CERTAIN STEEL WIRE NAILS FROM THE REPUBLIC OF KOREA

Determination of "A Reasonable Indication of Injury" in Inquiry No. AA1921—Inq.—26 Under the Antidumping Act, 1921, as Amended

USITC PUBLICATION 975
MAY 1979

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Joseph O. Parker, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Catherine Bedell
Paula Stern

Kenneth R. Mason, Secretary to the Commission

This report was prepared by

Abigail Eltzroth

Lynn Featherstone, Acting Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

C O N T E N T S

	Page
Determination	1
Statement of reasons	3
Information developed in the investigation:	
Summary	A-1
Introduction	A-3
The product:	
Description and uses	A-4
Manufacturing process	A-4
U.S. tariff treatment	A-8
The TPM and Treasury's steel wire nail investigation	A-9
The establishment of trigger prices	A-10
The use of SSSI	A-11
Cost of production and prices in Korea	A-12
The condition of the U.S. industry	A-13
Expedited proceedings under the Antidumping Act	A-13
The U.S. market	A-13
The domestic industry	A-15
The Korean industry	A-16
Electro-galvanized nails	A-17
Compliance with the TPM	A-17
Importers	A-19
Consideration of injury or likelihood thereof	A-19
U.S. production	A-19
Utilization of productive facilities	A-20
U.S. producers' shipments and exports	A-21
Inventories	A-25
U.S. consumption	A-26
Employment	A-26
Financial experience of U.S. producers	A-29
Research and development, and capital expenditures	A-30
Consideration of the causal relationship between possible LTFV imports and alleged injury:	
U.S. imports and market penetration	A-32
Prices	A-40
Lost sales	A-43
Cyclical nature of consumption	A-43
Appendix A. Treasury's letter of notice to the Commission	A-45
Appendix B. Notice of the Commission's investigation and hearing	A-47
Appendix C. Treasury's Federal Register notice	A-49
Appendix D. Detailed description of steel wire nails	A-51

Figures

Page

1. Types of steel wire nails---------- A-5
2. Steel wire nails: Apparent U.S. consumption, U.S. producers' shipments, and exports, 1968-77---------- A-22
3. Steel wire nails: U.S. imports for consumption from Korea and Japan as a percent of total imports, 1973-78---------- A-34
4. Steel wire nails: U.S. imports for consumption from Korea and Japan as a percent of total imports, through the Western customs districts, 1973-78---------- A-37
5. Steel wire nails: Imports from Korea and Japan and shipments by U.S. producers in the Western States as a percent of consumption in the Western States, 1973-78---------- A-39
6. Indexes of construction put in place, U.S. producers' shipments of steel wire nails, and U.S. consumption of steel wire nails, 1969-77---------- A-44

D-1. Types of nail heads---------- A-53
D-2. Nail sizes, by "penny" (d) designation (length and wire gage)------ A-54
D-3. Wire gage sizes, by gage number and diameter---------- A-55
D-4. Types of nail points---------- A-56

Tables

1. Steel wire nails: U.S. producers' production, capacity utilization, employment, and profitability, 1975-77, January-September 1977, and January-September 1978---------- A-2
2. Tariff classification of steel wire nails---------- A-9
3. Certain steel wire nails: U.S. imports for consumption from the Republic of Korea at prices below trigger prices, May 1-Nov. 23, 1978---------- A-12
4. Estimated shares of U.S. producers' total shipments by distances shipped, 1977---------- A-14
5. Steel wire nails: New production facilities established since 1976---------- A-16
6. Steel wire nails: Japanese manufacturers located in Korea's Masan Free Trade Zone---------- A-18
7. Steel wire nails: U.S. producers' capacity, by 5-day and 7-day bases of operations, 1975-77, January-September 1977, and January-September 1978---------- A-20
8. Steel wire nails: U.S. producers' shipments and exports, 1968-77---- A-23
9. Steel wire nails: U.S. producers' end-of-period inventories, 1975-77, January-September 1977, and January-September 1978-------- A-25
10. Average number of production and related workers engaged in the manufacture of steel wire nails, man-hours worked by such workers, and output per man hour, 1975-77, January-September 1977, and January-September 1978---------- A-27

Tables--Continued

Page

11. Petitions for adjustment assistance filed with the Departments of Labor and Commerce in behalf of workers and firms involved in the production of steel wire nails---------- A-28
12. Profit-and-loss experience of five integrated and two nonintegrated U.S. producers of steel wire nails on their nail operations, 1975-77, January-September 1977, and January-September 1978------- A-29
13. Steel wire nails: U.S. imports for consumption, by principal sources, 1973-78---------- A-33
14. Steel wire nails: U.S. imports for consumption in the Western districts, by principal sources, 1973-78---------- A-36
15. Steel wire nails: U.S. imports for consumption and U.S. shipments as a percent of U.S. consumption in the Western States, by principal sources, 1973-78---------- A-38
16. 16d common bright nails: Indexes of weighted average lowest selling prices of importers and of U.S. producers to distributors or steel service centers in 10 Western States, by quarters, 1973-77---------- A-42

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

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

[AA1921-Inq.-26]

CERTAIN STEEL WIRE NAILS FROM KOREA

Commission Determines "A Reasonable Indication of Injury"

On the basis of information developed during the course of inquiry No. AA1921-Inq.-26, undertaken by the United States International Trade Commission under section 201(c) of the Antidumping Act, 1921, as amended, the Commission unanimously determines (Chairman Parker not participating) that there is a reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of certain steel wire nails from Korea 1/, entered under item numbers 646.25 and 646.26 of the Tariff Schedules of the United States, which according to the Department of Treasury possibly are being or are likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

