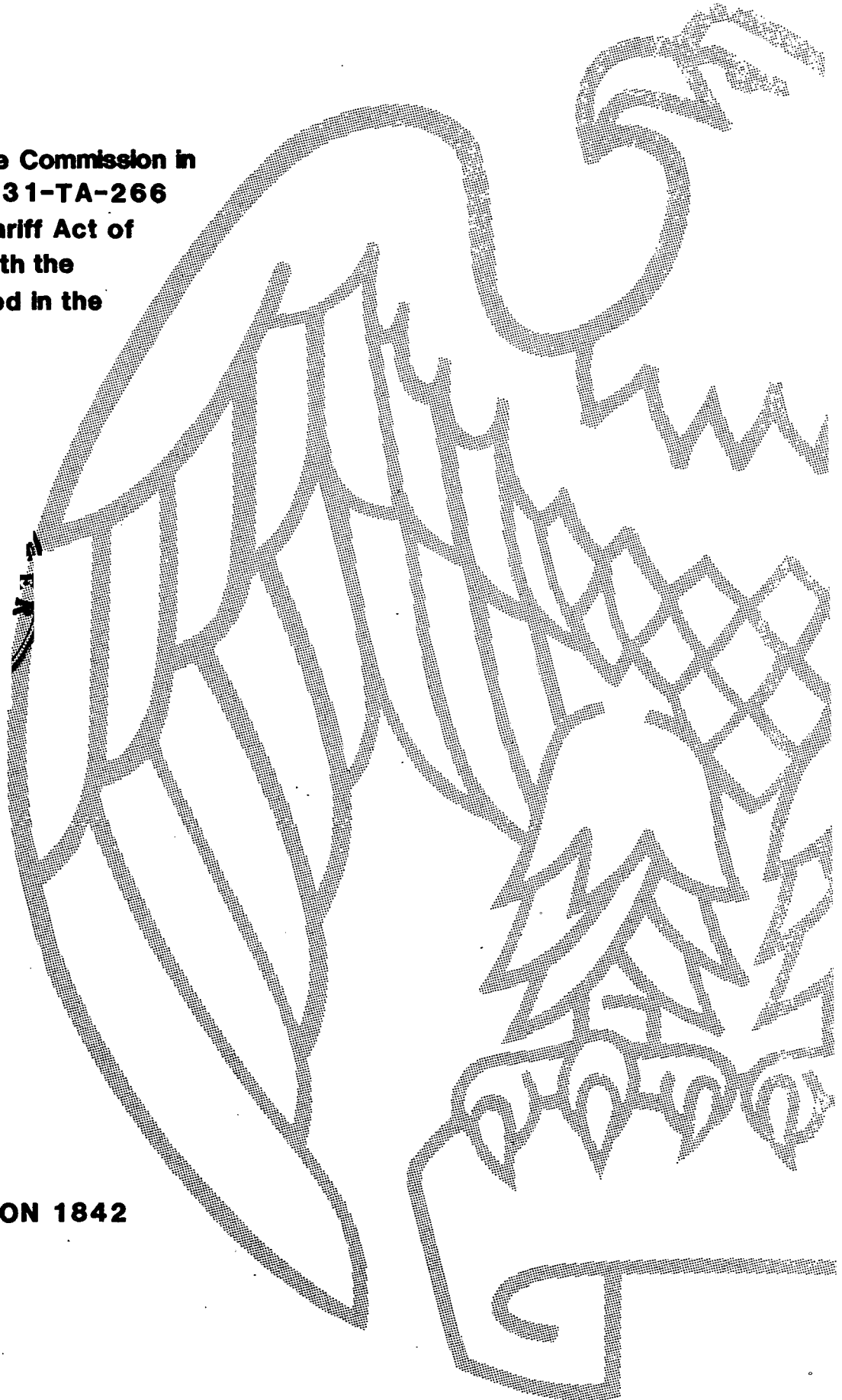


# **CERTAIN STEEL WIRE NAILS FROM THE PEOPLE'S REPUBLIC OF CHINA**

**Determination of the Commission in  
Investigation No. 731-TA-266  
(Final) Under the Tariff Act of  
1930, Together With the  
Information Obtained in the  
Investigation**



**USITC PUBLICATION 1842**

**MAY 1986**

# **UNITED STATES INTERNATIONAL TRADE COMMISSION**

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### **Staff Assigned:**

Bruce Cates, Office of Investigations  
James Brandon, Office of Industries  
Elizabeth Henning, Office of Economics  
Debbie VonBeulen, Office of Investigations  
Marcy Stras, Office of the General Counsel  
Vera Libeau, Supervisory Investigator

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

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Note.—Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

Investigation No 731-TA-266 (Final)

CERTAIN STEEL WIRE NAILS FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-266 (Final), the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673 (b)), that an industry in the United States is materially injured by reason of imports from the People's Republic of China of one-piece steel wire nails made of round steel wire, provided for in item 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS); similar steel wire nails of one-piece construction, of any diameter, provided for in item 646.30 of the TSUS; two-piece steel wire nails, provided for in item 646.32 of the TSUS; and steel wire nails with lead heads, provided for in item 646.36 of the TSUS which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Notice of the institution of the Commission's final investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of January 30, 1986 (51 FR 3862). The hearing was held in Washington, DC on April 3, 1986. The Commission's determination in this investigation was made in an open "Government in the Sunshine" meeting held on April 25, 1986.

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1/The "record" is defined in section 207.2 (i) of the Commission's Rules of Practice and Procedure (19 U.S.C. § 207.2(i)).

2/ Commissioners Eckes, Lodwick and Rohr made affirmative determinations. Chairwoman Stern, Vice Chairman Liebler, and Commissioner Brunsdale made negative determinations. Pursuant to 19 U.S.C. sec. 1677(11) (1980), when the Commissioners voting on a determination by the Commission are evenly divided as to whether the determination should be affirmative or negative, the Commission shall be deemed to have made an affirmative determination.

### Background

The Commission instituted this final investigation, effective January 9, 1986, following a preliminary determination by the Department of Commerce that imports of certain steel wire nails from the People's Republic of China ("China") are likely to be sold at LTFV. Commerce's preliminary affirmative LTFV determination was published in the Federal Register of January 9, 1986 (51 FR 1025).

On June 5, 1985, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Atlantic Steel Co., Atlas Steel & Wire Corp., Continental Steel Corp., Davis-Walker Corp., 1/ Dickson Weatherproof Nail Co., Florida Wire & Nail Co., Keystone Steel & Wire Co., Northwestern Steel & Wire Co., Virginia Wire & Fabric Co., and Wire Products Co. The petitions alleged that certain steel wire nails from China were being, or were likely to be, sold in the United States at LTFV. Accordingly, effective June 5, 1985, the Commission instituted investigation No. 731-TA-266 (Preliminary) under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of imports from China of certain steel wire nails provided for in TSUS items 646.25, 646.26, 646.30, 646.32, and 646.36. On July 22, 1985, the Commission notified the Department of Commerce of its affirmative determination 2/ with respect to its preliminary investigation on the imports from China. As a result, Commerce continued its investigation on alleged LTFV sales of certain steel wire nails from China. Commerce's final determination with respect to LTFV imports from China was published in the Federal Register of March 25, 1986 (51 FR 10247).

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1/ Davis-Walker withdrew as a petitioner by letter of Sept. 5, 1985.

2/ Chairwoman Stern and Vice Chairman Liebelier dissenting.

IEWS OF COMMISSIONERS ECKES, LODWICK, AND ROHR

We determine that an industry in the United States is materially injured by reason of imports of steel wire nails from the People's Republic of China ("PRC"), which are being sold at less than fair value (LTFV). 1/ Our affirmative determination is based upon the weak financial performance of the domestic industry during a period of rising volume and increasing market penetration of low-priced steel wire nail imports from the PRC.

Definition of the like product and domestic industry 2/

The imported products under investigation are steel wire nails of one-piece construction made of round steel wire, steel wire nails of two-piece construction, and steel wire nails with lead heads. 3/ These nails are available in a variety of heads, shanks, points, sizes, and finishes. Common coating materials include zinc (galvanized nails), cement, and vinyl. 4/

1/ Material retardation of the establishment of an industry is not at issue in this investigation and will not be discussed further.

2/ Section 771(10) of the Tariff Act of 1930 defines "like product" as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation . . .". 19 U.S.C. Sec. 1677(10). The "domestic industry" is defined by section 771(4)(A) as "[t]he 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." 19 U.S.C. Sec. 1677(4)(A).

3/ 51 F.R. 10427 (March 24, 1986).

4/ Final Report to the Commission ("Report") at A-4.

Finishes can be applied to the nails to improve their holding ability or to prevent rust and corrosion. Some of the nails also are collated (attached to strips of tape or other adhesive material) for use in pneumatic nailing guns. 5/ Nails generally are used to join two pieces of material, usually wood.

There are no material distinctions between the imported and domestic product. The issue presented in this investigation is whether steel wire nails constitute one like product--all steel wire nails--or several separate like products (e.g., electrogalvanized nails, hot dipped nails,).

We adopt our definition in the preliminary investigation that there is only one like product; all steel wire nails. 6/ While nails may differ in shape, finish, and principal uses, we find substantial similarities in production, sufficient commonality in essential characteristics, and a broad overlap in uses for all steel wire nails. 7/ Thus, we determine that there is one like product, steel wire nails; and we have examined the impact of imports from the PRC on one industry, the producers of steel wire nails. 8/

5/ Id.

6/ In the preliminary investigation, we adopted the previous definition of the like product in Certain Steel Wire Nails from Korea, Inv. No. 731-TA-46 (Final), USITC Pub. 1274 (1982).

7/ S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979) states that like product "should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the articles are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation."

8/ The Commission requested that firms provide separate trade data for hot-galvanized, electrogalvanized, and other steel wire nails in the questionnaires. However, only 5 firms out of the 17 producers responding to the Commission's questionnaires were able to provide separate data. Therefore, under section 771(4)(D), our analysis would necessarily have to consider data for the narrowest group that includes the separate like product, all steel wire nails.

Condition of the domestic industry

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, U.S. consumption, production, capacity, capacity utilization, shipments, inventory levels, market share, employment, wages, and the financial performance of the industry.

Apparent consumption of steel wire nails rose from 1,052,000 tons in 1983 to 1,145,000 tons in 1984, or by 8.8 percent, and then declined to 1,117,000 tons in 1985, or by 2.4 percent from 1984. 9/

Domestic production of steel wire nails, as reported in questionnaire responses, increased steadily from 233,000 tons in 1983 to 261,000 tons in 1985, an increase of 12 percent. 10/ Production capacity of the responding producers increased by about one percent between 1983 and the end of 1985. 11/ Capacity utilization declined from 62.0 percent in 1983 to 57.8 percent in 1984, then increased in 1985 to 60.6 percent. 12/

The domestic industry's share of the market fell from 62.2 percent in 1983 to 57.7 percent in 1984 and then increased to 62.1 percent in 1985. 13/

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9/ Id. at A-9.

10/ Id. at A-10. Unless otherwise noted the term "ton" refers to a short ton (2,000 pounds).

11/ Id.

12/ Id. at A-11.

13/ Id. at A-10.

U.S. producers' domestic shipments increased from 654,000 tons in 1983 to 694,000 tons in 1985, an increase of six percent. 14/ As producers' shipments increased at a lower rate than production during the period of investigation, inventories also rose. Domestic inventories increased annually from 27,000 tons in 1983 to 33,000 tons in 1985, or by 22 percent. As a percentage of shipments, inventories increased annually from 11.5 percent in 1983 to 12.9 percent in 1985. 15/

The number of workers employed in the production of steel wire nails increased from 1,215 in 1983 to 1,251 in 1984, or by 3.0 percent. The number of production and related workers increased by an additional 10 percent in 1985. However, the number of hours worked increased by 3.3 percent from 1983 to 1984, and then decreased by 1.6 percent in 1985. Average hourly wages declined from \$10.58 in 1983 to \$10.40 in 1984, then returned to \$10.58 in 1985. 16/

Aggregate net sales of all wire nails grew steadily from \$124 million in 1983 to \$147 million in 1984, and to \$155 million in 1985. Operating income, however, increased from \$1.7 million in 1983 to \$2.5 million in 1984, then fell to \$2 million during 1985. The operating income margins in 1983-85 were 1.4, 1.7 and 1.3 percent, respectively. Even this poor aggregate financial

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14/ Id. at A-13. The data on U.S. producers' shipments for 1983 and 1984 were obtained from the Department of Commerce, Current Industrial Reports, and data for 1985 were estimated by the Commission staff based on Commerce data for 1984 and questionnaire returns.

15/ Id. at A-14.

16/ Id. at A-16.

performance overstates the profitability of the majority of the domestic industry. Information on collated nail operations suggests that producers of these nails have a sheltered market position and earn substantial returns in excess of those reported by producers of bulk nails, which account for the largest portion of the domestic production. A majority of the reporting nail producers showed operating losses throughout 1983-1985. 17/

Although some industry performance indicators improved during the period of investigation, the financial performance of the domestic industry remained weak. 18/ We therefore find that the domestic industry is experiencing material injury.

#### Material injury by reason of imports

In making a determination whether the domestic industry is being materially injured by reason of LTFV imports from the PRC, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the effect of such imports on the relevant domestic industry. 19/ Evaluation of these factors involves a consideration of (1) whether the volume of imports or increase in volume is significant, (2) whether there has been significant price undercutting by the imported products, and (3) whether imports have otherwise depressed prices to a significant degree or prevented price increases. 20/

17/ Id. at A-19.

18/ We further note that in 1983 two of the three remaining integrated steel producers that manufactured nails, Armco and Bethlehem, ceased production of nails. In 1985 two of the petitioners, Continental Steel and Virginia Wire and Fabric Co. also ceased the production of nails. A third petitioner, Wire Products Co., sold its nail producing operations to the Keystone Steel and Wire Co. in March 1986. See Report at A-8.

19/ 19 U.S.C. § 1677(B).

20/ 19 U.S.C. § 1677(7)(C).

The volume of imports from the PRC was significant throughout the period of investigation. Imports of nails from the PRC declined from 50,000 tons in 1983 to 44,000 tons in 1984, and then rose by 30 percent to 57,000 tons in 1985. 21/

The market penetration of imports from the PRC decreased from 4.8 percent in 1983 to 3.8 percent in 1984. 22/ While the total market penetration from all sources decreased in 1985, after voluntary restraint agreements restricted imports from some sources, the market penetration from the PRC decreased to an estimated 5.1 percent. 23/ In 1985, the PRC became the third largest supplier of nails to the United States. 24/

Imports from the PRC continually undersold the domestic product throughout the period of investigation. Electrogalvanized roofing nails produced in the PRC undersold the U.S. produced nails in all 12 quarters investigated, with margins ranging from 5 to 21 percent. 25/ Price comparisons for hot galvanized roofing nails show that the nails from the PRC were priced below the U.S. product in 10 of the 12 quarters, with margins ranging from 2 to 21 percent. 26/ The Commission also confirmed several lost sales to nails from the PRC. In a substantial number of instances, the purchasers stated that the lower price was the primary reason for buying imported nails. 27/ This price undercutting by imports from the PRC

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21/ Report at A-23.

22/ Id. at A-25.

23/ Id.

24/ Id. at 24.

25/ Id. at A-29.

26/ Id. at A-29.

27/ Id. at A-33, A-35.

contributed to the suppression of domestic prices. Domestic producer prices were forced to remain within a narrow band during 1983-85, with the result that prices did not keep pace with costs, and financial margins eroded.

We conclude that the rising volume of steel wire nail imports from the PRC, increasing import penetration, and sales lost by U.S. producers to the subject imports because of underselling, establish a causal connection between the material injury being experienced by the domestic industry and the steel wire nail imports from the People's Republic of China.



