

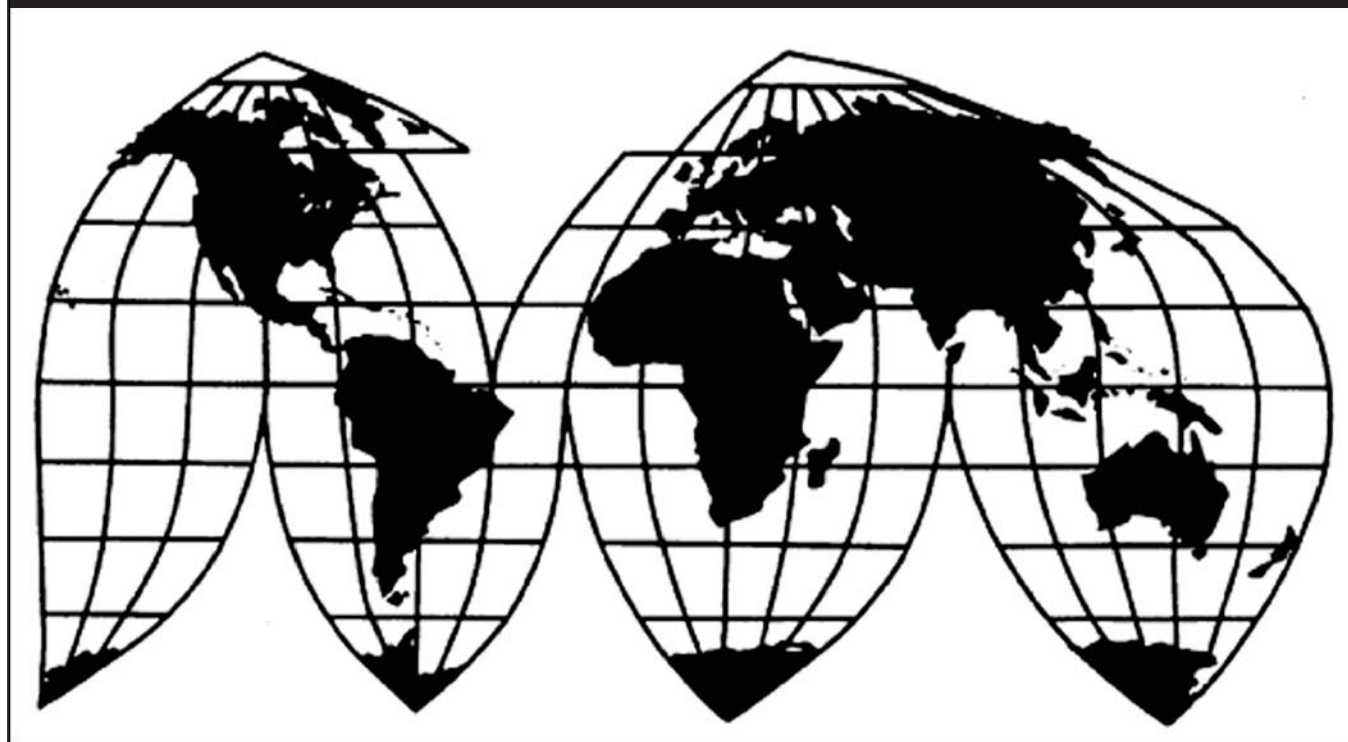
Carton-Closing Staples from China

Investigation No. 731-TA-1359 (Final)

Publication 4778

April 2018

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1359 (Final)

Carton-Closing Staples from China

DETERMINATION

On the basis of the record¹ developed in the subject investigation, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that an industry in the United States is materially injured by reason of imports of carton-closing staples from China that have been found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value (“LTFV”).^{2 3}

BACKGROUND

The Commission, pursuant to section 735(b) of the Act (19 U.S.C. 1673d(b)), instituted this investigation effective March 31, 2017, following receipt of a petition filed with the Commission and Commerce by North American Steel & Wire, Inc./ISM Enterprises. The Commission scheduled the final phase of the investigation following notification of a preliminary determination by Commerce that imports of carton-closing staples from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigation and of a 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 November 15, 2017 (82 FR 52939). The hearing was held in Washington, DC, on Tuesday, March 13, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

¹ The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

² *Carton-Closing Staples From the People’s Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 83 FR 13236 (March 28, 2018).

³ Commissioner Kearns not participating.

Views of the Commission

Based on the record in the final phase of this investigation, we determine that an industry in the United States is materially injured by reason of imports of carton-closing staples from China found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value.

I. Background

North American Steel & Wire, Inc./ISM Enterprises (“petitioner” or “ISM”), a domestic producer of carton-closing staples, filed the petition in this investigation on March 31, 2017. Representatives for petitioner appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs and final comments.¹ No respondent entities participated in the final phase of this investigation.²

U.S. industry data are based on questionnaire responses from ISM and Stanley Black and Decker (“SBD”), which accounted for all confirmed domestic production of carton-closing staples during the period of investigation (“POI”).³ U.S. import data are based on official import statistics from Commerce and from questionnaire responses of 22 U.S. importers of carton-closing staples from China during the POI, whose imports accounted for *** percent of subject imports from China in 2016.⁴ Data concerning the subject industry are based on questionnaire responses from five foreign producers that accounted for more than half of the production of subject merchandise in China in 2016.⁵

II. Domestic Like Product

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁶ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of

¹ Petitioner’s Prehearing Brief, March 6, 2018 (“Petitioner’s Prehear. Br.”); Petitioner’s Posthearing Brief, March 20, 2018 (“Petitioner’s Posthear. Br.”).

² Axxis, LLC, *** importer of subject merchandise, submitted a statement in opposition to the petition during the preliminary phase of the investigation. *Statement from President Carl Schneider*, EDIS Doc. 609825 (April 26, 2017).

³ Confidential Report, Memorandum INV-QQ-039 (“CR”) at I-5 (April 5, 2018); Public Report, (“PR”) at I-4.

⁴ CR/PR at IV-1.

⁵ CR/PR at VII-3.

⁶ 19 U.S.C. § 1677(4)(A).

the product.”⁷ In turn, the Tariff Act defines “domestic 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 an investigation.”⁸

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁹ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁰ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹¹ Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,¹² the Commission determines what domestic product is like the imported articles Commerce has identified.¹³

⁷ 19 U.S.C. § 1677(4)(A).

⁸ 19 U.S.C. § 1677(10).

⁹ See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

¹⁰ See, e.g., S. Rep. No. 96-249 at 90–91 (1979).

¹¹ *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748–49; see also S. Rep. No. 96-249 at 90–91 (Congress has indicated that the like product standard 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 product and article 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 consideration.”).

¹² See, e.g., *USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

¹³ *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Torrington*, 747 F. Supp. at 748–52 (affirming the Commission’s determination defining six like products in investigations in which Commerce found five classes or kinds).

B. Product Description

Commerce defined the scope of the imported merchandise under investigation as follows:

carton-closing staples. Carton-closing staples may be manufactured from carbon, alloy, or stainless steel wire, and are included in the scope of the investigation regardless of whether they are uncoated or coated, regardless of the type of coating.

Carton-closing staples are generally made to American Society for Testing and Materials (ASTM) specification ASTM D1974/D1974M–16, but can also be made to other specifications. Regardless of specification, however, all carton-closing staples meeting the scope description are included in the scope. Carton-closing staples include stick staple products, often referred to as staple strips, and roll staple products, often referred to as coils. Stick staples are lightly cemented or lacquered together to facilitate handling and loading into stapling machines. Roll staples are taped together along their crowns. Carton-closing staples are covered regardless of whether they are imported in stick form or roll form.

Carton-closing staples vary by the size of the wire, the width of the crown, and the length of the leg. The nominal leg length ranges from 0.4095 inch to 1.375 inches and the nominal crown width ranges from 1.125 inches to 1.375 inches. The size of the wire used in the production of carton-closing staples varies from 0.029 to 0.064 inch (nominal thickness) by 0.064 to 0.100 inch (nominal width).

Carton-closing staples subject to this investigation are currently classifiable under subheadings 8305.20.00.00 and 7317.00.65.60 of the Harmonized Tariff Schedule of the United States (HTSUS). While the HTSUS subheadings and ASTM specification are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.¹⁴

Carton-closing staples are fastening devices used to secure or close the flaps of corrugated and solid paperboard cartons and boxes.¹⁵ They are manufactured from flat steel wire that is cut and shaped into a staple consisting of two legs connected by a crown and commonly coated with copper or zinc.¹⁶ They are produced to standard sizes and specifications and vary by the size of the wire, the length of the legs, and the width of the crown.¹⁷

¹⁴ *Carton-Closing Staples From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 83 Fed. Reg. 13236 (March 28, 2018).

¹⁵ CR at I-11, PR at I-8.

¹⁶ CR at I-11, PR at I-8. Carton-closing staples are made from flat wire (as opposed to round wire) so that the staple will remain flush with the packaging material in order to avoid catching or snagging on materials that may come into contact with the staple during storage and shipment. CR at I-12, PR at I-9.

¹⁷ CR at I-12, II-1; PR at I-9, II-1. The ASTM standard applicable to carton-closing staples, ASTM D1974/D1974M—16 Standard, uses inches as the standard of measurement, with a crown width of (Continued...)

C. Domestic Like Product Analysis

Based on the record in the final phase of this investigation, we define a single domestic like product consisting of carton-closing staples including staples in stick and roll form, both of which are within the scope. Petitioner contends that the domestic like product analysis remains the same in this final phase investigation as it was in the preliminary phase¹⁸ and that the Commission should define a single domestic like product conforming to the scope definition.¹⁹

Physical Characteristics and Uses. All carton-closing staples consist of flat steel wire that is cut and shaped into a staple consisting of two legs connected by a crown.²⁰ Most carton-closing staples are produced to standard sizes and specifications.²¹ Staples of the same dimensions are available in stick or roll form,²² with the two forms being interchangeable in terms of their final use.²³ The only difference in the use of the two products is the stapling machine in which they are used, but once fastened to the box or carton, they are indistinguishable.²⁴

Notwithstanding differences in form, stick and roll products are used to secure or close the flaps of corrugated and solid paperboard cartons and boxes.²⁵

Manufacturing Facilities, Production Processes, and Employees. Production of all carton-closing staples consists of drawing, annealing, pickling, plating, and forming steel wire rod.²⁶ In fashioning the final product, separate machines are used to produce stick or roll products.²⁷

(...Continued)

1.125 inches, a leg width of 0.072 inches, and a leg thickness of 0.033 inches. CR at I-12 to I-13, PR at I-9.

¹⁸ *Carton Closing Staples from China*, Inv. No. 731-TA-1359 (Preliminary), USITC Pub. 4694 (May 2017) at 6–8. In the preliminary phase, the Commission also considered other staples, such as staples for office use and wood staples, which were not included in the scope, and determined not to include these in the definition of the domestic like product. *Id.* at 6 n.21. The Commission found that carton-closing staples met different ASTM standards than other staples and these differences in physical characteristics were due to differences in their end uses. *Id.* Carton-closing staples are used to close and reinforce paperboard cartons and boxes whereas other staples serve fastening and less demanding office end uses. *Id.* There also was no overlap in the manufacturing facilities, processes, and employees, and the two products were not interchangeable. *Id.* Although there was some overlap in distributors that sell other staples and carton-closing staples, there were likely differences in customer and producer perceptions between carton-closing staples and other staples. *Id.*

¹⁹ Petitioner's Prehear. Br. at 2; Petitioner's Posthear. Br. at 3; Hearing Tr. at 24.

²⁰ CR at I-11, PR at I-8.

²¹ CR/PR at II-1.

²² CR at I-13, PR at I-9, CR/PR at Table I-2.

²³ CR at I-11, PR at I-8.

²⁴ CR at I-11, II-1; PR at I-8, II-1.

²⁵ CR at I-11, PR at I-8.

²⁶ CR at I-13 to I-14, PR at I-10.

²⁷ CR at I-14, PR at I-10 to I-11. For the formation of stick products, 50 wires are fed together into a machine where glue is applied, adhering the wires to one another. CR at I-14, PR at I-10. The (Continued...)

Channels of Distribution. Staples in stick or roll form are sold in the same channels of distribution, with the majority of staples sold to distributors.²⁸

Interchangeability. Interchangeability between staples in stick or roll form is limited by a given staple tool, which is designed to use sticks or rolls.²⁹ However, carton-closing staples of the same size regardless of form are used interchangeably as fasteners to close boxes or cartons.³⁰

Producer and Customer Perceptions. ISM perceived stick and roll staples to be part of the same like product, and no other market participant argued otherwise.³¹ Staples in stick or roll form are available from the same distributors and the same retailers.³² Roll and stick staples may be used by the same end users for the same basic use on the same box.³³

Price. The record indicates that there is an overlap of prices between stick and roll staples, with prices varying more widely by staple size than staple form.³⁴

Conclusion. Based on the foregoing information, we define a single domestic like product consisting of carton-closing staples in stick and roll forms, coextensive with the scope.

III. Domestic Industry

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”³⁵ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the

(...Continued)

wires are moved through an oven to cure the glue and then placed into a press, where the wires are cut and punched into the final product, a stick containing 50 staples. CR at I-14, PR at I-10. The sticks of staples are given a visual quality control check and are packaged manually into cartons. CR at I-14, PR at I-10.

For roll products, two wires are fed into a machine that cuts and flattens the wires into their final form. CR at I-14, PR at I-11. The formed staples are adhered to one another with melted tape to form a roll of 1,000 staples. CR at I-14, PR at I-11. After the roll is formed, tape is manually applied to the outside of the roll to keep it secure, and the rolls are packaged manually into cartons. CR at I-14, PR at I-11.

²⁸ CR at II-2, PR at II-1; CR/PR at Table E-1.

²⁹ CR/PR at II-1.

³⁰ CR at I-11, PR at I-8.

³¹ Petitioner’s Prehear. Br. at 5; Hearing Tr. at 24.

³² Conf. Tr. at 24; Hearing Tr. at 24–25.

³³ Conf. Tr. at 17; Hearing Tr. at 24.

³⁴ CR at V-3, PR at V-2, CR/PR at Tables V-3 to V-6.

³⁵ 19 U.S.C. § 1677(4)(A).

domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.³⁶ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.³⁷

***, which produced carton-closing staples in the United States in ***, imported subject merchandise from China during the POI.³⁸ Consequently, *** is a related party. We examine below whether appropriate circumstances exist to exclude *** from the domestic industry.³⁹

*** accounted for *** percent of domestic production in 2014 and *** percent in 2015.⁴⁰ In ***.⁴¹ Its imports of carton-closing staples from China were *** staples in 2014, *** staples in 2015, and *** staples in 2016.⁴² The ratio of its subject imports to its domestic production was *** percent in 2014 and *** percent in 2015.⁴³ ***.⁴⁴ ***.⁴⁵

The fact that *** ceased domestic production of carton-closing staples during the POI in favor of importing subject product from China indicates that *** primary interest lies in importing subject merchandise. Moreover, it appears to have benefitted from its increasing

³⁶ See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

³⁷ The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);
- (3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;
- (4) the ratio of import shipments to U.S. production for the imported product; and
- (5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

³⁸ CR/PR at Table III-9. *** was also the sole owner of ***, a foreign producer of carton-closing staples. CR at I-5 n.7, PR at I-4 n.7.

³⁹ In the final phase of this investigation, petitioner contends that the Commission should exclude *** as a related party and define the domestic industry as consisting of all domestic producers of carton-closing staples, except ***. Petitioner's Prehear. Br. at 6. See Petitioner's Posthear. Br. at 3.

⁴⁰ CR/PR at Table III-4.

⁴¹ CR at I-5 n.7, PR at I-4 n.7; CR/PR at Table III-2. *** accounted for *** percent of domestic production of carton-closing staples in 2016 and January-September ("interim") 2017. CR/PR at Table III-4. ***. CR/PR at Table III-3. ***; CR/PR at III-1 n.1.

⁴² CR/PR at Table III-9. *** imported *** staples in interim 2016 and *** staples in interim 2017. *Id.*

⁴³ CR/PR at Table III-9. ***. *Id.* at n.2.

⁴⁴ CR at III-16 n.16, PR at III-6 n.16.

⁴⁵ CR/PR at Table III-1.

importation from 2014 to 2015.⁴⁶ Although ***, ISM argues that it should be excluded.⁴⁷ On balance, we find that appropriate circumstances exist to exclude *** from the domestic industry as a related party.

Therefore, we define the domestic industry to consist of all U.S. producers of carton-closing staples, except ***.

IV. Material Injury by Reason of Subject Imports⁴⁸

Based on the record in the final phase of this investigation, we find that an industry in the United States is materially injured by reason of imports of carton-closing staples from China that Commerce has found to be sold in the United States at less than fair value.

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.⁴⁹ In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁵⁰ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁵¹ In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁵² No single factor is dispositive, and all relevant factors are considered “within the

⁴⁶ Its operating income margin was *** percent in 2014 and *** percent in 2015; and in both years, its operating performance ***. CR/PR at Table VI-3.

⁴⁷ Petitioner’s Prehear. Br. at 6. See Petitioner’s Posthear. Br. at 3.

⁴⁸ Section 771(24) of the Tariff Act, which defines “negligibility,” provides that imports from a subject country that are less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or self-initiation, as the case may be, shall be deemed negligible. 19 U.S.C. § 1677(24)(A)(i).

Negligibility is not an issue in this investigation. Subject imports from China accounted for 91.4 percent of total imports of carton-closing staples in the 12-month period (March 2016 to February 2017) preceding the filing of the petition. CR/PR at Table IV-4.

⁴⁹ 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

⁵⁰ 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

⁵¹ 19 U.S.C. § 1677(7)(A).

⁵² 19 U.S.C. § 1677(7)(C)(iii).

context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁵³

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,⁵⁴ it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.⁵⁵ In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.⁵⁶

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.⁵⁷ In performing its examination, however, the Commission need not isolate

⁵³ 19 U.S.C. § 1677(7)(C)(iii).

⁵⁴ 19 U.S.C. §§ 1671d(a), 1673d(a).

⁵⁵ *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484–85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

⁵⁶ The Federal Circuit, in addressing the causation standard of the statute, observed that “[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

⁵⁷ SAA at 851–52 (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, (Continued...)

the injury caused by other factors from injury caused by unfairly traded imports.⁵⁸ Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.⁵⁹ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁶⁰

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”⁶¹ Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁶²

(...Continued)

developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

⁵⁸ SAA at 851–52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100–01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), *citing Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

⁵⁹ S. Rep. 96-249 at 74–75; H.R. Rep. 96-317 at 47.

⁶⁰ *See Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

⁶¹ *Mittal Steel*, 542 F.3d at 877–78; *see also id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swift-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

⁶² *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.⁶³ The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission’s interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.⁶⁴ Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.⁶⁵

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.⁶⁶ Congress has delegated this factual finding to the Commission because of the agency’s institutional expertise in resolving injury issues.⁶⁷

⁶³ *Mittal Steel*, 542 F.3d at 875–79.

⁶⁴ *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875–79 & n.2 (recognizing the Commission’s alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

⁶⁵ To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

⁶⁶ We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁶⁷ *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

1. Demand Considerations

Demand for carton-closing staples depends on the demand for carton and box packaging.⁶⁸ Most U.S. producers and importers reported no change or a decrease in U.S. demand for carton-closing staples since 2014.⁶⁹ Importers reporting a decrease in demand attributed the decrease to a shift toward alternative fasteners such as glue and tape or toward self-locking cartons.⁷⁰

Apparent U.S. consumption of carton-closing staples was *** staples in 2014, *** staples in 2015, and *** staples in 2016, an increase of *** percent from 2014 to 2016.⁷¹ It was *** staples in January–September (“interim”) 2016 and *** staples in interim 2017.⁷²

2. Supply Considerations

Domestic shipments, subject imports, and imports from nonsubject sources all supplied the U.S. market over the POI.⁷³ Carton-closing staples manufactured in the United States by *** and ISM were the second-largest source of supply during the POI, behind subject imports.⁷⁴ As discussed above, ***.⁷⁵ ISM ***.⁷⁶ The domestic industry’s market share decreased from *** percent of apparent U.S. consumption in 2014 to *** percent in 2015 and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.⁷⁷ The domestic industry’s capacity remained stable at *** staples annually from 2014 to 2016 and at *** staples during each of the interim periods.⁷⁸

Subject imports were the largest source of supply over the POI.⁷⁹ Subject imports’ market share increased from *** percent in 2014 to *** percent in 2015 and to *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.⁸⁰

⁶⁸ CR at II-9, PR at II-5. See Petitioner’s Prehear. Br. at 8; Petitioner’s Posthear. Br. at 4.