On April 17, 1979, the Commission received advice from the Treasury that, in accordance with section 201(c)(1) of the Antidumping Act, 1921, as amended, an antidumping investigation was being initiated with respect to certain steel wire nails from Korea and that, pursuant to section 201(c)(2) of the act, information developed during Treasury's preliminary investigation led to the conclusion that there is substantial doubt that an industry in the United States

---

1/ Steel wire nails produced by the following companies have been excluded from this investigation: Blobcar Ltd., Dae Bong Industries, Daeger Trading Co., Daewo Industrial, Dong-A-Nails Company, Jesse Industries, Kang Wan Industries, Lee Chun Steel Co., Ltd., Pacific Chemical Co., Sunkyong, Ltd., Tong Myung Industries.

is being or is likely to be injured by reason of the importation of certain steel wire nails from Korea into the United States. Accordingly, the Commission on April 20, 1979, instituted inquiry No. AA1921-Inq.-26 under section 201(c)(2) of the act to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Public notice of both the institution of the inquiry and of the hearing was duly given by posting copies of the notice at the Secretary's office in the Commission in Washington, D.C., and at the Commission's office in New York City, and by publishing the original notice in the Federal Register of April 26, 1979 (44 F.R. 24649). A public hearing was held on May 4, 1979, in Washington, D.C. and all persons requesting the opportunity to appear were permitted to appear by counsel or in person.

In arriving at its determination, the Commission gave due consideration to all written submissions from interested persons and information adduced at the hearing and obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

STATEMENT OF REASONS FOR THE DETERMINATION OF
COMMISSIONERS BILL ALBERGER, GEORGE M. MOORE,
CATHERINE BEDELL, AND PAULA STERN

Statutory criteria of Section 201(c)(2)

If the Secretary of the Treasury (Secretary) concludes during a preliminary investigation under the Antidumping Act, 1921, as amended, that there is substantial doubt regarding possible injury to an industry in the United States, he shall forward to the U.S. International Trade Commission (Commission) reasons for such doubt. Within 30 days of receipt of the Secretary's reasons, the Commission shall determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established,[1/] by reason of the importation of merchandise allegedly sold in the United States at less than fair value (LTFV). This inquiry concerns certain steel wire nails from Korea.

Determination

On the basis of information developed during this inquiry we determine that there is a reasonable indication that an industry in the United States is being or is likely to be injured by reason of the importation of certain steel wire nails from Korea possibly sold at LTFV as indicated by the Department of the Treasury (Treasury).

The imported article and the domestic industry

The steel wire nails subject to this investigation are those of one-piece construction which are: (1) 1 inch or more in length, and 0.065 inch or more

---

1/ Prevention of establishment of an industry in this inquiry is not in question and will not be discussed further in these views.

in diameter, or (2) less than 1 inch in length and less than .065 inch in diameter. Also included are brads, spikes, staples, and tacks meeting these descriptive requirements.

About 50 U.S. firms make steel wire nails in plants located primarily in the north central and northeastern states. Five of these firms are located in the Western States. There are two general types of firms involved -- large integrated companies that make steel rod, draw it into wire, and then make nails from the wire, and smaller non-integrated firms (also called converters or fabricators) that make nails from purchased steel rod or wire.

Information regarding alleged margins of LTFV sales

Treasury's investigation of U.S. imports of these steel wire nails from Korea covered the seven month period from May 1 through November 23, 1978. The investigation involved 33 Korean companies which shipped steel wire nails to the United States. Treasury has determined that 22 of the Korean companies have shipped such nails below the applicable trigger prices. 2/ According to data submitted by Treasury for the period of investigation, 45 percent of these nails from Korea were imported at prices below the applicable trigger prices at an average margin of underselling of $74 per metric ton. The percentage of the product sold below trigger prices increased during October 1-November 23, 1978 to 81 percent at an average margin of underselling of $66 per metric ton.

A reasonable indication of injury

Market penetration by alleged LTFV imports -- Imports from Korea have increased from 3 million pounds or less than 0.5 percent of imports in 1973, to more

---

2/ Commissioners Alberger and Stern note that while Japanese steel costs have formed the basis of all trigger prices presently in effect on the assumption that the Japanese are the most efficient producers, it is curious that the the Japanese have moved nail production facilities to the Korean Free Trade Zone in order to produce nails more efficiently.

than 200 million pounds or 25 percent of imports in 1978. Such imports entering the U.S. in the Western States [3/] in 1978 account for 120 million pounds or 55 percent of all imports into these States. In fact, Korea has obtained a larger market share in the Western States than the domestic producers located in those States.

U.S. production and utilization of facilities -- Production of steel wire nails increased each year during 1975-78. Capacity utilization also increased each year. Several new firms started production during this period, and many existing firms expanded their operations. In the Western States, the same patterns appear to be present.

Shipments -- We have data on shipments through 1977, but not into 1978 for the nation. The trend is upward for the Western States and the nation during 1975-78, but a downturn occurs in 1978 in the Western States. We have information that in 1979 one of the integrated producers in the West, U.S. Steel, with facilities in Pittsburg, California, has experienced a sharp downturn in orders from 1978 levels. In April, May and June of 1979, orders are alleged to be down 20, 40, and 65 percent respectively from those same months in 1978. The Commission also has further information suggesting lengthening lead times on orders in the Midwest and East.

Inventories -- Basically, national inventories have been steady from 1975 through September 1978, considering the seasonal factor that winter is the slowest construction period. In the West, inventories dropped sharply from 1975 to the end of 1977, but increased sharply again in 1978.

U.S. consumption -- From 1973 to 1975, consumption dropped, but it then climbed through 1977 and although exact data is not available, probably surpassed 1973 levels in 1978. Consumption in the West followed the same pattern through 1977, but then fell in 1978.