## VIEWS OF CHAIRWOMAN STERN

I determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain steel wire nails from the People's Republic of China which Commerce has determined to be sold at less than fair value (LTFV). 1/ In July 1985, I found neither a reasonable indication that an industry in the United States is materially injured nor a causal connection between the condition of the domestic injury and the LTFV imports from the PRC, Poland and Yugoslavia. The petitions against Poland and Yugoslavia were subsequently terminated by the Department of Commerce. On the basis of the record in the instant investigation, I have concluded that there remains a lack of any causal relationship between imports from the PRC and the condition of the U.S. industry.

I concur with my colleagues in the majority concerning the like product and the domestic industry to be examined for the purpose of assessing material injury. During the period of investigation, U.S. production, 2/ shipments, 3/ and capacity increased. 4/ The U.S. nail industry is experiencing difficulties which are evident in the financial losses experienced by the nail producers throughout the investigative period. 5/ However, I find that the difficulties experienced by the U.S. producers cannot be attributed to the LTFV imports from the PRC.

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1/ Material retardation is not an issue in this investigation and will not be addressed further.

2/ Report at A-9.

3/ Id. at A-13.

4/ Id. at A-10.

5/ Id. at A-19.

Steel wire nail imports from the PRC have held a low and fairly stable share of the U.S. market during the period of investigation. This share ranged from 3.8 to 5.1 percent. 6/ The Chinese have attained this market share by concentrating in specialty nails which are produced in small quantities by the U.S. producers. An analysis of market shares of this industry clearly shows that if there is any causal link between increased imports and any injury sustained by the domestic industry, the relevant imports are from sources other than the PRC. The domestic producer's share of the market declined from 62 percent in 1983 to 57 percent in 1984, and then rose back to 62 percent in 1985. 7/ Imports from sources other than the PRC accounted for over 90 percent of the loss in market share by domestic producers in 1984. 8/

I also determine that there is no threat of material injury by reason of imports from the PRC. Chinese imports of nails have been low and stable for a number of years. 9/ There is no information in the record to show that imports from the PRC will increase in the near future so as to be a threat of material injury to the U.S. industry. Utilization of capacity to produce nails in the PRC has been constant, it has remained at high levels during the 1983-1985 period, and the level is projected to remain high in 1986. 10/ These results, coupled with the conditions of the domestic industry highlighted above, suggest no threat to the domestic industry.

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6/ Id. at A-24-A-25.

7/ Id. at A-10.

8/ Id. at A-24.

9/ Id. at A-26.

10/ Id. at A-22.

## VIEWS OF VICE CHAIRMAN LIEBELER

Based on the record in Investigation No. 731-TA-266 (Final), I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of steel wire nails from the People's Republic of China that are sold at less than fair value (LTFV).<sup>1</sup>

Condition of the Industry

U.S. producers accounted for 62.1 percent of apparent consumption in 1985. This figure is relatively unchanged from the 62.2 percent registered in 1983.<sup>2</sup> Production of steel wire nails increased from 233,000 tons in 1983 to 261,000 tons in 1985. At the same time, U.S. producers were expanding their capacity, from 376,000 tons to

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I concur in the decision of the majority with respect to like product and domestic industry. Material retardation is not an issue in this investigation and will not be addressed further.

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Staff Report at A-10.

431,000 tons.<sup>3</sup> Based on U.S. Department of Commerce data, our staff estimates that U.S. producers' domestic shipments increased from 654 thousand tons in 1983 to an estimated 694 thousand tons in 1985.<sup>4</sup> The number of workers in the industry increased from 1,215 in 1983 to 1,264 in 1985 and hours worked increased from 2.12 million to 2.15 million. Total hourly compensation rose slightly<sup>5</sup> over the same period.

The income and loss experience of U.S. producers on their operations producing all steel wire nails was uneven. Net sales increased from \$124 million in 1983 to \$155 million in 1985.<sup>6</sup> Gross profit increased from \$16 million in 1983 to \$20 million in 1985.<sup>7</sup> Operating income has also increased, from \$1.7 million in 1983 to 2.0 million in 1985 (although declining from \$2.5 million in 1984) and cash flow from nail operations increased from

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<sup>3</sup> Staff Report at A-10.

<sup>4</sup> Staff report at A-13.

<sup>5</sup> Staff Report at A-16.

<sup>6</sup> Staff Report at A-19.

<sup>7</sup> Id.

\$1.5 million in 1983 to \$2.6 million in 1985.<sup>8</sup> Although this industry has experienced difficulty generating operating income, it is becoming healthier in general.

No Injury or Threat Thereof by Reason of Imports from China.

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped imports. Only if the Commission answers both questions in the affirmative, will it make an affirmative determination in the investigation.

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<sup>8</sup>

Staff Report at A-20, Table 11.

Before proceeding to an analysis of the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of Title VII. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.<sup>9</sup>

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial,<sup>10</sup> or unimportant." That definition merely restates the positive in double negative form. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners.<sup>11</sup>

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<sup>9</sup>  
Sands, Sutherland Statutory Construction Sec. 45.02 (4th Ed.)

<sup>10</sup>  
<sup>19</sup> U.S.C. sec. 1977(7)(A) (1980).

<sup>11</sup>  
Because of ambiguity in the statute pertaining to material injury and causation, other commissioners resort  
(Footnote continued on next page)

Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of Title VII. Therefore, the legislative history becomes helpful in interpreting Title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

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(Footnote continued from previous page)  
to the legislative history for guidance. For example, Commissioner Eckes looks at the legislative history of the Trade Agreements Act of 1979 to interpret the causation section of the statute, enabling him to conclude that one must not weigh causes of injury in determining whether injury is "by reason of" imports. See Certain Ethanol from Brazil, Invs. Nos. 701-TA-239 and 731-TA-248 (Finals), USITC Pub. No. 1818 (1986), n.5 at 26 and n.37 at 36 (Views of Commissioner Eckes).

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

[T]he ITC will consider information which indicates that harm is caused by factors other<sup>12</sup> than the less-than-fair-value imports.

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."<sup>13</sup>

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is matter for the judgment of the

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<sup>12</sup>

Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

<sup>13</sup>

Id.

ITC."<sup>14</sup> Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. \* \* \* The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a

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United States industry.

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

[T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the

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14

Id.

15

Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

U.S. market, even though the price of the  
imported product is lower than its home market  
16  
price.

This "difficult and complex" judgment by the  
Commission is aided greatly by the use of economic and  
financial analysis. One of the most important assumptions  
of traditional microeconomic theory is that firms, and

17  
hence industries, attempt to maximize prices.  
Congress was obviously familiar with the economist's  
tools: "[I]mporters as prudent businessmen dealing fairly  
would be interested in maximizing profits by selling at  
18  
prices as high as the U.S. market would bear."

An assertion of unfair price discrimination should be  
accompanied by a factual record that can support such a  
conclusion. In accord with economic theory and the  
legislative history, foreign firms should be presumed to  
behave rationally. Therefore, if the factual setting in

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16

Id.

17

See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45  
(12th ed. 1985); W. Nicholson, Intermediate Microeconomics  
and Its Application 7 (3d ed. 1983).

18

Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d  
Sess. 179.

which the unfair imports occur does not support any rational goal to be served by unfair price discrimination, it is reasonable to conclude that any problems the domestic industry is suffering should not be treated as being "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that which is necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."<sup>19</sup>

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit

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<sup>19</sup>

Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

an affirmative finding under the law interpreted in light  
 20  
 of the cited legislative history.

The stronger the evidence of the following . . .  
 the more likely that an affirmative determination  
 will be made: (1) large and increasing market  
 share, (2) high dumping margins, (3) homogeneous  
 products, (4) declining prices and (5) barriers  
 to entry to other foreign producers (low  
 21  
 elasticity of supply of other imports).

The statute requires the Commission to examine the volume  
 of imports, the effect of imports on prices, and the  
 22  
 general impact of imports on domestic producers. The  
 legislative history provides some guidance for applying  
 these criteria. The five factors incorporate both the  
 statutory criteria and the guidance provided by the  
 legislative history. Each of these factors is evaluated  
 in turn.

The starting point for this approach is import  
 penetration data. This factor is relevant because  
 unfair price discrimination has as its goal, and

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Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19  
 (1985) (Additional Views of Vice Chairman Liebelser).

21

Id. at 16.

22

19 U.S.C. 1677(7)(B)-(C) (1980 & cum. supp. 1985).

cannot take place in the absence of, market power. In this case, market penetration of imports from China decreased from 4.8 percent in 1983 to 3.8 percent in 1984, and then increased to about 5.1 percent in 1985. These market shares are in a low range and between 1983 and 1985 have been stable. Thus, this first indicator is not suggestive of unfair price discrimination conditions.

The second factor is a high margin of dumping. The higher the margin of dumping, ceteris paribus, the more likely it is that the product is being sold below the competitive price<sup>23</sup> and the more likely it is that the domestic producers will be adversely affected by the dumping. The margin of dumping is determined by the Department of Commerce. In this case, the weighted-average margin was 6.33 percent, which is in a relatively low range. Thus, this factor is not strongly suggestive of discriminatory pricing.

The third factor is the homogeneity of the products. The more homogeneous the products, the

greater will be the effect of any allegedly unfair practice on domestic producers. There is no significant evidence of record suggesting that these products are differentiable. However, the analysis is complicated by the fact that there may be significant non-price competition in such areas as delivery and product availability. For example, delivery time for orders placed directly with the Chinese producer typically average two to three months.<sup>24</sup> Domestic producers reported average lead times ranging from one day to four weeks.<sup>25</sup>

Purchasers responding to the Commission's questionnaire indicated that product availability and prompt shipments were important factors in purchasing decisions.<sup>26</sup> Thus, a small change in price may not affect sales if buyers value these services highly relative to price.

As to the fourth factor, domestic producers' data indicate a very slight overall decrease in price per

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See Memorandum EC-J-181, Memorandum from Elizabeth Henning, International Economist, to Commission, at 2.

25

Id.

26

Staff Report at A-32.

pound for each of the three specifications of nails<sup>27</sup> for which prices were received. No strong conclusions can be drawn from the pricing information in this case.

The fifth factor is barriers to entry. The presence of barriers to entry (or low foreign elasticity of supply) makes it more likely that a producer can gain market power. In this case, voluntary restraint agreements affect the subject imports from 17 countries, including all major foreign suppliers except Canada, the second largest<sup>28</sup> supplier. Although the VRA's constrain foreign supply, the economic diversity of the countries producing nails suggests there are low entry barriers (e.g., technological barriers) and other countries not currently subject to VRA's could enter the market. Altogether, the evidence under this factor is somewhat conducive to price discrimination behavior.

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Staff Report at A-29, Table 18.

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Staff Report at A-4. In the case of the European community, wire nails is a consultation product which is not currently subject to export limitations.

These factors must be balanced in each case to reach a sound determination. Evidence as to the first and second factors in this case contraindicates of unfair price discrimination. Evidence as to the third and fourth factors weakly suggests some unfair price discrimination conditions could exist. Evidence as to the fifth factor is stronger, but the suggestion of low entry barriers counterbalances somewhat the current low foreign supply elasticity evidence. These factors when viewed together are inconsistent with a finding of unfair price discrimination. Thus, my analysis of the factors indicates that a domestic industry in the United States is not materially injured by reason of the subject product from the PRC. As to threat of material injury, utilization of PRC productive capacity was 91 percent in 1983 and 1984 and is in the same general range at present.<sup>29</sup> This suggests limited capacity to expand into the U.S. market. Consequently, there is no real or imminent threat of injury.

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The exact figure is confidential.

I conclude, therefore, that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of steel wire nails from the People's Republic of China that are sold at less than fair value.



## VIEWS OF COMMISSIONER BRUNSDALE

I determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain steel wire nails from China that are subject to a final LTFV determination by the Department of Commerce.<sup>1</sup> My negative determination in this investigation is based on inadequate evidence of material injury and the lack of a causal connection between the condition of the domestic industry and the dumped imports.

I adopt the analysis presented by my colleagues in the majority opinion concerning the like product and the domestic industry to be examined for the purpose of assessing material injury. I also agree that the domestic industry has experienced some difficulties. However, recent trends indicate that the industry's condition has improved, and effectively rebut any notion that the subject imports from China were a cause of those difficulties.

Condition of the domestic industry

Domestic production, capacity, and shipments have all increased steadily throughout the period of investigation. Production rose from 233,000 tons in 1983 to 240,000 in 1984 and to 261,000 in 1985.<sup>2</sup> Capacity increased from 376,000 tons in 1983 to 415,000 in

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<sup>1</sup> Material retardation is not an issue in this investigation and will not be discussed further in this opinion.

<sup>2</sup> Report at A-11, Table 3. Unless otherwise indicated, the term "ton" refers to a short ton (2,000 pounds).

1984 and then to 431,000 in 1985.<sup>3</sup> Similarly, shipments rose from 654,000 tons to 661,000 and then to an estimated 694,000 in the three years.<sup>4</sup>

The number of workers employed by the domestic industry also increased steadily from 1,215 in 1983 to 1,251 in 1984 and further to 1,264 in 1985, while hourly wages and total hourly compensation remained essentially stable.<sup>5</sup>

The financial performance of the domestic industry has fluctuated but in an upward direction throughout the period. In 1985 operating income was 18.7 percent above the 1983 level and cash flow from domestic producers' nail operations was 79.1 percent above 1983. Operating income as a percentage of net sales was 1.4 percent in 1983, 1.7 percent in 1984, and 1.3 percent in 1985. Net sales steadily increased in the period, recording an overall gain of 24.6 percent.<sup>6</sup>

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<sup>3</sup>  
Id.

<sup>4</sup>  
Id. at A-10, Table 2. The larger figure for shipments reflects a more complete database combining Commerce Department data and questionnaire returns.

<sup>5</sup>  
Id. at A-16, Table 8.

<sup>6</sup>  
Id. at A-20, Table 11.

Given these favorable trends, I conclude that the domestic industry is not materially injured, although some firms are experiencing difficulties.

#### Causation

Even had I determined that the domestic industry was materially injured, I could not have found material injury by reason of imports from China. These imports have been relatively low throughout the period -- moving from 4.8 percent of domestic consumption in 1983 to 3.8 percent in 1984 and 5.1 percent in 1985.<sup>7</sup> Moreover, as noted above, the overall condition of the domestic industry has improved despite changes in market penetration by Chinese imports. These factors lead me to conclude that imports from China could not be a cause of material injury to the domestic industry.

#### Threat

Not only were the volume and market share of imports from China relatively low throughout the period of investigation, but nothing in the record suggests that imports will increase significantly in the future. China's capacity to produce steel wire nails has remained fairly stable in recent years. Furthermore, capacity

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Id. at A-27, Table 17. Market share supplied by U.S. producers dropped from 62 percent in 1983 to 58 percent in 1984, but in 1985 returned to the 62 percent level even with the increased market share of Chinese imports.

utilization has been consistently above 90 percent, and there is confidential data in the record to indicate that in 1986 capacity utilization will remain high and nail exports to the United States will not rise much from their 1985 level.<sup>8</sup> Given these factors, I cannot find any real and imminent threat of material injury to the domestic industry by reason of the subject imports from China.

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Id. at A-22, Table 14.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On January 9, 1986, the U.S. Department of Commerce published in the Federal Register (51 F.R. 1025) its preliminary determination that there is a reasonable basis to believe or suspect that certain steel wire nails from the People's Republic of China (China) are being sold, or are likely to be sold, in the United States at less than fair value (LTFV). 1/ Accordingly, effective January 9, 1986, the U.S. International Trade Commission instituted investigation No. 731-TA-266 (Final) to determine whether 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 China of one-piece steel wire nails made of round steel wire, provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS); similar steel wire nails of one-piece construction, of any diameter, provided for in item 646.30 of the TSUS; two-piece steel wire nails, provided for in item 646.32 of the TSUS; and steel wire nails with lead heads, provided for in item 646.36 of the TSUS which the Department of Commerce has preliminarily determined are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. § 1673).