⁶⁹ CR/PR at Table II-3.

⁷⁰ CR at II-9, PR at II-6.

⁷¹ CR/PR at Tables IV-5, C-2. ISM attributed the decline in 2015 to a possible “decline in demand for a certain segment of the economy that uses carton packaging.” Petitioner’s Posthear. Br., Answer to Vice Chairman Johanson Question 1, at 1.

⁷² CR/PR at Table IV-5.

⁷³ CR/PR at Table IV-6.

⁷⁴ CR/PR at Table IV-6.

⁷⁵ CR/PR at III-1 n.1, Table III-2.

⁷⁶ CR/PR at Table III-4.

⁷⁷ CR/PR at Table C-2. *** market share was *** percent in 2014, *** percent in 2015, and *** percent thereafter. *Id.*

⁷⁸ CR/PR at Table III-4.

⁷⁹ CR/PR at Table IV-6.

Nonsubject imports were a small source of supply over the POI.⁸¹ Their market share decreased from *** percent in 2014 to *** percent in 2015 and in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.⁸² Imports from Sweden were the largest nonsubject source of supply to the U.S. market.⁸³

3. Substitutability and Other Conditions

We find that subject imports and the domestic like product have a high degree of substitutability. The majority of responding U.S. purchasers and importers reported that subject imports are always or frequently interchangeable with the domestic like product.⁸⁴ Both responding U.S. producers indicated that subject imports and the domestic like product are always interchangeable.⁸⁵ Additionally, as observed above, carton-closing staples are produced to standard sizes and specifications.⁸⁶ Although stapling tools are designed specifically for stick or roll production, which therefore may limit interchangeability based on the tool that is used, both forms serve the same end use, and the record indicates that stapling tools will work with staples from different manufacturers.⁸⁷

U.S. purchasers report that the domestic like product is superior or comparable to subject imports in six important purchasing factors: availability, delivery terms, delivery time, price, product consistency, quality meets industry standards, and reliability of supply.⁸⁸ The record shows that regardless of source, the vast majority of carton-closing staples are sold to distributors, and staples from different manufacturers compete side-by-side.⁸⁹

We also find that price is an important factor in purchasing decisions for carton-closing staples. Fourteen of 18 responding U.S. purchasers reported that price is a very important factor in their purchasing decisions.⁹⁰ Half of the purchasers (9 of 18) reported that they

(...Continued)

⁸⁰ CR/PR at Table IV-6.

⁸¹ CR/PR at Table IV-6.

⁸² CR/PR at Table IV-6.

⁸³ CR/PR at Table IV-6.

⁸⁴ All 11 responding U.S. purchasers reported that the domestic like product and subject imports are always or frequently interchangeable, with eight reporting they are always interchangeable; of 19 responding U.S. importers, 18 reported that the domestic like product and subject imports are always or frequently interchangeable, with 14 reporting they are always interchangeable. CR/PR at Table II-9.

⁸⁵ CR/PR at Table II-9. ISM testified that it and subject producers produce ISM-style and Bostitch-style staples for use as carton-closing staples; that “they’re all interchangeable and they all do the same function, effectively, at the end of the day”; and that “branding really doesn’t have much of an impact on ... the market.” Hearing Tr. at 37–42, 47–48.

⁸⁶ CR/PR at II-1.

⁸⁷ CR at I-11, II-1; PR at I-8, II-1.

⁸⁸ CR/PR at Table II-8. Five out of eight purchasers reported that the domestic like product was priced higher than subject imports. *Id.*

⁸⁹ CR at II-2, PR at II-1; CR/PR at Tables II-1, E-1.

⁹⁰ CR/PR at Table II-6.

sometimes purchased the lowest-priced product.⁹¹ Quality and price are the two most important purchasing factors for purchasers.⁹² While purchasers cited quality most often as a very important purchasing factor, the vast majority of purchasers reported that domestically produced product and subject imports always or usually met minimum quality specifications.⁹³

Low-carbon steel wire rod is the main raw material used to produce carton-closing staples.⁹⁴ Prices for steel wire rod decreased over the POI.⁹⁵ Market participants' responses were mixed about raw material cost trends, although a majority reported that raw material costs either fluctuated or decreased since 2014.⁹⁶

Carton-closing staples are sold primarily on the spot market.⁹⁷ The record indicates that in 2016 *** percent of ISM's sales were on the spot market, while importers reported that *** percent of their sales were spot sales and *** percent of their sales were through long-term contracts.⁹⁸

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."⁹⁹

The volume of subject imports increased over the POI from 3.3 billion staples in 2014 to 3.4 billion staples in 2015 and 4.1 billion staples in 2016; it was 2.9 billion staples in each interim period.¹⁰⁰ As observed above, subject imports' market share increased from *** percent of apparent U.S. consumption in 2014 to *** percent in 2015 and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.¹⁰¹

The subject imports' increased market share came at the direct expense of the domestic industry as apparent U.S. consumption increased.¹⁰² The ratio of subject imports to U.S.

⁹¹ CR at II-13, PR at II-8.

⁹² CR/PR at Table II-5.

⁹³ CR/PR at Table II-10.

⁹⁴ CR/PR at V-1.

⁹⁵ CR/PR at V-1.

⁹⁶ CR/PR at V-2. Regarding potential tariffs on imports of low-carbon steel wire rod pursuant to section 232 of the Trade Expansion Act of 1962, as amended, ISM observed that steel wire rod prices "may further increase to the extent that the tariffs on steel imports ... may raise overall prices for steel wire rod, although it is difficult to predict the effects of such tariffs at this time. The steel wire rod that is used to produce ISM staples is typically purchased domestically." Petitioner's Posthear. Br., Answer to Chairman Schmidlein Question 1, at 2.

⁹⁷ CR at V-4, PR at V-2; CR/PR at Table V-2.

⁹⁸ CR at V-4, PR at V-2; CR/PR at Table V-2.

⁹⁹ 19 U.S.C. § 1677(7)(C)(i).

¹⁰⁰ CR/PR at Table IV-5.

¹⁰¹ CR/PR at Table IV-6.

¹⁰² The domestic industry's market share decreased from *** percent in 2014 to *** percent in 2015 and to *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017. CR/PR at Table C-2. *** market share declined from *** percent in 2014 to *** percent in 2015 to *** (Continued...)

production increased from *** percent in 2014 to *** percent in 2015 and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.¹⁰³

In light of the foregoing, we find that the volume of subject imports from China and the increase in that volume are significant both in absolute terms and relative to production and consumption.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹⁰⁴

As observed above, the record indicates that there is a high degree of substitutability between subject imports and the domestic like product and that price is an important factor in purchasing decisions for carton-closing staples.

The Commission collected quarterly pricing data on four pricing products.¹⁰⁵ Two U.S. producers and 14 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.¹⁰⁶ Pricing data reported by these firms accounted for approximately 54.4 percent of U.S. producers' U.S. commercial shipments of carton-closing staples and 38.8 percent of reported U.S. commercial shipments of subject imports in 2016.¹⁰⁷

(...Continued)

percent in 2016. *Id.* Commensurate with the domestic industry's decline in market share over the POI, subject imports captured all of *** prior market share following ***.

¹⁰³ Calculated from CR/PR at Table C-2.

¹⁰⁴ 19 U.S.C. § 1677(7)(C)(ii).

¹⁰⁵ The four pricing products are as follows:

Product 1.—Stick staple, size A 7/8" or equivalent.

Product 2.—Stick staple, size C 5/8" or equivalent.

Product 3.—Roll staple, size GR1 5/8" or equivalent.

Product 4.—Roll staple, size RR1 5/8" or equivalent.

CR at V-6, PR at V-3.

¹⁰⁶ CR at V-7, PR at V-3.

¹⁰⁷ CR at V-7, PR at V-4.

The pricing data show that subject imports undersold the domestic product, *i.e.*, sales of ***, in each of the 60 quarterly price comparisons.¹⁰⁸ The margins of underselling ranged from *** percent to *** percent, with an average underselling margin of *** percent.¹⁰⁹ The margins of underselling for all four pricing products increased over the POI, which coincides with the increasing volume of subject imports in the market.¹¹⁰ *** reported that subject imports were priced lower than domestically produced carton-closing staples and price was a primary reason for its decision to purchase subject imports rather than the domestic like product during the POI.¹¹¹

Given the high degree of substitutability between subject imports and the domestic like product, the importance of price in purchasing decisions, and the pervasive underselling of the domestic like product by subject imports, we find the underselling by subject imports to be significant.

We do not find that subject imports depressed prices of the domestic like product to a significant degree. The pricing data offer mixed evidence of price declines during the POI, with prices for domestically produced products increasing for two pricing products and decreasing for two pricing products.¹¹² Moreover, ISM stated that it could not lower prices to meet those for subject imports and that it instead focused on maintaining prices, cutting costs, and increasing sales volume.¹¹³ Similarly, no purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced subject imports.¹¹⁴

We also do not find that subject imports prevented increases in prices of the domestic like product that otherwise would have occurred to a significant degree. ISM's ratio of its cost of goods sold ("COGS") to net sales was high but improved over the POI, likely as a result of ISM's cost-cutting measures.¹¹⁵ Moreover, declines in raw material costs over the POI may have made it less likely that ISM would have been able to raise prices.¹¹⁶

Based on the foregoing, we find that there was significant underselling of the domestic like product by subject imports. As a result of this underselling, subject imports gained market share at the expense of the domestic industry.

¹⁰⁸ CR/PR at Table E-9. There were *** subject carton-closing staples involved in the underselling comparisons. *Id.*

¹⁰⁹ CR/PR at Table E-9.

¹¹⁰ CR/PR at Tables E-4 to E-7.

¹¹¹ CR at V-18, PR at V-6; CR/PR at Tables V-9 to V-10.

¹¹² CR/PR at Table E-8. *** prices for product 2, for which the largest volumes were reported, and product 3 increased by *** percent and *** percent, respectively. *Id.* *** prices for products 1 and 4 decreased by *** percent and *** percent, respectively. *Id.*

¹¹³ *See, e.g.*, Petitioner's Posthear. Br. at 8–10.

¹¹⁴ CR at V-18, PR at V-6.

¹¹⁵ CR/PR at Table C-2. ISM's ratio of COGS to net sales was *** percent in 2014, *** percent in 2015, and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017. *Id.* ISM's cost-cutting measures included reducing the size of its workforce, foregoing capital expenditures, and delaying research and development efforts. Hearing Tr. at 9.

¹¹⁶ CR/PR at V-1.

E. Impact of the Subject Imports¹¹⁷

Section 771(7)(C)(iii) of the Tariff Act provides that in examining the impact of subject imports, the Commission “shall evaluate all relevant economic factors which have a bearing on the state of the industry.”¹¹⁸ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹¹⁹

The production capacity of ISM, the sole producer in the domestic industry, remained stable at *** staples during 2014–2016; it was *** staples during each interim period.¹²⁰ ISM’s production fluctuated over the POI, decreasing from *** staples in 2014 to *** staples in 2015, then increasing to *** staples in 2016; it was *** staples in interim 2016 and *** staples in interim 2017.¹²¹ ISM’s capacity utilization was *** percent in 2014, *** percent in 2015, and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.¹²² While ISM’s production increased from 2014 to 2016 due to ***,¹²³ its U.S. shipments decreased by *** percent from 2014 to 2016. ISM’s U.S. shipments declined from *** staples in 2014 to *** staples in 2015 and *** staples in 2016; they were *** staples in interim 2016 and *** staples in interim 2017.¹²⁴ As observed above, ISM’s market share declined from *** percent in 2014 to *** percent in 2015 and *** percent in 2016; it was *** percent in interim

¹¹⁷ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination of sales at less than fair value, Commerce found dumping margins of 115.65–263.40 percent for imports from China. We take into account in our analysis the fact that Commerce has made final findings that all subject producers in China are selling subject imports in the United States at less than fair value. In addition to this consideration, our impact analysis has considered other factors affecting domestic prices. Our analysis of the significant underselling of subject imports, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

¹¹⁸ 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

¹¹⁹ 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

¹²⁰ CR/PR at Table III-4.

¹²¹ CR/PR at Table III-4.

¹²² CR/PR at Table III-4.

¹²³ ISM’s export shipments increased from *** staples in 2014 to *** staples in 2015 and *** staples in 2016; they were *** staples in interim 2016 and *** staples in interim 2017. CR/PR at Table III-6.

¹²⁴ CR/PR at Table III-6.

2016 and *** percent in interim 2017.¹²⁵ Its ratio of inventories to total shipments increased overall, declining from *** percent in 2014 to *** percent in 2015, then increasing to *** percent in 2016; this ratio was *** percent in interim 2016 and *** percent in interim 2017.¹²⁶ We observe that ISM's inventory *** when subject import levels were also at their highest level.¹²⁷

ISM's employment-related data showed mainly declines. The number of production and related workers ("PRWs"), hours worked, wages paid, and unit labor costs generally declined from 2014 to 2016.¹²⁸ By contrast, hourly wages and productivity generally increased from 2014 to 2016.¹²⁹

ISM experienced poor financial performance during the entire POI. ISM's net sales values were relatively stable at \$*** in 2014 and 2015 and \$*** in 2016; they were \$*** in interim 2016 and \$*** in interim 2017.¹³⁰ As ISM cut costs and raw material costs declined, its ratio of COGS to net sales improved from *** percent in 2014 to *** percent in 2015 and to *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.¹³¹ Accordingly, its *** lessened to some degree. Its gross profit was *** in 2014, *** in 2015, and *** in 2016; it was *** in interim 2016 and *** in interim 2017.¹³² Its operating income was *** in 2014, *** in 2015, and *** in 2016; it was *** in interim 2016 and *** in interim 2017.¹³³ Its operating income margin was *** percent in 2014, *** percent in 2015, and *** percent in 2016; it was *** percent in interim 2016 and *** percent in interim 2017.¹³⁴

We find that subject imports had a significant impact on the domestic industry. The significant and increasing volumes of subject imports that undersold the domestic like product took market share directly from ISM during the POI. Due to its loss of market share, ISM's output and revenues were worse than they would have been in the absence of subject imports, particularly as ISM had ample unused capacity with which to supply the U.S. market. Although ISM's financial indicators showed some improvement over the POI, the data reflected ***, and

¹²⁵ CR/PR at Table C-2.

¹²⁶ CR/PR at Table C-2.

¹²⁷ CR/PR at Table C-2.

¹²⁸ The number of PRWs declined from *** in 2014 to *** in 2015 and to *** in 2016; it was *** in each interim period. CR/PR at Table III-10. The number of hours worked declined from *** in 2014 to *** in 2015 and to *** in 2016; it was *** in interim 2016 and *** in interim 2017. *Id.* The amount of wages paid declined from \$*** in 2014 to \$*** in 2015 and to \$*** in 2016; it was \$*** in interim 2016 and \$*** in interim 2017. *Id.* Unit labor costs declined from \$*** in 2014 to \$*** in 2015 and to \$*** in 2016; they were \$*** in interim 2016 and \$*** in interim 2017. *Id.*

¹²⁹ Hourly wages increased from \$*** in 2014 to \$*** in 2015 and to \$*** in 2016; they were \$*** in interim 2016 and \$*** in interim 2017. CR/PR at Table III-10. Productivity in thousands of staples per hour increased from *** in 2014 to *** in 2015 and to *** in 2016; it was *** in interim 2016 and *** in interim 2017. *Id.*

¹³⁰ CR/PR at Table VI-3.

¹³¹ CR/PR at Table C-2.

¹³² CR/PR at Table VI-3.

¹³³ CR/PR at Table VI-3.

¹³⁴ CR/PR at Table VI-3.

any improvement is likely related to cost-cutting measures that the firm undertook during this period.¹³⁵

Recent developments signal that the domestic industry may experience improvements if an antidumping duty order is issued. The company within ISM that produces the wire for ISM's staple production, which filed for bankruptcy reorganization in February 2018, received "a lot of support" (more than 90 percent) from its debtholders.¹³⁶ According to ISM, the debtholders believed that ISM's financial performance will improve because of the recent large purchase orders and purchase inquiries that ISM has received since the imposition of preliminary duties in November 2017.¹³⁷

We also have examined the role of nonsubject imports. We observe that nonsubject imports accounted for a relatively small and stable share of the U.S. market and prices for nonsubject imports were generally higher than the prices for subject imports from China and the domestic like product.¹³⁸ Consequently, the observed declines in ISM's market share and its levels of output and revenues cannot be explained by nonsubject imports.

V. Conclusion

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of carton-closing staples from China that are sold in the United States at less than fair value.

¹³⁵ As observed earlier, ISM's cost-cutting measures include reducing the size of its workforce, foregoing capital expenditures, and delaying research and development efforts. Hearing Tr. at 9. These measures are reflected in decreases in ISM's selling, general, and administrative ("SG&A") expenses, unit SG&A expenses, and unit labor costs. CR/PR at Tables VI-3, C-2. SG&A expenses decreased from \$*** in 2014 to \$*** in 2015 and \$*** in 2016; they were \$*** in interim 2016 and \$*** in interim 2017. CR/PR at Table VI-3. Unit SG&A expenses declined from \$*** in 2014 and 2015 to \$*** in 2016; they were \$*** in interim 2016 and \$*** in interim 2017. CR/PR at Table C-2.

¹³⁶ CR at III-3, PR at III-2; Hearing Tr. at 29.

¹³⁷ CR at III-3, PR at III-2; Hearing Tr. at 29–32.

¹³⁸ Nonsubject imports' market share was *** percent in 2014 and *** percent in 2015 and 2016; it was *** percent in interim 2016 and *** percent in interim 2017. CR/PR at Table IV-6. Nonsubject imports' price data and comparisons are set forth in CR/PR at D-3, Tables D-1 to D-3.

PART I: INTRODUCTION

BACKGROUND

This investigation results from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by North American Steel & Wire, Inc./ISM Enterprises (“ISM”), Butler, Pennsylvania, on March 31, 2017, alleging that an industry in the United States is materially injured or threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of carton-closing staples from China.¹ The following tabulation provides information relating to the background of this investigation.^{2 3}

Effective date	Action
March 31, 2017	Petitions filed with Commerce and the Commission; institution of Commission investigation
April 20, 2017	Commerce’s notice of initiation (82 FR 19351, April 27, 2017)
May 15, 2017	Commission’s preliminary determination (82 FR 23064, May 19, 2017)
November 3, 2017	Commerce’s preliminary affirmative determination of sales at less than fair value (82 FR 51213, November 3, 2017) and scheduling of final phase of Commission investigation (82 FR 52939, November 15, 2017)
March 13, 2018	Commission’s hearing
March 28, 2018	Commerce’s final affirmative determination of sales at less than fair value (83 FR 13236, March 28, 2018)
April 18, 2018	Commission’s vote
April 30, 2018	Commission’s views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

¹ See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

² Pertinent *Federal Register* notices are referenced in appendix A and may be found at the Commission’s website (www.usitc.gov).

³ A list of witnesses appearing at the hearing is presented in appendix B of this report.