3/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

Employment -- Both national and regional employment in the industry appear to be increasing since 1975. However, U.S. Steel reported that its Pittsburg, California plant will have to lay off one-third of its skilled labor force in May 1979 due to declining orders.

Profitability -- We have very limited data on profits, either nationally or in the Western States. It appears that profits are declining, but better information must be gathered if this case comes back to us.

Prices -- Since 1975, nail prices have generally risen, particularly during 1978. Preliminary data indicate that imports of nails from Korea are probably underselling U.S. produced nails.

Industrial expansion -- The Commission has information that several firms plan to begin production of nails over the next two years. In fact, two firms in the West have such plans for 1979, but both have informed us that they are re-evaluating their plans due to low-priced imports from Korea. With consumption of nails apparently increasing nationwide it is understandable that additional production facilities would be built. In the West, however, with consumption appearing to decline, it is curious that so much expansion is planned.

Conclusions

In making determinations under Section 201(c)(2), the Commission need only consider whether a "reasonable indication" of injury, or likelihood thereof, is either present or totally absent. Our analysis, therefore, concerns factors which present this "reasonable indication" of injury, even if later examination of the full record shows that the weight of the evidence mitigates against a final injury determination. Looking at the above criteria, it is clear to us that Treasury should proceed with its investigation. There are indications of price depression, increased market penetration, declining shipments and profits,

particularly in the Western States. It is conceivable that the Commission could find injury within a regional market consisting of several or all of the Western States where import penetration is highest and indications of injury are more prevalent. It appears that factors which have led the Commission in previous instances to find injury to a regional industry may be present, and we should not dismiss such a possibility. 4/ With our present information, we must conclude that a reasonable indication of injury by reason of possible LTFV imports from Korea is present.

4/ Sugar from Belgium, France, and West Germany, Inv. AA1921-198, 199, 200 (May 1979).

INFORMATION DEVELOPED IN THE INVESTIGATION

Summary

On April 17, 1979, the United States International Trade Commission (Commission) received advice from the Department of the Treasury (Treasury) that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of certain steel wire nails from the Republic of Korea (Korea) that may be sold in the United States at less than fair value (LTFV). The public hearing was held on May 4, 1979 in Washington, D.C.

Treasury initiated this investigation pursuant to information developed under the Trigger Price Mechanism (TPM).

In February 1979 the Commission unanimously determined (Commissioner Parker not participating) that an industry in the United States was not being injured by reason of the importation of certain steel wire nails from Canada at LTFV. This previous investigation included nails subject to this inquiry.

About 50 U.S. firms make steel wire nails in plants located primarily in the North Central and Northeastern States. There are two general types of firms involved--(1) large integrated companies that make steel rod, draw it into wire, and then make nails from the wire, and (2) smaller nonintegrated firms that make nails from purchased steel rod or wire. The eight known integrated firms account for about two-thirds of total production. More than 33 companies in Korea export steel wire nails to the United States; 22 were found by Treasury to be selling nails at prices below the applicable trigger prices.

U.S. producers in the Western States assert that the Commission should determine that there is injury to the industry in the Western States because of LTFV sales from Korea.

Apparent U.S. consumption of steel wire nails rose from 497 thousand short tons in 1975 to 746 thousand short tons in 1977. Imports from Korea increased from 21 thousand short tons in 1975 to 109 thousand short tons in 1978. Corresponding import-to-consumption ratios for imports from Korea rose from 4 percent in 1975 to 11 percent in 1977. In 1978, Japan and Korea were the largest sources of imports (each accounting for 25 percent of the total), followed by Canada (18 percent), and Poland (11 percent).

On the basis of responses to questionnaires sent in the previous investigation to a sample of U.S. producers of steel wire nails, production, capacity utilization, and employment increased during 1975-77, while profitability declined irregularly (table 1). Data collected from seven U.S. producers indicate that production, profits, and capacity utilization rose in October-December 1978, when compared to October-December 1977. The number of production and related workers remained about the same.

Table 1.--Steel wire nails: U.S. producers' production, capacity utilization, employment, and profitability, 1975-77, January-September 1977, and January-September 1978

Period	Production	Capacity utilization (5-day basis)	Production and related workers	Ratio of gross profit to net sales	
				5 integrated producers 1/	2 nonintegrated producers 2/
	1,000 short tons	Percent		Percent	Percent
1975	254	72	1,330	11.7	* * *
1976	268	75	1,443	11.8	* * *
1977	273	76	1,660	10.6	* * *
Jan.-Sept.--					
1977	210	76	1,647	10.5	* * *
1978	222	78	1,610	9.4	* * *

1/ Accounted for 58 percent of production in 1977.
2/ Accounted for * * * percent of production in 1977.

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

Imports from Korea into the Western States 1/ increased from 778 thousand pounds, or * * * percent of consumption, in 1973 to 120 million pounds, or * * * percent of consumption, in 1978. Shipments by western producers * * * from * * * percent of consumption in the Western States in 1973 to * * * percent in 1978.

Prices of steel wire nails generally fell during 1975 and then rose during January 1976-September 1978. Preliminary data indicate that imports of nails from Korea might be underselling U.S. produced nails.

1/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Introduction

On April 17, 1979, the Commission received advice from Treasury that there is substantial doubt that an industry in the United States is being or is likely to be injured by reason of the importation of certain steel wire nails from Korea, entered under items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS), that possibly may be sold in the United States at LTFV, within the meaning of the Antidumping Act, 1921, as amended. 1/ Accordingly, on April 20, 1979 the Commission instituted inquiry No. AA1921-Inq.-26 under section 201(c) of said act, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. By statute, the Commission must render its determination within 30 days of its receipt of advice from Treasury--in this case by May 17, 1979.