Notice of the institution of the Commission's final investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of January 30, 1986 (51 FR 3862). 1/ The hearing was held in Washington, DC, on April 3, 1986. 2/ On March 25, 1986, Commerce published in the Federal Register (51 F.R. 10247) its final determination with respect to LTFV sales of certain steel wire nails from China. The Commission's voted on this investigation at its meeting on April 25, 1986. The statutory deadline for reporting the Commission's final injury determination to the Department of Commerce is May 8, 1986.

## Background

On June 5, 1985, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Atlantic Steel Co., Atlas Steel & Wire Corp., Continental Steel Corp., 3/ Davis-Walker Corp., 4/ Dickson Weatherproof Nail Co., Florida Wire & Nail Co., Keystone Steel & Wire Co., Northwestern Steel & Wire Co., Virginia Wire &

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1/ A copy of Commerce's and the Commission's Federal Register notices are presented in app. A.

2/ A calendar of witnesses who appeared at the public hearing is presented in app. B.

3/ Continental Steel Corp. ceased all steel production in December 1985.

4/ Davis-Walker withdrew as a petitioner by letter dated Sept. 5, 1985.

Fabric Co., 1/ and Wire Products Co. 2/ The petitions alleged that certain steel wire nails from China were being, or were likely to be, sold in the United States at LTFV. Accordingly, effective June 5, 1985, the Commission instituted investigation No. 731-TA-266 (Preliminary) under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of imports from China of certain steel wire nails provided for in TSUS items 646.25, 646.26, 646.30, 646.32, and 646.36. On July 22, 1985, the Commission notified the Department of Commerce of its affirmative determination 3/ with respect to its preliminary investigation on the imports from China. As a result, Commerce continued its investigation on alleged LTFV sales of certain steel wire nails from China.

The petitions filed on June 5, 1985, also alleged that certain steel wire nails from Poland and Yugoslavia are being, or are likely to be, sold in the United States at LTFV. Accordingly, the Commission instituted investigations Nos. 731-TA-267 and 268 (Preliminary) under section 733(a) of the Tariff Act of 1930 4/ to determine whether there was a reasonable indication that an industry in the United States was materially injured, or threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of imports from Poland and Yugoslavia which are allegedly being sold in the United States at LTFV. As a result of its preliminary investigations, the Commission, on July 22, 1985, notified the Department of Commerce that there was a reasonable indication of material injury 5/ and Commerce continued its investigations into the nature and extent of the LTFV sales. 6/

#### Previous Investigations

In July 1984, the Commission determined in investigation No. TA-201-51, on carbon and certain alloy steel products, under section 201 of the Trade Act of 1974, that certain steel products, including steel wire nails provided for in items 646.25 and 646.26 of the TSUS (Chairwoman Stern and Vice Chairman Liebelier dissenting), were being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industries producing articles like or directly competitive with the

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1/ Virginia Wire & Fabric Co. ceased production of bulk nails in November 1985, changed its name to Sivaco Fasteners Inc., and began production of collated nails only. Both bulk and collated nails are included within the scope of this investigation.

2/ Wire Products Co. was purchased by Keystone Steel & Wire Co. in March 1986.

3/ Chairwoman Stern and Vice Chairman Liebelier dissenting.

4/ The Commission conducted concurrently the preliminary antidumping investigations with respect to certain steel wire nails from China, Poland, and Yugoslavia.

5/ Chairwoman Stern and Vice Chairman Liebelier dissenting.

6/ Poland and Yugoslavia have recently negotiated voluntary restraint agreements with respect to exports of nails to the United States. Consequently, the petitions have been withdrawn and the investigations of the alleged LTFV imports from those countries have been terminated by Commerce.

imported articles. Following the Commission's determination, the United States negotiated various agreements to limit the importation of steel products into the United States. These agreements, as they relate to nails, are described in the section of this report entitled "Voluntary Restraint Agreements."

In June 1982, counsel for Armco Inc., Atlantic Steel Co., Florida Wire & Nail Co., New York Wire Mills Corp., Virginia Wire & Fabric Co., and Tree Island Steel, Inc., filed a countervailing duty petition with the Commission and Commerce concerning nails from the Republic of Korea (Korea). In September 1982, the countervailing duty investigation (No. 701-TA-145 (Preliminary)) concerning Korean nails was terminated following a determination by Commerce that the manufacturers, producers, or exporters of nails were not receiving benefits that constituted subsidies.

In August 1982, the Commission determined that an industry in the United States was materially injured by reason of imports from Korea of steel wire nails, which were being, or were likely to be, sold in the United States at LTFV (investigation No. 731-TA-46 (Final)). Accordingly, Commerce issued an antidumping order concerning Korean nails. This order was revoked on October 1, 1985, as a consequence of a voluntary restraint agreement (VRA) concerning imports of nails from Korea effective October 1, 1984.

In August 1981, the Commission determined that there was no reasonable indication that an industry in the United States was materially injured, or threatened with material injury, or the establishment of an industry in the United States was materially retarded by reason of imports of certain steel wire nails from Yugoslavia, which were allegedly sold at LTFV (investigation No. 701-TA-147 (Preliminary)). At the same time, a concurrent antidumping investigation (No. 701-TA-145 (Preliminary)), concerning nail imports from Japan, was terminated by Commerce on the basis of assurances provided by Japanese manufacturers.

In August 1980, the Commission determined that an industry in the United States was not materially injured and was not threatened with material injury, and the establishment of an industry in the United States was not materially retarded, by reason of imports of certain steel wire nails from Korea, provided for in items 646.25 and 646.26 of the TSUS, which Commerce determined were being sold at LTFV (investigation No. 731-TA-26 (Final)).

In February 1979, the Commission unanimously determined that an industry in the United States was not being injured and was not likely to be injured, and was not prevented from being established, by reason of the importation of certain steel wire nails from Canada that were being, or were likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921 (investigation No. AA1921-189).

#### Nature and Extent of Sales at LTFV

To determine whether sales in the United States of the subject merchandise were made at LTFV, Commerce compared the U.S. price with the foreign market value. One firm, China National Metals and Minerals Import and Export Corp. (Minmetals), accounted for all exports of this merchandise to the

United States. Commerce investigated approximately 70 percent of sales of nails by that firm for the period January 1, 1985, through June 30, 1985. To obtain the U.S. price, Commerce calculated the purchase price of nails based on the f.o.b. or c.i.f. price to unrelated purchasers reported by Minmetals. Since China, for the purposes of this investigation, is a State-controlled economy, Commerce used prices of nails imported into the United States from South Korea as the basis for determining foreign market value. Based on its investigation, Commerce determined the final weighted-average margin of sales at less than fair value to be 6.33 percent.

### Voluntary Restraint Agreements

On September 18, 1984, the President directed the Office of the United States Trade Representative (USTR) to negotiate VRA's with certain steel-supplying countries. The agreements are administered on either a market share or a tonnage basis and will remain in effect for a 5-year period beginning October 1, 1984. The arrangements include a comprehensive coverage of carbon and alloy steel products (including nails and other wire products) except those products already under quotas as a result of the section 201 investigation on specialty steel conducted in 1983.

The USTR has concluded agreements affecting imports from 17 countries, in addition to the 10 European Community (EC) countries, as of March 1, 1986. <sup>1/</sup> Negotiations with Poland and Yugoslavia were recently completed. With respect to the agreement on nails imported from Korea, the largest foreign supplier of nails, the USTR has negotiated a market share allowance. During the 15-month period beginning October 1, 1984, it is estimated that under the agreement imports of nails from Korea will total 164,000 tons, on an annualized basis, or about 37 percent below the level of imports in 1984. The exact impact the agreements will have on nails imported from the remaining countries is unknown, since the agreements include nails in larger aggregate product groups (such as wire products).

### The Product

#### Description and uses

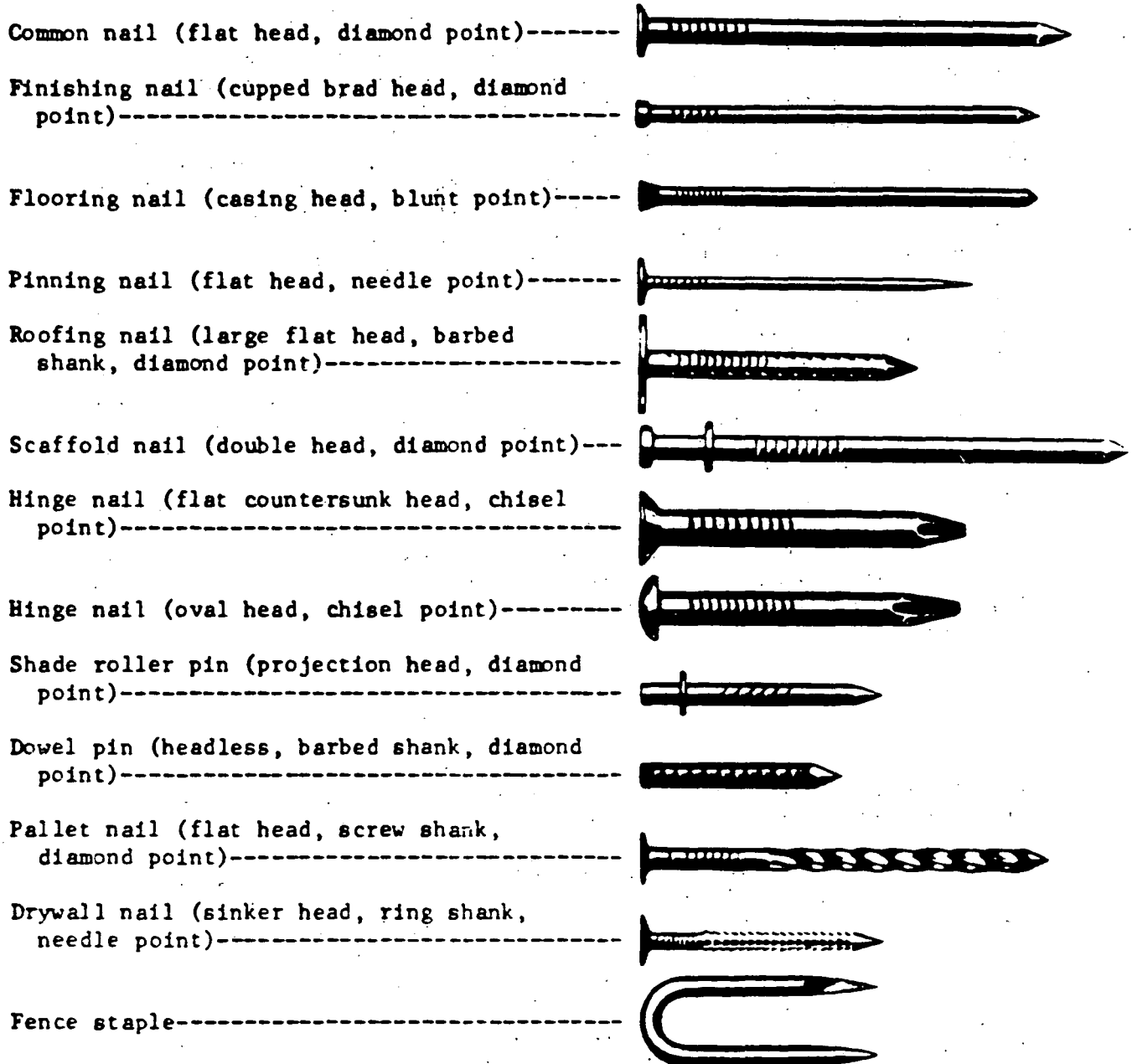
The products that are within the scope of this investigation include nails of one-piece construction made of round steel wire, steel wire nails of two-piece construction, and steel wire nails with lead heads. Nails fitting this description are available in a variety of heads, shanks, points, sizes, and finishes. <sup>2/</sup> The investigation includes bulk or loose packaged nails and collated nails that are joined together in strips or coils for use in pneumatic nail drivers. An indication of the variety of nails can be seen in figure 1. Nails are used to join two pieces of material, usually wood.

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<sup>1/</sup> The countries that have agreed to VRA's with the USTR are Australia, Austria, Brazil, Czechoslovakia, East Germany, Finland, Hungary, Japan, Korea, Mexico, Poland, Portugal, Romania, South Africa, Spain, Venezuela, Yugoslavia, and the EC countries (not including Portugal and Spain). In the case of the EC, wire nails is a consultation product that is not currently subject to export limitations.

<sup>2/</sup> A description of nail types is presented in app. C.

Figure 1.--Types of steel wire nails.



Source: Sales brochures of Atlantic Steel Co. and Republic Steel Corp.

Note.--The above nails are normally available in bright, galvanized, or cement-coated finishes and most can be supplied with different heads, shanks (e.g., ring, screw, or of non-standard gage), or points according to customer order.

### Manufacturing process

A nail is produced by drawing wire rod through a nail machine, where the head is formed. It is then pushed through the machine until the nail is of the desired length, at which time it is pinched to form a point and then cut. The nail is then expelled and collected for tumbling or for further finishing. Two-piece nails receive additional processing in which square or round metal caps or neoprene washers are inserted onto the nails. Various finishes are sometimes applied to nails to improve their holding ability or to prevent rust and corrosion. Common coating materials include zinc (galvanized nails), 1/ cement, and vinyl. In addition, some nails are collated (attached to strips of tape or other adhesive material) for use in pneumatic nailing guns. 2/ Pneumatic guns are frequently manufactured by firms that produce collated nails and the guns are sold at favorable terms in order to create a market for the manufacturers' nails. According to petitioners posthearing brief, the collated nails are sold at high margins. 3/

### U.S. tariff treatment

The imported nails that are the subject of this investigation are classified in items 646.25, 646.26, 646.30, 646.32, and 646.36 of the TSUS. More than 95 percent of the nails under investigation are entered under items 646.25 and 646.26 of the TSUS. The most-favored-nation (col. 1) rate of duty for these two items, applicable to the subject imports from China, is 0.5 percent ad valorem. The column 2 rates for these two tariff items are 2 and 3.5 percent ad valorem, respectively, and apply to products of Communist countries enumerated in TSUS general headnote 3(d). The rates of duty applicable to imports from China of all the nails subject to investigation are presented in table 1.

### U.S. Producers

The U.S. steel wire nail industry has historically consisted of three general groups of producers: large integrated and smaller nonintegrated steel-producing firms that manufacture steel wire rod, draw it into wire, and

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1/ According to statements at the public hearing there is a fairly new process, mechanical galvanizing, in which nails are cleaned and zinc-coated by mechanically impacting zinc onto the nail surface with glass beads. The process results in a uniform, smooth application and allows the control of the thickness, for either a hot-dipped equivalent, electrogalvanized equivalent, or anything in between, in terms of the amount of zinc. The process was originally developed by 3M Co. but Atlantic Steel has modified the process further for its own needs. Atlantic is presently installing the mechanical operation at its Florida facility. Prehearing statement of Thomas A. Cantrell, Jr., Atlantic Steel Co., p. 11.

2/ Collated nails may account for about 33 to 40 percent of domestic nail production, (see transcript of the hearings p. 51, and other posthearing brief on behalf of Minmetals, p. 3). According to counsel for Minmetals, no collated nails are imported from China. However, collated nails are produced in China for other export markets. ( see letter from counsel for Minmetals dated Apr. 16, 1986).

3/ Petitioners posthearing brief, p. 2.