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--⁴
In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

⁴ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—⁵

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission’s consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Carton-closing staples are generally used as fastening devices to secure or close the flaps of corrugated and solid paperboard cartons or boxes. The only current U.S. producer of carton-closing staples is ISM, while the known leading producers of carton-closing staples outside the United States include Zhejiang Best Nail Industrial Co., Ltd. (“Zhejiang”) and Tianjin Jinxinshenglong Metal Produce Co., Ltd. (“Tianjin”) of China and Josef Kihlberg of Sweden. The leading U.S. importers of carton-closing staples from China in 2016 were ***. Leading importers of carton-closing staples from nonsubject countries (primarily Sweden, Korea, Austria, and Turkey) include ***. The leading purchasers of carton-closing staples include distributors ***.

Apparent U.S. consumption of carton-closing staples totaled approximately *** in 2016. Currently, ISM is the only firm known to produce carton-closing staples in the United States. ISM’s U.S. shipments of carton-closing staples totaled *** in 2016, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled 4.1 billion carton-closing staples (\$7.8 million) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled 358 million carton-closing staples (\$728,000) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

⁵ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in this investigation is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of petitioner ISM⁶ and former producer SBD,⁷ the two firms that accounted for all confirmed U.S. production of carton-closing staples since 2014. U.S. imports are based on the questionnaire responses of 22 firms that accounted for at least 70 percent of the U.S. imports of carton-closing staples.⁸ Five foreign producers submitted questionnaire responses that accounted for *** percent of U.S. imports of carton-closing staples from China in 2016.⁹

⁶ In February 2018, North American Steel & Wire, Inc., the company within ISM that produces staple wire, filed for Chapter 11 bankruptcy related to a “supplier issue and some of the debtholders” in order to reorganize its debt. Sister company ISM Enterprises did not file for bankruptcy. The petitioner stated that the bankruptcy filing has not affected operations. Hearing transcript, p. 29 (Farah) and posthearing brief, Broadbent question 1, pp. 1-3.

⁷ SBD no longer produces carton-closing staples in the United States. SBD produced *** carton-closing staples in the United States until ***. SBD ceased U.S. production of carton-closing staples in order to facilitate *** for the U.S. market. The firm relocated production of carton-closing staples to its Langfang, China facility, The Stanley Works (Langfang) Fastening Systems Co., Ltd. (“Stanley Works (Langfang)”), and subsequently ***. ***. SBD’s producer questionnaire, questions II-2, II-12, and IV-22.

⁸ The Commission issued questionnaires to 98 firms during the final phase of the investigation, including firms identified during the preliminary phase investigation and an additional *** firms identified as potential U.S. importers based on a review of data provided by ***. The resulting importer contact list covers the top 100 importers according to *** data, which account for more than *** of imports under HTSUS statistical reporting numbers 8305.20.0000 and 7317.00.6560. Due to the variety of products imported under those HTSUS statistical reporting numbers, however, many of the responding firms reported no imports of carton-closing staples since 2014, but instead imported nails or other types of fastening products. *** of the top 10 importers, according to *** data, participated in the final phase investigation, while the other *** firms provided staff with “NO” responses during the preliminary phase. The Commission received “NO” responses from *** firms during the final phase investigation.

⁹ According to confidential *** data, the largest foreign producer or exporter of carton-closing staples from China to the United States was ***. The Commission did not receive a questionnaire response from *** during the final phase of the investigation so the response submitted during the preliminary phase was used to estimate production. Staff was unable to reach the second largest foreign producer or exporter in China, ***, despite multiple attempts. *** was listed as the foreign producer in *** U.S. importer questionnaire responses. In addition, *** did not provide a questionnaire response during the final phase of the investigation so the response submitted during the preliminary phase was used to estimate production.

PREVIOUS AND RELATED INVESTIGATIONS

Carton-closing staples

Carton-closing staples have been the subject of one prior antidumping duty investigation in the United States. ISM filed a petition in December 1982 alleging that an industry in the United States was materially injured or threatened with material injury by reason of LTFV imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden.¹⁰ In the previous investigation, staples in roll form were not included in the scope and petitioners did not advocate for their inclusion in the domestic like product.¹¹ Following notification of Commerce's final determination that imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden were being sold at LTFV, the Commission determined on November 8, 1983 that an industry in the United States was materially injured by reason of subject imports from Sweden of carton-closing staples.¹² Commerce issued an antidumping duty order on carton-closing staples from Sweden on October 5, 1983.¹³ On June 7, 1994, Commerce published a notice of the revocation of the antidumping duty order on carton-closing staples and nonautomatic carton-closing staple machines from Sweden.¹⁴

Section 232 investigation (Commerce)

On April 19, 2017, the Secretary of Commerce initiated a Section 232 investigation, under the Trade Expansion Act of 1962, as amended (19 U.S.C. § 1862), to assess the impact of steel imports on the national security of the United States.¹⁵ Commerce submitted the findings from its investigation to the President on January 11, 2018, and by law, the President has 90

¹⁰ *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Preliminary)*, USITC Publication 1342, February 1983.

¹¹ *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Final)*, USITC Publication 1454, December 1983.

¹² In addition to its determination on carton-closing staples, the Commission also determined that an industry "in the United States was materially injured by reason of imports from Sweden of nonautomatic carton-closing staple machines." *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Final)*, USITC Publication 1454, December 1983, p. 7.

¹³ *Notice of Final Determinations of Sales at Less Than Fair Value: Certain Carton Closing Staples and Staple Machines From Sweden*, 48 FR 49323, October 25, 1983.

¹⁴ *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Revocation of Antidumping Duty Orders*, 59 FR 29416, June 7, 1994.

¹⁵ U.S. Department of Commerce website: <https://www.commerce.gov/page/section-232-investigation-effect-imports-steel-us-national-security> (accessed January 29, 2018).

days to decide on any potential trade remedies.¹⁶ In its report, Commerce recommended the following:

- A global tariff of at least 24 percent on all steel imports from all countries. A tariff of at least 53 percent on all steel imports from 12 countries (Brazil, China, Costa Rica, Egypt, India, Malaysia, Republic of Korea, Russia, South Africa, Thailand, Turkey, and Vietnam) with a quota by product on steel imports from all other countries equal to 100 percent of their 2017 exports to the United States, or
- A quota on all steel products from all countries equal to 63 percent of each country's 2017 exports to the United States.¹⁷

On March 8, 2018, the President announced his decision to impose 25-percent *ad valorem* duties on all steel mill products¹⁸ imported from all U.S. trade partners, except from Canada and Mexico.¹⁹ On March 22, 2018, the president authorized the suspension of tariffs on steel and aluminum imports from the following countries: Argentina, Australia, Brazil, Canada, Mexico, member countries of the European Union, and South Korea.²⁰ The President will decide on May 1, 2018 whether to continue to exempt these countries from the tariffs.

Although the 25 percent tariff will not be imposed directly on carton-closing staple imports, it has the potential to affect the carton-closing staples market as the primary input into carton-closing staples is steel wire rod, which is subject to the Section 232 proclamation.²¹ ISM, however, sources most of its steel wire rod domestically.²²

¹⁶ U.S. Department of Commerce website: <https://www.commerce.gov/news/press-releases/2018/01/statement-department-commerce-submission-steel-section-232-report> (accessed January 23, 2018).

¹⁷ Commerce, *The Effect of Imports of Steel on the National Security, an Investigation Conducted Under Section 232 of the Trade Expansion Act of 1962, as Amended*, January 11, 2018, pp. 58-61, https://www.commerce.gov/sites/commerce.gov/files/the_effect_of_imports_of_steel_on_the_national_security_-_with_redactions_-_20180111.pdf (accessed February 23, 2018). See also: Commerce, "Secretary Ross Releases Steel and Aluminum 232 Reports in Coordination with White House," Press Release, February 16, 2018, <https://www.commerce.gov/news/press-releases/2018/02/secretary-ross-releases-steel-and-aluminum-232-reports-coordination> (accessed February 23, 2018).

¹⁸ See paragraphs 8 and proclamation paragraph (1) of The White House, "Presidential Proclamation on Adjusting Imports of Steel into the United States," March 8, 2018. <https://www.whitehouse.gov/presidential-actions/presidential-proclamation-adjusting-imports-steel-united-states/> (accessed March 16, 2018).

¹⁹ See paragraph 10 and proclamation paragraph (2), *Ibid.*

²⁰ <https://www.whitehouse.gov/briefings-statements/president-trump-approves-section-232-tariff-modifications/> (accessed March 26, 2018).

²¹ The petitioner speculated as to the effects of the Presidential proclamation with regard to the U.S. staple-producing industry, noting it could bring a competitive rod industry to the United States. Hearing transcript, p. 50 (Farah). The petitioner also stated that changes in prices of steel wire rod are not passed on to customers in price changes of carton-closing staples. Hearing transcript, p. 46 (Tyndall).

²² Petitioner's posthearing brief, Schmidlein question 2, p. 2.

NATURE AND EXTENT OF SALES AT LTFV

Sales at LTFV

On March 28, 2018, Commerce published a notice in the *Federal Register* of its final affirmative determination of sales at LTFV with respect to imports from China.²³ Table I-1 presents Commerce's final dumping margins with respect to imports of carton-closing staples from China.

Table I-1
Carton-closing staples: Commerce's final weighted-average LTFV margins with respect to imports from China

Producer	Exporter	Final dumping margin (percent)
Yueda Group: Shanghai Yueda Nails Co., Ltd., or Qiushan Printing Machinery Co., Ltd	Yueda Group: Shanghai Yueda Nails Co., Ltd., or Fastnail Products Limited, or Wuhan FOPO Trading Co., Ltd., or China Dinghao Co., Limited	263.40
Hangzhou Huayu Machinery Co., Ltd.	Hangzhou Huayu Machinery Co., Ltd.	115.65
The Stanley Works (Langfang) Fastening Systems Co., Ltd.	The Stanley Works (Langfang) Fastening Systems Co., Ltd.	115.65
China-wide entity		263.40

Source: *Carton-Closing Staples From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 83 FR 13236, March 28, 2018.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:

The scope of this investigation is carton-closing staples. Carton-closing staples may be manufactured from carbon, alloy, or stainless steel wire, and are included in the scope of the investigation regardless of whether they are uncoated or coated, regardless of the type of coating.

Carton-closing staples are generally made to American Society for Testing and Materials (ASTM) specification ASTM D1974/D1974M-16, but can also be made to other specifications. Regardless of specification, however, all carton-closing staples meeting the scope description are included in the scope. Carton-closing staples include stick staple products, often referred to as staple strips, and roll staple products, often referred to as coils. Stick staples are lightly cemented or lacquered together to facilitate handling and loading into stapling machines.

²³ *Carton-Closing Staples From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 83 FR 13236, March 28, 2018.

Roll staples are taped together along their crowns. Carton-closing staples are covered regardless of whether they are imported in stick form or roll form.

Carton-closing staples vary by the size of the wire, the width of the crown, and the length of the leg. The nominal leg length ranges from 0.4095 inch to 1.375 inches and the nominal crown width ranges from 1.125 inches to 1.375 inches. The size of the wire used in the production of carton-closing staples varies from 0.029 to 0.064 inch (nominal thickness) by 0.064 to 0.100 inch (nominal width).

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to this investigation is imported under the following provisions of the 2017 HTS: 8305.20.00 (statistical reporting number 8305.20.0000) for staples in strips and 7317.00.65 (statistical reporting number 7317.00.6560) for staples other than those included in HTS heading 8305.²⁴ Imports classifiable in HTS 8305.20.00 and 7317.00.65 are free of duty when they are the product of normal trade relations countries, including China.

THE PRODUCT

Description and applications

Carton-closing staples are fastening devices used to secure or close the flaps of corrugated and solid paperboard cartons and boxes.²⁵ Carton-closing staples are manufactured from steel wire which is cut and shaped into a staple consisting of two legs connected by a crown. Carton-closing staples commonly have a copper or a zinc (galvanized) coating.²⁶ Carton-closing staples are sold as stick staple products and roll staple products.²⁷ The petitioner's products contain 50 staples per stick and 1,000 staples per roll²⁸ but the numbers of staples in stick and roll products of other firms could vary. Stick staples are lightly cemented or lacquered together to facilitate handling and loading into staple machines. Roll staples are taped together along their crowns.²⁹ Stick and roll products are interchangeable in terms of their final use. Once stick or roll staples are fastened to the box or carton they reportedly are indistinguishable.³⁰ See figure I-1 for images of carton-closing staple products.

²⁴ Decisions on the tariff classification and treatment of imported goods are within the authority of the U.S. Customs and Border Protection.

²⁵ Petition, p. I-8.

²⁶ Petition, p. I-8.

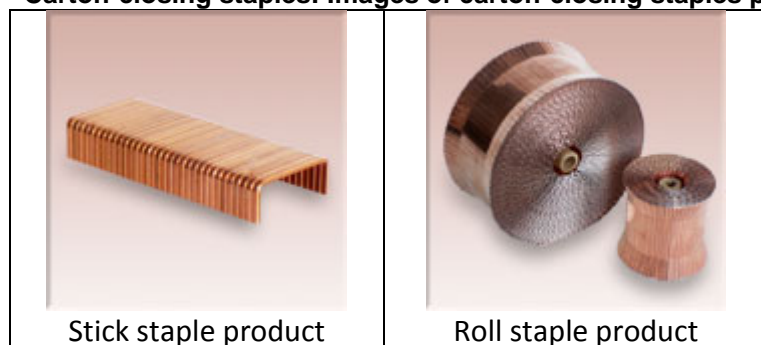
²⁷ Stick staple products are often referred to as staple strips and roll staple products are often referred to as coils.

²⁸ Conference transcript, pp. 44 and 59 (Tyndall).

²⁹ Petition, p. I-8.

³⁰ Conference transcript, pp. 16-17 (Tyndall).

Figure I-1
Carton-closing staples: Images of carton-closing staples products



Source: ISM, <http://www.ismstaples.com/sub/staples.php> (Accessed April 21, 2017).

Carton-closing staples vary by the size of the wire, the length of the legs, and the width of the crown.^{31 32} Based on the scope of this investigation the leg length ranges from 0.4095 inch to 1.375 inches and the crown width ranges from 1.125 inches to 1.375 inches. The size of the wire used in the production of carton-closing staples varies from 0.029 to 0.064 inch (thickness) by 0.064 to 0.100 inch (width).³³ Carton-closing staples are made from flat wire (as opposed to round wire) so that the staple will remain flush with the packaging material to avoid catching or snagging on materials that may come into contact with the staple during storage and shipment.³⁴ The American Society for Testing and Materials (ASTM) provides minimum dimensions for carton-closing staples in “Standard Practice for Methods of Closing, Sealing, and Reinforcing Fiberboard Boxes.” The ASTM standard that applies to carton-closing staples, ASTM D1974/D1974M—16 Standard is measured in inches with a crown width of 1.125 inches, a leg width of 0.072 inches, and a leg thickness of 0.033 inches.³⁵

Basic carton-closing staples that are available as both stick and roll products, include, but are not limited to, the "A" staple and the "C" staple. Table I-2 presents the dimensions that apply to “A” and “C” staples.

³¹ Petition, p. I-8.

³² Carton-closing staples are produced in different styles that fit different stapling tools. Staple styles are differentiated by the dimensions of the staples and the dimensions of the staple determine in which tool the staple can be used. Staple manufacturers can produce staple styles for use in various stapling tools, including tools produced by competitors. Hearing transcript, p. 25 (Butler) and pp. 40-42 (Farah and Tyndall).

³³ *Carton-closing staples from China (Preliminary) of Notice of Initiation*, 82 FR 19351, April 27, 2017.

³⁴ Conference transcript, p. 26 (Drake).

³⁵ American Society for Testing and Materials (ASTM), “D1974/D1974M—16 Standard Practice for Methods of Closing, Sealing, and Reinforcing Fiberboard Boxes,” p.3. Petition, Exhibit I-5.

Table I-2
Carton-closing staples: Examples of carton-closing staple products

Product name	Crown width	Leg length	Leg width	Leg thickness
(Inches)				
A	1.375	0.625, 0.75, or 0.875	0.092	0.037
C	1.25	0.625 or 0.75	0.074	0.037

Source: Petition, p. I-9

Manufacturing processes³⁶

During the manufacturing process for carton-closing staples, steel wire rod³⁷ is drawn, annealed, pickled, plated, and formed into staples. Production begins by drawing steel wire rod³⁸ into wire of the desired diameter³⁹ and then winding the wire onto spools. The wire is then run through an annealing furnace that is heated to 1,100 degrees Celsius. The annealing process heats the wire to soften it before it is drawn to its final size. After annealing, the wire is treated with acid, water, heat, and electrical current during the pickling process to clean any impurities from the surface of the wire.⁴⁰ After pickling, the wire is coated with copper or zinc through an electroplating process. During electroplating, copper or zinc bars are dissolved into a chemical solution. The wire passes through the solution while an electric current is applied to the solution, causing the copper or zinc to plate onto the surface of the wire. After the plating process, the wire is drawn again, this time to the width and thickness specifications of the desired staple product. After the wire is wound onto spools it is ready to be fed into the machines that will shape the wire into the final product, stick or roll carton-closing staples.

For the formation of stick products, 50 wires are fed together into a machine where glue is applied to adhere the wires to one another. The wires are fed through an oven to cure the glue and then fed into a press, where the wires are cut and punched into the final product, a stick containing 50 staples. The sticks of staples are then given a visual quality control check and are manually packaged into cartons.

³⁶ Unless otherwise noted, the following discussion is from the conference transcript, pp. 57-60 (Tyndall).

³⁷ Petitioner reported purchasing 1006 carbon wire rod with a diameter of 7/32nds of an inch. The petitioner buys steel wire rod directly from mills and from distributors (both domestic and foreign, with price driving the decision), although purchasing directly from the mill can be less desirable because the mills seek guaranteed commitments that certain volumes will be purchased, while distributors are more willing to sell smaller amounts on a spot basis. Conference transcript, p. 69 (Tyndall).

³⁸ Drawing is the process of pulling metal through a die or a series of dies to reduce its cross section. Source: Will Kastner in Manufacturing Business Technology, "Application overview: Wire drawing," <https://www.mbtmag.com/article/2013/03/application-overview-wire-drawing>, (Accessed April 25, 2017).

³⁹ Petitioner reported drawing steel wire rod down to an initial diameter of 0.085 inch in this stage of the manufacturing process. Conference transcript, p. 57 (Tyndall).

⁴⁰ Any impurities on the wire would cause the copper or zinc coating that is applied later in the process to flake off.

For roll products, two wires are fed into a machine which cuts and flattens the wires into their final form. The formed staples are then adhered to one another with melted tape to form a roll of 1,000 staples. After the roll is formed, tape is manually applied to the outside of the roll to keep it secure and then the rolls are manually packaged into cartons.

DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to the domestic like product have been raised in this investigation.⁴¹ The petition proposed a single domestic like product that is coextensive with the product that is the subject of this investigation: carton-closing staples.⁴² In its postconference brief, the petitioner contended that the domestic like product should not be expanded beyond the scope to include other types of staples.⁴³ Based on the record in the preliminary phase of this investigation, the Commission defined a single domestic like product, consisting of carton-closing staples corresponding to the scope of the investigation.⁴⁴ During the final phase investigation, no firm raised an issue with the domestic like product definition from the preliminary phase investigation, and no party requested questions regarding domestic like product be issued in the questionnaires.⁴⁵ The petitioner did not raise domestic like product issues in its posthearing brief.⁴⁶

⁴¹ See 19 U.S.C. § 1677(10).

⁴² Petition, p. I-2.

⁴³ Petitioner's postconference brief, pp. 12-13.

⁴⁴ *Carton-Closing Staples from China, Inv. No. 731-TA-1359 (Preliminary)*, USITC Publication 4694, May 2017, p. 6.

⁴⁵ Petitioner's comments on draft questionnaires, October 27, 2017.