In connection with the investigation, a public hearing was held in Washington, D.C. on May 4, 1979. Notice of the institution of the investigation and the public hearing was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register on April 26, 1979 (44 F.R. 24649). 2/

Treasury's advice is consequent to a preliminary antidumping investigation it initiated on its own accord, pursuant to information developed under the TPM. Treasury's notice of investigation was published in the Federal Register of April 20, 1979 (44 F.R. 23621). 3/

In the event that the Commission finds in the affirmative--that there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of certain steel wire nails from Korea possibly sold at LTFV--Treasury's investigation as to the fact or likelihood of sales at LTFV will be terminated. If the Commission finds in the negative, Treasury's investigation will continue.

In an antidumping investigation completed in February 1979, investigation No. AA1921-189, Certain Steel Wire Nails from Canada, the Commission unanimously determined (Commissioner Parker not participating) that an industry in the United States was not being injured and was not likely to be injured, and was not prevented from being established, by reason of the importation of certain steel wire nails from Canada that were being, or were likely to be

---

1/ Treasury Department's letter of notification to the Commission is presented in app. A.

2/ A copy of the Commission's notice of investigation and hearing is presented in app. B.

3/ Treasury Department's notice of antidumping proceeding is presented in app. C. Officials at Treasury have informed the Commission's staff that TSUS item Nos. 646.27, 646.28, 646.29, and 646.30, which were included in this notice, were not within the scope of Treasury's investigation.

sold at LTFV within the meaning of the Antidumping Act, 1921, as amended. This previous investigation concerned certain steel wire nails which are also the subject of the instant investigation.

The Product

Description and uses

The products included within the scope of this investigation are brads, nails, spikes, staples, and tacks of one-piece construction which are made of round steel wire and which are (1) less than 1 inch in length and less than 0.065 inch in diameter or (2) 1 inch or more in length, and 0.065 inch or more in diameter, and made of round steel wire, as provided for in items 646.25 and 646.26, respectively, of the TSUS. A full description of nails, including figures showing a variety of heads, sizes, and points, is presented in appendix D.

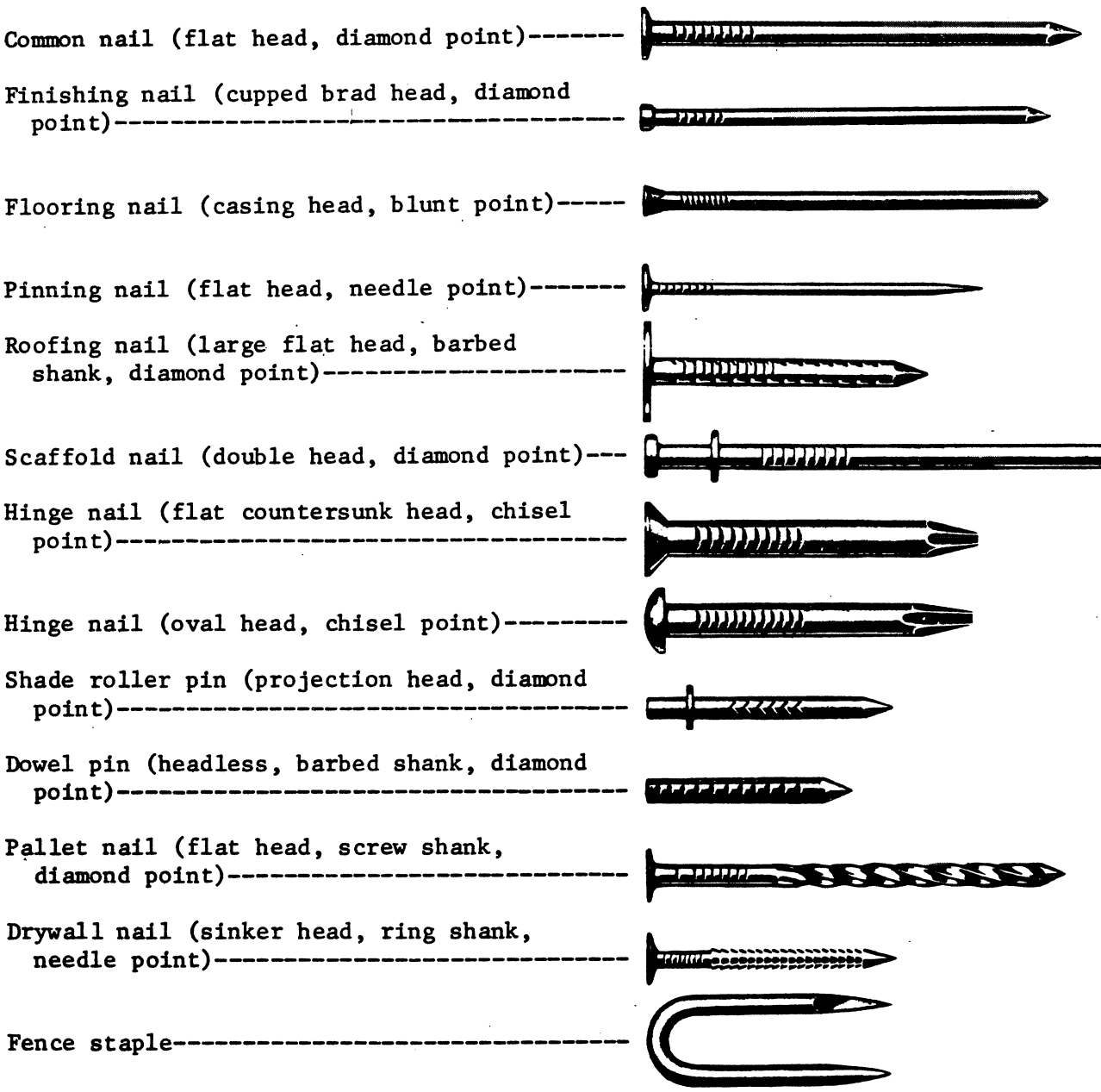
Nails are used for holding pieces (as of wood) together or for decorative effect, or both. An indication of the variety of nails can be seen in figure 1.