Table 1.—Certain steel wire nails: U.S. rates of duty applicable to imports from China, as of Jan. 1, 1982, Jan. 1, 1986, and Jan. 1, 1987

(Percent ad valorem)					
TSUS item No.	Description <sup>1/</sup>	Col. 1 <sup>2/</sup>			Col. 2
		Jan. 1, 1982	Jan. 1, 1986	Jan. 1, 1987	
	One piece steel wire nails made of round steel wire:				
646.25	Under 1 inch in length and under 0.065 inch in diameter.	0.5%	0.5%	0.5%	2%
646.26	1 inch or more in length and 0.065 inch or more in diameter.	0.5%	0.5%	0.5%	3.5%
646.30 <sup>3/</sup>	Similar steel nails of one- piece construction (whether over or under 0.065 inch in diameter).	3.7%	3.3%	3.2%	5.5%
646.32 <sup>3/</sup>	Two piece steel wire nails—	2.3%	2.3%	2.3%	8%
646.36 <sup>3/</sup>	Steel wire nails with lead heads.	8.1%	6.2%	5.7%	45%

<sup>1/</sup> These TSUS items include products that are not subject to this investigation. The information in this column briefly describes only those nails subject to the investigation.

<sup>2/</sup> These rates apply to imports from China.

<sup>3/</sup> Imports under these items have been designated as articles eligible for duty-free treatment under the Generalized System of Preferences (GSP). China is not a designated beneficiary developing country and, thus, is not eligible for preferential treatment with respect to articles imported under these or other TSUS items.

Source: Tariff Schedules of the United States.

then make nails from the wire, and smaller converting firms that make nails from purchased steel wire rod or drawn wire. The larger integrated companies have typically made the high-volume smooth shank nails, and smaller firms have concentrated production in higher priced nails (e.g., those having special purpose heads, shanks, points, or finishes).

In recent years, most of the large integrated steel producers have ceased producing nails. For example, United States Steel ceased nail production in 1981, and Armco and Bethlehem ceased nail production in 1983. In 1985, the largest U.S. producers of nails were \*\*\*, \*\*\*, and \*\*\*, all nonintegrated producers. CF&I, the remaining integrated steel producer manufacturing nails, was the \*\*\* largest nail producer in 1985.

The Commission sent questionnaires to 46 firms believed to produce nails in the United States. The mailing list was obtained from information gathered during previous Commission nail and steel investigations. Eighteen of the firms reported that they did not produce nails during the 1983-85 period covered by this investigation. The Commission received usable questionnaires from 17 firms that accounted for 84 percent of estimated shipments in 1985. <sup>1/</sup> The 11 firms that did not respond to the questionnaire were contacted by the staff and indicated that they are small producers of the subject products. The major responding U.S. producers and their shares of estimated U.S. shipments in 1985 are presented in the following tabulation (in percent):

<u>Firm</u>	<u>Location</u>	<u>Distribution</u>	
		<u>Based on</u> <u>estimated</u> <u>Current</u> <u>Industrial</u> <u>Reports</u> <u>data</u>	<u>Based on</u> <u>estimated</u> <u>inflated</u> <u>Census</u> <u>Bureau</u> <u>data</u>
Petitioners:			
Atlantic Steel Co-----	Atlanta, GA	***	***
Atlas Steel & Wire-----	Harahan, LA	***	***
Continental Steel Co <u>1</u> -----	Kokomo, IN	***	***
Davis Walker Corp <u>2</u> -----	Los Angeles, CA	***	***
Dickson Weatherproof Nail Co-----	Evanston, IL	***	***
Florida Wire & Nail Co-----	Quincy, FL	***	***
Keystone Steel & Wire Co-----	Peoria, IL	***	***
Northwestern Steel & Wire Co-----	Sterling, IL	***	***
Virginia Wire & Fabric Co <u>3</u> -----	Warrenton, VA	***	***
Wire Products Co. <u>4</u> -----	Hortonville, WI	***	***
Subtotal, petitioners-----		55.1	29.6
Nail industry committee:			
Bostitch, Division of Textron-----	East Greenwich, RI	***	***
CF&I Steel Corp-----	Pueblo, CO	***	***
Duo-Fast Corp.-----	Franklin Park, IL	***	***
Federal Nail Co-----	Rural Hall, NC	***	***
Halstead Enterprises-----	Rancho Cucumigo, CA	***	***
Sencorp-----	Cincinnati, OH	***	***
Subtotal, committee-----		26.9	14.1
All other-----		18.0	56.3
Total-----		100.0	100.0

<sup>1/</sup> Ceased production in December 1985.

<sup>2/</sup> Withdrew as a petitioner by letter of September 9, 1985.

<sup>3/</sup> Ceased production of bulk nails in November 1985, changed its name to Sivaco Fastners, Inc., and began producing solely collated nails.

<sup>4/</sup> Purchased by Keystone in March 1986.

<sup>5/</sup> Less than 0.05 percent.

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<sup>1/</sup> Estimated by the Commission staff based on reported shipments published by the Bureau of the Census in the 1984 Current Industrial Reports and questionnaire returns.

## U.S. Importers

Miller Supply Corp., of White Plains, NY, a large distributor of hardware, is the largest importer of nails from China, accounting for about \*\*\* percent of such imports in 1984 and about \*\*\* percent in 1985. It purchases nails, both domestic and imported, for a group of related distributors known as the Grip-Rite International Group, as shown in the following tabulation:

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

According to questionnaire responses, the bulk of the imports were electrogalvanized and hot-galvanized nails that combined accounted for about \*\*\* percent of imported nails from China in 1985. 1/

## The U.S. Market

Marketing and channels of distribution

Steel wire nails produced in the United States are generally sold first to distributors and then to wholesalers and retailers that in turn sell them to the ultimate consumer. Nails imported from most foreign sources are initially sold to sales agents and distributors before following the same distribution channels as domestic nails. The distribution channels are not clear cut; some importers, for example, also purchase nails from U.S. producers, and some U.S. producers sell directly to retailers. Several producers also import nails. Because nails are heavy and costly to transport long distances, most shipments are made to customers located within 500 miles of the producing plant or port of entry.

Most nails are consumed in the building construction market for purposes such as joining structural members, assembling millwork, and securing various materials (e.g., flooring, dry wall, exterior siding, trim, roofing, and paneling). The remaining nails are consumed in the industrial market (where they are used in the construction of pallets, boxes, and other containers) and in the furniture-manufacturing market. Imported and domestically produced nails of a specific type are generally fungible, and few end users are aware of the country in which the nails were manufactured.

Apparent consumption

Apparent consumption of steel wire nails increased from 1,052,000 tons 2/ in 1983 to 1,145,000 tons in 1984 or by 8.8 percent then declined to 1,117,000

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1/ Since imports from China have consisted largely of electrogalvanized or hot-galvanized nails, counsel for China raised the issue of separate like products during the investigation.

2/ Unless otherwise noted, the term "ton" refers to a short ton (2,000 pounds).

tons in 1985, or by 2.4 percent from 1984 (table 2). U.S. producers accounted for 62.2 percent of apparent consumption in 1983. This share declined to 57.7 percent in 1984, and then increased to an estimated 62.1 percent in 1985. 1/

Table 2.—Certain steel wire nails: U.S. producers' domestic shipments, imports for consumption, and apparent U.S. consumption, 1983-85

Year	Domestic	Imports	Consump-	Ratio to	
	shipments		tion	consumption of	
				Domestic	Imports
				shipments	
	1,000 tons			Percent	
1983	654	398	1,052	62.2	37.8
1984	661	484	1,145	57.7	42.3
1985	<u>1/</u> 694	423	<u>1/</u> 1,117	<u>1/</u> 62.1	<u>1/</u> 37.9

1/ Estimated by the Commission's staff based on official statistics of the U.S. Department of Commerce and questionnaire returns.

Source: Domestic shipments and imports derived from data collected by the U.S. Department of Commerce, except as noted.

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

The information in this section of the report is based for the most part on data received from questionnaire returns. 2/ The Commission received usable questionnaire responses from 17 producers. These 17 firms accounted for 82.4 percent of shipments, as published by the Department of Commerce in its Current Industrial Reports in 1983; 85.2 percent of shipments, as published in 1984; and 83.7 percent, as estimated by the Commission's staff for 1985.

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

Questionnaire data show that production of steel wire nails increased annually from 233,000 tons in 1983 to 240,000 tons in 1984, or by 3.0 percent, and to 261,000 tons in 1985, an increase of 8.8 percent from 1984 (table 3).

Production capacity of the responding producers increased annually from 376,000 tons in 1983 to 431,000 tons in 1985, or by 14.6 percent. 3/ Most of

1/ See U.S. producers' shipments section of this report for a discussion of the methods used by Commerce and the Commission to estimate the volume of producers' shipments.

2/ In the questionnaires, the Commission requested that firms provide separate trade data for hot-galvanized, electroglvanized, and other steel wire nails. Some firms supplied the requested data but others did not. Where possible, data by type of nail are presented in the report.

3/ Data for 1985 include Continental Steel, which ceased production in December 1985, with a loss of \*\*\* tons of capacity. The net result is that beginning in 1986, U.S. capacity of the responding firms was down to \*\*\* tons, about \*\*\* percent of the capacity reported for 1983.

the increased capacity was accounted for by three firms, \*\*\*, \*\*\* and \*\*\*.

\* \* \* \* \*

Capacity utilization by responding producers declined from 62.0 percent in 1983 to 57.8 percent in 1984 and then increased in 1985 to 60.6 percent.

Table 3.—Certain steel wire nails: U.S. production, capacity, and capacity utilization, 1983-85

Year	Production	Capacity	Capacity utilization
	1,000 tons		Percent
1983	233	376	62.0
1984	240	415	57.8
1985	261	431	60.6

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

Galvanized nails.—U.S. production of galvanized nails by firms that could provide separate data declined from 38,524 tons in 1983 to 36,905 tons in 1984, or by 4.2 percent. Production increased in 1985 to 37,756 tons, up 2.3 percent from production in 1984, but 2.0 percent below production in 1983. U.S. capacity to produce galvanized nails increased annually from 40,225 tons in 1983 to 55,536 tons in 1985, or by 38.1 percent. Capacity utilization for galvanized nails declined annually from 59.1 percent in 1983 to 48.1 percent in 1985 (table 4).

Table 4.—Galvanized nails: U.S. capacity, production and capacity utilization, by types, 1983-85

Type	1983	1984	1985
Hot-galvanized:			
Capacity <u>1/</u> —tons—	28,000	39,500	38,250
Production <u>2/</u> —do—	32,365	30,539	29,446
Capacity utilization <u>3/</u> percent—	69.1	52.8	53.5
Electrogalvanized:			
Capacity <u>4/</u> —tons—	12,225	13,427	17,286
Production <u>2/</u> —do—	6,159	6,366	8,310
Capacity utilization <u>3/</u> percent—	36.2	35.4	36.2
Total galvanized:			
Capacity—tons—	40,225	52,927	55,536
Production—do—	38,524	36,905	37,756
Capacity utilization <u>3/</u> percent—	59.1	48.8	48.1

1/ Data are for 4 firms.

2/ Data are for 6 firms.

3/ Data are only for the firms that provided both capacity and production data.

4/ Data are for 3 firms.

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

#### U.S. producers' shipments

Data on U.S. producers' shipments for 1983 and 1984 were obtained from the Department of Commerce, Current Industrial Reports, and data for 1985 were estimated by the Commission staff based on Commerce data for 1984 and questionnaire returns. These data 1/ indicate that U.S. producers' domestic

1/ Data collected by the U.S. Department of Commerce do not include nail shipments by fabricators. According to Commerce, the data on shipments they published accounted for 52 percent of total shipments in 1983. Data published in the Current Industrial Report were based on information obtained by the Census Bureau in the 1982 Census of Manufactures. In obtaining data for the 1982 Census of Manufactures, the Census Bureau received questionnaire responses from 40 nail and staple producers. For this investigation, the Commission's staff sent 46 questionnaires to firms believed to be nail producers and was notified that 18 of the firms did not produce nails during 1983-85. The staff believes that the shipment data as inflated by the Census may be significantly overstated because many of the firms that responded to the Census Bureau questionnaires no longer produce nails. For instance, 2 of the large firms, Armco and Bethlehem, ceased nail production in 1983.

shipments increased from 654,000 tons in 1983 to 661,000 tons in 1984, or by 1.1 percent. Shipments then continued to increase in 1985, reaching an estimated 694,000 tons, an increase of 5.0 percent from 1984, as shown in the following tabulation (in thousands of tons):

	<u>Quantity</u>
1983.....	654
1984.....	661
1985.....	1/ 694

1/ Estimated by the staff of the U.S. International Trade Commission based on Department of Commerce data and questionnaire returns.

Shipment data as compiled from questionnaire responses accounted for 42.8 percent of shipments as inflated by the Census Bureau in 1983, for 44.3 percent in 1984 and 43.5 percent as estimated by the Commission's staff for 1985. 1/ Based on data published in the Current Industrial Reports by the Census Bureau, questionnaire data represent 82.4 percent of U.S. shipments in 1983, 85.2 percent in 1984, and an estimated 83.7 percent in 1985. 2/ Total shipments data, as obtained from the questionnaire and Current Industrial Reports are shown in the following tabulation (in thousands of tons):

	<u>Questionnaire</u>	<u>Current Industrial Reports</u>
1983.....	280	340
1984.....	293	344
1985.....	302	1/ 361

1/ Estimated by the Commission staff based on Current Industrial Reports data for 1984 and questionnaire returns.

1/ According to testimony at the hearing, collated nails account for between 33 and 40 percent of domestic nail production. Shipment data have been obtained from 3 of the 4 principal producers and are shown below (in tons). The staff was unable to obtain data from \*\*\*, believed to be the fourth principal producer.

\* \* \* \* \*

2/ Data published by the Census Bureau in both the Census of Manufactures and the Current Industrial Reports includes shipments for staples as well as nails. Because of the way they ask for the data, the Census Bureau does not know how much of the reported shipments are staples.

Galvanized nails.—Shipments of galvanized nails by U.S. producers declined from 38,466 tons in 1983 to 36,144 tons in 1984 or by 6.0 percent. Shipments increased to 36,471 tons in 1985 but remained 5.2 percent below the level of shipments in 1983 (table 5).

Table 5.—Galvanized nails: U.S. producers' shipments, by types, 1983-85

Type	1983	1984	1985
Quantity (tons)			
Hot-galvanized <u>1/</u> —	32,926	29,569	28,424
Electrogalvanized <u>2/</u> —	5,540	6,575	8,047
Total, galvanized—	38,466	36,144	36,471
Value (1,000 dollars)			
Hot-galvanized <u>1/</u> —	***	***	***
Electrogalvanized <u>2/</u> —	***	***	***
Total, galvanized—	32,911	34,725	39,663
Unit value <u>3/</u>			
Hot-galvanized <u>1/</u> —	***	***	***
Electrogalvanized <u>2/</u> —	***	***	***
Average, galvanized—	796	793	881

1/ Data are for 6 firms.

2/ Data are for 4 firms.

3/ Unit values exclude shipments of nails by \*\*\*.

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

Exports were small throughout the period, accounting for less than 1 percent of shipments in each period.

#### U.S. producers' inventories

End-of-period inventories of steel wire nails, as reported by questionnaires, increased annually from 27,000 tons in 1983 to 29,000 tons in 1984, and to 33,000 tons in 1985 (table 6). As a percent of shipments, inventories increased annually from 11.5 percent in 1983 to 12.9 percent in 1985.

Table 6.—Certain steel wire nails: U.S. producers' end-of-period inventories and shipments, 1983-85

Year	Inventories	Shipments	Ratio of inventories to shipments
	—1,000 tons—		Percent
1983	27	234	11.5
1984	29	243	11.9
1985	33	255	12.9

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

Galvanized nails.—Inventory data for galvanized nails were provided by four firms that accounted for 77.1 percent of the reported shipments of galvanized nails in 1985. Yearend inventories by the responding firms increased annually from 3,191 tons in 1983 to 5,660 tons in 1985, or by 77.4 percent. As a share of shipments, inventories also increased annually, from 12.6 percent in 1983 to 20.1 percent in 1985 (table 7).

