1983	1984
Ratios of imports from China to apparent U.S. consumption of—			
Paint brushes—	8.1	11.9	21.6
Natural bristle brushes—	25.4	34.1	52.6
Ratios of imports from all countries to apparent U.S. consumption of—			
Paint brushes—	24.9	29.4	38.8
Natural bristle paint brushes—	27.0	36.7	53.2

Source: Table 3 and table 14.

Imports of natural bristle paint brushes are not classified separately from all paint brushes in the official statistics maintained by the U.S. Department of Commerce. Questionnaires were sent to all known importers of paint brushes to develop data on natural bristle brush imports, but responses were not complete. Imports of paint brushes from Hungary are primarily natural bristle brushes, and imports from China are exclusively natural bristle brushes. 1/ Imports of paint brushes from these two countries have been assumed by petitioner to account for all U.S. imports of natural bristle paint brushes. 2/ The same assumption has been made in this report. Official statistics on paint brush imports from Hungary and China are considered to represent total imports of natural bristle paint brushes.

Imports of natural bristle paint brushes during 1982-84 from China and from all sources are presented in the following tabulation:

	1982	1983	1984
From China:			
Quantity—1,000 units—	10,098	17,557	37,690
Value—1,000 dollars—	2,277	3,958	6,493
From all sources:			
Quantity—1,000 units—	10,751	18,924	38,150
Value—1,000 dollars—	2,794	5,321	6,978

1/ See petition at pp. 15 and 16, and transcript from the public conference at p. 30.

2/ Although the official import data presented in table 14 show significant quantities of paint brushes imported from Taiwan and Korea, petitioner believes that these imports are primarily synthetic filament paint brushes. See petition at p. 15.

Imports of natural bristle paint brushes from all sources increased from 11 million brushes in 1982 to 19 million brushes in 1983, or by 76 percent, and then increased by 102 percent in 1984. Imports of natural bristle brushes accounted for 27.0 percent of U.S. consumption of such brushes in 1982, 36.7 percent in 1983, and 53.2 percent in 1984 (table 15).

Imports from China.—As previously stated, all paint brushes imported from China are made with natural bristle. These imports from China increased from 10 million brushes in 1982 to 18 million brushes in 1983, and then more than doubled to 38 million brushes the following year.

Brush imports from China supplied 8.1 percent of apparent U.S. consumption of all paint brushes in 1982, 11.9 percent in 1983, and 21.6 percent in 1984. As a share of apparent U.S. consumption of natural bristle paint brushes, China accounted for 25.4 percent in 1982, 34.1 percent in 1983, and 52.6 percent in 1984.

The share of the U.S. market held by imports from China of natural bristle paint brushes, when consumption and imports are measured in terms of value, are presented in the following tabulation (in percent):

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Ratio of imports from China to apparent U.S. consumption of:			
Paint brushes—————	2.3	3.6	5.4
Natural bristle paint brushes—————	7.9	11.6	17.5

Information concerning the distribution of imports of Chinese paint brushes by customs district during 1984, as compiled from official statistics of the U.S. Department of Commerce, is presented in the following tabulation (in percent):

<u>Customs district</u>	<u>Share of total imports from China</u>
New York, NY—————	40.2
Philadelphia, PA—————	25.2
Los Angeles, CA—————	25.2
Boston, MA—————	2.3
Charleston, SC—————	1.6
Buffalo, NY—————	1.5
Seattle, WA—————	1.1
Baltimore, MD—————	1.0
All other—————	1.9
Total—————	100.0

### Prices

Industry sources described the market for paint brushes as highly competitive with price being a very important factor in purchasers' decisions to buy one brand over another. Both domestic producers and importers of paint brushes issue yearly price lists, although quantity discounts are allowed off

list prices. Prices quoted are "delivered prices" based on a minimum volume of purchases, which differs from one supplier to another. A number of nonprice factors affecting sales were identified, such as packaging and sales techniques, inventory buy-back, consignment sales, and in some circumstances the granting of extra discounts above the normal ones allowed.