Manufacturing process

Metal nails were originally hand formed on anvils from special iron bars called nail rods. In colonial America, nearly every village contained a forge and related nail-making equipment, and nails were often used instead of currency in dealing with the Indians. These hot-forged wrought iron nails gradually gave way to cold-cut iron nails with the development of nail-cutting machinery in the late 1700's. The development in France during 1830-40, of wire nail machines, however, led to the near extinction of the cut nail industry. In 1851, the first wire nail machine was built in the United States, and in 1875 the first steel wire nails were produced in Covington, Ky. Wire nails proved so successful that the manufacture of cut nails practically ceased by 1890.

Technological developments in the steel wire nail industry since that time include improving the quality of the wire, treating the finished nails for improved performance in special applications, and increasing the speed and precision of the basic machinery. Improvements in the basic machinery include the installation of individual machine motors (early models were belt driven from one large power source), replacement of inefficient bearings, and development of improved central lubrication systems.

Figure 1.--Types of steel wire nails.



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

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

In some cases operating rates of rebuilt machines, which incorporated these technological developments, have nearly doubled. Rebuilt machines can obtain operating rates as high as 700 revolutions (nails) per minute. New machines, such as those made by Wafios Machinery Corp., a subsidiary of a German manufacturing company and the dominant supplier of nail machines to U.S. producers, reach operating speeds of 900 revolutions per minute when small nails are being produced. A spokesman for Wafios indicated that the cost of a complete rebuild is approximately two-thirds that of purchasing a new machine.

The United States Steel Co. provides a concise description of steel wire nail production in its book, The Making, Shaping and Treating of Steel:

> Nail Machines--All steel wire nails are made in automatic machines. These machines differ greatly in size and in design, but the principle of operation is much the same in all of them. Nails are made on a machine by five distinct operations; namely, (1) forming the head, (2) feeding the wire, (3) pinching the wire, (4) cutting off the wire and forming the point, (5) expelling the nail.
>
> The Head of the nail is formed by compressing and flattening against a die the portion of the wire which projects beyond this die and remains after the previously formed nail has been cut from the wire. This compressing and flattening is done by a hammer which is attached to a reciprocating member, called a hammer stock, which in turn is actuated usually by a crank and pitman. The amount of wire which projects beyond the die governs the size and thickness of the head and is regulated by adjusting the cutting knives to the proper distance from this die. The various shapes of heads are obtained by cutting the desired depression in the die. This die is split, that is, made in two parts, one fixed or stationary and the other movable.
>
> Feeding--After the head is formed, the hammer moves away from the die, and the die opens up and allows the feed mechanism to push the wire, with a nail head on the end the correct distance through the die to give a nail of the length required. The feeding mechanism is driven by an adjustable crank on the flywheel of the machine, and, by adjusting this crank, various lengths of nails can be obtained. This feed mechanism also pulls the wire through a series of staggered rolls, as it leaves the reel, to straighten it.
>
> Pinching--When the hammer has reached the end of the stroke, the wire has been fed the correct amount for the nail required and the die closes to pinch the wire. This pinching action is motivated by a cam on the crankshaft.

Cutting--Immediately after the wire is pinched, two knives, each attached to a lever, move together and cut the wire. These cutting knives are ground to form the point on the nail at the same time that the cut is made. This point is formed by pressing the wire into the shape required, and, in doing so, some of the metal is squeezed out or protrudes between the knives and is cut off by them. These cutoff particles are called whiskers. The cutting levers to which the knives are attached are actuated by various forms of mechanisms deriving their motion from the crankshaft.

Expelling--Sometimes, because of dull knives or insufficiently close adjustment, the nail will still adhere to the wire when the cutting knives open up. The cutting knives open up on the return stroke of the hammer, and, in order to remove this adhering nail, an expeller comes into action, knocking the nail downward out of the path of the hammer and breaking it off. The hammer on the return stroke forms another head on the wire for the next nail, the wire being pinched during this stroke. The finished nails drop into a pan placed on the floor beneath this mechanism.

Finishing Common Nails--The nails in these pans are collected and plated in a tumbler, care being taken to have nails of only one kind in the tumbler at a time in order to avoid mixing. Into this tumbler some sawdust is also placed. The tumbler has projections on the inside, causing the nails to be churned when it is rotated. This churning polishes the nails and removes any whiskers which may have adhered to the nail by a thin fin of metal. The sawdust absorbs the grease and oil which the nails collected during their manufacture. The cover of the tumbler has perforations or a screen which allows the whiskers and sawdust to pass through but holds back the nails. After the nails are tumbled sufficiently they are packed in kegs ready for shipment.

U.S. Tariff Treatment

Imports of steel wire nails enter under three TSUS item numbers depending primarily on size. The nails under consideration in this investigation enter under TSUS items 646.25 and 646.26. These two TSUS item numbers account for the bulk of the steel wire nails imported into the United States.

Those round wire nails that are less than 1 inch in length and less than 0.065 inch in diameter are dutiable under item 646.25. The most-favored-nation rate of duty for this item is 0.5 cents a pound. Round wire nails 1 inch or more in length and 0.065 inch or more in diameter are dutiable under item 646.26 at a most-favored-nation rate of duty of 0.1 cent per pound. The column 2 rates of duty for these two items are 0.75 cents a pound and 0.4 cents a pound, respectively.