Table 7.—Galvanized nails: U.S. producers' <sup>1/</sup> end-of-period inventories and shipments, by types, 1983-85

Type	1983	1984	1985
Hot-galvanized:			
Inventories—tons—	2,083	3,372	4,374
Shipments—do—	19,811	20,258	20,054
Ratio, inventories to shipments percent—	10.5	16.6	21.8
Electrogalvanized:			
Inventories—tons—	1,108	940	1,286
Shipments—do—	5,540	6,575	8,047
Ratio, inventories to shipments percent—	20.0	14.3	16.0
Total, galvanized:			
Inventories—tons—	3,191	4,312	5,660
Shipments—do—	25,351	26,833	28,101
Ratio, inventories to shipments percent—	12.6	16.1	20.1

<sup>1/</sup> Data are for 4 firms.

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

### Employment and wages

The number of workers employed in the production of certain steel wire nails increased from 1,215 in 1983 to 1,251 in 1984, or by 3.0 percent (table 8). The number of production and related workers increased by an additional 10 percent in 1985. The number of hours worked by these workers increased by 3.3 percent from 1983 to 1984, and then decreased by 1.6 percent in 1985. Average hourly wages declined annually from \$10.58 in 1983 to \$10.40 in 1984, then returned to \$10.58 in 1985.

Table 8.—Certain steel wire nails: Number of production and related workers, hours worked by such workers, wages paid, and total compensation, 1983-85

Year	Number of workers	Hours worked Thousands	Hourly wages paid	Total hourly compensation
1983	1,215	2,119	\$10.58	\$14.67
1984	1,251	2,188	10.40	14.45
1985	1,264	2,153	10.58	14.75

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

The productivity of the workers engaged in the manufacture of nails increased by 10 percent, from 0.110 ton per hour in 1983 to 0.121 ton per hour in 1985. Total labor costs per ton decreased during the period by 8.2 percent, from \$133 per ton in 1983 to \$122 per ton in 1985.

Nine firms provided information on the unions that represent their workers. Five firms reported that the nail workers were not unionized, and one reported that their workers belonged to the United Steelworkers of America. Other unions named were the International Brotherhood of Electrical Workers (one firm), the Independent Steelworkers Alliance (one firm), and the International Brotherhood of Teamsters (one firm).

Galvanized nails.—Employment data for galvanized nails were provided by five firms accounting for 60.1 percent of reported shipments of galvanized nails. Employment of production workers by the responding firms declined from 102 employees in 1983 to 100 employees in 1984 and then increased to 112 employees in 1985, an increase of 10 percent from 1983. Hours worked by production workers followed the same trend, dropping from 1983 to 1984 and increasing in 1985 by 6 percent from hours worked in 1983. Average hourly wages increased irregularly from \$8.84 in 1983 to \$9.20 in 1985, or by 4 percent; total compensation paid to production workers also increased irregularly from \$13.28 in 1983 to \$14.31 in 1985, or by 8 percent (table 9).

Table 9.—Galvanized nails: Number of production and related workers, hours worked by such workers, wages paid and total compensation, 1983-85

Item	Number of workers	Hours worked	Hourly wages paid	Total hourly compensation
Hot-galvanized: 1/				
1983	***	***	***	***
1984	***	***	***	***
1985	***	***	***	***
Electrogalvanized: 2/				
1983	***	***	***	***
1984	***	***	***	***
1985	***	***	***	***
Total, galvanized:				
1983	102	207	\$8.84	\$13.28
1984	100	204	8.82	13.11
1985	112	219	9.20	14.31

1/ Data are for 2 firms.

2/ Data are for 3 firms.

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

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

Ten firms 1/ furnished usable income-and-loss data on both their overall establishment operations and on their operations producing steel wire nails during 1983-85. The ten firms accounted for 65.7 percent of Current Industrial Reports estimated 1985 shipments of steel wire nails.

Overall establishment operations.—Net sales of all products produced in the establishments within which steel wire nails are produced increased from \$869 million in 1983 to \$1.1 billion in 1984, a gain of 25.8 percent, then were virtually unchanged at slightly below the \$1.1 billion level in 1985 (table 10).

The firms suffered aggregate operating losses of \$117 million, \$5.7 million, and \$18.8 million during 1983-85, respectively. The operating loss margins in 1983-85 were 13.4 percent, 0.5 percent, and 1.7 percent, respectively. Three firms incurred operating losses in 1983 and 1984 and four in 1985.

Operating income or (loss) results for the 1986 interim data appear improved, in large part due to the impact of \*\*\*. \*\*\*. As shown in the following tabulation (in thousands of dollars):

\* \* \* \* \*

1/ The firms are \*\*\*.

Table 10.—Certain steel wire nails: Income-and-loss experience of U.S. producers on their overall operations of their establishment producing certain steel wire nails, accounting years 1983-85 and interim periods for partial years 1985 and 1986

Item	1983	1984	1985	Interim period for partial year	
				1985 1/	1986 1/
Net sales———1,000 dollars—	869,336	1,093,579	1,090,473	***	***
Cost of goods sold——do——	905,745	1,010,961	1,018,639	***	***
Gross profit or (loss)—do——	(36,409)	82,618	71,834	***	***
General, selling, and admin- istrative expenses					
1,000 dollars——	80,178	88,351	90,609	***	***
Operating income or (loss)					
1,000 dollars——	(116,587)	(5,733)	(18,775)	***	***
Interest expense——do——	(16,188)	(13,642)	(12,980)	***	***
Other income or (expense),					
1,000 dollars——	2/ (50,917)	3/ (70,379)	4/ 5,783	***	***
Net income or (loss) before income taxes—1,000 dollars——	(183,692)	(89,754)	(25,972)	***	***
Depreciation and amortization expense included above					
1,000 dollars——	65,303	42,377	43,499	***	***
Cash-flow from operations 5/ 1,000 dollars——	(118,389)	(47,377)	17,527	***	***
As a share of net sales:					
Cost of goods sold					
percent——	104.2	92.4	93.4	***	***
Gross profit or (loss)					
percent——	(4.2)	7.6	6.6	***	***
General, selling, and administrative expenses					
percent——	9.2	8.1	8.3	***	***
Operating income or (loss)					
percent——	(13.4)	(0.5)	(1.7)	***	***
Net income or (loss) before income taxes					
percent——	(21.1)	(8.2)	(2.4)	***	***
Number of firms reporting operating losses———	3	3	4	***	***
Number of firms reporting———	10	10	10	***	***

1/ \*\*\*.

2/ \*\*\*.

3/ \*\*\*.

4/ \*\*\*.

5/ Net income before income taxes plus depreciation and amortization expense.

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

Operations on certain steel wire nails.—Aggregate net sales of all wire nails grew steadily from \$124 million in 1983 to \$147 million in 1984 and to \$155 million in 1985. Operating income, however, increased from \$1.7 million in 1983 to \$2.5 million in 1984, an increase of 47.6 percent, then fell to \$2 million during 1985, a decrease of 19.6 percent. The operating income or (loss) margins during 1983–85 were 1.4, 1.7, and 1.3 percent, respectively. Six producers reported operating losses in 1983 and 1984 and seven reported losses in 1985 (table 11). The impact of \*\*\* is shown in the following tabulation (in thousands of dollars):

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

Furthermore, \*\*\* had a significant impact on gross profits and operating income, as shown in the following tabulation: 1/

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

Operations producing galvanized steel wire nails.—Three firms were able to provide income-and-loss data specifically for their operations producing hot galvanized steel wire nails 2/ and two firms provided data specifically for electrogalvanized steel wire nails, 3/ As shown in the following tabulation:

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

Value of plant, property, and equipment.—The data provided by nine producers on their investments in productive facilities in which certain steel wire nails are produced are shown in table 12. 4/ The aggregate investment in productive facilities for all products of the establishment, valued at cost, decreased from \$1.1 billion in 1983 to \$1 billion in 1984 and declined negligibly during 1985. The book value of such assets fell from \$543 million in 1983 to \$489 million in 1984, and dropped to \$454 million during 1985. Total reported investment in productive facilities for certain steel wire nails, valued at cost, increased from \$16.7 million in 1983 to \$18.6 million in 1984 and rose further to \$20.7 million during 1985. The book value of such assets increased from \$6.9 million in 1983 to \$7.4 million in 1984, and increased again to \$10 million in 1985.

Capital expenditures.—The data provided by nine firms relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of certain steel wire nails are shown in table 13. 5/ Capital expenditures relating to all products of the establishment decreased from \$43 million in 1983 to \$38 million during 1984, and further declined to \$14 million in 1985. Capital expenditures for certain steel wire nails increased from \$1 million in 1983 to \$2.8 million in 1984, and then declined to \$1.7 million during 1985.

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1/ \*\*\*.

2/ The firms are \*\*\*.

3/ The firms are \*\*\*.

4/ \*\*\* was not able to provide asset valuation data.

5/ \*\*\* was not able to provide capital expenditures data.

Table 11.—All steel wire nails: Income-and-loss experience of U.S. producers on their operations accounting years 1983-85 and interim periods for partial years 1985 and 1986

Item	1983	1984	1985	Interim period for partial year	
				1985 <u>1/</u>	1986 <u>1/</u>
Net sales————1,000 dollars—	124,270	147,066	154,900	***	***
Cost of goods sold————do—	107,963	126,340	134,783	***	***
Gross profit or (loss)—do—	16,307	20,726	20,117	***	***
General, selling, and admin- istrative expenses					
1,000 dollars—	14,596	18,201	18,086	***	***
Operating income————do—	1,711	2,525	2,031	***	***
Interest expense————do—	(789)	(858)	(829)	***	***
Other income or (expense)					
1,000 dollars—	(2,367)	(744)	(1,205)	***	***
Net income or (loss) before income taxes					
1,000 dollars—	(1,445)	923	(3)	***	***
Depreciation and amortization expense included above					
1,000 dollars—	2,910	2,840	2,627	***	***
Cash flow from operations <u>2/</u> 1,000 dollars—	1,465	3,763	2,624	***	***
As a share of net sales:					
Cost of goods sold					
percent—	86.9	85.9	87.0	***	***
Gross profit or loss					
percent—	13.1	14.1	13.0	***	***
General, selling, and administrative expenses					
percent—	11.7	12.4	11.7	***	***
Operating income————do—	1.4	1.7	1.3	***	***
Net income or (loss) before income taxes					
percent—	(1.2)	0.6	<u>3/</u>	***	***
Number of firms reporting operating losses—	6	6	7	***	***
Number of firms reporting—	10	10	10	***	***

1/ \*\*\*.

2/ Net income before income taxes plus depreciation and amortization expense.

3/ Less than one-one hundredth's of a percent.

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

Table 12.—Certain steel wire nails: Value of plant, property, and equipment (investment in productive facilities) of U.S. producers' facilities, as of the end of accounting years 1983-85

(In thousands of dollars)			
Item	1983	1984	1985
All products of the establishment(s):			
Original cost	1,111,206	1,025,015	1,022,351
Book value	542,581	489,264	454,315
Certain steel wire nails:			
Original cost	16,692	18,609	20,686
Book value	6,855	7,434	10,025

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

Table 13.—Certain steel wire nails: Capital expenditures on U.S. producers' facilities as of the end of accounting years 1983-85

(In thousands of dollars)			
Item	1983	1984	1985
All products of the establishment(s):			
Land and land improvements	222	90	0
Building or leasehold improvements	1,213	2,057	798
Machinery, equipment, and fixtures	41,442	35,855	13,318
Total	42,877	38,002	14,116
Certain steel wire nails:			
Land and land improvements	—	—	—
Building or leasehold improvements	46	150	3
Machinery, equipment, and fixtures	983	2,651	1,722
Total	1,029	2,801	1,725

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

### The Question of Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the LTFV imports, market penetration by such imports, probable suppression and/or depression of U.S. producers' prices, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity), the availability of export markets other than the United States, and U.S. importers' inventories.

Trends in imports, U.S. market penetration, and prices are discussed in the section of this report that addresses the causal relationship between the alleged injury and the imports that are sold at LTFV. The importers of nails from China reported that they purchase nails from all over the world and that inventory records do not indicate the country of origin. Available information on the industry in China is discussed below.

Eleven firms produce nails in China, seven of which produce for export. The exportation of virtually all of the nails produced in China is controlled by the Minmetals. According to information provided by Minmetals, production of nails in China increased by 5 percent from 1983 to 1984, and then \*\*\*. Utilization of productive capacity was 91 percent in 1983 and 1984, \*\*\* percent in 1985, and is projected at \*\*\* percent for 1986.

Table 14.—Certain steel wire nails: Chinese production, capacity, and exports, 1983-86

Item	1983	1984	1985	1986 <sup>1/</sup>
Production <sup>2/</sup> —1,000 tons—	672	705	***	***
Capacity <sup>2/</sup> —do—	739	771	***	***
Capacity utilization <sup>2/</sup> —percent—	91	91	***	***
Exports to:				
United States—1,000 tons—	50	36	***	***
All other—do—	82	85	***	***
Total—do—	132	121	***	***
Exports to the United States as a share of—				
Production—percent—	7	5	***	***
Total exports—do—	38	30	***	***

<sup>1/</sup> Projected.

<sup>2/</sup> Steel nails over 1 inch in length. These nails account for the bulk of Chinese production.

Source: Compiled from data submitted by counsel for the China National Metals & Minerals Import & Export Corp.

Exports of nails from China to the United States, as reported by Minmetals, decreased from 50,000 tons in 1983 to 36,000 tons in 1984, or by 28 percent, and then \*\*\*. Exports to the United States in 1986 are projected to range between \*\*\* and \*\*\* tons. These exports accounted for \*\*\* to \*\*\* percent of the total Chinese nail production during 1983-85 \*\*\*. 1/

#### Consideration of the Causal Relationship Between Alleged Material Injury and LTFV Imports

##### U.S. imports

U.S. imports of the nails under investigation enter under items 646.25, 646.26, 646.30, 646.32, and 646.36 of the TSUS. Whereas most of the imports entered under items 646.25 and 646.26 are believed to be nails that are the subject of the investigation, some brads, tacks, spikes, and staples that are not under investigation also enter under these items. These two TSUS items account for the bulk of the imports under investigation. The remainder of the nails under investigation enter under TSUS items 646.32 and 646.36 and under statistical annotation 646.3040 of the Tariff Schedules of the United States Annotated (TSUSA). These items include a variety of nails that are not subject to the investigation. Total imports under these three items, however, are small. Because the official import statistics include merchandise that is not subject to investigation, the data on imports of nails presented in this report are slightly overstated.

Total imports of nails increased from 398,000 tons in 1983 to 484,000 tons in 1984, or by 21.6 percent, and then decreased by 12.6 percent to 423,000 tons in 1985 (table 15). The largest suppliers of nails to the United States in 1985 were Korea (35 percent), Canada (20 percent), China (13 percent), and Japan (8 percent).

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1/ Data submitted to the Commission by counsel for Minmetals shows that exports to the United States from China consisted of \*\*\* tons of galvanized nails in 1983; \*\*\* tons in 1984; and \*\*\* tons nails in 1985. Exports to the United States in 1986 will total \*\*\* tons. At the public hearing Mr. Marvin Miller, Chairman of Miller Supply Co., the largest importer of nails from China stated that according to his firm's contract with the Chinese, exports to the United States will continue to increase (see transcript of hearing, p. 164).

Table 15.—Certain steel wire nails: 1/ U.S. imports for consumption, by principal sources, 1983-85

Source	1983	1984	1985
Quantity (1,000 tons)			
Korea	157	207	148
Canada	77	71	84
Japan	33	44	36
China	50	44	57
Spain	17	29	17
Poland	21	24	25
All other	41	65	56
Total	398	484	423
Value (million dollars)			
Korea	75	105	68
Canada	50	46	51
Japan	23	33	28
China	22	21	23
Spain	9	13	8
Poland	7	8	8
All other	20	29	29
Total	206	255	214
Percent of total quantity			
Korea	39	43	35
Canada	19	15	20
Japan	8	9	8
China	13	9	13
Spain	4	6	4
Poland	5	5	6
All other	10	13	13
Total	100	100	100

1/ Includes imports entered under the following TSUSA items: 646.2500, 646.2622, 646.2624, 646.2626, 646.2628, 646.2642, 646.2644, 646.2646, 646.2648, 646.3040, 646.3200, and 646.3600.

