

**CARTON-CLOSING STAPLES FROM CHINA
INV. NO. 731-TA-1359 (PRELIMINARY)**

**PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

APRIL 20, 2017

**STATEMENT OF MAROUNE FARAH
OWNER
NORTH AMERICAN STEEL & WIRE, INC./ISM ENTERPRISES**

Good afternoon. My name is Maroune Farah, and I am one of the owners of North American Steel & Wire, Inc./ISM Enterprises. This case is vital to the survival of our company. If we cannot get relief from dumped imports of carton-closing staples from China, if we continue to lose sales to Chinese competitors, and if we continue to bear the significant losses we have seen in recent years, it will simply no longer be tenable for us to stay in business.

In 2009, North American Wire filed for bankruptcy. Soon after, ISM was also close to declaring bankruptcy. The two facilities – which had once been part of the same ISM company – were located across the street from each other in Butler, Pennsylvania. One had equipment to draw and coat wire, and the other to produce staples from that wire. The only other bidders for the wire company were banks that had no interest in reviving production and only planned to sell off the assets.

But I saw an opportunity. I researched the staple industry and the history of the company. The company had been able to achieve significantly higher sales volumes in prior years, multiples of what they were currently selling shortly before the time of acquisition, and all on existing equipment. I planned to put the plants back into operation, restart wire and staple

production, and grow the business to fill out the existing capacity. I believed that an integrated facility producing value-added products under a well-known brand name could thrive under the right management and help support good manufacturing jobs in America. With my own funds and some assistance from family members, we bought the wire plant and everything in it sight unseen. I bought the staple company soon afterwards. We consolidated the wire and staple production equipment under one roof, and we started production in 2010.

Unfortunately, rising volumes of low-priced staples from China have made it impossible to reach the production volumes we need to be viable as a business. Even with our assets acquired out of bankruptcy, our fixed costs are just too high to continue trying to cover with our current low production volumes. We simply have too much capacity we still cannot fill because we are not able to increase our sales and production.

The reason we have not been able to achieve what we envisioned for our company is unfair competition from imports of carton-closing staples from China. While public data on import volumes are not available, our petition estimates that the volume of imports from China is significantly greater than our own volume, has been rising absolutely, and has been rising relative to our own volume. As imports from China have increased, we have lost sales and market share.

Imports from China have been able to gain at our expense by deeply undercutting our prices. Based on a confidential price quote, we estimate that Chinese staples undersell our own product by margins ranging from 44 to 84 percent. In some cases, we have heard of staples from China being offered at prices that are lower than what it would cost us to buy copper wire to make our own staples. This aggressive price competition is simply unsustainable. When your primary competitor is dumping product at margins that range from 80 to 263 percent and quoting

prices for finished product that are lower than the cost of the primary raw material, there is simply no way to survive.

Because we cannot lower our prices to match Chinese prices without driving the company into the ground, we have been forced instead to sacrifice significant sales volumes. The large number of lost sales and lost revenue allegations we submitted are just a sample of the volume we have lost. When our customers see Chinese staples available for so much less, they do not hesitate to shift suppliers. In addition, not only do we lose sales, but we have no chance to grow the business effectively by having to compete with these dumped staples in the market.

To deal with this loss in sales volume, we have had to lay off workers, forego needed capital expenditures, and put off research and development efforts. We have trimmed expenses everywhere we can. In prior years before the acquisition, ISM, as a well-known brand, had been able to support sales volumes many multiples of our current volume with a sales force of just three people. We retained those salespeople when we acquired the company. But as we kept losing sales to Chinese imports and endured sustained losses, we had to reduce our sales force to one. Even that salesperson would support significantly higher sales volumes if we were not constantly being undercut by much lower Chinese prices. We have tried to promote our product as "Made in the USA," but the price is usually much more important. In short, none of our efforts has been enough. We continue to have to pour money into the companies year after year and month after month to fund the losses caused by Chinese imports.

If we are able to obtain relief from dumped imports of carton-closing staples from China, I still have great hopes for the company. We could easily double, triple, or more our production volume on our existing equipment. While our raw material costs would go up with higher production volumes, we would be able to operate much more efficiently. We could make

significantly higher volumes with existing workers who are underutilized, and hire more workers if production volumes increased enough. This would allow us to meet my original goal when we bought the companies out of bankruptcy – to make productive use of quality assets and create good jobs for American workers. Increased sales and production would allow us to cover our fixed costs, earn a profit, grow the business and our employee base, and become viable for the long-term.

If we are not able to get relief, I am afraid it will be the last straw for ISM. There is simply no way for us to continue pouring funds into a company that is barely holding on against the tide of dumped imports from China. In the years that we have owned this company, we have not been able to secure any bank loans or government grants or assistance because of the losses which stem directly from a lack of sales due to unfair competition from Chinese staples. Instead, we used our own monies and borrowed from private parties because we believed we could get the company profitable. However, for as long as we have fought and our workers have tried, it is a hopeless fight when your main competition operates in an environment that is not a free market. Over the years we have spent millions of dollars in the United States and Pennsylvania on salaries, taxes, services, utilities, raw materials, and other expenses. These monies would not have been spent, and the people and community would not have benefitted, had we not purchased the company and had the vision and belief that U.S. manufacturing and the American worker could compete with China. The business would all have ended up in China and those monies would have been lost to Chinese competitors that use unfair dumping and price undercutting to seize market share.

As far as we are aware, ISM is the only producer of carton-closing staples left in the United States. Other companies have closed their doors or changed their product focus. This

petition is our last hope. An affirmative and swift determination is critical not only to our company's survival, but to the continued existence of the domestic industry.

I look forward to any questions you may have. Thank you.