⁴⁶ Petitioner's posthearing brief, p. 3.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Carton-closing staples are used for closing and reinforcing paperboard boxes. Most carton-closing staples are produced to standard sizes and specifications, and producers manufacture and advertise staples that fit other producers' staple tools.¹ Staple tools offered by manufacturers may have slight variations in specifications; however, U.S. and foreign manufacturers produce staples that meet these specifications.²

Carton-closing staples are sold in sticks and rolls, depending on the type of stapling tool. Rolls are typically used in higher volume applications than stick staples since they are sold in 1,000 to 5,000 staples per roll and therefore, require fewer changeovers.³

Apparent U.S. consumption, by quantity, was *** percent higher in 2016 than in 2014. However, apparent U.S. consumption, by value, was *** percent lower in 2016 than in 2014.

U.S. PURCHASERS

The Commission received 20 usable questionnaire responses from firms that have purchased carton-closing staples since January 1, 2014.⁴ Fifteen responding purchasers are distributors, three are retailers, one is an end user, and one did not specify its category. Responding U.S. purchasers were located throughout all regions of the United States. The largest responding purchasers of carton-closing staples are ***.

CHANNELS OF DISTRIBUTION

Carton-closing staples typically are sold through distributors, which sell both domestic and imported products.⁵ U.S. producers sold the vast majority of their carton-closing staples to distributors. Importers generally sold carton-closing staples mainly to distributors, but also directly to end users (table II-1). ISM stated that the majority of its sales are to distributors, and that more than 90 percent of these distributors also purchase carton-closing staples from China.⁶ ISM also stated that SBD had its own distribution network for its Bostitch staples, and that the network was more tightly controlled than other distribution, and therefore SBD's

¹ Conference transcript, p. 7 (Drake), p. 18 (Tyndall). Petitioner's postconference brief, p. 15.

² Conference transcript, p. 48 (Drake).

³ Conference transcript, p. 17 (Tyndall).

⁴ Of the 20 responding purchasers, 10 purchased the domestic product, 14 purchased imports of the subject merchandise from China, and 6 purchased imports of carton-closing staples from other sources.

⁵ Conference transcript, p. 7 (Drake). Three of the 15 responding distributors are both purchasers and importers: ***.

⁶ Conference transcript, p. 18 (Tyndall).

prices may have been sometimes be higher.⁷ However, ISM further explained that although SBD may limit the number of distributors it uses in a given region for its Bostitch staples, these same distributors also typically sell carton-closing staples produced by other manufacturers.⁸ In addition, ISM and other manufacturers produce Bostitch style staples that fit the Bostitch staple machines. One national distributor of fasteners, Southern Carlson, advertises seven different brands of carton-closing staples on its website, including Axxis, BeA, Bostitch, Interchange, ISM, Josef Kihlberg, and PS.⁹

Table II-1

Carton-closing staples: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2014-16, January to September 2016, and January to September 2017

* * * * *

GEOGRAPHIC DISTRIBUTION

The U.S. producers and importers reported selling carton-closing staples to all regions in the United States (table II-2). For ISM, *** percent of sales were within 100 miles of its production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers sold 23.6 percent within 100 miles of their U.S. point of shipment, 51.0 percent between 101 and 1,000 miles, and 25.3 percent over 1,000 miles.

Table II-2

Carton-closing staples: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	U.S. importers (China)
Northeast	***	10
Midwest	***	13
Southeast	***	12
Central Southwest	***	11
Mountain	***	13
Pacific Coast	***	16
Other ¹	***	2
All regions (except Other)	***	7
Reporting firms	***	19

¹ All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

⁷ Conference transcript, p. 47 (Farah), hearing transcript pp. 38-39 (Smith and Farah). ISM produces its own carton-closing staples but also produces the Bostitch style of staples.

⁸ Petitioner's postconference brief, Answers to Staff Questions 3.

⁹ Southern Carlson website, www.southern-carlson.com, retrieved May 2, 2017. Petitioner cites examples of distributors ASC and Salco selling multiple brands of carton-closing staples. Petitioner's postconference brief, Answers to Staff Questions 3.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production¹⁰

Based on available information, ISM has the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced carton-closing staples to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and inventories and the ability to shift shipments from alternate markets. A factor mitigating responsiveness of supply is that ISM is unable to shift production to or from alternate products.

Industry capacity

ISM's capacity utilization *** from *** in 2014 to *** percent in 2016, as its capacity *** while production ***. This very low level of capacity utilization suggests that ISM has the ability to increase production of carton-closing staples in response to an increase in prices.

Alternative markets

ISM's exports, as a percentage of total shipments, *** from *** percent in 2014 to *** percent in 2016. This level of exports indicates that has the ability to shift shipments between the U.S. market and other markets in response to price changes. ISM identified *** and Mexico as its principal export markets.¹¹

Inventory levels

ISM's inventories relative to total shipments *** from *** percent in 2014 to *** percent in 2016. These inventory levels suggest that ISM may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

ISM stated that it could not switch production from carton-closing staples to other products. ISM stated that it does not produce products other than carton-closing staples in its manufacturing plant.¹²

¹⁰ ISM is currently the only U.S. producer of carton-closing staples. ***.

¹¹ Hearing transcript, pp. 66-68 (Farah).

¹² Conference transcript, p. 36 (Farah).

Subject imports from China¹³

Based on available information, producers of carton-closing staples from China have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of carton-closing staples to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and some ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include limited availability of inventories and a limited ability to shift production to or from alternate products.

Industry capacity

Both Chinese capacity and production increased from 2014-16. Chinese producers' capacity utilization increased from *** percent in 2014 to *** percent in 2016. This level of capacity utilization suggests that China producers may have some ability to increase production of carton-closing staples in response to an increase in prices.

Alternative markets

Shipments of Chinese carton-closing staples to markets other than the United States, as a percentage of total shipments, decreased from 2014 to 2016. Chinese producer's shipments to the home market declined from *** percent in 2014 to *** percent in 2016, and shipments to export markets other than the United States declined from *** percent to *** percent. In 2016, *** percent of Chinese producers' shipments were to the U.S. market, *** percent were to the Chinese home market, and *** percent were to third-country export markets. This information indicates that Chinese producers may have some ability to shift shipments between domestic or other markets and the U.S. market in response to price changes.

Inventory levels

Relative to total shipments, responding Chinese producers' inventory levels decreased from *** percent in 2014 to *** percent in 2016. These inventory levels suggest that responding Chinese producers may have very limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

One responding Chinese producer stated that it could switch production from carton-closing staples to other products. ***, which accounted for *** percent of total reported

¹³ The information in this section is based on the questionnaire responses of five Chinese producers, which are estimated to account for less than 50 percent of carton-closing staples from China.

Chinese production, reported producing out-of-scope staples and nails on the same machinery used to produce carton-closing staples.

Imports from nonsubject sources

Imports from nonsubject sources accounted for 8.5 percent of total U.S. imports in 2016. Sweden was the largest nonsubject source of imports of carton-closing staples during 2014-16. Other sources of nonsubject imports were Spain, Austria, Germany, and Korea.

New suppliers

None of the responding purchasers indicated that new suppliers entered the U.S. market since January 1, 2014.

Supply constraints

ISM stated that it is unable to meet orders for certain low volume carton-closing staples for which it does not hold inventory.¹⁴ It reported that ***.

No importer reported constraints in its ability to supply carton-closing staples. ***. Nearly all purchasers (17 of 18 responding firms) also reported that no firm had refused, declined, or been unable to supply carton-closing staples since January 1, 2014.

However, *** reported supply issues with ISM, ***, and that ISM was unable to provide a delivery date. *** stated that ***

U.S. demand

Based on available information, the overall demand for carton-closing staples is likely to experience small-to-moderate changes in response to changes in price. The main contributing factors are the availability of substitute products but the small cost share of carton-closing staples in end-use products.

End uses and cost share

U.S. demand for carton-closing staples depends on the demand for U.S.-produced carton packaging. Carton-closing staples account for a very small share of the cost of the end-use products in which they are used. *** reported that carton-closing staples account for less than 1 percent of the cost of a carton.

¹⁴ Petitioner's postconference brief, p. 14. ISM shipped *** percent of its product from inventory in 2016.

Business cycles

Most responding firms reported that the carton-closing staples market is not subject to business cycles or other conditions of competition. Three firms (one U.S. producer, one importer, and one purchaser) indicated that the market was subject to business cycles or other conditions of competition. Two of these firms described seasonality in the market, with *** reporting higher demand during the holidays, vegetable growing seasons, and tax seasons and purchaser *** reporting higher demand in the latter part of the year.

Demand trends

Most firms reported no change or a decrease in U.S. demand for carton-closing staples since January 1, 2014 (table II-3). Petitioner characterized U.S. demand for carton-closing staples as fairly stable.¹⁵ The four importers that indicated that demand had decreased attributed the decline to a shift to alternative fasteners such as self-locking models, glue, and tape. Three importers and three purchasers stated that demand had increased; *** reported increased demand in construction uses (due to the favorable economy and natural disaster recovery), in which the staples are used to package windows and doors.

Table II-3

Carton-closing staples: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	***	***	***	***
Importers	3	5	7	3
Purchasers	3	4	4	1
Demand outside the United States				
U.S. producers	***	***	***	***
Importers	1	4	2	3
Purchasers	1	2	---	---

Source: Compiled from data submitted in response to Commission questionnaires.

Substitute products

Substitutes for carton-closing staples include tape, auto/self-locking cartons, glue, and plastic strapping. ***, 9 of 16 responding importers, and 9 of 17 responding purchasers identified substitutes; and nine of the responding purchasers said that these substitute products could affect the price of carton-closing staples. Seven importers specifically indicated that changes in tape prices had affected staple prices, and six indicated that changes in glue prices had affected staple prices. *** stated that tape and glue are inexpensive and easily automated, and have created pricing pressure on staples that did not exist 15 years ago. *** stated that tape is inexpensive and does not require additional equipment.

¹⁵ Conference transcript, p. 43 (Farah).

ISM stated that although the packaging market has grown with companies like Amazon, market-growth areas often use tape rather than staples.¹⁶ However, ISM also stated that glue and tape have not significantly impacted demand for carton-closing staples in recent years.¹⁷ It stated that this was mostly because glue and tape are not reliable fasteners for the type of carton boxes used in manufacturing.¹⁸

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported carton-closing staples depends upon such factors as relative prices, quality (e.g., reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a high degree of substitutability between domestically produced carton-closing staples and carton-closing staples imported from China.

Lead times

Carton-closing staples are primarily sold from inventory. ISM reported that *** percent of its 2016 U.S. commercial shipments were from inventory and *** percent were produced-to-order. It reported lead times of *** days from inventory and *** days for produced-to-order. ***.

Importers of Chinese carton-closing staples reported that about *** percent of U.S. commercial shipments were from U.S. inventories, *** percent were produced-to-order, and *** percent were from foreign inventories. Most importers reported lead times from U.S. inventories of 1 to 5 days, with one importer reporting 14 days. Lead times reported by importers for produced-to-order product were generally 90 days. One importer reported an average lead time from foreign inventories of 120 days.

Knowledge of country sources

Eleven purchasers indicated that they have marketing knowledge of domestically produced carton-closing staples, 14 of staples imported from China, 5 of staples imported from Sweden, and 3 from other sources, including Austria, Germany, Spain, and Korea. One purchaser,***, stated that Swedish tools work best with Swedish staples.

Purchasing factors

As shown in table II-4, most purchasers and their customers never make purchasing decisions based on the producer or country of origin. However, *** stated that it has one

¹⁶ Conference transcript, p. 45 (Farah).

¹⁷ Conference transcript, pp. 44-45 (Farah).

¹⁸ Hearing transcript, p. 37 (Farah).

customer which prefers domestic carton-closing staples, and *** stated that it uses domestic-made or major brand as a proxy for quality. Four purchasers reported that they always make decisions based on the manufacturer. Two of the firms identified reasons such as preferring brand name and considering customer preference for products perceived as higher quality.

Table II-4
Carton-closing staples: Purchasing decisions based on producer and country of origin

Purchaser/customer decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	4	1	1	12
Purchaser's customers make decision based on producer	---	3	5	10
Purchaser makes decision based on country	4	---	---	14
Purchaser's customers make decision based on country	---	---	3	15

Source: Compiled from data submitted in response to Commission questionnaires.

Factors affecting purchasing decisions

As shown in table II-5, 15 of the 20 responding purchasers listed quality among their top three purchasing factors, 13 listed availability and supply, and 15 listed price and cost. Quality was most frequently reported as the first-most important factor (cited by 11 firms). Eight of the responding purchasers defined quality as the ability to work well and compatibility with the carton-closing staplers. Firms also described quality as including uniformity, consistency, reliability, ability to perform over multiple lots, lack of jamming in staple tools, wire strength, coating quality, and ability to feed through the tool trouble free. Price was most frequently reported as the second-most important factor (8 firms), and availability/ supply was the most frequently reported third-most important factor (6 firms).

Table II-5
Carton-closing staples: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Factor	First	Second	Third	Total
Price / Cost	2	8	5	15
Quality	11	3	1	15
Availability / Supply	3	4	6	13
Other ¹	2	3	3	8

¹ Other factors performance, compatibility, reputation, and customer response.

Source: Compiled from data submitted in response to Commission questionnaires.

Half of responding purchasers (9 of 18) reported that they sometimes purchase the lowest-priced product ***.

Importance of specified purchase factors

Purchasers were asked to rate the importance of 17 factors in their purchasing decisions (table II-6). The factors rated as very important by more than half of responding purchasers

were: availability, product consistency, and quality meets industry standards (17 firms each); reliability of supply (16); price (14); delivery time (11); and delivery terms (10). The majority of responding firms indicated that product bundling was not an important factor.

Table II-6

Carton-closing staples: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Very important	Somewhat important	Not important
Availability	17	1	---
Brand recognition	3	9	6
Delivery terms	10	8	---
Delivery time	11	7	---
Discounts offered	3	11	4
Extension of credit	6	7	5
Minimum quantity requirements	4	8	6
Packaging	4	13	1
Price	14	4	---
Product bundling	2	5	11
Product consistency	17	1	---
Product range	5	10	3
Quality meets industry standards	17	1	---
Quality exceeds industry standards	5	11	2
Reliability of supply	16	2	---
Technical support/service	2	10	6
U.S. transportation costs	7	6	5

Source: Compiled from data submitted in response to Commission questionnaires.

Supplier certification

Most purchasers do not require supplier qualification. However, four of 18 responding purchasers require their suppliers to become certified or qualified to sell carton-closing staples to their firm. *** stated that it tests product samples in its facility and in the field. Purchasers *** do not require testing but base certification on “quality, availability, price, and reliability.” *** reported that it assesses a firm’s financial stability, and conducts a physical inspection of the product. Three purchasers reported the time to qualify a new supplier; these firms reported 14, 60, and 180 days, respectively.

No purchaser reported that a domestic or foreign supplier had failed in its attempt to qualify carton-closing staples, or had lost its approved status since 2014.

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since January 2014 (table II-7). Five of 18 responding purchasers reported changing suppliers since January 1, 2014. Specifically, *** added or changed suppliers due to price or availability. *** stated that it added some suppliers to diversify its supplier base.

Table II-7
Carton-closing staples: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	5	4	1	4	1
China	3	3	4	4	3
Sweden	6	1	1	1	1
Other	8	---	1	---	1

Source: Compiled from data submitted in response to Commission questionnaires.

Importance of purchasing domestic product

Fourteen of 20 purchasers reported that purchasing U.S.-produced product was not an important factor in their purchasing decisions. One purchaser reported customer and other preferences for domestic product. No purchaser reported that domestic product was required by law, or that it was required by their customers.

Comparisons of domestic carton-closing staples, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing carton-closing staples produced in the United States, China, Sweden, and other nonsubject sources. First, purchasers were asked for a country-by-country comparison on the same 17 factors (table II-8) for which they were asked to rate the importance.

Most purchasers reported that carton-closing staples from the United States and from China were comparable on 10 factors (including delivery terms, discounts offered, extension of credit, quality meets industry standards, quality exceeds industry standards, technical support/service, packaging, product consistency and range, and brand recognition). A majority of purchasers rated domestic product as superior to Chinese product with respect to delivery time and minimum quantity, but as inferior with respect to price.

A majority or plurality of purchasers rated the U.S. product as comparable to that from Sweden on almost all factors except for packaging (2 of 3 purchasers rated the U.S. product as inferior), product consistency (evenly divided), U.S. transportation costs (3 of 5 firms rated the U.S. product as superior), and delivery terms and delivery time (for which 2 firms each responded comparable and superior). Only three purchasers compared Chinese and Swedish product, and a majority rated the Swedish product as superior on a number of factors, particularly brand recognition for which 3 firms rated the Swedish product as superior. *** stated that it generally considers Chinese products to be of inferior quality.

Table II-8

Carton-closing staples: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. China			U.S. vs. Sweden			U.S. vs. Nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	3	3	2	1	2	1	---	1	3
Brand recognition	3	5	---	1	3	---	1	2	1
Delivery terms	2	6	---	2	2	---	---	3	1
Delivery time	5	2	1	2	2	---	---	2	2
Discounts offered	---	6	1	1	2	---	---	3	1
Extension of credit	1	6	---	---	3	---	---	4	---
Minimum quantity requirements	4	3	---	---	3	---	1	3	---
Packaging	2	5	---	---	1	2	---	4	---
Price ¹	1	2	5	---	4	---	---	3	1
Product bundling	2	3	2	---	2	1	---	3	1
Product consistency	3	4	1	---	2	2	---	4	---
Product range	1	4	2	---	3	---	---	3	1
Quality meets industry standards	3	5	---	---	4	---	---	4	---
Quality exceeds industry standards	2	6	---	---	3	1	---	4	---
Reliability of supply	2	3	3	1	2	1	---	---	4
Technical support/service	1	5	1	---	2	1	---	2	2
U.S. transportation costs ¹	4	4	1	3	1	1	1	2	2

Table continued on next page.

Table II-8 -- Continued

Carton-closing staples: Purchasers' comparisons between U.S.-produced and imported product

Factor	China vs. Sweden			China vs. Nonsubject		
	S	C	I	S	C	I
Availability	---	3	---	---	2	---
Brand recognition	---	---	3	---	1	1
Delivery terms	---	3	---	---	2	---
Delivery time	---	3	---	---	2	---
Discounts offered	---	3	---	---	2	---
Extension of credit	---	2	1	---	2	---
Minimum quantity requirements	---	1	2	---	2	---
Packaging	---	1	2	---	1	1
Price ¹	2	1	---	1	1	---
Product bundling	1	1	1	---	2	---
Product consistency	---	1	2	---	1	1
Product range	1	2	---	---	2	---
Quality meets industry standards	---	3	---	---	2	---
Quality exceeds industry standards	---	1	2	---	2	---
Reliability of supply	---	2	1	---	1	1
Technical support/service	---	1	2	---	1	1
U.S. transportation costs ¹	1	2	---	---	2	---

¹ A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.

Source: Compiled from data submitted in response to Commission questionnaires.

Comparison of U.S.-produced, and imported carton-closing staples

In order to determine whether U.S.-produced carton-closing staples can generally be used in the same applications as imports from China, U.S. producers, importers, and purchasers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-9, *** responding U.S. producers reported that domestic carton-closing staples and those imported from China, Sweden, and other countries were always interchangeable. The vast majority of importers and all purchasers reported that carton-closing staples from these sources were always or frequently interchangeable.

Table II-9
Carton-closing staples: Interchangeability between carton-closing staples produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries: U.S. vs. China	***	***	***	***	14	4	1	---	8	3	---	---
Nonsubject countries comparisons: U.S. vs. Sweden	***	***	***	***	9	2	1	---	4	3	---	---
U.S. vs. other countries	***	***	***	***	7	1	2	---	4	2	---	---
China vs. Sweden	***	***	***	***	8	---	1	---	4	4	---	---
China vs. other countries	***	***	***	***	6	---	2	---	4	2	---	---
Sweden vs. other countries	***	***	***	***	7	---	1	---	2	2	---	---

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

As can be seen from table II-10, 9 of 10 responding purchasers reported that domestically produced product always or usually met minimum quality specifications and 12 of 13 responding purchasers reported that Chinese carton-closing staples always or usually met minimum quality specifications.