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

Information concerning the customs districts through which nails from China entered the United States during 1985, as compiled from official statistics of the U.S. Department of Commerce, is presented in the following tabulation (in percent):

	Share of total imports
New York, NY	19
Los Angeles, CA	15
Boston, MA	9
San Francisco, CA	8
Houston, TX	7
Wilmington, NC	7
Philadelphia, PA	7
New Orleans, LA	6
All other	21
Total	100

Imports by questionnaire respondents.—Data received from U.S. importers of nails from China in response to the Commission's questionnaires amounted to slightly more than \*\*\* percent of total imports from China as reported in official statistics in 1983, \*\*\* percent of total imports in 1984, and \*\*\* percent of total imports in 1985. Galvanized nails accounted for \*\*\* percent of the imports from China in 1983, \*\*\* percent in 1984, and \*\*\* percent in 1985 (see table 16). <sup>1/</sup>

In the questionnaire, U.S. producers were asked if they imported galvanized nails from any foreign affiliate and if they did, to indicate the quantity of imports and the country that produced the imports. \*\*\*. Imports by U.S. producers are shown in the following tabulation (in tons):

\* \* \* \* \*

#### U.S. market penetration

Market penetration of imports from all sources increased from 37.8 percent of consumption in 1983 to 42.3 percent in 1984, and then dropped to an estimated 37.9 percent in 1985 (table 17). Market penetration of imports from China decreased from 4.8 percent in 1983 to 3.8 percent in 1984, and then increased to an estimated 5.1 percent in 1985.

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<sup>1/</sup> According to counsel for Minmetals, no collated nails are imported from China.

Table 16.---Nails: Imports from China, as reported by U.S. importers, by types, of nails, 1983-85

Type	1983	1984	1985
Quantity (tons)			
Hot-galvanized	***	***	***
Electrogalvanized	***	***	***
Total, galvanized	***	***	***
All other	***	***	***
Total	***	***	***
Value (1,000 dollars)			
Hot-galvanized	***	***	***
Electrogalvanized	***	***	***
Total, galvanized	***	***	***
All other	***	***	***
Total	***	***	***
Unit value			
Hot-galvanized	***	***	***
Electrogalvanized	***	***	***
Average, galvanized	***	***	***
All other	***	***	***
Average	***	***	***

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

Table 17.—Certain steel wire nails: U.S. producers' domestic shipments, U.S. imports by selected sources, and U.S. consumption, 1983-85

Year	U.S. producers' domestic shipments	Imports from—			Consump- tion
		China	All other	Total	
Quantity (1,000 tons)					
1983	654	50	348	398	1,052
1984	661	44	440	484	1,145
1985	1/ 694	57	366	423	1/ 1,117
Share of consumption (percent)					
1983	62.2	4.8	33.0	37.8	100.0
1984	57.7	3.8	38.5	42.3	100.0
1985	1/ 62.1	1/ 5.1	1/ 32.8	1/37.9	100.0

1/ Estimated by the staff of the U.S. International Trade Commission based on official Department of Commerce data for 1984 and questionnaire returns.

Source: Based on tables 2 and 12 of this report.

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

### Prices

Several U.S. producers of steel wire nails distribute price lists, with all producers reporting that actual transaction prices are often discounted from list prices. Data indicate that discounts were offered on a majority of all purchases of U.S.-produced nails.

Prices for domestically produced nails are generally quoted on an f.o.b. mill or warehouse basis, with two producers reporting that they quote prices on a delivered basis. One importer indicated that prices are quoted on a delivered basis based on market conditions, while another quotes prices ex-dock, establishing prices through negotiation. Average leadtime between a customer's order and date of shipment for U.S.-produced nails ranged from 1 day to 4 weeks, depending on warehouse inventory and customer needs. Importers of nails reported delivery lead times of 3 to 5 days. Minimum quantity purchase requirements varied among U.S. producers, with several of these producers reporting minimum quantity requirements of one truckload, or 40,000 pounds. Two importers reported truckload quantity as the minimum order, while one reported no minimum requirements.

The Commission requested U.S. producers and importers of nails to provide net f.o.b. selling price per pound for three specifications of nails on quarterly sales to each of their three largest customers. The three types of nails for which data was requested include the following:

Product 1— 16-penny bright common nails.

Product 2— Electrogalvanized roofing nails, 11G by 1-1/4" by 7/16".

Product 3— Hot-galvanized roofing nails, 11G by 1-1/4" by 7/16".

Five U.S. producers accounting for about 40 percent of Current Industrial Report estimated shipments in 1985, reported the selling prices that were requested, while an additional four producers reported that they do not produce the nail specifications for which prices were requested. Twelve importers of Chinese-produced nails, accounting for about 65 percent of imports in 1985, submitted pricing information.

Price trends.—U.S. producers' data indicate a very slight overall decrease in price per pound for each of the three specifications of nails for which prices were received (table 18).

Product 1.—U.S. producers weighted-average prices for 16-penny bright common nails decreased by \$0.01 during 1983, from \$0.24 per pound during January-March to \$0.23 per pound during April-December. During 1984-85, prices fluctuated with no discernible trend, rising to a two-year high of \$0.25 per pound during April-June 1984, and then moved erratically to finish 1985 at a price of \$0.23 per pound.

Product 2.—U.S. producers' weighted-average prices for electrogalvanized nails indicate an overall decrease of \$0.01 per pound during the period of the investigation. The initial prices of \$0.35 per pound during January-March 1983 increased irregularly to reach a high of \$0.38 in April-June 1984 before dropping to \$0.32 during January-March 1985, a decline of 16 percent. Prices recovered slightly to \$0.34 during April-December 1985.

Product 3.—U.S. producers' weighted-average prices for hot-galvanized roofing nails ranged from \$0.43 per pound to \$0.45 per pound during 1983-1985. In 1983 and 1984, price either increased or decreased by \$0.01 per pound per quarter with no distinct pattern in the price fluctuation. Prices during 1985 showed less movement, with an increase from \$0.43 per pound during January-June to \$0.44 per pound during July-December.

Price comparisons.—Price comparisons between U.S. and Chinese-produced electrogalvanized and hot-galvanized nails are based on pricing data supplied by Miller Supply Corp. and \*\*\* additional affiliates of Grip-Rite International, located throughout the East, South, and Midwest. Prices for 16-penny bright common nails are based on limited import data, with only one firm, representing \*\*\* percent of total imports from China, reporting imports of this specification of nail. <sup>1/</sup>

Weighted-average prices for product 1 as reported by both U.S. producers and one importer of the Chinese nails are shown along with margins of underselling/overselling in table 19. Chinese-produced nails undersold U.S.-produced nails in 5 of the 10 quarters for which comparisons were available. Margins of underselling ranged from \*\*\* percent to \*\*\* percent.

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<sup>1/</sup> As stated earlier in this report, galvanized nails accounted for a large share of the imports from China during 1983-85.

Table 18.—Nails: U.S. producers' weighted-average net selling prices by quarters, January 1983–December 1985

(In cents per pound)				
Period	Product 1 <u>1/</u>	Product 2 <u>2/</u>	Product 3 <u>3/</u>	
1983:				
January–March	0.24	0.35	0.45	
April–June	.23	.35	.44	
July–September	.23	.37	.43	
October–December	.23	.36	.44	
1984:				
January–March	.22	.35	.43	
April–June	.25	.38	.44	
July–September	.21	.36	.45	
October–December	.22	.37	.44	
1985:				
January–March	.19	.32	.43	
April–June	.23	.34	.43	
July–September	.24	.34	.44	
October–December	.23	.34	.44	

1/ Product 1 is 16-penny bright common nails.

2/ Product 2 is electrogalvanized roofing nails, 11G by 1-1/4" by 7/16".

3/ Product 3 is hot-galvanized roofing nails, 11G by 1-1/4" by 7/16".

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

Chinese nails were priced above those of the U.S. producers in three quarters, while prices for both U.S.-produced and imported nails were equal during \*\*\*.

Price comparisons for product 2 indicate that imports of the product from China undersold the U.S.-produced nails in all 12 quarters, with margins ranging from 5 to 21 percent (table 20).

Chinese-produced product 3 was priced below the U.S. product in 10 of the 12 quarters, with margins ranging from 2 to 21 percent (table 21). The Chinese nails were priced above those produced in the U.S. during \*\*\*, by a margin of \*\*\* percent in each of these quarters. U.S. and Chinese nails were priced equally during \*\*\*.

Table 19.—16-penny bright common nails: U.S. producers' and importers' <sup>1/</sup> weighted-average net selling prices for sales of domestic product and for sales of imports from China, and margins of underselling or (overselling) of imports over the domestic product, by quarters, January 1983–December 1985

Period	U.S. product price	Chinese product price	Margin of underselling or overselling	Margin of underselling or overselling
	Cents per pound			Percent
1983:				
January–March	0.24	***	***	***
April–June	.23	***	***	***
July–September	.23	***	***	***
October–December	.23	***	***	***
1984:				
January–March	.22	***	***	***
April–June	.25	***	***	***
July–September	.21	***	***	***
October–December	.22	***	***	***
1985:				
January–March	.19	***	***	***
April–June	.23	***	***	***
July–September	.24	***	***	***
October–December	.23	***	***	***

<sup>1/</sup> Importers' prices are based on data from one importer.

<sup>2/</sup> No prices were reported.

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

Note.—Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the table.

Table 20.—Electrogalvanized roofing nails, 11G by 1-1/4" by 7/16": U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from China, and margins of underselling or (overselling) of imports over the domestic product, by quarters, January 1983–December 1985

Period	U.S. product price	Chinese product price	Margin of underselling or overselling	Margin of underselling or overselling
	Cents per pound		Percent	
1983:				
January–March	0.35	***	***	***
April–June	.35	***	***	***
July–September	.37	***	***	***
October–December	.36	***	***	***
1984:				
January–March	.35	***	***	***
April–June	.38	***	***	***
July–September	.36	***	***	***
October–December	.37	***	***	***
1985:				
January–March	.32	***	***	***
April–June	.34	***	***	***
July–September	.34	***	***	***
October–December	.34	***	***	***

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

Note.—Percentage margins are calculated from unrounded figures, thus margins can not always be directly calculated from the rounded prices in the table.

Table 21.—Hot galvanized roofing nails, 11G by 1-1/4" x 7/16": U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from China, and margins of underselling or (overselling) of imports over the domestic product, by quarters, January 1983–December 1985

Period	U.S. product price	Chinese product price	Margin of underselling (overselling)	Margin of underselling (overselling)
	Cents per pound		Percent	
1983:				
January–March	0.45	***	***	***
April–June	.44	***	***	***
July–September	.43	***	***	***
October–December	.44	***	***	***
1984:				
January–March	.43	***	***	***
April–June	.44	***	***	***
July–September	.45	***	***	***
October–December	.44	***	***	***
1985:				
January–March	.43	***	***	***
April–June	.43	***	***	***
July–September	.44	***	***	***
October–December	.44	***	***	***

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

Note.—Percentage margins are calculated from unrounded figures, thus margins can not always be directly calculated from the rounded prices on the table.

Purchasers' responses.—Purchaser questionnaires were sent to 25 establishments, with 10 of these responding to the questionnaire. Of these 10, 3 firms reported that they do not purchase from China. Purchasers responding to the questionnaire were asked to rank those factors given consideration in purchase decisions. All firms ranked product price and/or product quality as the most important factors. However, two of these firms stated that product availability and the caliber of the sales representative were equally important. Five respondents also indicated that prompt shipment of an order is the most important delivery consideration.

Six of the seven reporting firms stated that they purchase both domestic and imported nails since dual-source purchasing is necessary to ensure competitive pricing as well as product availability. Only one firm reported imports as the sole source for nails.

Transportation.—U.S. producers of nails are located in many regions of the United States with no concentration in any particular location. Imports of nails from China enter the United States through eastern, southeastern and western ports.

Trucking is the primary mode of transportation for nails and transport costs are a major concern when marketing or purchasing nails, with shipping cost per pound ranging from 2 to 9 percent of the per pound cost of the nails. Since transport costs are significant, several U.S. producers ship their nails within specific geographic market areas such as the West, the Midwest, and the Southeast.

#### Exchange rates

Since the value of the currency of China, the yuan, is determined by the Chinese Government and not by the free market, meaningful measures of China's exchange rate cannot be presented.

#### Lost sales and lost revenues

U.S. producers of nails identified customers to whom sales and revenues were lost to imports of like products from China since January 1984. U.S. producers reported lost sales of \*\*\* tons of nails but were not able to quantify these sales in terms of value. Revenues totaling \*\*\* were reported lost on sales of \*\*\* tons of nails, although the producer claiming these lost revenues was not able to specify the country of origin of competing nails.

\*\*\* alleged lost revenues of \*\*\* on sales of \*\*\* tons of nails to \*\*\* during 1984 and 1985. \*\*\* stated that although his U.S. supplier has had to face aggressive price competition from imports of Chinese nails, including the need to suppress prices in order to meet this competition, he was not able to quantify the amount of revenue lost on his purchases. \*\*\* added that, while the quality of U.S.-produced nails is better than that of Chinese nails, price has been a more important factor in his customers' purchase decisions.

\*\*\* alleged lost revenues of \*\*\* totaling \*\*\* tons to \*\*\*. \*\*\* stated that, although \*\*\* does sometimes receive quotes from importers of nails, he has purchased imported nails of Korean origin only one time. As a rule, \*\*\* tries to purchase only U.S.-produced nails. \*\*\* added that when he did look into the purchase of imported nails, but he found that prices of the imported product were comparable to those of the domestic product. He stated further that because of \*\*\*, he would buy domestic nails even if they were priced as much as \*\*\* per box higher than imported nails.

\*\*\* alleged lost revenues totaling \*\*\* on a sale of \*\*\* tons of nails to \*\*\* in October 1985. \*\*\*, a spokesman at \*\*\*, commented that nails were purchased from \*\*\* during this time period, and that Chinese nails were not a factor in this purchase.

\*\*\* alleged lost revenues totaling \*\*\* on a sale of \*\*\* tons of nails to \*\*\* in October 1984. Staff attempts to contact \*\*\* were unsuccessful.

The following lost sales allegations were investigated during the course of the preliminary investigation.

\*\*\* U.S. producers submitted 16 lost sales allegations totaling \*\*\* tons of nails from China involving \*\*\* firms. The Commission staff investigated all 16 allegations. Two purchasers cited in six allegations totaling \*\*\* tons confirmed having purchased approximately \*\*\* tons of Chinese nails in lieu of the U.S. product. One of the two purchasers reported that he was supplied the Chinese-produced nails by \*\*\* who sold them at the same price as the U.S.-produced product. The purchaser reported that the U.S. producer imported the nails from China \*\*\* to supplement its own nail production. The other purchaser cited the lower price of the Chinese nails as his primary reason for buying them. In three allegations totaling \*\*\* tons, the purchaser involved denied the allegations. Details of the allegations are discussed below.

\*\*\*, was cited in three lost sales allegations totaling \*\*\* tons of Chinese nails during January 1985. \*\*\*, a senior buyer for the firm, confirmed purchasing approximately \*\*\* tons of Chinese-produced nails. \*\*\* reported that he was supplied the Chinese nails by \*\*\*, which imported the nails \*\*\*. He stated that the Chinese nails were sold to him at the same price as \*\*\*. He added that \*\*\* supplied Chinese nails when the type of nail he required, electrogalvanized roofing nails, wasn't available from \*\*\* U.S. production facilities.