Domestic producers and importers sell their products to two types of buyers: wholesaler/distributors and retailers. Data received by the Commission show that individual sales to retailers were generally substantially smaller than sales to wholesaler/distributors. Consequently, prices to retailers were generally higher, reflecting the smaller sizes of sales to this group and the quantity discounts allowed on larger sales to wholesaler/distributors.

Prices of paint brushes vary with the width, length, and thickness of the bristles. Wider, longer, and thicker bristles are of higher quality and therefore command higher prices. The four general quality categories are identified as utility, good, better, and best. Utility brushes are also known in the trade as "chip" or "throw away" brushes. Utility brushes represented the bulk of U.S. imports of brushes from China during the period January 1982 through December 1984. <sup>1/</sup>

The Commission requested \* \* \* domestic producers and \* \* \* importers of paint brushes to provide quarterly data during 1982-84 on their net selling prices of four of the most common sizes of paint brushes for sales to wholesaler/distributors and to retailers. To minimize distortions in price comparisons resulting from differences in freight costs on sales to different locations, these freight costs were eliminated by requesting domestic producers to provide price data on an f.o.b. warehouse basis, and importers to provide price data on a landed, duty-paid basis. Both producers and importers stated that such data were not readily available. Domestic producers provided price data on a delivered basis and importers provided price data on an f.o.b. warehouse basis. In order to enhance the comparability of price data received, the Commission staff adjusted producers' prices to an f.o.b. warehouse basis using the freight cost data provided by each producer. Although these costs differed from one producer to another, they ranged from 3-5 percent of delivered cost. Producers' and importers' prices and margins of underselling are shown in tables 16 and 17 for the four products for which data were requested:

Product 1: Utility/chip brush, made with natural bristle, with a bristle dimension of 1-inch width x 5/16-inch thickness x 1-1/2 - 1-3/4-inch length.

Product 2: Utility/chip brush, made with natural bristle, with a bristle dimension of 2-inch width x 5/16-inch thickness x 1-1/2 - 1-3/4-inch length.

Product 3: Paint brush, good quality, made with natural bristle, with a bristle dimension of 2-inch width x 9/16-inch thickness x 2-1/4 - 2-1/2-inch length.

Product 4: Paint brush, good quality, made with China bristle, with a bristle dimension of 4-inch width x 11/16-inch thickness x 2-1/4 - 2-3/4-inch length.

---

<sup>1/</sup> See transcript of public conference at p. 117.

### Trends in prices to wholesaler/distributors

Product 1.—Six domestic producers and seven importers provided price data on 1-inch utility brushes. Domestic prices of 1-inch utility brushes increased by 8 percent, from \* \* \* per brush in January–March 1982 to \* \* \* per brush in October–December 1984. In 1982, the average price declined slightly in the second half of the year. In 1983, the average price increased by \* \* \*, reaching \* \* \* per brush in January–March. Prices declined irregularly during the remainder of the year to \* \* \* in October–December. In 1984, prices initially increased slightly, but then remained unchanged at \* \* \* per brush.

Import prices declined by 50 percent, from \* \* \* per brush in January–March 1982 to \* \* \* in October–December 1984. In 1982, prices declined from \* \* \* in January–March to \* \* \* in October–December. In 1983, prices increased irregularly, reaching \* \* \* per brush in October–December. In 1984, the average price declined from \* \* \* per brush in January–March to \* \* \* in October–December. Imports undersold the domestic product in 10 calendar quarters, by margins ranging from 17 to 46 percent. In the remaining two quarters, January–June 1982, import prices were higher than domestic prices by 4 to 17 percent.

Product 2.—Six domestic producers and seven importers provided price data on 2-inch utility brushes. Domestic prices increased irregularly from \* \* \* per brush in January–March 1982 to \* \* \* per brush in October–December 1984. In 1982, prices remained unchanged at \* \* \* per brush except in July–September when prices declined by \* \* \*. Prices then increased in the first quarter of 1983 to \* \* \* per brush, then declined slightly in the last two quarters. In 1984, prices remained unchanged at \* \* \* per brush.