Steel wire nails that do not meet the size restrictions mentioned above for items 646.25 and 646.26 (e.g., nails less than 1 inch in length and 0.065 inch or more in diameter) enter under item 646.30. These nails are not included within the scope of this investigation.

Steel wire nails classified in items 646.25 and 646.26 are not eligible articles for purposes of duty-free treatment under the Generalized System of Preferences (GSP). The table on the following page presents a brief description and lists the rates of duty for the TSUS item numbers applicable to steel wire nails under investigation. The statistical breakout shown in the table for smooth shank and other than smooth shank nails was established January 1, 1966. The additional breakouts for not coated and coated nails were established January 1, 1978, following a request for such action by several of the U.S. producers. The rate of duty for item 646.25 has been in effect since January 1, 1948, and the rate of duty for item 646.26 was reduced in stages during the Kennedy round of trade negotiations from 0.2 cents per pound prior to 1968 to its present rate effective January 1, 1971.

Table 2.--Tariff classification of steel wire nails

TSUS item No.	Statistical suffix	Brief description	Column 1 rate of duty	1978 ad valorem equivalent for U.S. imports from Korea	Eligible for duty-free treatment under the GSP
			Cents per pound	Percent	
		Brads, nails, spikes, staples, and tacks, of iron or steel, and of one-piece construction:			
		Made of round wire:			
646.25	00	Under 1 inch in length and under 0.065 inch in diameter	0.5	1.2	No
646.26		1 inch or more in length and 0.065 inch or more in diameter:			
		Smooth shank:			
	22	Not coated, plated, or painted	.1	.5	No
		Coated, plated, or painted:			
	24	Galvanized	.1	.4	No
	26	Vinyl, resin, or cement coated	.1	.5	No
	28	Otherwise coated, plated, or painted	.1	.5	No
		Other:			
	42	Not coated, plated, or painted	.1	.4	No
		Coated, plated, or painted:			
	44	Galvanized	.1	.4	No
	46	Vinyl, resin, or cement coated	.1	.5	No
	48	Otherwise coated, plated, or painted	.1	.5	No

Source: Tariff Schedules of the United States, Annotated (1979).

The TPM and Treasury's Steel Wire Nail Investigation

On December 6, 1977, the President approved implementation by the Treasury Department of a TPM applicable to the importation of certain steel mill

products. As stated in the Federal Register of December 30, 1977 (42 F.R. 65214), the TPM consists of four major parts:

> (1) the establishment of trigger prices for steel mill products imported into the United States;
>
> (2) the adoption of a new Special Summary Steel Invoice (SSSI) applicable to imports of all steel mill products;
>
> (3) the continuous collection and analysis of data concerning (a) the cost of production and prices of steel mill products exported ... to the United States, and (b) the condition of the domestic steel industry; and
>
> (4) where appropriate, the expedited initiation and disposition of proceedings under the Antidumping Act of 1921 with respect to imports below the trigger prices.

A brief discussion of Treasury's implementation of each of the four major parts of the TPM in its steel wire nail investigation follows.

The establishment of trigger prices

The trigger price for each imported steel mill product is the total of a "base price" plus "extras," if any, plus "importation charges". The trigger prices apply to imports from all countries.

The "base price" for a steel product is derived from the estimated costs of production in Japan of all steel products. Treasury has determined that Japan is the most efficient producer. 1/ Base prices are constructed and revised from information available to Treasury, including evidence submitted by the Japanese Ministry of International Trade and Industry.

The "extras," if any, are charges to be added to the base prices of steel mill products which are sold to specifications for width, thickness, chemistry, or surface preparation that differ from the base products.

The "importaton charges" which are to be added to the base price do not include U.S. import duty. Such charges include foreign inland freight, loading, ocean freight, insurance, interest, and wharfage charges. These charges have been calculated for each broad product category on the basis of existing data on average freight rates and wharfage charges for each of four regions of the country served by ports of entry on the West Coast, Gulf Coast, East Coast, and Great Lakes, respectively. In general, the importation

1/ Importers and counsel for the Korea Iron and Steel Association assert, however, that several countries can produce nails below the base price in Japan, and that Korea, in fact, is the lowest priced producer of nails.

charges and, hence, the trigger prices, are lowest on the West coast, and increase for each of the other regions in the above mentioned order. Thus, a trigger price for a specific steel mill product varies depending upon the region into which it is imported and entered. The first trigger prices were announced on January 3, 1978, and various products were added to the list on subsequent dates. Trigger prices for steel wire nails were announced on May 16, 1978. 1/

Trigger prices are revised quarterly to take account of changes in various costs, and changes in the rate of exchange between the Japanese yen and the U.S. dollar. The rapid appreciation of the yen has had an inflationary impact on trigger prices.

Trigger prices on 16 penny bright common steel wire nails, for example, exported to Atlantic Coast ports on and after the dates indicated, have been or are as follows:

Date	Price per--	
	Metric ton	50-pound carton
May 16, 1978 1/	$483.25	$10.96
July 1, 1978	505.35	11.46
October 1, 1978	526.43	11.94
January 1, 1979	534.72	12.66

1/ Under certain circumstances, trigger prices on steel wire nails were not applicable if entry was made on or before June 30, 1978.