Table II-10
Carton-closing staples: Ability to meet minimum quality specifications, by source¹

Source	Always	Usually	Sometimes	Rarely or never
United States	5	4	1	---
China	7	5	1	---
Sweden	4	1	---	---
Other	1	1	---	---

¹ Purchasers were asked how often domestically produced or imported carton-closing staples meets minimum quality specifications for their own or their customers' uses.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of carton-closing staples from the United States, China, or nonsubject countries. As seen in table II-11, the majority of responding U.S. purchasers and importers stated differences other than price are always or frequently significant, whereas *** responding U.S. producers indicated that differences other than price were never significant. U.S. purchaser ***. Importers reported that quality of the underlying steel, performance, stapler compatibility, technical support, customer service, and brand name make a difference. Specifically, *** stated that quality, availability, customer service, brand name, and a supporting line of tools are important factors regarding of the country of origin.

Table II-11
Carton-closing staples: Significance of differences other than price between carton-closing staples produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries: U.S. vs. China	***	***	***	***	6	5	3	2	6	1	2	2
Nonsubject countries comparisons: U.S. vs. Sweden	***	***	***	***	7	1	---	1	3	1	---	2
U.S. vs. other countries	***	***	***	***	3	1	2	1	2	---	---	2
China vs. Sweden	***	***	***	***	5	1	2	1	4	---	1	2
China vs. other countries	***	***	***	***	4	1	---	1	3	---	---	3
Sweden vs. other countries	***	***	***	***	3	1	1	1	2	---	---	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. No party commented on these estimates.

U.S. supply elasticity

The domestic supply elasticity¹⁹ for carton-closing staples measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of carton-closing staples. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced carton-closing staples. Analysis of these factors above indicates that the U.S. industry has the ability to somewhat to greatly increase shipments to the U.S. market; an estimate in the range of 4 to 8 is suggested.

¹⁹ A supply function is not defined in the case of a non-competitive market.

U.S. demand elasticity

The U.S. demand elasticity for carton-closing staples measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of carton-closing staples. This estimate depends on factors discussed above such as the availability, and commercial viability of substitute products (such as glue, tape and auto-locking boxes), as well as the component share of the carton-closing staples in the production of any downstream products. Based on the available information, the aggregate demand for carton-closing staples is likely to be moderately inelastic; a range of -0.75 to -1.0 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.²⁰ Product differentiation for carton-closing staples depends upon such factors as raw material quality, wire, design, and conditions of sale (e.g., availability, reliability, reputation). Based on available information, the elasticity of substitution between U.S.-produced carton-closing staples and imported carton-closing staples is likely to be in the range of 3 to 5.

²⁰ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of two firms that accounted for all confirmed U.S. production of carton-closing staples since 2014.

U.S. PRODUCERS

The Commission issued U.S. producer questionnaires to two firms based on information contained in the petition and developed during the preliminary phase of the investigation. Both firms provided usable data on their productive operations. The two responses represent all confirmed U.S. production of carton-closing staples since 2014. As of 2016, ISM was the sole producer of carton-closing staples in the United States.¹ Table III-1 lists U.S. producers of carton-closing staples, production locations, positions on the petition, and shares of total production during 2016.

Table III-1
Carton-closing staples: U.S. producers, their position on the petition, location of production, and share of reported production, 2016

Firm	Position on petition	Production location(s)	Share of production (percent)
ISM	Petitioner	Butler, PA	100.0
SBD	***	Greenfield, IN	---
Total			100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-2 presents information on U.S. producers' ownership, related, and/or affiliated firms. Former U.S. producer SBD reported being related to a foreign producer of the subject merchandise, SBD Langfang, in China.² In addition, as discussed in greater detail below, former U.S. producer SBD reported imports of carton-closing staples.

¹ SBD produced *** carton-closing staples in ***. ***, SBD ceased production of carton-closing staples in Greenfield, Indiana ***. SBD initially ***. However, ***. SBD ***. SBD's U.S. producer questionnaire, questions II-2 and IV-22.

² SBD's U.S. producer questionnaire, question I-6 and Separate Rate Application of The Stanley Works (Langfang) Fastening Systems Co., Ltd. to Commerce, May 26, 2017.

Table III-2
Carton-closing staples: U.S. producers' ownership, related and/or affiliated firms, since January 1, 2014

* * * * *

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2014. Both firms that have produced carton-closing staples in the United States since 2014 reported changes to their operations.

Table III-3
Carton-closing staples: U.S. producers' reported changes in operations, since January 1, 2014

Item / firm	Reported changed in operations
Consolidations:	
***	***
Prolonged shutdowns or curtailments:	
***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Additionally, in February 2018, North American Steel & Wire, Inc., the company within ISM that produces staple wire, filed for Chapter 11 bankruptcy related to a “supplier issue and some of the debtholders” in order to reorganize its debt.³ Sister company ISM Enterprises did not file for bankruptcy. During the hearing and in its posthearing brief, the petitioner reported that the bankruptcy filing has not affected production in terms of ISM’s ability to operate the business and that more than 90 percent of debt holders support the debt reorganization.^{4 ***.}⁵

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present U.S. producers’ capacity, production, and capacity utilization. Total reported capacity was *** carton-closing staples in 2014, *** carton-closing staples in 2015, and *** in 2016. The *** percent decline in total reported capacity between 2014 and 2016 reflects SBD’s discontinuation of U.S. production in ***; SBD’s capacity *** carton-closing staples in 2014 to *** in 2016. ***.⁶ While *** reported being below *** percent capacity utilization in each full and partial period, *** operated above *** percent prior to ending domestic production of carton-closing staples ***.

³ Hearing transcript, p. 29 (Farah).

⁴ Hearing transcript, p. 32 (Farah) and posthearing brief, Broadbent question 1, pp. 1-3.

⁵ Posthearing brief, Broadbent question 1, p. 3.

⁶ ISM’s total capacity in response to the final phase investigation is approximately *** carton-closing staples *** than capacity reported during the preliminary phase investigation. Overall production capacity for ISM in the final phase was based on the following methodology:

The above calculation reflects ***. The petitioner also notes that ***. Petitioner’s U.S. producer questionnaire, question II-3c; petitioner’s posthearing brief, Schmidlein question 4, pp. 1-4; and email from ***, March 22, 2018.

Table III-4
Carton-closing staples: U.S. producers' capacity, production, and capacity utilization, 2014-16, January to September 2016, and January to September 2017

* * * * *

Figure III-1
Carton-closing staples: U.S. producers' capacity, production, and capacity utilization, 2014-16, January to September 2016, and January to September 2017

* * * * *

In 2014-15, ISM and SBD produced ***, as ***. In 2016, ***. During interim 2017, ISM's production of carton-closing staples was *** percent lower than interim 2016.

Capacity utilization rates for ISM and SBD ***. SBD's capacity utilization rate was ***. ISM's reported capacity utilization rate was *** percent in 2014, *** percent in 2015, and *** percent in 2016. Capacity utilization was *** percent in interim 2017, *** percentage points lower than in interim 2016.

Alternative products

Table III-5 presents U.S. producers' overall capacity and production on the same equipment as carton-closing staples. This table measures quantity in thousands of pounds.⁷ Overall production capacity decreased by *** percent from 2014 to 2016. ISM's overall capacity *** at *** pounds annually.⁸ SBD's overall capacity ***.

Since 2014, carton-closing staples accounted for *** of ISM's production on the same equipment as subject production, while SBD reported that in *** more than *** percent of products manufactured on the same equipment were products other than carton-closing staples. ***, SBD continued to produce products other than carton-closing staples on the same equipment in Greenfield, Indiana at a capacity utilization rate of *** percent.⁹ Overall capacity utilization decreased by *** percentage points during 2014-16 and was *** percentage points lower in interim 2017 than interim 2016.

Table III-5
Carton-closing staples: U.S. producers' overall capacity and production on the same equipment as subject production, 2014-16, January to September 2016, and January to September 2017

* * * * *

⁷ *** calculated the production data for each year based on actual data in its records. The data for capacity were estimated by multiplying the average weight per 1,000 staples during those years ***, with the originally reposted capacity in thousands of staples. Email from ***, May 1, 2017 and *** U.S. producer questionnaire, question II-3c.

⁸ ISM's capacity calculation reflects ***. The petitioner also notes that ***.

⁹ SBD accounted for *** out-of-scope production, reporting that *** are produced on the same equipment that produce carton-closing staples.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

U.S. producers' total shipments of carton-closing staples followed a similar downward trend as U.S. producers' production, largely reflecting ***. From 2014 to 2016, the quantity of total shipments decreased by *** percent and interim 2017 was *** percent lower than interim 2016.¹⁰

The quantity of U.S. shipments decreased by *** percent from 2014 to 2016 while the quantity of exports increased by *** percent over the period. For interim 2017, the quantity of U.S. shipments was *** percent lower and the quantity of exports was *** percent lower compared with interim 2016. At ISM, U.S. shipments *** from 2014-16 and export shipments *** over the period. According to counsel representing the firm, "the only factor that may have somewhat mitigated this massive loss in production over the long-term is there has been some pick up in export shipments, which has allowed the company to try to make up somewhat for the loss in domestic shipments."¹¹ Export shipments at ISM represent an *** share of shipment quantity and value over the period 2014-16.

In the staff conference conducted in the preliminary phase of this investigation, ISM stated that its export shipments to Mexico began in 2013, and increased in the past year. Counsel for ISM stated that the level of exports in 2016 represented an effort to generate sales.¹² ISM also indicated that despite its increase in export shipments, it was not able to reach a production level that is needed to be sustainable in terms of capacity utilization.¹³ At the Commission hearing in the final phase of the investigation, the petitioner stated that ISM became uncompetitive in Mexico and sales to their primary customer decreased. The petitioner is currently only exporting staple wire, not carton-closing staples, to Mexico.¹⁴

Average unit value (dollars per 1,000 carton-closing staples) of total shipments for all U.S. producers declined by \$*** from 2014-16 but was \$*** higher in interim 2017 than interim 2016. For ISM, the unit value of U.S. shipments *** by \$*** from 2014-16 and the unit value for export shipments *** by \$***, resulting in an *** in unit value for total shipments of \$*** for the period. ISM's unit value was also *** in interim 2017 compared with interim 2016; U.S. shipments *** by \$***, export shipments *** by \$***, and total shipments *** by \$***. The unit value of total shipments at SBD *** from \$*** in 2014 to \$*** in ***, as U.S. shipments *** by \$*** and export shipments *** by \$*** over the period.

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments.

¹⁰ ***. The value of total shipments fell by *** percent from 2014-16, during which time ***. The value of total shipments, ***, was *** percent lower in interim 2017 than interim 2016.

¹¹ Conference transcript, pp. 38-39 (Drake).

¹² Conference transcript, pp. 39-40 (Farah and Drake).

¹³ Conference transcript, p. 39 (Drake).

¹⁴ Hearing transcript, p. 67 (Farah).

Table III-6

Carton-closing staples: U.S. producers' U.S. shipments, export shipments, and total shipments, 2014-16, January to September 2016, and January to September 2017

* * * * *

Shipments by product type

Table III-7 presents U.S. producers' U.S. shipments, export shipments, and total shipments by product type (roll staples or staple strips).

Table III-7

Carton-closing staples: U.S. producers' U.S. shipments, export shipments, and total shipments, by product type, 2014-16, January to September 2016, and January to September 2017

* * * * *

Table III-7--Continued

Carton-closing staples: U.S. producers' U.S. shipments, export shipments, and total shipments, by product type, 2014-16, January to September 2016, and January to September 2017

* * * * *

Historically, the majority of total shipments of carton-closing staples were *** staples, which represented *** percent of total shipments in 2014; however, *** staples as a share of total shipments declined in 2016 to *** percent and in January-September 2017 accounted for only *** percent. The shift in the makeup of total shipments reflects ***. The tabulation below shows the quantity of total shipments by product type broken out for ISM and SBD.

* * * * *

U.S. PRODUCERS' INVENTORIES

Table III-8 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. From 2014 to 2015, U.S. producers' end-of-period inventories decreased by *** percent, as a result of *** in inventories from more than *** carton-closing staples in 2014 to ***.¹⁵ End-of-period inventories were *** times larger in 2016 compared with 2015, as a result of *** increased inventory. Also due to ***, end-of-period inventories were *** percent less in interim 2017 compared with interim 2016.

¹⁵ ***.

**Table III-8
Carton-closing staples: U.S. producers' inventories, 2014-16, January to September 2016, and January to September 2017**

* * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

Table III-9 presents data on U.S. producers' direct imports. Of the two U.S. producers, only SBD imported carton-closing staples.¹⁶ SBD's imports from *** nearly *** from *** , after it ***. SBD imported *** from *** in each full and partial year (***). SBD *** its imports of *** from *** from *** in 2014 to *** staples in 2016, as it ***. From *** , SBD's ratio of U.S. imports from *** to U.S. production increased by *** percentage points. In *** and expects *** imports of carton-closing staples in the future.¹⁷

**Table III-9
Carton-closing staples: U.S. producers' direct imports, 2014-16, January to September 2016, and January to September 2017**

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-10 shows U.S. producers' employment-related data. Employment declined to *** production and related workers ("PRWs") in 2016, *** the number employed in 2014. SBD's cessation of domestic production of carton-closing staples in *** resulted in the loss of *** PRWs; ISM employs all *** of the remaining PRWs in interim 2017, *** fewer than were employed by ISM in 2014.¹⁸ Total hours worked decreased every year from 2014 to 2016, but were *** hours higher in interim 2017 compared with interim 2016. Total wages paid declined overall, while average hourly wages increased by \$*** from 2014 to 2016 but was \$*** lower in interim 2017 compared with interim 2016. Productivity (measured in 1,000s of staples per hour) increased by *** percentage points from 2014 to 2016 but was *** percentage points lower in interim 2017 compared with interim 2016. Unit labor costs decreased by *** percent from 2014 to 2016 and was *** percent higher in interim 2017 than interim 2016.¹⁹

**Table III-10
Carton-closing staples: U.S. producers' employment-related data, 2014-16, January to September 2016, and January to September 2017**

* * * * *

¹⁶ ***. *** importer questionnaire, question II-4.

¹⁷ *** importer questionnaire, question II-2.

¹⁸ At the hearing, witnesses for ISM testified that "due to an increased production schedule since December {2017}, we have added a worker dedicated to roll staples and are looking to hire two or three more employees." Hearing transcript, p. 22 (Tyndall).

¹⁹ ***.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 98 firms believed to be importers of carton-closing staples, as well as to all U.S. producers of carton-closing staples.¹ Usable questionnaire responses were received from 22 companies,² representing approximately *** percent of U.S. imports from all sources during 2016 under HTS subheadings 8305.20.00 and 7317.00.65.³ Importer responses represent approximately *** percent of imports from China and *** percent of imports from nonsubject sources during 2016. Table IV-1 lists all responding U.S. importers of carton-closing staples from China and other sources, their locations, and their shares of U.S. imports in 2016.

U.S. IMPORTS

The quantity of total U.S. imports of carton-closing staples from all sources increased by 31.1 percent from 2014 to 2016, while the reported quantity during interim 2017 was 1.9 percent less than in interim 2016.⁴ Similarly, the value of total U.S. imports increased by 25.2 percent from 2014 to 2016 but was 2.2 percent lower in interim 2017 than in interim 2016. The average unit value (dollars per 1,000 carton-closing staples) for total imports of carton-closing staples from all sources declined from \$1.30 in 2014 to \$1.24 in 2016 and was \$1.23 in interim 2017. Table IV-2 and figure IV-1 present data for U.S. imports of carton-closing staples from China, Sweden, and all other sources.

¹ The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data ***, may have accounted for more than one percent of total imports under HTS subheadings 8305.20.0000 and 7317.00.6560 in 2016.

² One firm, ***, reported having imported carton-closing staples on *** occasions since 2014. These imports were *** and not related to ongoing U.S. operations or market participation. Data provided by this firm are not included in this report.

³ Based on a review of data provided by ***, staff received importer questionnaire responses that accounted for approximately *** pounds of the approximately *** pounds imported under HTS statistical numbers 8305.20.0000 and 7317.00.6560.

⁴ Based on a review of responses, staff estimated data for ***.

Table IV-1
Carton-closing staples: U.S. importers, their headquarters, and share of total imports by source, 2016

Firm	Headquarters	Share of imports by source (percent)			
		China	Sweden	All other import sources	All import sources
Active Sales	Santa Fe Springs, CA	***	***	***	***
Advance	Los Angeles, CA	***	***	***	***
American Fastening	Oxnard, CA	***	***	***	***
Ample	Sycamore, IL	***	***	***	***
Axxis	Hope Hull, AL	***	***	***	***
BeA	Greensboro, NC	***	***	***	***
Fastening Care	Downey, CA	***	***	***	***
Fastening	Montgomery, AL	***	***	***	***
Jaaco	Redmond, WA	***	***	***	***
Jevcap	Montecito, CA	***	***	***	***
Josef Kihlberg	Hjo, Sweden	***	***	***	***
LMS	Maplewood, MN	***	***	***	***
Markwell	Norwood, MA	***	***	***	***
North American Fastener	Bridgeport, WV	***	***	***	***
NP Sales	San Diego, CA	***	***	***	***
Spotnails	Rolling Meadows, IL	***	***	***	***
SBD	Towson, MD	***	***	***	***
Shandex	Fort Lee, NJ	***	***	***	***
Southern Carlson	Omaha, NE	***	***	***	***
TC International	Whittier, CA	***	***	***	***
Uline	Pleasant Prairie, WI	***	***	***	***
Youngwoo	Santa Fe Springs, CA	***	***	***	***
Total		100.0	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-2

Carton-closing staples: U.S. imports, by source, 2014-16, January to September 2016, and January to September 2017

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
	Quantity (1,000 staples)				
U.S. imports from.-- China (subject)	3,369,635	3,595,616	4,460,791	3,295,405	3,165,016
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	349,100	306,370	414,718	279,594	343,792
All import sources	3,718,735	3,901,986	4,875,509	3,574,999	3,508,808
	Value (1,000 dollars)				
U.S. imports from.-- China (subject)	4,229	4,388	5,338	3,967	3,756
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	589	517	694	460	573
All import sources	4,818	4,905	6,032	4,427	4,329
	Unit value (dollars per 1,000 staples)				
U.S. imports from.-- China (subject)	1.26	1.22	1.20	1.20	1.19
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	1.69	1.69	1.67	1.65	1.67
All import sources	1.30	1.26	1.24	1.24	1.23

Table continued on next page.

Table IV-2 -- Continued

Carton-closing staples: U.S. imports, by source, 2014-16, January to September 2016, and January to September 2017

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
Share of quantity (percent)					
U.S. imports from.-- China (subject)	90.6	92.1	91.5	92.2	90.2
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	9.4	7.9	8.5	7.8	9.8
All import sources	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
U.S. imports from.-- China (subject)	87.8	89.5	88.5	89.6	86.8
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	12.2	10.5	11.5	10.4	13.2
All import sources	100.0	100.0	100.0	100.0	100.0
Ratio to U.S. production					
U.S. imports from.-- China (subject)	***	***	***	***	***
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-1

Carton-closing staples: U.S. import quantities and average unit values, 2014-16, January to September 2016, and January to September 2017

* * * * *

In 2016, 91.5 percent of total imports of carton-closing staples by quantity and 88.5 percent of imports by value were from China. The quantity and value of U.S. imports of carton-closing staples from China increased more from 2014 to 2016 compared with imports from all sources, increasing by 32.4 percent and by 26.2 percent, respectively. From 2015 to 2016, U.S. imports from China increased by 24.1 percent by quantity and by 21.6 percent by value.⁵ For

⁵ The increase in imports of carton-closing staples from China in ***. *** nearly *** its import quantity year-over-year in ***. *** imports from China accounted for *** percent of the total increase for all U.S. imports from China from *** to ***. In addition, *** increased its imports from China by *** percent between ***. *** imports from China accounted for *** percent of the increase for all U.S. imports from China during that period. Since 2014, *** acquired other distributors, contributing to its increase of imports. Combined, *** account for *** percent of the increase for all U.S. imports from

(continued...)

the partial-year period 2017, U.S. imports from China were 4.0 percent lower by quantity and 5.3 percent lower by value compared with interim 2016, reflecting declines at ***.⁶ The average unit value of imports from China decreased from \$1.25 in 2014 to \$1.20 in 2016 and was \$1.19 for the first three quarters of 2017. The tabulation below shows the quantity of imports from China from firms *** that were large contributors to the increase in imports since 2014.