\*\*\*, was cited in three lost sales allegations totaling \*\*\* tons of Chinese nails during January 1985. \*\*\*, stated that he had purchased a maximum of \*\*\* tons of Chinese nails since January 1984. \*\*\* stated that the nails from China were "competitively" priced. He noted that the Chinese nails he purchased were mostly electrogalvanized roofing nails and that the buyers to which he sells expect a lower price for imported nails.

\*\*\*, was cited in three lost sales allegations totaling \*\*\* tons of Chinese nails during January 1985. \*\*\*, stated that the firm has never purchased nails that were produced in China.

Two U.S. producers reported four lost revenue allegations totaling \*\*\* on \*\*\* tons of nails owing to competition from Chinese nails during August 1984 to May 1985. The Commission staff investigated all four allegations. In two of the allegations totaling \*\*\*, the purchasers stated that they were not offered Chinese nails at the time of the alleged price reduction. One of the purchasers confirmed the lost revenue allegation of \*\*\* on \*\*\* tons of nails owing to competition from Chinese nails. Details of the allegation are discussed below.

\*\*\*, was cited in a lost revenue allegation of \*\*\* on \*\*\* tons of nails because of competition from Chinese nails during May 1985. \*\*\*, reported that, in 1985, the firm purchased Chinese nails that were priced lower than competing U.S.-produced nails. \*\*\* could not recall the specific lost revenue allegation, but noted that it was probably true. He reported that the Chinese nails were packaged better and were of higher quality than U.S. nails.

\*\*\*, was cited in a lost revenue allegation of \*\*\* on \*\*\* tons of nails owing to competition from Chinese nails. \*\*\*, reported that the firm has never been offered Chinese nails.

\*\*\*, was cited in a lost revenue allegation of \*\*\* on \*\*\* tons of nails due to competition from Chinese nails during August 1984. \*\*\* stated that the firm was offered Chinese nails in 1985, but that any price reductions in 1984 were caused by competition from Korean nails. \*\*\* reported that the firm currently purchases Chinese nails, which are considerably lower in price than competing U.S. nails.



APPENDIX A

COMMERCE'S AND THE COMMISSION'S  
FEDERAL REGISTER NOTICE

(A-570-503)

**Certain Steel Wire Nails From the People's Republic of China; Preliminary Determination of Sales at Less Than Fair Value**

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

**ACTION:** Notice.

**SUMMARY:** We preliminarily determine that certain steel wire nails (nails) 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 have notified the U.S. International Trade Commission (ITC) of our determination, and have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise as described in the "Suspension of Liquidation" section of the notice. If this investigation proceeds normally, we will make a final determination by March 18, 1986.

**EFFECTIVE DATE:** January 9, 1986.

**FOR FURTHER INFORMATION CONTACT:** Arthur J. Simonetti or Charles E. Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; Telephone: (202) 377-4929 or (202) 377-5288.

**SUPPLEMENTARY INFORMATION:**

**Preliminary Determination**

Based upon our investigation, we preliminarily determine that nails from the PRC are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). We have preliminarily determined the weighted-average margin of sales at less than fair value to be 8.01 percent.

If this investigation proceeds normally, we will make a final determination by March 18, 1986.

**Case History**

On June 5, 1985, we received a petition from Atlantic Steel Company, Atlas Steel & Wire Corporation, Continental Steel Corporation, Dickson Weatherproof Nail Co., Florida Wire & Nail Co., Keystone Steel & Wire Company, Northwestern Steel & Wire Co., Virginia Wire & Fabric Company, and Wire Products Company, filed on behalf of the domestic producers of nails. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioners alleged that imports of nails from the PRC are being, or are

likely to be, sold in the United States at less than fair value within the meaning of the Act, and that these imports materially injure, or threaten material injury to, a United States industry. After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on June 25, 1985 (50 FR 27479). On July 31, 1985, the ITC determined that there is a reasonable indication that imports of nails are materially injuring a U.S. industry (50 FR 31057).

On July 5, 1985, a questionnaire was sent to China National Metals and Minerals Import and Export Corporation (China Minmetals), and on August 12, 1985, we received China Minmetals's response. China Minmetals submitted a supplemental response on August 22, 1985. On November 6, 1985, the preliminary determination was extended at the request of the petitioner.

As discussed under the "Foreign Market Value" section of this notice, we have preliminarily determined that the PRC is a state-controlled-economy country for the purpose of this investigation.

**Scope of Investigation**

The products covered by this investigation are certain steel wire nails from the PRC. These nails are: one-piece steel wire nails as currently provided for in the *Tariff Schedules of the United States* (TSUS) under item numbers 646.25 and 646.26, and similar steel wire nails of one-piece construction, whether at, over or under .065 inch in diameter as provided for in item number 646.3040; two-piece steel wire nails provided for in item number 646.32; and steel wire nails with lead heads provided for in item number 646.36.

Because Minmetals accounted for all exports of this merchandise to the United States, we limited our investigation to that firm. We investigated approximately 70 percent of sales of nails for the period January 1, 1985, through June 30, 1985.

**Fair Value Comparison**

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value.

**United States Price**

As provided in section 772 of the Act, we calculated the purchase price of nails based on the F.O.B., or C.I.F. price to unrelated United States purchasers

shown in the response submitted by China Minmetals. We made deductions, where appropriate, for foreign inland freight and insurance and ocean freight. We will develop information for our final determination which will allow us to value yuan-denominated charges in a non-state-controlled economy country at a comparable level of economic development.

#### Foreign Market Value

In accordance with section 773(c) of the Act, we used prices of nails imported into the United States from South Korea and Israel as the basis for foreign market value.

Petitioners alleged that the PRC is a state-controlled-economy country and that sales of the subject merchandise from that country do not permit a determination of foreign market value under section 773(a). After an analysis of the PRC economy, and consideration of the briefs submitted by the parties, we have preliminarily concluded that the PRC is a state-controlled-economy country for the purpose of this investigation. Central to our decision on this issue is the fact that that central government of the PRC controls the prices and levels of production of nail or steel products as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use either the prices of or the constructed value of such or similar merchandise in a "non-state-controlled-economy" country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a "non-state-controlled-economy" country at a stage of economic development comparable to the state-controlled-economy country.

After an analysis of countries producing wire nails, we determined that Egypt, India, Indonesia, Morocco, Pakistan, Philippines, Sri Lanka, and Thailand were the countries at the most comparable stages of economic development and it would, therefore, be appropriate to base foreign market value on their prices. However, the Indian Embassy has advised us that the companies which we contacted in India will not provide data for this investigation, and the companies contacted in Egypt, Indonesia, Morocco, Pakistan, Philippines, Sri Lanka, and Thailand have not responded.

Lacking information from countries at a level of economic development comparable to that of the PRC, we have based foreign market value on the prices of imports into the U.S. Of the countries

exporting nails to the United States, South Korea and Israel were at the most comparable level of economic development to the PRC. Therefore, we based foreign market value on the simple average ex-mill price of nails from South Korea and Israel for export to unrelated purchasers in the United States. We gathered simple average price information from special steel summary invoice (SSSI) statistics, which was the best information available. We made deductions for inland freight and for ocean freight. We made comparisons of merchandise based upon product subgroups selected by Department of Commerce industry experts.

#### Verification

We will verify all data used in reaching the final determination in this investigation.

#### Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of nails from the PRC that are entered or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the *Federal Register*. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeded the United States price, which was 8.01 percent of the ex-factory value. This suspension of liquidation will remain in effect until further notice.

#### ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will 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.

The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry before no later than 120 days after we make our preliminary affirmative determination, or 45 days after we make our final determination.

#### Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties and opportunity to comment on this preliminary determination at 10:00 a.m., on February 12, 1986, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room 3099B, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by February 7, 1986. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of publication of this notice, at the above address in at least 10 copies.

Dated: January 2, 1986.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 86-435 Filed 1-8-86; 8:45 am]

BILLING CODE 3510-09-01

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(Investigation No 731-TA-286 (Final))

**Certain Steel Wire Nails From the People's Republic of China**

**AGENCY:** International Trade Commission.

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

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**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-286 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1675(b)) to determine whether 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 one-piece steel wire nails made of round steel wire, provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS), and similar steel wire nails of one-piece construction, of any diameter, provided for in item 646.30 of the TSUS, two-piece steel wire nails, provided for in item 646.32 of the TSUS, and steel wire nails with lead heads, provided for in item 646.36 of the TSUS, and of which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final

LTFV determination on or before March 16, 1986, and the Commission will make its final injury determination by May 8, 1986, (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and C (19 CFR Part 207), and Part 201, subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** January 9, 1986.

**FOR FURTHER INFORMATION CONTACT:** Bruce Cates (202-523-0369), Office of Investigations, U. S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

**SUPPLEMENTARY INFORMATION:**

**Background**

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of certain steel wire nails from the People's Republic of China are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on June 5, 1985, on behalf of Atlantic Steel Co., Atlas Steel & Wire Corp., Continental Steel Corp., Dickson Weatherproof Nail Co., Florida Wire & Nail Co., Keystone Steel & Wire Co., Northwestern Steel & Wire Co., Virginia Wire & Fabric Co., and Wire Products Co. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 31057, July 31, 1985).

**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 twenty-one (21) days after the 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 §§ 201.18(c) and 207.3 of the rules (19 CFR 201.18(c) and 207.3), 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.

**Staff Report**

A public version of the prehearing staff report in this investigation will be placed in the public record on March 18, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing**

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on April 3, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on March 14, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on March 18, 1986, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is March 28, 1986.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

**Written Submissions**

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on April 10, 1986. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before April 10, 1986.

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 Commission's rules (19 CFR 201.8). 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).

**Authority:** This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: January 23, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-1961 Filed 1-29-86; 8:45 am]

BILLING CODE 7020-02-M

**International Trade Administration**  
**[A-570-503]**

**Antidumping; Steel Wire Nails From the People's Republic of China; Final Determination of Sales at Less Than Fair Value**

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

**ACTION:** Notice.

**SUMMARY:** We have determined that certain steel wire nails (nails) from the People's Republic of China (PRC) are being sold in the United States at less than fair value. The United States International Trade Commission (ITC) will determine within 45 days of publication of this notice whether these imports are materially injuring or threatening material injury to a United States industry.

**EFFECTIVE DATE:** March 25, 1986.

**FOR FURTHER INFORMATION CONTACT:** Arthur J. Simonetti or Charles E. Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; Telephone (202) 377-4929 or (202) 377-5288.

**SUPPLEMENTARY INFORMATION:**

**Final Determination**

Based on our investigation, we have determined that nails from the PRC are being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The weighted-average margin of sales at less than fair value is listed in the "Suspension of Liquidation" section of this notice.

**Case History**

On June 5, 1985 we received a petition from Atlas Steel Company, Atlas Steel & Wire Corporation, Continental Steel Corporation, Dickson Weatherproof Nail Co., Florida Wire &

Nail Co., Keystone Steel & Wire Company, Northwestern Steel & Wire Co., Virginia Wire & Fabric Company, and Wire Products Company, filed on behalf of the domestic producers of nails. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioners alleged that imports of nails from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Act, and that these imports materially injure, or threaten material injury to, a United States industry. After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on June 25, 1985 (50 FR 27479). On July 31, 1985, the ITC determined that there is a reasonable indication that imports of nails are materially injuring a U.S. industry (50 FR 31057).

On July 5, 1985, a questionnaire was presented to counsel for China National Metals and Minerals Import and Export Corporation (Minmetals), and on August 12, 1985, we received Minmetals' response. Minmetals submitted a supplemental response on August 22, 1985. On November 6, 1985, the preliminary determination was extended at the request of the petitioner.

We verified the respondent's questionnaire response on January 20 through January 24, 1986.

We conducted a public hearing on February 12, 1986.

As discussed under the "Foreign Market Value" section of this notice, we have determined that the PRC is a state-controlled-economy country for the purpose of this investigation.

**Scope of Investigation**

The products covered by this investigation are certain steel wire nails from the PRC. These nails are: one-piece steel wire nails as currently provided for in the *Tariff Schedules of the United States* (TSUS) under item numbers of 646.25 and 646.28, and similar steel wire nails of one-piece construction, whether at, over or under 0.085 inch in diameter as provided for in item number 646.3040 of the *Tariff Schedules of the United States Annotated* (TSUSA); two-piece steel wire nails provided for in item number 646.32 of the TSUS; and steel wire nails with lead heads provided for in item number 646.36 of the TSUS.

Because Minmetals accounted for all exports of this merchandise to the United States, we limited our investigation to that firm. We investigated approximately 70 percent of

sales of nails for the period January 1, 1985 through June 30, 1985.

**Fair Value Comparison**

To determine whether sales in the United States of the subject merchandise were made at less than fair value, we compared the United States price with the foreign market value.

**United States Price**

As provided in section 772 of the Act, we calculated the purchase price of nails based on the C & F packed price to unrelated United States purchasers shown in the response submitted by Minmetals. We made deductions, where appropriate, for foreign inland freight and ocean freight. We used inland freight rates from the Republic of Korea (Korea) as free-market surrogate rates to replace yuan-denominated inland freight rates in purchase price transactions.

**Foreign Market Value**

In accordance with section 773(c) of the Act, we used prices of nails imported into the United States from Korea as the basis for determining foreign market value.

Petitioners alleged that the PRC is a state-controlled-economy country and that sales of the subject merchandise from that country do not permit a determination of foreign market value under section 773(a). After an analysis of the PRC economy, and consideration of the briefs submitted by the parties, we concluded that the PRC is a state-controlled-economy country for the purpose of this investigation. Central to our decision on this issue is the fact that the central government of the PRC controls the prices and levels of production of nail or steel products as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use either the prices of or the constructed value of such or similar merchandise in a non-state-controlled-economy country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a non-state-controlled-economy country at a stage of economic development comparable to the state-controlled-economy country.

After an analysis of countries producing wire nails, we determined that Egypt, India, Indonesia, Morocco, Pakistan, the Philippines, Sri Lanka, and Thailand were the countries at the most comparable stages of economic development and it would, therefore, be

appropriate to base foreign market value on their prices. However, the Indian Embassy advised us that the companies which we contacted in India would not provide data for this investigation, and the companies contacted in Egypt, Indonesia, Morocco, Pakistan, the Philippines, Sri Lanka, and Thailand have not responded.

Lacking information from countries at a level of economic development comparable to that of the PRC, we have based foreign market value on the prices of imports of the same class or kind of merchandise into the United States. Of the countries exporting nails to the United States, Korea was at the most comparable level of economic development to the PRC. Therefore, we have based foreign market value on the weighted-average ex-mill price of nails from Korea for export to unrelated purchasers in the United States. We gathered weighted-average price information from Special Summary Steel Invoice (SSSI) statistics, which was the best information available. We made deductions for inland freight and for ocean freight. We made comparisons of merchandise based upon product subgroups selected by Department of Commerce industry experts.

#### Verification

In accordance with section 776(a) of the Act, we verified all the information used in making this determination. We were granted access to the books and records of the company. We used standard verification procedures including examination of accounting records and other selected documents containing relevant information.

#### Petitioners' Comments

*Comment #1:* Petitioners argue that the Department should not resort to the price of nails imported into the United States as the basis for calculating foreign market value, because these prices are distorted by unfair trading practices and voluntary export restraints. Given this, the Department should use the constructed value of U.S. nails adjusted, as required, to take account of known differences.

*DOC Position:* The Department's regulations express a preference for use of prices over costs as the basis for calculating foreign market value in antidumping duty investigations of products from state-controlled-economy countries. Therefore, we generally attempt to use prices of imports before constructed value. Regarding the possible distortions to these prices caused by voluntary export restraints, we would expect that if the restraints had any effect, it would be to raise the

prices of the restrained imports. However, no evidence has been provided in this investigation which documents such an increase.