Import prices declined by 6 percent, from \* \* \* per brush in January–March 1982 to \* \* \* per brush in October–December 1984. Imports undersold the domestic product in every quarter, by margins ranging from 9 to 25 percent.

Product 3.—Six domestic producers and five importers provided price data on good quality 2-inch brushes. Domestic producers provided prices covering 12 quarters and importers provided price data covering only the eight quarters from January–March 1983 through October–December 1984. Domestic prices declined irregularly by 3 percent, from \* \* \* per brush in January–March 1982 to \* \* \* brush in October–December 1984. Import prices declined by 38 percent, from \* \* \* per brush in January–March 1983 to \* \* \* in October–December 1984. Imports undersold the domestic product in the seven more recent periods for which data were available, by margins ranging from 21 percent to 53 percent. In the remaining quarter (January–March 1983), import prices were higher than domestic prices by a margin of 9 percent.

Product 4.—Six domestic producers and five importers provided price data for good quality 4-inch brushes. 1/ Domestic prices increased

---

1/ One additional importer reported prices for 4-inch brushes that are believed not to be comparable to other importers prices. The price reported for this article, \* \* \* per brush, is substantially above both U.S. producers' prices and prices of other importers. Therefore, these data were not included in the tables.

Table 16.—Paint brushes: Domestic producers' and importers' weighted-average f.o.b. prices on sales to wholesalers/distributors and imports' margins of underselling or (overselling), by products and by quarters, January 1982–December 1984

Period	Domestic producers	Importers	Imports' margins of underselling or (overselling)
	Per brush		Percent
<u>Product 1 1/</u>			
1982:			
January–March	***	***	(17)
April–June	***	***	( 4)
July–September	***	***	17
October–December	***	***	30
1983:			
January–March	***	***	30
April–June	***	***	25
July–September	***	***	28
October–December	***	***	24
1984:			
January–March	***	***	35
April–June	***	***	35
July–September	***	***	42
October–December	***	***	46
<u>Product 2 2/</u>			
1982:			
January–March	***	***	9
April–June	***	***	17
July–September	***	***	12
October–December	***	***	14
1983:			
January–March	***	***	16
April–June	***	***	16
July–September	***	***	11
October–December			9
1984:			
January–March	***	***	14
April–June	***	***	19
July–September	***	***	25
October–December			17

See footnotes at end of table.



Table 16.—Paint brushes: Domestic producers' and importers' weighted-average f.o.b. prices on sales to wholesalers/distributors, and imports' margins of underselling or (overselling), by products and by quarters, January 1982–December 1984—Continued

Period	Domestic producers	Importers	Imports' margins of underselling or (overselling)	
	Per brush		Percent	
<u>Product 3 3/</u>				
1982:				
January–March	***	***	5/	
April–June	***	***	5/	
July–September	***	***	5/	
October–December	***	***	5/	
1983:				
January–March	***	***		(9)
April–June	***	***		53
July–September	***	***		49
October–December	***	***		21
1984:				
January–March	***	***		45
April–June	***	***		40
July–September	***	***		35
October–December	***	***		31
<u>Product 4 4/</u>				
1982:				
January–March	***	***		18
April–June	***	***		14
July–September	***	***		21
October–December	***	***		20
1983:				
January–March	***	***		16
April–June	***	***		23
July–September	***	***		30
October–December	***	***		25
1984:				
January–March	***	***		12
April–June	***	***		19
July–September	***	***		30
October–December	***	***		23

1/ Product 1: Utility chip brush, made with natural bristle, with a bristle dimension of 1" width x 5/16" thickness x 1-1/2" – 1-3/4" length.

2/ Product 2: Utility chip brush, made with natural bristle, with a bristle dimension of 2" width x 5/16" thickness x 1-1/2" – 1-3/4" length.

3/ Product 3: Paint brush, good quality, made with natural bristle, with a bristle dimension of 2" width x 9/16" thickness x 2-1/4" – 2-1/2" length.