The use of SSSI

Beginning on February 21, 1978, detailed information about each customs entry of steel mill products is collected on the SSSI. This information includes the date and the terms of the contract between the buyer and the seller. If the importer is related to the exporter, however, Treasury will compare the importers resale price to the first unrelated party, with the sum of (1) the trigger price applicable at the time of importation, (2) the import duty and customhouse brokerage, (3) U.S. island freight, (4) warehouse expense, (5) overhead, (6) selling expense, and (7) any costs of further processing after importation (if performed by or for the importer before he sells the article). If, after examination, the Customs Service concludes that the SSSI's reflect "substantial" or "repeated" imports at prices below applicable trigger prices, the matter is then investigated by the Special Customs Steel Task Force to determine whether an immediate investigation under the Antidumping Act should be "triggered" by the Treasury on its own motion.

1/ Trigger prices for steel wire rods were initially announced on Jan. 27, 1978; for steel wire, on April 21, 1978. Steel wire rods and steel wire are the principal raw materials used to produce steel wire nails.

Prices below the trigger prices are considered to represent potential sales at LTFV, since trigger prices reflect the estimated cost of production of the world's most efficient steel industry.

Treasury's investigation of U.S. imports of certain steel wire nails from Korea covered the 7-month period from May 1 through November 23, 1978. The investigation involved 33 Korean companies which shipped steel wire nails to the United States. On the basis of an examination of the SSSI's Treasury has determined that 22 of these Korean companies have shipped quantities of steel wire nails at prices below the applicable trigger prices.

According to data submitted by Treasury, during May 1-November 23, 1978, 45 percent of the subject nails from Korea were imported at prices below the applicable trigger prices, at an average margin of underselling of $74 per metric ton. The quantity of imports sold at prices below the applicable trigger prices increased over the period. During October 1-November 23, 1978, 81 percent of the nails under investigation from Korea were imported at an average margin of underselling of $66 per metric ton (table 3).

Table 3.--Certain steel wire nails: U.S. imports for consumption from the Republic of Korea at prices below trigger prices, May 1-Nov. 23, 1978 1/

Item	May 1-Nov. 23 1978	Oct. 1-Nov. 23 1978
Quantity:		
Total imports----------metric tons--	48,996	8,511
Imports sold at prices below trigger prices----------metric tons--	21,982	6,886
Percent sold at prices below trigger prices----------percent--	45	81
Value:		
Total imports----------1,000 dollars--	24,093	4,716
Imports sold at prices below trigger prices----------1,000 dollars--	11,309	3,644
Percent sold at prices below trigger prices----------percent--	47	77

1/ Grace period imports are excluded.

Source: Data submitted to the U.S. International Trade Commission by the U.S. Department of the Treasury.

Cost of production and prices in Korea

In the administration of the TPM, Treasury has developed information regarding the cost of producing the steel wire nails in question in Japan. A comparison of the Korean home market price data with these costs in Japan, Treasury tentatively concludes, indicates the possibility that significant sales of nails are being made in Korea at prices below their cost of

production. In addition, Treasury's preliminary review of Custom's information indicates that margins of dumping up to approximately 9 percent exist, based upon comparisons between the export prices to the United States and the prices in Korea.

The condition of the U.S. industry

In making its determination that there is substantial doubt that imports of certain steel wire nails from Korea are causing, or are likely to cause, injury to an industry in the United States, Treasury took into account the Commission's unanimous determination in February 1979 that there was no injury or likelihood of injury to the U.S. steel wire nail industry by reason of LTFV sales of nails from Canada.

Expedited proceedings under the Antidumping Act

According to Treasury, the information it has gathered from its investigation of the SSSI's and production costs and prices in Korea indicates the possibility that certain steel wire nails imported from Korea are being or are likely to be, sold at LTFV within the meaning of the Antidumping Act of 1921, as amended. Accordingly, Treasury initiated on its own accord, this antidumping investigation, and on the basis of its determination that there is substantial doubt that imports of such nails are causing or are likely to cause injury to an industry in the United States, the case has been referred to the Commission for a determination on the injury question.

The U.S. Market

Steel wire nails produced in the United States are generally sold first to distributors and then to wholesalers, and retailers, which, in turn, sell them to the ultimate consumer. Nails imported from most foreign sources are initially sold to sales agents and distributors before following the same distribution channels as domestic nails. Because nails are heavy and costly to transport long distances, most shipments are made to customers located within 500 miles of the plant or port of entry (table 4).

Table 4.--Estimated shares of U.S. producers' total shipments, by distances shipped, 1977

(In percent)

Distance shipped	Share	Cumulative share
Less than 100 miles	20	20
100-299 miles	31	51
300-499 miles	28	79
500-999 miles	18	97
1,000 miles or more	3	100
Total	100	-

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

Data collected for 1978 shipments indicates little change in these ratios.

Most nails are consumed in the building construction market for purposes such as joining structural members, assembling millwork, and securing various materials (e.g., flooring, dry wall, exterior siding, trim, roofing, and paneling). This market also includes nails consumed by the nonprofessional user. The remaining nails are consumed in the industrial market (where they are used in the construction of pallets, boxes, and other containers) and in the furniture manufacturing market. Both imported and domestically produced nails are purchased for use in the various markets, but few end users are aware of the country in which the nails were manufactured.

Within the building construction and industrial segments of the nail industry, a new and more efficient method of applying nails has been developed in which nails are shot from pneumatic nailing guns at rates of up to 150 nails per minute. These guns use collated nails (i.e., those which have been attached to strips of tape or other adhesive material), and are capable of increasing carpenter output so dramatically that the small additional cost of collating is insignificant in comparison with the gain in efficiency. As the use of nail guns is believed to be growing rapidly, increasing amounts of nails are likely to be purchased or produced by firms specializing in collating.

Domestic and imported steel wire nails are usually shipped by truck or rail in lots of about 40,000 pounds. Truck transportation can be provided by either the manufacturer or the customer, whereas shipments by rail or sea are usually arranged by the manufacturer. Freight costs are generally the responsibility of the purchaser although a producer will frequently absorb a part of the transportation costs when competing with another nail producer which is closer to the customer. Most domestic and foreign nail producers offer the same financial terms to their customers, i.e., a 2 percent discount within 10 days or net 60 days.