*Comment #2:* Petitioners argue that, assuming the Department uses the prices of imports into the United States for calculating foreign market value, it should not rely on imports from Korea and Israel. The Department has taken the position that countries engaged in dumping and those that have entered into export restraint agreements should be excluded from consideration. Korean nails were found to have been dumped and are presently covered by an export restraint agreement. Petitioners disagree with respondent's contention that the effect of the dumping finding and the export restraint was to increase Korean prices.

Israel, which constituted less than one percent of the volume of U.S. imports during the period of investigation, provided insufficient coverage to conduct a proper investigation and, therefore, cannot be used singly. Finally, petitioners contend that Korea and Israel are not comparable to the PRC in terms of economic development.

*DOC Position:* We are excluding Israel from our determination of foreign market value because of the possibility that such imports are benefitting from export subsidies, and are instead using only Korea.

The Korean merchandise in question is not presently covered by an antidumping duty order, as it was revoked, retroactive to October 1, 1984.

While we would prefer not to use countries that have entered into export restraint agreements because of the uncertain effects of those restraints, no persuasive evidence that the restraints have affected prices has been put forth.

Finally, the Department never stated that Korea and Israel were "comparable" to the PRC. What the Department has determined is that "of the countries exporting nails to the United States, not subject to antidumping duty or countervailing duty orders, Korea and Israel are the most comparable."

*Comment #3:* Petitioners contend that, assuming the Department does not use constructed value, it should use a "basket" for foreign market value, i.e., the average ex-mill price of imports from a number of countries, excluding those covered by antidumping duty or countervailing duty orders, those subject to export restraint agreements, and imports from state-controlled-economy countries. The countries that exported during the period of investigation meeting these criteria are: Canada,

Taiwan, Israel, Switzerland, Hong Kong, Kenya and Colombia.

*DOC Position:* Where we have a country at a level of economic development that can reasonably be compared to the level of economic development of the state-controlled-economy country in question, we prefer to use that country's export prices. Therefore, so long as Korea provides adequate coverage, employing it for purposes of determining foreign market value is preferable to the "basket" of non-comparable countries approach advocated by the petitioners.

#### Respondent's Comments

*Comment #1:* Respondent contends that Canadian production facilities are comparable to PRC facilities. Therefore, respondent advocates the use of Canadian home market prices for purposes of determining foreign market value.

*DOC Position:* Generally, the Department places greater reliance on general macro-economic criteria (e.g., per capita GDP and labor statistics) than sectoral comparability. We have only used home market prices in a non-comparable country once (*Carbon Steel Plate from Romania*, in which we used home market prices from Finland). Respondent has not provided evidence to persuade us that sectoral comparability is more important than macro-economic comparability.

*Comment #2:* Respondent feels that the use of Korean and Israeli export prices to the U.S. is reasonable. Respondent further asserts that, because the presumed effect of an antidumping duty order or an export restraint agreement is to drive prices upward, the Department should adjust the Korean prices downward accordingly.

*DOC Position:* The respondent has not provided us with sufficient evidence to warrant a downward adjustment to Korean prices.

*Comment #3:* Respondent contends that, while petitioners suggest a "basket" approach which includes non-comparable countries, petitioners also urge the Department to reject Korea and Israel on the grounds that they are not comparable to the PRC. Respondent also notes that if we were to use petitioners' suggestion of a "basket" approach, the predominant price would be the Canadian price. Therefore, respondent asserts instead that it would be just as reasonable to use Canadian home market prices.

*DOC Position:* As the Department determined that Canada is not at a level of economic development comparable to that of the PRC, neither Canadian home

market prices nor export prices to the United States would be used.

#### Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of nails from the PRC, which are entered, or withdrawn from warehouse, for consumption on or after January 9, 1986. The United States Customs Service will require the posting of a cash deposit, bond, or other security in amounts based on the following weighted-average margin.

Company	Weighted-average margin (percent)
All producers, manufacturers and exporters	8.33

#### ITC Notification

Pursuant to section 733(f) of the Act, we will notify the ITC and make available to it all non-privileged and non-confidential information relating to this determination. We will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the date of this determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on certain steel wire nails from the PRC that are entered, or withdrawn from warehouse, for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States prices.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.  
March 18, 1986.

[FR Doc. 86-6483 Filed 3-24-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B  
CALENDAR OF WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Steel Wire Nails from the People's  
Republic of China

Inv. Nos. : 731-TA-266 (Final)

Date and time : April 3, 1986 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington

In support of the imposition of antidumping duties:

Fried, Frank, Harris, Shriver & Jacobson—Counsel  
Washington, D.C.  
on behalf of

Atlantic Steel Co.  
Atlas Steel & Wire Corp.  
Florida Wire & Nail Co.  
Keystone Steel & Wire Co.  
Northwestern Steel & Wire  
Virginia Wire & Fabric Co.  
Wire Products Co.

Thomas Cantrell, Product & Marketing Manager,  
Atlantic Steel Company

Rick Cloyd, Director of Marketing, Keystone Steel & Wire Co.

Charles F. Dickson, President  
Dickson Weatherproof Nail Co.

Samuel M. Rosenblatt, President SMF Inc.

David E. Birenbaum )  
Alan Kashdan ) OF COUNSEL  
Edward F. Butkusiem )

In opposition to the imposition of antidumping duties:

Mudge, Rose, Guthrie Alexander & Ferdon—Counsel  
Washington, D.C.  
on behalf of

The China National Metals & Minerals & Import & Export Corporation  
(MINMETALS)

Carol Skerik, International Business Economic Research Corporation

Marvin Miller, Chairman of Miller Supply Company  
and Grip-Rite, Ltd.

N. David Palmeter )  
Martin Lewin ) OF COUNSEL



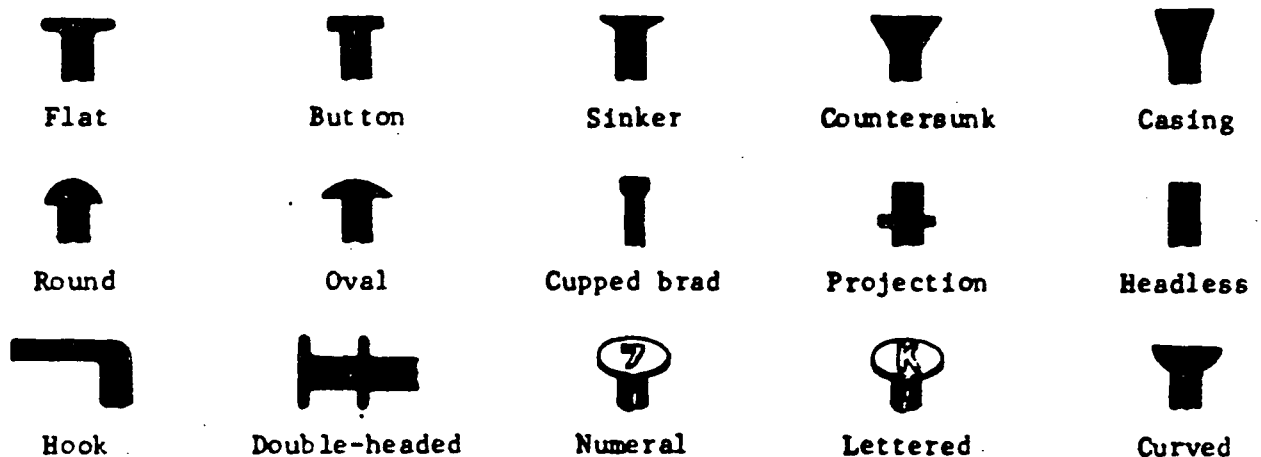
APPENDIX C

DESCRIPTION OF STEEL WIRE NAILS

Nails are generally described on the basis of their intended use and the nature of their main parts—the head, shank, and point.

**Head.**—The head of the nail is designed to facilitate its use, both while being driven and after in place. The flat head is by far the most common as it is best suited to general use. The diameter of the flat head may be enlarged to obtain maximum bearing area in specific applications such as roofing and sheathing nails. A cupped brad head is used on finishing nails to make the head less visible after being driven. Similarly, countersunk or casing heads (such as those used on flooring nails) allow the nail to be driven flush with the surface. Double-headed nails are designed for easy removal in temporary applications; embossed heads are used to identify some characteristic of the nail; round or oval heads are used for decorative effects; and projection heads are designed for special purpose nails such as shade roller pins. Various combinations of these basic heads may be used in such special applications as gutter spikes with countersunk oval heads. Several head designs are shown in figure C-1.

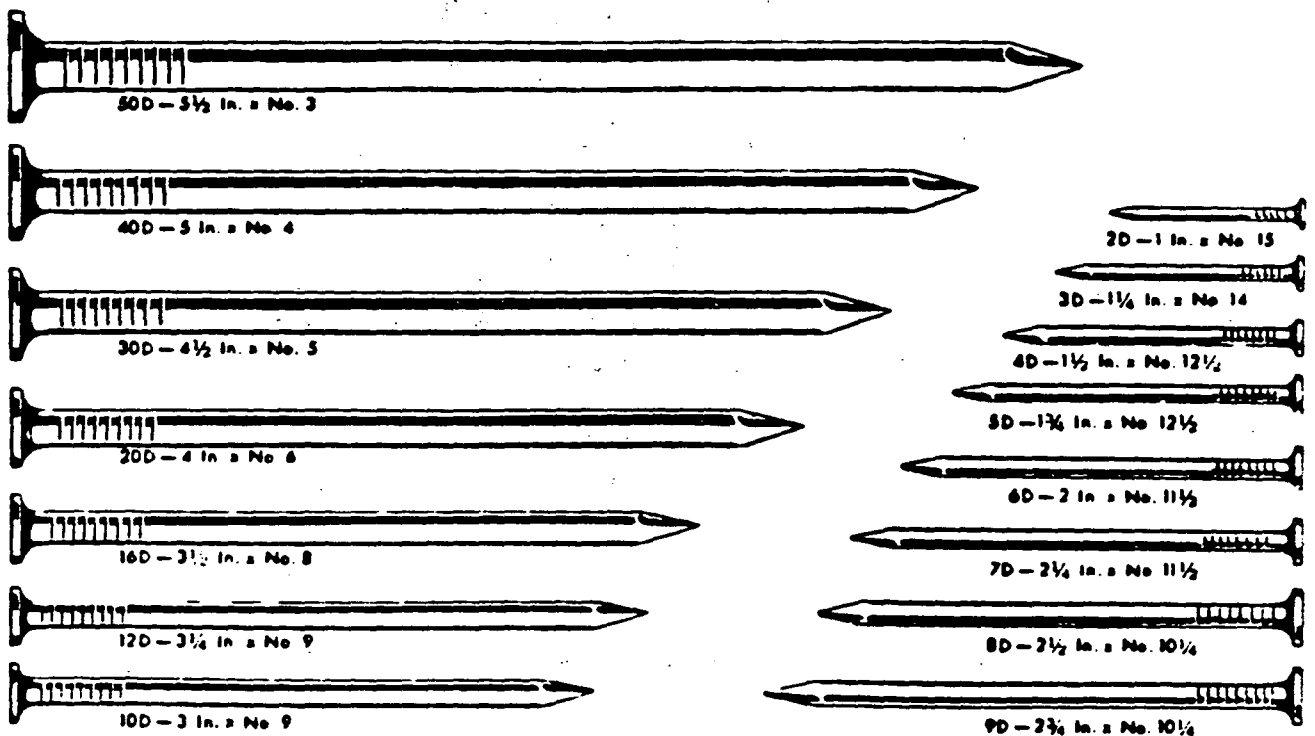
Figure C-1.—Types of nail heads.



Source: Sales brochure of Independent Nail, Inc.

Shank.—The shank of the nail can be described in terms of its length, diameter, surface texture, and finish. Wire nail sizes are standardized by length <sup>1/</sup> and designated in terms of "penny" size. The origin of this method of designations is not known, but is probably found in the English system of measurements. A 16-penny nail was likely one of such size that 1,000 weighed approximately 16 pounds. Such a nail would have been known as a 16-pound nail and designated 16d, the letter "d" being the English symbol for pound. As the letter "d" is also the symbol for the English penny, the two terms probably came to be used interchangeably. Today, penny (or "d") size indicates a definite length (see figure C-2) regardless of weight, which varies with

Figure C-2.—Nail sizes, by penny (or "d") designations (length and wire gauges).

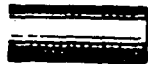



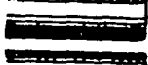

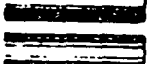









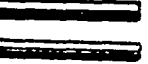

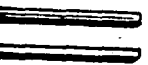

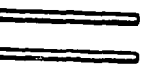

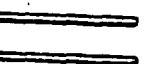

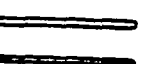





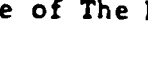














Source: Sales brochure of Republic Steel Corp.

<sup>1/</sup> Length is generally measured from the underside of the head to the tip of the point.

diameter (or gauge) and type of head. Gauge is also generally standardized for specific-penny nails as indicated in figure C-2, but customers may specify nonstandard gauges with most suppliers. A listing of gauge sizes is presented in figure C-3.

Figure C-3.—Wire gauge sizes, by gauge numbers and diameters.

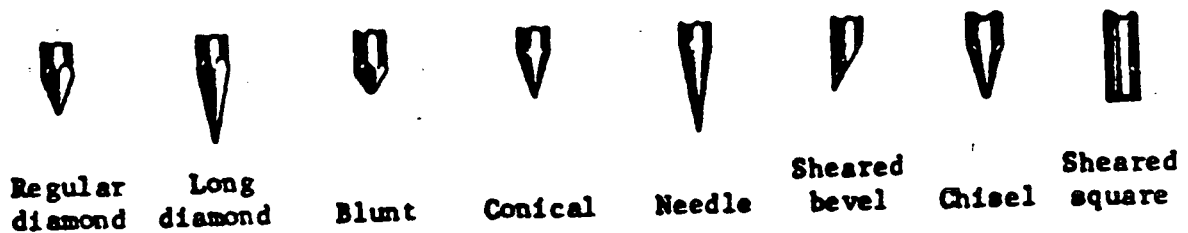
		Diameter Gage (inches)	
		1	.2830
		2	.2675
		3	.2437
		4	.2253
		5	.2070
		6	.1920
		7	.1770
		8	.1620
		9	.1483
		10	.1350
		11	.1203
		12	.1035
		13	.0915
		14	.0800
		15	.0720
		16	.0625
		17	.0540
		18	.0475
		19	.0410
		20	.0348
		21	.0317
		22	.0286

Source: Sales brochure of The Hillwood Manufacturing Co.

Most nails, imported as well as U.S. produced, have smooth shanks. For special uses, however, barbs, rings, or threads may be added to the shank during production. Nail shanks are usually bare metal (called "bright"), but may also be treated to gain special properties. Zinc coating (or galvanizing), for example, imparts corrosion resistance. Cement or resin coating gives the nail extra holding power. When a cement-coated nail is driven, the resinous coating melts under the heat of friction and forms a tighter bond between the nail and the wood. Any nail may also be blued or annealed (softened).

**Point.**—Nail points are designed to best facilitate driving while causing the least possible damage to the wood (or other medium). The diamond point (figure C-4) is the most common and is well suited for general commercial use. It has high holding power, but tends to cause splitting in dense woods. Blunt points are preferred when working with such dense woods (e.g., hardwood flooring, trim, and shingles) since they tend to reduce the danger of splitting by breaking the wood fibers upon entry. Sharper points force the wood fibers apart, thus setting up strains that induce splitting. Chisel points also reduce the risk of splitting by cutting through the wood

Figure C-4.—Types of nail points.



Source: Sales brochure of Independent Nail, Inc.





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

OFFICIAL BUSINESS

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Postage And Fees Paid  
U.S. International Trade Commission



ITC-653

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  - ☐ Change as Shown
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label and mail to address  
shown above.