4/ Product 4: Paint brush, good quality, made with natural bristle, with a bristle dimension of 4" width x 11/16" thickness x 2-1/4" – 2-3/4" length.

5/ Not available.

A-29

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

Table 17.—Paint brushes: Domestic producers' and importers' weighted-average f.o.b. prices on sales to retailers, and imports' margins of underselling or (overselling), by products and by quarters, January 1982–December 1984

Period	Domestic producers	Importers	Imports' margins of underselling or (overselling)
	Per brush		Percent
<u>Product 1 1/</u>			
1982:			
January–March	***	***	3/
April–June	***	***	3/
July–September	***	***	3/
October–December	***	***	(42)
1983:			
January–March	***	***	19
April–June	***	***	19
July–September	***	***	0
October–December	***	***	(15)
1984:			
January–March	***	***	0
April–June	***	***	12
July–September	***	***	(8)
October–December	***	***	0
<u>Product 2 2/</u>			
1982:			
January–March	***	***	3/
April–June	***	***	3/
July–September	***	***	3/
October–December	***	***	3
1983:			
January–March	***	***	8
April–June	***	***	21
July–September	***	***	5
October–December	***	***	3
1984:			
January–March	***	***	5
April–June	***	***	(8)
July–September	***	***	(13)
October–December	***	***	(5)

1/ Product 1: Utility chip brush, made with natural bristle, with a bristle dimension of 1" width x 5/16" thickness, x 1-1/2" – 1-3/4" length.

2/ Product 2: Utility chip brush, made with natural bristle, with a bristle dimension of 2" width x 5/16" thickness x 1-1/2" – 1-3/4" length.

3/ Not available.

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

irregularly by 7 percent, from \* \* \* per brush in January-March 1982 to \* \* \* per brush in October-December 1984.

The weighted-average price for sales reported by importers increased irregularly from \* \* \* per brush in January-March 1982 to \* \* \* per brush in October-December 1984. Imports undersold the domestic product in every quarter by margins ranging from 12 to 30 percent.

Trends in prices to retailers.—Although domestic producers provided price data for every quarter of the period of investigation, importers provided data for only nine quarters for products 1 and 2, and two quarters for product 3. No import price data were provided for product 4. Therefore, data on products 3 and 4 will be discussed in the text rather than presented in a tabular form.

Product 1.—Six domestic producers and three importers provided retail price data on 1-inch utility brushes. Domestic prices increased irregularly by 8 percent, from \* \* \* per brush in January-March 1982 to \* \* \* per brush in October-December 1984. Import prices declined irregularly by 24 percent, from \* \* \* per brush in October-December 1982 to \* \* \* per brush in October-December 1984.

Imports undersold the domestic product in the three earliest quarters for which data were available, by margins ranging from 12 to 19 percent. In three of the remaining five quarters, import prices were equal to domestic prices, and in the other two quarters import prices were 8 to 42 percent higher than domestic prices.

Product 2.—Six domestic producers and three importers provided retail price data on 2-inch utility brushes. Domestic prices increased irregularly by 12 percent, from \* \* \* per brush in January-March 1982 to \* \* \* per brush in October-December 1984.

Importers' prices covered only 9 of 12 quarters. Prices increased irregularly by 18 percent, from \* \* \* per brush in January-March 1983 to \* \* \* per brush in October-December 1984.

Imports undersold the domestic product in the six earliest periods for which data were available, by margins ranging from 3-21 percent. In the three remaining quarters (April-December 1984), import prices were higher than those of U.S. producers by 5 to 13 percent.

Product 3.—Six domestic producers and one importer provided retail price data on good quality 2-inch brushes. Domestic producers provided price data for every calendar quarter, and importers provided price data for two quarters only, July-December 1984. Domestic producers' prices increased irregularly by 16 percent, from \* \* \* per brush in January-March 1982 to \* \* \* through October-December 1984.

Import prices remained unchanged at \* \* \* per brush in the two quarters for which these data were available. Imports undersold the domestic product in these two quarters by a margin of 54 percent.