* * * * *

In 2016, Sweden accounted for *** percent of the quantity of U.S. imports of carton-closing staples, less than the *** percent share reported in 2014. The quantity of U.S. imports of carton-closing staples from Sweden increased by *** percent from 2014 to 2016 and the value of U.S. imports from Sweden increased by *** percent. The average unit value of imports from Sweden is higher than China and, unlike China, was relatively stable over the period for which data were collected, with average unit values of \$*** in 2014, to \$*** in 2016, and \$*** in interim 2017. U.S. imports from all other sources, primarily *** accounted for between *** percent and *** percent of total U.S. imports by quantity of carton-closing staples during the period for which data were collected.

The ratio of U.S. imports of carton-closing staples from China to domestic production was *** percent in 2016, compared to *** percent in 2014. U.S. imports from China as a share of production for interim 2017 reached *** percent. U.S. imports from Sweden equaled approximately *** of U.S. production in 2014, *** of U.S. production in 2016, and *** percent of U.S. production during the first three quarters of 2017.

U.S. importers' shipments of imports by type

The majority of U.S. importers' U.S. shipments of carton-closing staples are in the form of ***; however, they have declined as a share of total U.S. importer's U.S. shipments—from *** percent of total importer shipments of carton-closing staples in 2014 to *** percent in 2016. The shift in makeup of importers' shipments by product type reflects ***. *** increased its imports of *** from *** in 2014 to *** in 2016—the majority of which were imported from China. Table IV-3 presents data for U.S. importers' U.S. shipments of carton-closing staples by type (roll staples or staple strips).

(...continued)

China from *** to ***. *** importer questionnaires, question II-5a. See tabulation below for additional information.

⁶ ***. *** U.S. producer questionnaire, questions II-2, II-12 and IV-22; *** importer questionnaire, question II-3; email from ***, January 12, 2018; email from ***, January 12, 2018; petitioner's posthearing brief, Broadbent question 2, pp. 1-3 and exh. 1.

Table IV-3

Carton-closing staples: U.S. importers' U.S. shipments, by product type, 2014-16, January to September 2016, and January to September 2017

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
	Quantity (1,000 staples)				
U.S. shipments: China Roll staples	699,438	788,535	1,408,202	913,334	948,509
Staple strip	2,565,208	2,585,638	2,699,421	1,995,883	1,984,665
All products	3,264,646	3,374,173	4,107,623	2,909,217	2,933,174
U.S. shipments: Nonsubject Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	353,836	335,964	357,920	257,915	268,594
U.S. shipments: All import sources Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	3,618,482	3,710,137	4,465,543	3,167,132	3,201,768
	Value (1,000 dollars)				
U.S. shipments: China Roll staples	1,863	2,082	2,877	1,939	2,094
Staple strip	5,114	4,919	4,903	3,686	3,640
All products	6,977	7,001	7,780	5,625	5,734
U.S. shipments: Nonsubject Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	740	701	728	516	543
U.S. shipments: All import sources Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	7,717	7,702	8,508	6,141	6,277

Table continued on next page.

Table IV-3 -- Continued

Carton-closing staples: U.S. importers' U.S. shipments, by product type, 2014-16, January to September 2016, and January to September 2017

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
	Unit value (dollars per 1,000 staples)				
U.S. shipments: China					
Roll staples	2.66	2.64	2.04	2.12	2.21
Staple strip	1.99	1.90	1.82	1.85	1.83
All products	2.14	2.07	1.89	1.93	1.95
U.S. shipments: Nonsubject					
Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	2.09	2.09	2.03	2.00	2.02
U.S. shipments: All import sources					
Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	2.13	2.08	1.91	1.94	1.96
	Share of quantity by subtotal (percent)				
U.S. shipments: China					
Roll staples	21.4	23.4	34.3	31.4	32.3
Staple strip	78.6	76.6	65.7	68.6	67.7
All products	100.0	100.0	100.0	100.0	100.0
U.S. shipments: Nonsubject					
Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	100.0	100.0	100.0	100.0	100.0
U.S. shipments: All import sources					
Roll staples	***	***	***	***	***
Staple strip	***	***	***	***	***
All products	100.0	100.0	100.0	100.0	100.0

Note.—U.S. importers' U.S. shipments of roll staples from Sweden were *** for all periods for which data were collected and staple strips from Sweden were *** in 2014, *** in 2015, *** in 2016, *** in interim 2016, and *** in interim 2017, or *** percent, *** percent, *** percent, *** percent, and *** percent of total U.S. shipments of staple strips from all sources, respectively.

Source: Compiled from data submitted in response to Commission questionnaires.

Roll staples

The quantity of importers' U.S. shipments of roll staples from China increased by 101.3 percent from 2014 to 2016 and was 3.9 percent greater in interim 2017 than in interim 2016. The value of importers' U.S. shipments from China increased by 54.4 percent from 2014 to 2016

and was 8.0 percent higher in interim 2017 compared with interim 2016. The unit value of importers' U.S. shipments from China decreased by \$0.62 for roll staples from 2014 to 2016, while it was \$0.08 greater in interim 2017 compared with interim 2016.

U.S. importers' U.S. shipments of roll staples from nonsubject sources reflect primarily one firm, ***, which imported from ***. From 2014 to 2016, the quantity of importers' U.S. shipments from nonsubject sources increased by *** percent and was *** percent lower in interim 2017 compared with interim 2016. From 2014 to 2016, the value of importers' U.S. shipments from nonsubject sources increased by *** percent but interim 2017 was *** percent lower than the prior year interim period. The unit value of importers' U.S. shipments of roll staples from nonsubject sources was \$*** in 2016, \$*** lower than 2014. During interim 2017, the unit value was \$*** more than interim 2016 due to data anomalies resulting from the small number of importers reporting U.S. shipments of roll staples from nonsubject sources.⁷

Staple strips

The quantity of importers' U.S. shipments of staple strips from China increased by 5.2 percent from 2014 to 2016 but was 0.6 percent lower during interim 2017 compared with interim 2016. The value of importers' U.S. shipments from China decreased by 4.1 percent from 2014 to 2016 and during interim 2017 it was 1.2 percent lower than interim 2016. The unit value of importers' U.S. shipments from China decreased by \$0.18 from 2014 to 2016 and interim 2017 was \$0.01 less than interim 2016.

U.S. importers' U.S. shipments of staple strips from nonsubject sources are imported primarily from Sweden. From 2014 to 2016, the quantity of importers' U.S. shipments from nonsubject sources decreased by *** percent but was *** percent higher in interim 2017 than interim 2016. The value of importers' U.S. shipments from nonsubject sources decreased by *** percent from 2014 to 2016 while interim 2017 was *** percent higher than the prior year interim period. The unit value of importers' U.S. shipments of staple strips from nonsubject sources was \$*** in 2016, \$*** lower than 2014 and \$*** higher than interim 2017.

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.⁸ Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the

⁷ Data for importers' U.S. shipments of roll staples in full-year 2016 reflect responses from ***, which reported unit values of \$*** and \$***, respectively. *** U.S. shipments occurred during the final quarter of 2016, so the unit value for interim 2016, \$***, reflects only ***. During interim 2017, *** did not report U.S. shipments and the unit value of *** reflects only ***.

⁸ Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.⁹ Imports from China accounted for 91.4 percent of total imports of carton-closing staples by quantity for the year March 2016 through February 2017. Table IV-4 presents data for U.S. imports in the 12-month period preceding the filing of the petition for which data are available, March 2016 through February 2017.

Table IV-4
Carton-closing staples: U.S. imports in the 12 month period preceding the filing of the petition for which data are available

Item	March 2016 through February 2017	
	Quantity (1,000 staples)	Share of quantity (percent)
U.S. imports from.-- China	4,413,893	91.4
Sweden	***	***
All other sources	***	***
Nonsubject sources	417,942	8.6
All import sources	4,831,835	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Apparent U.S. consumption

Table IV-5 and figure IV-2 present data on apparent U.S. consumption of carton-closing staples. Apparent U.S. consumption by quantity increased by *** percent from 2014 to 2016 and interim 2017 was *** percent higher than interim 2016. Apparent U.S. consumption by value decreased by *** percent from 2014 to 2016 but interim 2017 was *** percent above the value for interim 2016. From 2014 to 2016, U.S. producers' U.S. shipments decreased by *** percent in quantity and by *** percent in value, while U.S. importers' U.S. shipments from China increased by 25.8 percent in quantity and increased by 11.5 percent in value. During the first three quarters of 2017 compared with the first three quarters of 2016, U.S. producers' U.S. shipments were *** percent lower in quantity and *** percent lower in value, while U.S. importers' U.S. shipments from China were higher by 0.8 percent in quantity and by 1.9 percent in value.

⁹ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Table IV-5
Carton-closing staples: Apparent U.S. consumption, 2014-16, January to September 2016, and January to September 2017

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
	Quantity (1,000 staples)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China (subject)	3,264,646	3,374,173	4,107,623	2,909,217	2,933,174
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	353,836	335,964	357,920	257,915	268,594
All import sources	3,618,482	3,710,137	4,465,543	3,167,132	3,201,768
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China (subject)	6,977	7,001	7,780	5,625	5,734
Sweden	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	740	701	728	516	543
All import sources	7,717	7,702	8,508	6,141	6,277
Apparent U.S. consumption	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-2
Carton-closing staples: Apparent U.S. consumption, 2014-16, January to September 2016, and January to September 2017

* * * * *

Market shares

Table IV-6 and figure IV-3 present data on market shares of carton-closing staples. From 2014 to 2016, U.S. producers' share of apparent U.S. consumption declined by *** percentage points based on quantity and *** percentage points based on value.¹⁰ During the first three quarters of 2017, U.S. producers' share of apparent U.S. consumption was *** percentage point lower based on quantity and value compared with the first three quarters of 2016. Meanwhile, from 2014 to 2016, U.S. importers' U.S. shipments from China share of apparent U.S. consumption increased by *** percentage points based on quantity and by *** percentage points based on value.¹¹ During the first three quarters of 2017, U.S. importers' share of U.S. shipments from China share of apparent U.S. consumption was *** percentage points higher based on both quantity and value compared with the first three quarters of 2016.

Table IV-6
Carton-closing staples: Market share, 2014-16, January to September 2016, and January to September 2017

* * * * *

Figure IV-3
Carton-closing staples: Market shares, 2014-16, January to September 2016, and January to September 2017

* * * * *

¹⁰ In response to staff questions about filling the demand for the domestic market share (compared with China) and the total size of the market, ISM stated, "based on and again I don't have access to what the total market size is but based on what they were doing in the past it is much, much larger than what we are currently doing today and it's the same machines. So I am pretty confident that we could handle probably most of the domestic market." Preliminary conference transcript, pp. 84-85 (Farah).

¹¹ Carl Schneider, President of Axxis, ***, stated that, "ISM has no idea of the size of the market, and makes no reference to the size of the markets of competing types of closures. We feel that the current market share leaders are Stanley Bostitch (SB) and Josef Kihlberg. We believe Stanley imports from China. JK markets only through select distributors in the U.S. and all staples are imported from Sweden at a higher cost than China." Public statement submitted by Carl Schneider, April 26, 2017.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

Low-carbon steel wire is the main raw material used to produce carton-closing staples.¹ The wire is either coated with copper or zinc. Copper is most commonly used, but zinc is used for staples that may be exposed to moisture, such as in produce packaging.² As shown in figure V-1, steel wire rod prices declined by *** percent in 2014, declined by *** percent in 2015, increased by *** percent in 2016, and increased by *** in the first three quarters of 2017, for a net decline of *** percent during January 2014-September 2017. From October 2017 to February 2018, steel wire rod prices increased by *** percent.³

Figure V-1
Wire rod: monthly average U.S. prices for industrial quality low carbon wire rod, January 2014-February 2018

* * * * *

U.S. producers' ratio of raw materials to the total cost of goods sold decreased from *** percent in 2014 to *** percent in 2016, and was *** percent in January-September 2017. U.S. producers' unit raw material costs declined by *** percent from 2014 to 2016.

*** reported that raw material prices have decreased since January 1, 2014 while *** reported that they increased. Among 20 responding importers, 7 reported an increase, and 3 reported a decrease, and eleven reported that raw material costs fluctuated. Importer *** stated that raw material prices had trended down but began increasing over the last 6 months; and importer *** stated that costs have increased since January 2017.

Transportation costs to the U.S. market

*** U.S. producers and 18 of 19 responding importers reported that they typically arrange transportation to their customers. In the preliminary phase, *** reported U.S. inland

¹ ISM uses low-carbon wire rod for its staples production. Conference transcript, p. 69 (Tyndall).

² Conference transcript, p. 16 (Tyndall). ISM prices copper-coated and zinc-coated staples the same. Conference transcript, p. 53 (Tyndall).

³ Regarding potential tariffs on steel imports pursuant to section 232 of the Trade Expansion Act of 1962, ISM observed that "there is a possibility that steel wire rod prices may further increase; but it is difficult to predict the effects of such tariffs at this time because scope legislation is not clear." ISM stated that it typically has purchased domestic steel wire rod to produce its staples. Petitioner's posthearing brief, p.2. Part I of this report presents the additional details regarding the imposition of a 25 percent ad valorem tariff on steel articles.

transportation costs of *** percent⁴ and *** stated that it did not know the cost of transportation. Importers reported costs of 1 to 25 percent, with most reporting costs below 10 percent. Thirteen of 19 responding importers reported shipping from a storage facility, and six reported shipping from the point of importation.

PRICING PRACTICES

Pricing methods

Prices of carton-closing staples vary by the size of the staples and by form, with staple rolls generally priced higher than stick staples.⁵ Stapling tools specifications define which staples to buy.⁶

ISM publishes retail prices on its website and has three levels of discounts to its distributors based on volume of sales.⁷ It stated that there is no price premium for branding in the carton-closing staples market.⁸ On the other hand, ***. ***.

As presented in table V-1, U.S. producers reported setting prices using set price lists, contracts, and other methods.⁹ Most importers (14 of 21) reported setting prices on a transaction-by-transaction basis and 8 reported using set price lists.

Table V-1
Carton-closing staples: U.S. producers' and importers' reported price setting methods, by number of responding firms¹

* * * * *

U.S. producers and importers reported selling carton-closing staples primarily in the spot market (table V-2). ISM reported selling staples on a spot basis,¹⁰ with ***. ***.¹¹ ***.

Table V-2
Carton-closing staples: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2016

* * * * *

⁴ *** did not estimate U.S. inland transportation costs in response to the final phase questionnaires.

⁵ Petition, p. I-6.

⁶ Hearing transcript, p. 40 (Mr. Farah).

⁷ Conference transcript, pp. 49-50 (Tyndall). ***.

⁸ Conference transcript, p. 46 (Farah).

⁹ ***.

¹⁰ Conference transcript, p. 18 (Tyndall), hearing transcript, p. 26 (Tyndall)

¹¹ ***.

Sales terms and discounts

***. Most importers reported that they typically quote prices on an f.o.b. basis.¹²

In the domestic producers' questionnaire responses, ***; and ***. Fourteen of 20 responding importers reported no discount policy, six reported quantity discounts, three reported total volume discounts, two reported rebates, and one reported other discounts.

*** U.S. producers and 19 of 20 responding importers reported sales terms of net 30 days. In addition, one importer also offers terms of net 60 and one offers terms of 2/10 net 30.

Five purchasers reported that they purchase carton-closing staples weekly, and eight purchase monthly. Sixteen of eighteen responding purchasers reported that their purchasing frequency had not changed since 2014. Most (16 of 20) purchasers contact five or fewer suppliers before making a purchase; four purchasers reported that they only contact one supplier.

Price leadership

Most purchasers did not identify any price leaders for carton-closing staples. Four purchasers reported at least one price leader including Axxis (reported by 3 purchasers), and Spotnail, BEA, CWC, Uline, and Ample (reported by one firm each).

PRICE DATA

The Commission requested U.S. producers and importers of Chinese product to provide quarterly data for the total quantity and f.o.b. value of the following carton-closing staples products shipped to unrelated U.S. purchasers during January 2014-September 2017.

Product 1.-- Stick staple, size A 7/8" or equivalent.

Product 2.-- Stick staple, size C 5/8" or equivalent.

Product 3.-- Roll staple, size GR1 5/8" or equivalent.

Product 4.-- Roll staple, size RR1 5/8" or equivalent.

For the stick staple products (1 and 2), size A has a crown of 1 3/8 inches and size C has a crown of 1 1/4 inches; 7/8 and 5/8 inches refer to the leg length.¹³ The roll staple size GR1 corresponds with size A stick staples in terms of crown size and wire thickness, and the size RR1 corresponds with size C stick staples.¹⁴

Two U.S. producers¹⁵ and 14 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.¹⁶

¹² Thirteen of 21 responding importers reported selling on an f.o.b. basis and 9 reported selling on a delivered basis.

¹³ Petition, p. I-9.

¹⁴ Petition, p. I-4; Petitioner's conference exhibit, Powerpoint, p. 6.

¹⁵ ***.

Pricing data reported by these firms accounted for approximately 54.4 percent of U.S. producers' shipments of carton-closing staples and 38.8 percent of U.S. shipments of subject imports from China in 2016.

Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-2 to V-5. Nonsubject country prices of carton-closing staples from Sweden are presented in Appendix D. ***.

Table V-3
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, and margins of underselling, by quarter, January 2014 through September 2017

* * * * *

Table V-4
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, and margins of underselling, by quarter, January 2014 through September 2017

* * * * *

Table V-5
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, and margins of underselling, by quarter, January 2014 through September 2017

* * * * *

Table V-6
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, and margins of underselling, by quarter, January 2014 through September 2017

* * * * *

Figure V-2
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarter, January 2014 through September 2017

* * * * *

(...continued)

¹⁶ Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

Figure V-3
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarter, January 2014 through September 2017

* * * * *

Figure V-4
Carton closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, by quarter, January 2014 through September 2017

* * * * *

Figure V-5
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, by quarter, January 2014 through September 2017

* * * * *

Price trends

In general, prices decreased during January 2014 through September 2017. Table V-7 summarizes the price trends, by product and by country. As shown in the table, domestic price declines for products 1 and 4 were *** percent and *** percent, respectively during January 2014-September 2017; and products 2 and 3 prices increased by *** percent and *** percent. Subject import prices for products 1-3 declined by *** to *** percent while product 4 prices increased by *** percent. ***.

Table V-7
Carton-closing staples: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China

* * * * *

Price comparisons

As shown in table V-8, prices for carton-closing staples imported from China were below those for U.S.-produced product in all 60 instances (5.7 billion staples); margins of underselling ranged from 3.2 to 53.1 percent. There were no instances of overselling.