Product 4.—Six domestic producers provided price data on good quality 4-inch brushes. Domestic prices increased irregularly by around 7 percent, from \* \* \* per brush in January–March 1982 to \* \* \* per brush in October–December 1984. No import price data were available for this product.

#### Transportation costs

Domestic producers shipped paint brushes during the period under investigation on common carriers; transportation costs ranged from 2 to 5 percent of total prices. Industry sources stated that transportation costs were not an important factor affecting their price competitiveness. One producer commented during a telephone conversation with the Commission staff that, " \* \* \*."

#### Exchange rates

The nominal value of the U.S. dollar appreciated steadily relative to the Chinese yuan, by approximately 32 percent during the period January 1982–December 1984, as shown in the following tabulation (January–March 1982=100):

1982:	
January–March	100.00
April–June	98.38
July–September	93.30
October–December	91.66
1983:	
January–March	92.57
April–June	90.96
July–September	91.13
October–December	91.07
1984:	
January–March	88.05
April–June	83.65
July–September	75.42
October–December	67.73

Real exchange rates of the U.S. dollar relative to the Chinese yuan <sup>1/</sup> were not calculated, because China does not publish the price indexes which are necessary for such calculations.

#### Lost sales and revenues

The domestic producers were asked to furnish the Commission with information concerning sales of natural bristle paint brushes lost to imports from China. Domestic producers, for the most part, did not provide specific

---

<sup>1/</sup> Real exchange rates are nominal rates adjusted for relative levels of inflation in the subject countries.

instances of lost sales. Instead, customers were cited where individual producers had experienced a reduction in sales of natural bristle paint brushes and which they believed were now being supplied by imports from China. The Commission's staff was able to contact seven of these customers, which accounted for approximately \* \* \* of alleged lost sales during 1982-84. A summary of their responses follow.

The first allegation investigated named \* \* \*, as having purchased approximately \* \* \* of Chinese bristle brushes during 1981-84. When contacted, a representative for \* \* \* stated that his company began buying chip brushes imported from China from two U.S. producers in 1982. Prior to that the firm purchased chip brushes from \* \* \* (the U.S. producer supplying this allegation). Price considerations were given as the factors leading to the discontinuation of \* \* \* as a supplier of chip brushes. He estimated that \* \* \* lost approximately \* \* \* of \* \* \* business over the past 3 years.

\* \* \* was named by \* \* \* as a customer where sales were lost to Chinese chip brushes during 1982-84. According to \* \* \*, his firm supplies all types of brushes to industrial end users. \* \* \* stated that he purchases both U.S.-made and China-made chip brushes and that the Chinese brushes are about half the cost of the U.S.-manufactured brushes. His high-volume customers, \* \* \*, will purchase the imported brush because the savings are significant. Smaller customers will request U.S.-made brushes as a matter of principle and because the dollars saved by buying imported brushes are not that significant.

Another allegation investigated named \* \* \* as the alleged purchaser of Chinese natural bristle paint brushes valued at \* \* \*. \* \* \*, a buyer for this firm, stated that \* \* \* does in fact import chip brushes directly from China. According to \* \* \*, his firm had previously bought China-made chip brushes from \* \* \* (the U.S. producer supplying this lost sale allegation) until they found that they could import direct at a considerable savings. He could not estimate the difference in price or the value of his imports from China.

\* \* \*, was cited as a lost sale by \* \* \*. \* \* \*, a buyer at this firm, purchases natural bristle paint brushes from several U.S. producers. One of these producers, \* \* \*, supplies his firm with chip brushes imported from China. \* \* \* stated that \* \* \* buys these imported brushes from this producer not because they are less expensive than those he could get from other producers, such as \* \* \* or \* \* \*, but rather to add items to his purchases from \* \* \* so as to reach the minimum quantities needed to receive prepaid delivery shipments.

\* \* \*, was named by \* \* \* as a lost sale. \* \* \*, stated that he purchases natural bristle paint brushes made in China from \* \* \*. He described these brushes as low-quality paint brushes. According to \* \* \*, no other domestic producer has offered to sell him comparable U.S.-made brushes.

\* \* \* was cited by \* \* \* as a customer where sales have been lost to imports from China. \* \* \*, a manager for this \* \* \*, responded that the only China-made bristle brushes bought by his firm are chip brushes bought from

\*\*\*. \*\*\* purchases its full line of paint brushes from \*\*\*. \*\*\* feels \*\*\* was forced to import this inexpensive brush in order to compete with other paint brush suppliers who were already importing from China.

\*\*\*, located in \*\*\*, was \*\*\* named by \*\*\* as a lost sale. \*\*\*, one of the \*\*\*, was contacted but he did not know the origin of the paint brushes carried \*\*\*.

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF A  
PRELIMINARY ANTIDUMPING INVESTIGATION

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-244 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the People's Republic of China of natural bristle paint brushes, with or without handles, provided for in item 750.65 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by April 5, 1985.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's rules of practice and procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 49 FR 32569, August 15, 1984).

**EFFECTIVE DATE:** February 19, 1985.

**FOR FURTHER INFORMATION CONTACT:** Lawrence Rausch (202-523-0286), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436.

**SUPPLEMENTARY INFORMATION:**

**Background.** This investigation is being instituted in response to a petition filed on February 19, 1985, by the United States Paint Brush Manufacturers and Suppliers Ad Hoc Import Action Coalition, Washington, DC.

**Participation in the investigation.** Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service list.** Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

In accordance with § 201.16(c) of the rules (19 CFR 201.16(c), as amended by 49 FR 32569, August 15, 1984), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

**Conference.** The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on March 15, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Lawrence Rausch (202-523-0286), not later than March 13, 1985, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

**Written submissions.** Any person may submit to the Commission on or before March 19, 1985, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8, as amended by 49 FR 32569, August 15, 1984). 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 to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6, as amended by 49 FR 32569, August 15, 1984).

**Authority:** This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: February 25, 1985.

[Investigation No. 731-TA-244  
(Preliminary)]

**Natural Bristle Paint Brushes From the  
People's Republic of China**

**AGENCY:** International Trade  
Commission.

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



By order of the Commission.

**Kenneth R. Mason,**

*Secretary.*

[FR Doc. 85-5401 Filed 3-5-85; 8:45 am]

**SUILLING CODE 7020-02-M**

---



APPENDIX B

NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF  
AN ANTIDUMPING INVESTIGATION

---

[A-435-401]

**Natural Bristle Paint Brushes and Brush Heads From the People's Republic of China; Initiation of Antidumping Duty Investigation**

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether natural bristle paint brushes and brush heads from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We will notify the United States International Trade Commission (ITC) of this action so that it may determine whether imports of these products are causing material injury, or threaten material injury to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before April 5, 1985, and the Department of Commerce will make its preliminary determination on or before July 29, 1985.

**EFFECTIVE DATE:** March 15, 1985.

**FOR FURTHER INFORMATION CONTACT:** Mary J. Jenkins, Office of Investigation, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-1756.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On February 19, 1985, we received a petition in proper form filed by the United States Paint Brush Manufacturers and Suppliers Ad Hoc Import Action Coalition, on behalf of the U.S. industry producing natural bristle paint brushes and brush heads. The coalition is comprised of 10 United

States manufacturers and two suppliers of paint brushes. 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 the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry.

Petitioner based United States prices on "purchase price" which was determined by using 1984 price quotations received by unrelated U.S. purchasers of Chinese produced natural bristle paint brushes.

Petitioner claims that the PRC is a state-controlled economy country within the meaning of the Act. It alleges that the state-controlled nature of the industry and the consequent ability to set prices without regard to production costs, does not permit a reliable calculation of foreign market value based either on sales or offers of sales of the products under investigation in the PRC or to countries other than the United States. Therefore, petitioner alleges that the Department of Commerce must choose a surrogate country. The petitioner chose Sri Lanka as the non-state-controlled-economy surrogate country whose prices should be used as the basis for determining the foreign market value of the merchandise under investigation.