Table V-8
Carton-closing staples: Instances of underselling and the range and average of margins, by product, January 2014 through September 2017

* * * * *

LOST SALES AND LOST REVENUE

In the preliminary phase of the investigation, the Commission requested that U.S. producers of carton-closing staples report purchasers where they experienced instances of lost sales or revenue due to competition from imports of carton-closing staples from China. *** reported either reducing prices or rolling back announced price increases, and *** reported losing sales. *** identified 40 firms where it lost sales and revenue (all consisting of both lost sales allegations and lost revenue allegations). **. The total quantity of reported lost sales was *** staples.¹⁷

Staff contacted 76 purchasers and received responses from 20 purchasers.¹⁸ Responding purchasers reported purchasing approximately 5.6 billion carton-closing staples during January 2014-September 2017 (table V-9).

Of the 20 responding purchasers, 12 reported that, since 2014, they had purchased imported carton-closing staples from China instead of U.S.-produced carton-closing staples. Five of these purchasers reported that subject import prices were lower than prices of U.S.-produced product, and one of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. Two purchasers estimated the quantity of carton-closing staples from China purchased instead of domestic product; reported quantities were *** and *** carton-closing staples, respectively (table V-10). Purchasers identified existing supplier relationship, quality, and availability as non-price reasons for purchasing imported rather than U.S.-produced product.

No purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (13 reported that they did not know).

Table V-9
Carton-closing staples: Purchasers' responses to purchasing patterns

* * * * *

Table V-10
Carton-closing staples: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * *

¹⁷ Two purchasers accounted for *** of the alleged lost sales volume. One of these firms, **, which accounted for *** percent of the volume, is no longer in business. Staff telephone interview with **, April 21, 2017. The second firm, **.

¹⁸ Three purchasers, **, submitted lost sales lost revenue survey responses in the preliminary phase of the investigation, but did not submit purchaser questionnaire responses in the final phase.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Two U.S. producers (ISM and SBD) reported financial results on their U.S. carton-closing staple operations.¹ ISM, which reported carton-closing staple operations throughout the period for which data were collected, accounted for *** percent of total sales quantity and SBD, which reported carton-closing staple operations ***, accounted for *** percent.

With regard to U.S. industry events/activity that affected the pattern of reported financial results during the period, SBD discontinued its U.S. carton-closing staple operations *** and ISM reported ***.²

OPERATIONS ON CARTON-CLOSING STAPLES

Table VI-1 presents income-and-loss data for the U.S. industry's carton-closing staple operations. Table VI-2 and table VI-3 present corresponding changes in average unit values and financial results by firm, respectively.³

Table VI-1

Carton-closing staples: Results of operations of U.S. producers, 2014-16, January-September 2016, and January-September 2017

* * * * *

Table VI-2

Carton-closing staples: Changes in average per 1,000 staples values, 2014-16, January-September 2016, and January-September 2017

* * * * *

Table VI-3

Carton-closing staples: Results of operations of U.S. producers, by firm, 2014-16, January-September 2016, and January-September 2017

* * * * *

¹ ***.

² *** U.S. producer questionnaire, response to II-2. ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

³ As noted in the text of this section of the report, changes in the U.S. industry's average unit values (sales, cost of goods sold (COGS), and selling, general and administrative (SG&A) expenses), in part, reflect the discontinuation of SBD's production of carton-closing staples. Because comparability of period-to-period changes in average unit values and volume is affected by the discontinuation of SBD's production of carton-closing staples, a variance analysis is less meaningful and therefore not presented in this report.

Revenue

The majority of carton-closing staples revenue (***) percent of total sales quantity) was classified as commercial sales with the remaining classified as transfers (***) percent).⁴ Given the predominance of commercial sales, this section of the report presents a combined revenue line item.

Volume

The U.S. industry's total sales quantity declined throughout the full-year period and was lower in interim 2017 compared to interim 2016. Table VI-3 shows that ISM and SBD *** declines in sales quantity in 2015. On an overall basis, the even larger decline in 2016 reflects ***, which more than offset *** modest increase in sales quantity in that year. As the only producer in 2016 and 2017, lower interim 2017 sales volume compared to interim 2016 is attributable to ISM. The level of ISM's sales during the period were reportedly much lower than levels achieved in prior years.⁵

Value

The U.S. industry's overall average sales value declined during the full-year period and then was higher in interim 2017 compared to interim 2016. On a company-specific basis and *** 2014 and 2015 average sales values remained in a narrow range (see table VI-3). *** reported a decline in average sales value in 2015, an increase in 2016, and its highest average sales value of the period in interim 2017.⁶ Notwithstanding *** higher average sales value in interim 2017 compared to interim 2016, the company's total revenue was lower in interim 2017 due lower total sales quantity.

Cost of goods sold and gross profit or loss

Raw material

Table VI-1 shows that total raw material cost was the smallest component of carton-closing staples COGS, ranging from *** percent of total COGS in interim 2017 to *** percent in 2014 (see footnote 10 regarding the *** decline in raw material cost in interim 2017). In 2016, the decline in the share of raw material costs reflects *** (see table VI-3). In

⁴ Transfer sales were reported by ***, which reflect export shipments to affiliates in ***.

⁵ As described by an ISM company official at the staff conference, "The company had been able to achieve significantly higher volumes in prior years, multiples of what they were currently selling, shortly before the time of acquisition and all in existing equipment." Conference transcript, p. 11 (Farah).

⁶ ***. April 21, 2017 e-mail from Counsel on behalf of *** to Commission staff. ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

general, *** average raw material cost is consistent with its ***.⁷ *** average raw material cost, in contrast, appears to reflect ***.⁸

Although *** reported lower average raw material cost in 2015, the decline in average raw material cost reported by *** had a greater impact on the company's COGS given the larger overall share accounted for by raw materials. For the full-year period, *** indicated that changes in raw material cost generally reflect changes related to ***.⁹ Table VI-3 shows that *** average raw material cost was notably lower in interim 2017 compared to interim 2016.¹⁰ During the period, ISM reportedly shifted more to spot-based purchases of wire rod because of reduced production volumes.¹¹

Direct labor and other factory costs

The largest component of COGS is other factory costs, which ranged from *** percent of total COGS in interim 2016 to *** percent in full-year 2016 (see table VI-1). Direct labor, the second largest component of COGS, ranged from *** percent of total COGS in 2015 to *** percent in interim 2017.¹²

Table VI-3 shows that *** average direct labor and other factory costs. This pattern appears to reflect, in part, ***, as well as the relatively low capacity utilization levels achieved by *** during the period.¹³ Table VI-3 also shows that *** average direct labor and other factory costs both declined somewhat during the full-year period, which *** attributed to ***.¹⁴ At end of the period, in contrast, *** interim 2017 average direct labor and other factory costs were both higher compared to interim 2016, which the company attributed to ***.¹⁵

⁷ January 2, 2018 e-mail from *** to USITC auditor.

⁸ ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

⁹ ***. April 21, 2017 e-mail from Counsel on behalf of *** to Commission staff.

¹⁰ ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

¹¹ While indicating that purchases of the wire rod have been made from mills and distributors, an ISM company official stated that “. . . with our volumes being . . . production on/off, on/off, we got pinched a couple years ago because we made these commitments {to mills} and then we got stuck with a bunch of raw material on site and it takes a long time to run through our raw material and our turn on cash is very long, right, when that happens. So we have had to turn to distributors, which don't mind selling us a truckload here or there you know very much spot like, right, so we're kind of at the mercy there of whatever the going price is and whoever has it . . .” Conference transcript, p. 68 (Tyndall).

¹² ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

¹³ As described by an ISM company official, “. . . our production {is} far below our potential capacity. This means we have expensive equipment sitting idle and other equipment only turned on periodically. This has created serious inefficiencies in our production process . . . {w}e have also had to lay off workers and reduce hours and shifts for those workers who are left. As a result, many of our workers are underutilized.” Conference transcript, pp. 19-20 (Tyndall).

¹⁴ ***. April 21, 2017 e-mail from Counsel on behalf of *** to Commission staff.

¹⁵ ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

Cost of goods sold

Reflecting lower 2015 average raw material costs reported by ***, as well as lower average direct labor reported by ***, the U.S. industry's average COGS declined by *** percent in 2015. In 2016 and while *** average COGS was marginally lower, the U.S. industry's average COGS increased in 2016 due to ***; i.e., ***. At the end of the period, lower average COGS in interim 2017 compared to interim 2016 reflects *** noted above (see footnote 10), which was partially offset by higher average direct labor and other factory costs.

Gross profit or loss

Table VI-1 shows that the U.S. industry generated gross losses throughout the period. Period-to-period variations in the level of absolute gross losses reflect changes in sales volume, which during 2015-16 includes the ***, as well as corresponding changes in average sales value and average COGS. On an average basis, gross results fluctuated between relative improvements (2014-15, interim 2016-17) and decline (2015-16) (see table VI-2). It is important to note that, since the U.S. industry's sales value never exceeded average COGS, "relative improvement" only signifies a reduction in the level of average gross loss.¹⁶

SG&A expenses and operating income or loss

Full-year SG&A expenses increased somewhat in 2015, reflecting higher SG&A expenses reported by ***, then declined in 2016, reflecting both *** and a decline in *** SG&A expenses. At the end of the period, *** interim 2017 SG&A expenses were also lower compared to interim 2016. For the full-year period, *** attributed the decline in its SG&A expenses to ***.¹⁷

The U.S. industry's *** SG&A expense ratio (total SG&A expenses divided by total revenue) generally reflects ***; i.e., on a company-specific basis table VI-3 shows that *** SG&A expense ratios increased between 2014-15 but were not particularly high or low, relative to corresponding gross profit ratios. In contrast, *** SG&A expense ratios were ***, which appears to reflect the level of revenue generated by ISM, as opposed to unusually high SG&A expenses.¹⁸

¹⁶ ***.

¹⁷ ***. April 21, 2017 e-mail from Counsel on behalf of *** to Commission staff.

¹⁸ At the Commission's staff conference, an ISM company official stated "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 sales people 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 sales person would support significantly higher sales volumes if we weren't not constantly being undercut by much lower Chinese prices." Conference transcript, p. 13 (Farah).

Table VI-1 shows that the U.S. industry's gross and operating losses were directionally the same for most of the period.¹⁹ The 2015-16 divergence, in which gross loss increased somewhat and operating loss declined marginally, reflects variation in the level of period-to-period SG&A expenses.

Interest expense, other expenses, and net income or loss

While the directional trend of operating losses and net losses was the same, the level of net losses was somewhat higher, which reflects interest expense and other expenses.²⁰

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

*** report capital expenditures or research and development expenses during 2014 through interim 2017. As noted previously, SBD discontinued production of carton-closing staples in ***.

ASSETS AND RETURN ON ASSETS

Table VI-4 presents data on the U.S. industry's total assets and return on assets.^{21 22}

¹⁹ North American Steel and Wire, the separately incorporated wire producer of the overall entity referred to as ISM, filed for Chapter 11 bankruptcy on February 27, 2018. According to an ISM company official, the bankruptcy is "solely a debt reorganization." Hearing transcript, p. 29 (Farah).

²⁰ ***. January 8, 2018 e-mail with attachments from Counsel on behalf of *** to USITC auditor.

***. *** U.S. producer questionnaire, response to III-10. *** U.S. producer questionnaire, response to III-10.

²¹ Total asset value (i.e., the bottom line value on the asset side of a company's balance sheet) reflects an aggregation of a number of assets, which in many instances are not product specific. Accordingly, high-level allocation factors were likely required, to some extent, in order to report a total asset value (i.e., current and non-current assets) specific to carton closing staple operations. As such, it should be noted that the pattern of total asset values reported can reflect changes in underlying asset account balances, as well as period-to-period variations in relevant allocation factors. The ability of U.S. producers to assign total asset values to discrete product lines affects the meaningfulness of calculated return on assets.

²² ***. *** U.S. producer questionnaire, response to III-12. ***. January 3, 2018 e-mail from *** to USITC auditor. ***. Ibid.

Table VI-4
Carton-closing staples: U.S. producers' total assets and return on assets, by firm, 2014-16

* * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of carton-closing staples to describe any actual or potential negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of carton-closing staples from China. Table VI-5 tabulates the responses on actual negative effects on investment, growth and development, as well as anticipated negative effects. Table VI-6 presents the narrative responses of the U.S. producers regarding actual and anticipated negative effects on investment, growth and development.²³

Table VI-5
Carton-closing staples: Negative effects of imports from subject sources on investment, growth, and development since January 1, 2014

* * * * *

Table VI-6
Carton-closing staples: Narrative responses of U.S. producers regarding actual and anticipated negative effects of imports from subject sources on investment, growth, and development since January 1, 2014

* * * * *

²³ ***. January 2, 2018 e-mail from *** to USITC auditor.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—
In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) *if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) *any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) *a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) *whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) *inventories of the subject merchandise, the potential for product-shifting if production facilities in the foreign country, which can be*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

used to produce the subject merchandise, are currently being used to produce other products,

- (VI) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (VIII) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 45 firms believed to produce and/or export carton-closing staples from China.³ Three firms submitted usable responses to the Commission's questionnaire in the final phase of this investigation: ***. Although foreign producers *** did not provide a response to the final phase investigation

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

³ These firms were identified through a review of information submitted in the petition and contained in *** records.

questionnaire, staff utilized responses submitted during the preliminary phase as a basis for estimates.⁴ These five firms' exports of carton-closing staples to the United States were equivalent to *** percent of U.S. imports of carton-closing staples from China in 2016. According to estimates requested of the responding producers in China, the production of carton-closing staples reported in Part VII of this report accounts for more than half of overall production of carton-closing staples in China in 2016.⁵ Table VII-1 presents information on the carton-closing staples operations of the responding producers and exporters in China.

Table VII-1
Carton-closing staples: Summary data on firms in China, 2016

* * * * *

Changes in operations

As presented in table VII-2, one producer in China reported an operational and organizational change since January 1, 2014.

Table VII-2
Carton-closing staples: Reported changes in operations by producers in China, since January 1, 2014

* * * * *

Operations on carton-closing staples

The Chinese industry's capacity increased by 24.2 percent from 2014 to 2016 and was 5.8 percent higher in interim 2017 than interim 2016, while projected capacity is expected to remain flat in 2017 and 2018. Production by firms in China was *** percent higher in 2016 compared with 2014, and interim 2017 was *** percent higher than interim 2016. The increase in production includes additional volume from ***, which increased from *** in 2014 and 2015 to *** carton-closing staples in 2016, following the ***.⁶ Projected production in 2018 is expected to be *** percent lower than 2017, primarily driven by ***.^{7 8}

⁴ Staff made multiple attempts to reach these firms with no success. ***. Email from ***, January 12, 2018.

⁵ *** reported that its share of production in China was *** percent of all Chinese production of carton-closing staples during 2016. *** produced more than *** the quantity of ***, while *** produced nearly *** the quantity of *** in 2016; however, neither *** reported its share of 2016 production. ***, the firm with the *** reported production in 2016, estimated that its share of production was *** percent of all Chinese production of carton-closing staples that year.

⁶ ***.

⁷ According to ***, the firm ***. *** U.S. producer questionnaire, questions II-2 and IV-22, *** importer questionnaire, question II-3, email from ***, January 12, 2018, and email from ***, January 12, 2018.

Total shipments increased by *** percent from 2014 to 2016 and were *** percent higher in interim 2017 compared with interim 2016, as total exports increased by *** percent and were *** percent higher, respectively, and home market shipments decreased by *** percent from 2014 to 2016 and were *** percent higher from interim 2016 to interim 2017. Export shipments of carton-closing staples to the United States increased by *** percent from 2014 to 2016 and were 11.2 percent greater in interim 2017 than interim 2016. Exports are projected to decline by *** percent in 2018 compared with 2017 as *** project *** exports to the U.S. in 2018. Exports to the U.S. increased from *** percent in 2014 to reach *** percent in 2016 and *** percent of total shipments for the first three quarters of 2017, but is projected to decrease to *** percent in 2018.

Capacity utilization increased by *** percentage points from 2014 to 2016 and was 4.5 percentage points higher in interim 2017 than interim 2016, but is expected to decline by *** percentage points from 2017 to 2018.⁹ Ratios of inventories to production and inventories to total shipments both decreased *** from 2014 to 2016 as well as from interim 2016 to interim 2017, while both ratios are projected to increase by *** percentage points from 2017 to 2018. Table VII-3 presents information on the carton-closing staples operations of the responding producers and exporters in China.

(...continued)

⁸ *** did not report projected production in 2018, noting ***. *** foreign producer questionnaire, question II-9.

⁹ *** did not report projections for 2018 production, yet their projected capacity remained unchanged from 2017.

Table VII-3

Carton-closing staples: Data on industry in China, 2014-16, January to September 2016, and January to September 2017 and projection calendar years 2017 and 2018

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2014	2015	2016	2016	2017	2017	2018
	Quantity (1,000 staples)						
Capacity	2,935,700	2,959,700	3,645,798	2,734,349	2,891,854	3,657,798	3,657,798
Production	***	2,442,448	2,736,029	2,093,480	2,343,938	2,973,533	***
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	1,619,810	2,085,703	1,602,866	1,781,984	2,283,249	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	***	82.5	75.0	76.6	81.1	81.3	***
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***

Note.—Table includes questionnaires that were submitted during the preliminary phase of this investigation. The inclusion of these questionnaires is discussed in Part I of this report.

Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

As shown in table VII-4, responding firms in China produced other products on the same equipment and machinery used to produce carton-closing staples (measured in 1,000 pounds). Producers in China had an overall capacity increase of *** percent between 2014 and 2016, while production of carton-closing staples increased by *** percent over that time. Production of carton-closing staples was *** percent higher in interim 2017 than interim 2016. One firm, ***, reported the ability to switch production between carton-closing staples and other out-of-scope products, primarily ***. Out-of-scope production increased during 2014-16 by *** percent and *** during interims 2016-17, while total production on the same machinery increased by *** percent during 2014-16 and interim 2017 was *** percent greater than interim 2016.

Table VII-4
Carton-closing staples: Overall capacity and production on the same equipment as in-scope production by producers in China, 2014-16, January to September 2016, and January to September 2017

* * * * *

Exports

According to GTA, the leading export markets for staples and other fastener products from China are the United States, Japan, Canada, and Korea (table VII-5). The data are compiled using the Global Trade Atlas which provides data only to a 6-digit classification level (HS 7317.00 and 8305.20), and therefore include products other than carton-closing staples, such as nails, tacks, and drawing pins, etc. Exports of staples and other fastener products from China to the United States increased from 561 million pounds in 2014, to 622 million pounds in 2015, to 671 million pounds in 2016. Exports of staple and other fastener products from China to the United States as a share of all such exports also increased: from 22.5 percent in 2014, to 24.1 percent in 2015, to 27.4 percent in 2016. During 2014-16, the United States was the top export market for staples and other fastener products from China, followed by Japan, which accounted for 7.3 percent of exports in 2016.

Table VII-5
Staples and other fastener products: Exports from China by destination market, 2014-16

Destination market	Calendar year		
	2014	2015	2016
	Quantity (1,000 pounds)		
Exports from China to the United States	561,016	621,929	670,674
Exports from China to other major destination markets.-- Japan	176,753	176,123	177,784
Canada	129,430	134,554	141,556
Korea	86,573	99,075	108,046
Indonesia	92,579	85,859	73,853
United Kingdom	63,526	60,349	62,488
Germany	57,481	59,932	57,851
United Arab Emirates	71,998	73,978	54,547
Philippines	49,118	34,022	44,173
All other destination markets	1,205,189	1,230,707	1,060,825
Total exports from China	2,493,662	2,576,527	2,451,796
	Value (1,000 dollars)		
Exports from China to the United States	300,154	318,592	287,282
Exports from China to other major destination markets.-- Japan	91,848	78,608	76,662
Canada	63,325	58,161	54,909
Korea	41,638	37,573	40,201
Indonesia	66,744	74,628	40,786
United Kingdom	39,823	35,042	32,667
Germany	34,568	32,533	26,811
United Arab Emirates	36,076	35,269	24,665
Philippines	30,863	26,806	24,884
All other destination markets	777,569	838,616	630,041
Total exports from China	1,482,608	1,535,828	1,238,908

Table continued on next page.

Table VII-5--Continued**Staples and other fastener products: Exports from China by destination market, 2014-16**

Destination market	Calendar year		
	2014	2015	2016
	Unit value (dollars per pound)		
Exports from China to the United States	0.54	0.51	0.43
Exports from China to other major destination markets.-- Japan	0.52	0.45	0.43
Canada	0.49	0.43	0.39
Korea	0.48	0.38	0.37
Indonesia	0.72	0.87	0.55
United Kingdom	0.63	0.58	0.52
Germany	0.60	0.54	0.46
United Arab Emirates	0.50	0.48	0.45
Philippines	0.63	0.79	0.56
All other destination markets	0.65	0.68	0.59
Total exports from China	0.59	0.60	0.51
	Share of quantity (percent)		
Exports from China to the United States	22.5	24.1	27.4
Exports from China to other major destination markets.-- Japan	7.1	6.8	7.3
Canada	5.2	5.2	5.8
Korea	3.5	3.8	4.4
Indonesia	3.7	3.3	3.0
United Kingdom	2.5	2.3	2.5
Germany	2.3	2.3	2.4
United Arab Emirates	2.9	2.9	2.2
Philippines	2.0	1.3	1.8
All other destination markets	48.3	47.8	43.3
Total exports from China	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8350.20 and 7317.00 as reported by China Customs in the IHS/GTA database, accessed March 13, 2018. Note data includes products outside of the scope of this investigation.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-6 presents data on U.S. importers' reported inventories of carton-closing staples. From 2014 to 2016, inventories of carton-closing staples from China increased by 7.9 percent and was 3.1 percent lower in interim 2017 than interim 2016; meanwhile, inventories of carton-closing staples from nonsubject sources increased by 24.3 percent and were 41.7 percent lower, respectively. The ratios of inventories to U.S. imports, U.S. shipments of imports, and total shipments of imports slightly decreased during 2014-16 for imports from all import sources, while the ratios for imports from China decreased and the ratios for imports from nonsubject sources increased over the period.

Table VII-6**Carton-closing staples: U.S. importers' end-of-period inventories of imports by source, 2014-16, January to September 2016, and January to September 2017**

Item	Calendar year			January to September	
	2014	2015	2016	2016	2017
	Inventories (1,000 staples); Ratios (percent)				
Imports from China Inventories	847,843	893,815	914,634	1,069,348	1,035,799
Ratio to U.S. imports	25.2	24.9	20.5	24.3	24.5
Ratio to U.S. shipments of imports	26.0	26.5	22.3	27.6	26.5
Ratio to total shipments of imports	25.3	25.3	21.0	26.3	25.3
Imports from nonsubject sources: Inventories	108,583	78,449	134,999	99,698	58,155
Ratio to U.S. imports	31.1	25.6	32.6	26.7	12.7
Ratio to U.S. shipments of imports	30.7	23.4	37.7	29.0	16.2
Ratio to total shipments of imports	30.6	23.3	37.6	28.9	16.2
Imports from all import sources: Inventories	956,426	972,264	1,049,633	1,169,046	1,093,954
Ratio to U.S. imports	25.7	24.9	21.5	24.5	23.4
Ratio to U.S. shipments of imports	26.4	26.2	23.5	27.7	25.6
Ratio to total shipments of imports	25.8	25.1	22.2	26.5	24.5

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of carton-closing staples from China between October 2017 and September 2018, as presented in table VII-7. *** importers have arranged for imports to come from China between *** and *** but *** importer reported arranged imports from China between *** and ***. Arranged imports from China account for *** percent of total arranged imports from October 2017 through September 2018.

Table VII-7**Carton-closing staples: Arranged imports, October 2017 through September 2018**

* * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known trade remedy actions on carton-closing staples in third-country markets. None of the foreign producers reported third-country trade actions.

INFORMATION ON NONSUBJECT COUNTRIES

Tables VII-8 and VII-9 present export data for Sweden and the world for staples and other fastener products from 2014 to 2016. These data are compiled using the Global Trade Atlas, which provides data only to a 6-digit classification level (HTS 7317.00 and 8305.20) and therefore includes products other than carton-closing staples. Export data for Sweden are shown individually because Sweden was previously the subject country in an investigation concerning carton-closing staple imports to the United States,¹⁰ and is currently the leading source of imported carton-closing staples behind China.

Sweden's largest export market by quantity and value for HTS 7317.00 and 8305.20 is Norway (table VII-8), which accounted for 41.4 percent of the volume of such exports in 2016. The United States was the fourth leading destination for Sweden's exports and accounted for 4.5 percent of the volume of exports.

¹⁰ *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Invs. Nos. 731-TA-116 and 117 (Final)*, USITC Publication 1454, December 1983.

Table VII-8**Staples and other fastener products: Exports from Sweden by destination market, 2014-16**

Destination market	Calendar year		
	2014	2015	2016
	Quantity (1,000 pounds)		
Exports from Sweden to the United States	1,581	1,302	1,359
Exports from Sweden to other major destination markets.-- Norway	13,111	13,628	12,455
Denmark	3,781	3,655	5,565
Netherlands	2,825	2,892	2,829
Germany	938	921	1,087
Finland	1,569	1,230	977
France	1,168	846	924
Latvia	339	658	803
Turkey	493	643	692
All other destination markets	4,087	4,077	3,371
Total exports from Sweden	29,892	29,850	30,063
	Value (1,000 dollars)		
Exports from Sweden to the United States	3,149	2,526	2,152
Exports from Sweden to other major destination markets.-- Norway	22,081	18,078	15,949
Denmark	6,061	4,795	6,842
Netherlands	5,999	5,272	5,212
Germany	1,864	1,600	1,708
Finland	3,391	2,269	1,921
France	1,563	1,133	1,118
Latvia	454	661	831
Turkey	1,317	1,403	1,695
All other destination markets	11,572	11,015	9,396
Total exports from Sweden	57,450	48,752	46,824

Table continued on next page.

Table VII-8- - Continued**Staples and other fastener products: Exports from Sweden by destination market, 2014-16**

Destination market	Calendar year		
	2014	2015	2016
	Unit value (dollars per pounds)		
Exports from Sweden to the United States	1.99	1.94	1.58
Exports from Sweden to other major destination markets.-- Norway	1.68	1.33	1.28
Denmark	1.60	1.31	1.23
Netherlands	2.12	1.82	1.84
Germany	1.99	1.74	1.57
Finland	2.16	1.85	1.97
France	1.34	1.34	1.21
Latvia	1.34	1.01	1.04
Turkey	2.67	2.18	2.45
All other destination markets	2.83	2.70	2.79
Total exports from Sweden	1.92	1.63	1.56
	Share of quantity (percent)		
Exports from Sweden to the United States	5.3	4.4	4.5
Exports from Sweden to other major destination markets.-- Norway	43.9	45.7	41.4
Denmark	12.6	12.2	18.5
Netherlands	9.5	9.7	9.4
Germany	3.1	3.1	3.6
Finland	5.2	4.1	3.3
France	3.9	2.8	3.1
Latvia	1.1	2.2	2.7
Turkey	1.6	2.2	2.3
All other destination markets	13.7	13.7	11.2
Total exports from Sweden	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8350.20 and 7317.00 as reported by Eurostat in the IHS/GTA database, accessed March 13, 2018.

Global export market

Table VII-9 presents information on exports by value for HTS 7317.00 and 8305.20 during 2014-2016 as reported by the Global Trade Atlas.¹¹ In 2016, China was the leading export source, while Germany and Taiwan were the second and third leading sources, respectively. The United States was the fifth leading export source.

¹¹ Quantity data on global exports are provided in multiple units of measure and not calculable.

Table VII-9
Staples and other fastener products: Global exports by exporter, 2014-16

Exporter	Calendar year		
	2014	2015	2016
	Value (1,000 dollars)		
United States	83,324	79,236	77,819
China	1,482,608	1,535,828	1,238,908
All other major reporting exporters.--			
Germany	159,148	135,348	138,997
Taiwan	147,677	145,942	130,288
Poland	88,609	78,511	79,549
Austria	76,588	77,220	77,291
Netherlands	87,235	73,015	74,733
Switzerland	69,325	65,243	72,496
Korea	76,241	67,078	62,243
Oman	84,598	77,909	60,812
Canada	36,099	45,743	52,101
Malaysia	51,979	46,693	49,773
All other exporters	820,851	695,459	664,667
Total global exports	3,264,284	3,123,224	2,779,678
	Share of value (percent)		
United States	2.6	2.5	2.8
China	45.4	49.2	44.6
All other major reporting exporters.--			
Germany	4.9	4.3	5.0
Taiwan	4.5	4.7	4.7
Poland	2.7	2.5	2.9
Austria	2.3	2.5	2.8
Netherlands	2.7	2.3	2.7
Switzerland	2.1	2.1	2.6
Korea	2.3	2.1	2.2
Oman	2.6	2.5	2.2
Canada	1.1	1.5	1.9
Malaysia	1.6	1.5	1.8
All other exporters	25.1	22.3	23.9
Total global exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8305.20 and 7317.00 as reported by various national statistical authorities in the IHS/GTA database, accessed March 13, 2018.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
82 FR 17036 April 7, 2017	<i>Carton Closing Staples From China; Institution of Antidumping Duty Investigation and Scheduling of Preliminary Phase Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-04-07/pdf/2017-06928.pdf
82 FR 19351 April 27, 2017	<i>Carton-Closing Staples From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-04-27/pdf/2017-08526.pdf
82 FR 23064 May 19, 2017	<i>Carton Closing Staples From China</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-05-19/pdf/2017-10142.pdf
82 FR 51213 November 3, 2017	<i>Carton-Closing Staples From the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Postponement of Final Determination and Extension of Provisional Measures</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-11-03/pdf/2017-23974.pdf
82 FR 52939 November 3, 2017	<i>Carton-Closing Staples From China; Scheduling of the Final Phase of an Antidumping Duty Investigation</i>	https://www.gpo.gov/fdsys/pkg/FR-2017-11-15/pdf/2017-24704.pdf
83 FR 13236 March 28, 2018	<i>Carton-Closing Staples From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value</i>	https://www.gpo.gov/fdsys/pkg/FR-2018-03-28/pdf/2018-06206.pdf

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject: Carton-Closing Staples from China

Inv. No.: 731-TA-1359 (Final)

Date and Time: March 13, 2018 - 9:30 a.m.

A session was held in connection with this investigation in the Main Hearing Room (Room 101), 500 E Street, SW, Washington, DC.

OPENING REMARKS:

Petitioners (**Philip A. Butler**, Stewart and Stewart)

In Support to the Imposition of Antidumping Duty Order:

Stewart and Stewart
Washington, DC
on behalf of

North American Steel & Wire, Inc./ISM Enterprises (“ISM”)

Maroune Farah, Owner, ISM

Ross Tyndall, Management Consultant, ISM

Philip A. Butler)
Jennifer M. Smith) – OF COUNSEL
Mark D. Beatty)

CLOSING REMARKS:

Petitioners (**Philip A. Butler**, Stewart and Stewart)

APPENDIX C
SUMMARY DATA

Table C-1: Carton-closing staples: Summary data concerning the U.S. market C-3

Table C-2: Carton-closing staples: Summary data concerning the U.S. market
*** C-5

Table C-1

Carton-closing staples: Summary data concerning the U.S. market, 2014-16, January to September 2016, and January to September 2017

(Quantity=1,000 staples; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 staples; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sep
	2014	2015	2016	2016	2017	2014-16	2014-15	2015-16	2016-17
U.S. consumption quantity:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Sweden.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Sweden.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity.....	3,264,646	3,374,173	4,107,623	2,909,217	2,933,174	25.8	3.4	21.7	0.8
Value.....	6,977	7,001	7,780	5,625	5,734	11.5	0.3	11.1	1.9
Unit value.....	\$2.14	\$2.07	\$1.89	\$1.93	\$1.95	(11.4)	(2.9)	(8.7)	1.1
Ending inventory quantity.....	847,843	893,815	914,634	1,069,348	1,035,799	7.9	5.4	2.3	(3.1)
Sweden:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity.....	353,836	335,964	357,920	257,915	268,594	1.2	(5.1)	6.5	4.1
Value.....	740	701	728	516	543	(1.6)	(5.3)	3.9	5.2
Unit value.....	\$2.09	\$2.09	\$2.03	\$2.00	\$2.02	(2.7)	(0.2)	(2.5)	1.0
Ending inventory quantity.....	108,583	78,449	134,999	99,698	58,155	24.3	(27.8)	72.1	(41.7)
All import sources:									
Quantity.....	3,618,482	3,710,137	4,465,543	3,167,132	3,201,768	23.4	2.5	20.4	1.1
Value.....	7,717	7,702	8,508	6,141	6,277	10.2	(0.2)	10.5	2.2
Unit value.....	\$2.13	\$2.08	\$1.91	\$1.94	\$1.96	(10.7)	(2.7)	(8.2)	1.1
Ending inventory quantity.....	956,426	972,264	1,049,633	1,169,046	1,093,954	9.7	1.7	8.0	(6.4)
U.S. producers':									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour).....	***	***	***	***	***	***	***	***	***
Productivity (1,000 staples per hour).....	***	***	***	***	***	***	***	***	***
Unit labor costs (dollars per 1,000 staples).....	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued

Carton-closing staples: Summary data concerning the U.S. market, 2014-16, January to September 2016, and January to September 2017

(Quantity=1,000 staples; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 staples; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sep
	2014	2015	2016	2016	2017	2014-16	2014-15	2015-16	2016-17
U.S. producers':									
Net sales:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2

Carton-closing staples: Summary data concerning the U.S. market ***, 2014-16, January to September 2016, and January to September 2017

(Quantity=1,000 staples; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 staples; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year		January to September			Calendar year			Jan-Sep
	2014	2015	2016	2016	2017	2014-16	2014-15	2015-16	2016-17
U.S. consumption quantity:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share: (fn1)									
Included producer.....	***	***	***	***	***	***	***	***	***
Excluded producer.....	***	***	***	***	***	***	***	***	***
All U.S. producers.....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Sweden.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....									
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share: (fn1)									
Included producer.....	***	***	***	***	***	***	***	***	***
Excluded producer.....	***	***	***	***	***	***	***	***	***
All U.S. producers.....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Sweden.....	***	***	***	***	***	***	***	***	***
All other sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....									
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity.....	3,264,646	3,374,173	4,107,623	2,909,217	2,933,174	25.8	3.4	21.7	0.8
Value.....	6,977	7,001	7,780	5,625	5,734	11.5	0.3	11.1	1.9
Unit value.....	\$2.14	\$2.07	\$1.89	\$1.93	\$1.95	(11.4)	(2.9)	(8.7)	1.1
Ending inventory quantity.....	847,843	893,815	914,634	1,069,348	1,035,799	7.9	5.4	2.3	(3.1)
Sweden:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity.....	353,836	335,964	357,920	257,915	268,594	1.2	(5.1)	6.5	4.1
Value.....	740	701	728	516	543	(1.6)	(5.3)	3.9	5.2
Unit value.....	\$2.09	\$2.09	\$2.03	\$2.00	\$2.02	(2.7)	(0.2)	(2.5)	1.0
Ending inventory quantity.....	108,583	78,449	134,999	99,698	58,155	24.3	(27.8)	72.1	(41.7)
All import sources:									
Quantity.....	3,618,482	3,710,137	4,465,543	3,167,132	3,201,768	23.4	2.5	20.4	1.1
Value.....	7,717	7,702	8,508	6,141	6,277	10.2	(0.2)	10.5	2.2
Unit value.....	\$2.13	\$2.08	\$1.91	\$1.94	\$1.96	(10.7)	(2.7)	(8.2)	1.1
Ending inventory quantity.....	956,426	972,264	1,049,633	1,169,046	1,093,954	9.7	1.7	8.0	(6.4)
U.S. producers ***:									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour).....	***	***	***	***	***	***	***	***	***
Productivity (1,000 staples per hour).....	***	***	***	***	***	***	***	***	***
Unit labor costs (dollars per 1,000 staples).....	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-2--Continued

Carton-closing staples: Summary data concerning the U.S. market *, 2014-16, January to September 2016, and January to September 2017**

(Quantity=1,000 staples; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 staples; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sep
	2014	2015	2016	2016	2017	2014-16	2014-15	2015-16	2016-17
U.S. producers ***:									
Net sales:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D
NONSUBJECT COUNTRY PRICE DATA

Four importers¹ reported price data for Sweden for products 1 and 2.² Price data reported by these firms accounted for *** percent of U.S. commercial shipments of imports from Sweden in 2016. These price items and accompanying data are comparable to those presented in tables V-2 to V-3. Price and quantity data for Sweden are shown in tables D-1 to D-2 and in figures D-1 to D-2 (with domestic and subject sources).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from Sweden were higher than prices for U.S.-produced product in 20 instances. In comparing nonsubject country pricing data with subject country pricing data, prices for product imported from Sweden were higher than prices for product imported from China in all 20 instances. A summary of price differentials is presented in table D-3.

Table D-1

Carton-closing staples: Weighted-average f.o.b. prices and quantities of imported product 1, by quarters, January 2014-September 2017

* * * * *

Table D-2

Carton-closing staples: Weighted-average f.o.b. prices and quantities of imported product 2, by quarters, January 2014-September 2017

* * * * *

Figure D-1

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarters, January 2014-September 2017

* * * * *

Figure D-2

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarters, January 2014-September 2017

* * * * *

¹ *** reported data for product 1 during *** where it shipped a sample with no value. Staff has removed the quantity of the sample from the data.

² No data were reported for products 3 and 4.

Table D-3

Carton-closing staples: Summary of underselling/(overselling), by country, January 2014-September 2017

Comparison	Total number of comparisons	Nonsubject lower than the comparison source		Nonsubject higher than the comparison source	
		Number of quarters	Quantity (1,000 staples)	Number of quarters	Quantity (1,000 staples)
Nonsubject vs United States: Sweden vs. United States	20	0	0	20	***
Nonsubject vs subject countries: Sweden vs. China	20	0	0	20	***

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX E

Table E-1

Carton-closing staples: U.S. producers' * and importers' U.S. commercial shipments, by sources and channels of distribution, 2014-16, January to September 2016, and January to September 2017**

* * * * *

Table E-2

Carton-closing staples: Geographic market areas in the United States served by former U.S. producers * and U.S. importers**

Region	U.S. producers	Subject U.S. importers
Northeast	***	10
Midwest	***	13
Southeast	***	12
Central Southwest	***	11
Mountains	***	13
Pacific Coast	***	16
Other ¹	***	2
All regions (except Other)	***	7
Reporting firms	***	19

¹ All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

Table E-3

Carton-closing staples: U.S. producers * and importers reported price setting methods, by number of responding firms**

Method	U.S. producers	U.S. importers
Transaction-by-transaction	***	14
Contract	***	2
Set price list	***	8
Other	***	3
Responding firms	***	21

Source: Compiled from data submitted in response to Commission questionnaires.

Table E-4
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 1, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Table E-5
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 2, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Table E-6
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 3, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Table E-7
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 4, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Figure E-1
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 1, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Figure E-2
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 2, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Figure E-3
Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 3, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Figure E-4

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic * and imported product 4, and margins of underselling/(overselling), by quarter, January 2014 through September 2017**

* * * * *

Table E-8

Carton-closing staples: Number of quarters containing observations low price, high price, and change in price over period, by product and source * , January 2014 through September 2017**

* * * * *

Table E-9

Carton-closing staples: Instances of underselling/overselling and the range and average of margins, by product * , January 2014 through September 2017**

* * * * *

Table E-10

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarter * , January 2014 through September 2017**

* * * * *

Table E-11

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarter * , January 2014 through September 2017**

* * * * *

Figure E-5

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarter * , January 2014 through September 2017**

* * * * *

Figure E-6

Carton-closing staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarter * , January 2014 through September 2017**

* * * * *