Petitioner supports its allegations of sales at less than fair value by using as foreign market value ex-factory prices for natural bristle paint brushes in Sri Lanka obtained from a 1983 price list supplied to a manufacturer of the British Brush Manufacturing Association. Petitioner attempted to convert the 1983 price list to 1984 prices, taking into account inflation in Sri Lanka and changes in the exchange rate.

Based on comparison of prices calculated using the foregoing methodology, the petitioner alleges an average dumping margin ranging from 26.70 percent to 487 percent. Petitioner also compared the average unit price of paint brushes imported to the United States from Sri Lanka in 1983 with the average unit price of paint brushes imported from the PRC in 1983, using the customs entry value as derived from the Bureau of the Census statistics. Based on comparisons of prices calculated using this method, the petitioner alleges an estimated dumping margin of 205.99.

### Initiation of Investigations

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on natural bristle paint brushes and brush heads and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether natural bristle paint brushes and brush heads from the PRC are being, or are likely to be, sold in the United States at less than fair value.

Petitioner has included natural bristle brush heads within the scope of investigation to avoid the possibility that antidumping duties assessed on paint brushes from the PRC might be avoided by switching to importation of paint brush heads to be fitted with handles in the United States. Petitioner provided correspondence received from exporters stating that natural bristle paint brush heads are available for exportation from the PRC. Both natural bristle paint brushes and brush heads are currently provided for in item number 750.65 of the *Tariff Schedules of the United States, Annotated (TSUSA)*. Therefore, we have no information with which we can determine whether brush heads are currently imported into the United States. We have determined that natural bristle paint brush heads are a part of the same class or kind of merchandise as paint brushes and have included them in the scope of the investigation.

In the course of our investigation, we will determine whether the economy of the PRC is state-controlled to an extent that sales of such or similar merchandise in the home market or third country markets do not permit determination of foreign market value. If it is determined to be a state-controlled economy, we will then choose a non-state-controlled-economy surrogate country for purposes of determining foreign market value. If our investigation proceeds normally, we will make our preliminary determination by July 29, 1985.

### Scope of Investigation

The products covered by this investigation are natural bristle paint-brushes and brush heads currently provided for in item 750.65 of the *TSUSA*.

### Notification of the ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. 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 the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the consent of the Deputy Assistant Secretary for Import Administration.

### Preliminary Determination by the ITC

The ITC will determine by April 5, 1985, whether there is a reasonable indication that imports of natural bristle paint brushes and brush heads from the PRC are causing material injury, or threaten material injury, to a United States industry. If the ITC determination is negative the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

C. Christopher Parlin,

Acting Deputy Assistant Secretary for Import Administration

March 11, 1985.

[FR Doc. 85-6222 Filed 3-14-85; 8:45 am]

BILLING CODE 3510-08-M



APPENDIX C

LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-244 (Preliminary)

NATURAL BRISTLE PAINT BRUSHES FROM  
THE PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on March 15, 1985, in Room 331 of the USITC Building, 701 E Street, NW, Washington, DC

In support of the petition

Bishop, Liberman, Cook, Purcell, & Reynolds—Counsel  
Washington, D.C.  
on behalf of

The United States Paint Brush Manufacturers and Suppliers  
Ad Hoc Import Action Coalition

Harry Lieberman, President, Joseph Lieberman & Sons, Inc.

George G. Buzuvis, Plant Manager, Rubberset Company

Charles R. Johnston, Jr.)  
Joseph Tasker, Jr.) —OF COUNSEL

In opposition to the petition

Mandel Resti Pollack and Borakove—Counsel  
New York, N.Y.  
on behalf of

American Brush Company, Inc., Britbull Industries, A. Hirsch Inc.  
and Linzer Products, Inc.

Alan Benson, Linzer Products, Inc.

Stanley Edelson, Amsterdam Bristle Corporation

Gary S. Furst, American Brush Company, Inc.

James A. Resti—OF COUNSEL