The Domestic Industry

The U.S. steel wire nail industry consists of two general groups of producers, (1) large integrated steel-producing firms that manufacture steel wire rod, draw it into wire 1/ and then make nails from the wire and (2) smaller converting firms that make nails from purchased steel wire rod or drawn wire. The larger companies typically make the high volume smooth-shank nails while smaller firms concentrate production in higher priced specialty nails (e.g., those having special-purpose heads, shanks, points, or finishes).

Steel wire nails are manufactured in the United States by approximately 50 firms, 8 of which are known to be integrated producers. Together, the integrated firms account for an estimated two-thirds of total production. In 1977 the major producers and their share of total production as reported in questionnaires were: United States Steel Corp. (* * * percent), Northwestern Steel & Wire Co. (* * * percent), Penn-Dixie Steel Corp. (* * * percent), CF & I Steel Corp. (* * * percent), and Keystone Consolidated Industries, Inc. (* * * percent). Production facilities are located primarily in the Northeastern and North Central States. Two integrated and 3 nonintegrated producers are located in the Western States.

In general, integrated steel manufacturers produce other products which are more profitable than nails and some industry officials * * *. Most integrated producers use nail machines that were installed up to 50 years ago, although many firms have recently purchased, or are in the process of purchasing, additional new machines which are capable of competing with the most efficient nail making equipment in the world. Nonintegrated producers consider nail making a more essential aspect of their overall operations and have accordingly made substantial investments to enhance production capability.

Two nonintegrated companies produce nails in the Western States, Air Nail Corp. located in Los Angeles, Calif., and Power Line Sales Co., located in El Monte, Calif. Air Nail began nail production about 6 years ago and has * * * its production capacity to * * * short tons a year. Total investment in its * * * nail machines is approximately * * *, * * * of which has been invested since the TPM has come into effect. Import competition from Korea, according to Air Nail, has * * *. In addition, this company asserts that * * * to imports from Korea. * * *, imports of collated nails from Korea, according to company officials, * * * the domestic industry.

Power Line Sales * * * reports that collated nails from Korea * * * impact upon the U.S. collated nail industry. This company, * * *, operating * * * nail machines in California and * * * in the East reports that its chief competition comes from * * *.

1/ Wire drawing is the process whereby steel rod is converted into wire. The rod is pulled through successive dies which reduce the diameter of the rod until the desired gage is reached.

Four new steel wire nail production facilities have been established since 1976. Nine more are scheduled to come on stream in 1979 or 1980 (table 5). These new producers are nonintegrated concerns. Four of these new nail production facilities will be located in the Western States. No steel wire nail production facility has closed since 1976.

Table 5.--Steel wire nails: New production facilities established since 1976

Name of firm	Location	Date of production
Virginia Wire & Fabric Co.	Warrenton, Va.	1976
New York Wire Mills, Inc	Tonawanda, N.Y.	1977
Queen Wire & Nail, Inc	Buffalo, N.Y.	1977
Tree Island Steel Co	Carson, Calif.	1979
American Nail Co	Schenectady, N.Y.	1979
Florida Wire & Nail Co	Quincy, Fla.	1979
Queen Wire & Nail, Inc	Columbia, S.C.	1979
Davis Walker Corp	Kent, Wash.	1979
Air Nail Corp	Los Angeles, Calif.	1979
Savaco	Savannah, Ga.	1979
Davis Walker Corp	Hayward, Calif.	1980
* * *	* * *	* * *
* * *	* * *	* * *

Source: Compiled from data provided by U.S. producers.

Davis Walker Corp. has informed the Commission that total projected investment * * * will be approximately * * * and that it will employ * * * workers. If Korea were to sell nails in the United States at 8.5 percent under the applicable trigger prices, Davis Walker projects that its return on investment in 1979 will be * * * percent less then projected return on investment if Korea were to sell at trigger prices. Davis Walker has stated that it * * *.

Tree Island Steel Co. has estimated that continued dumping of nails from Korea will entail a * * * loss in profits in 1979 over and above any normal losses during the first year of operations.

The Korean Industry

The Korean steel wire nail industry consists of more than 25 small Korean-owned nonintegrated companies and 5 large modern Japanese-owned companies. The Korean-owned facilities operate what U.S. importers consider to be third-rate nail machines and produce nails which these importers characterize as "adequate." Problems one U.S. importer has encountered in 1979 with nails produced by Korean-owned companies has resulted in $180 thousand in claims against 9 of these Korean producers for rusty nails, faulty specifications, short shipments, and goods not shipped.

The five Japanese-owned steel wire nail production facilities were transferred from Japan to the Masan Free Trade Zone in Korea in February-April 1973. These mills use Japanese wire rod, Japanese machinery, and Korean labor under Japanese supervision. Virtually all of the Korean production in the Free Trade Zone is produced for export.

The Japanese can allegedly produce nails in Korea more efficiently than in Japan for the following reasons:

1. Wages in Korea are lower.

2. The Japanese in Korea are not bound by the Japanese practice of hiring a worker for life. Instead, the Japanese in Korea can hire and fire workers as the market requires.

3. Japanese nail manufactures in Korea buy their steel rod from the cheapest source regardless of producer or country of origin. In Japan, however, a nail producer buys rod only from a related parent company.

Industry sources estimate that the five Japanese producers in Korea produce as many nails as all of the Korean owned nail companies combined. These five companies have a total investment of more than $7 million and have the capacity to produce more than 70 thousand short tons of nails a year (table 6).

Nails produced by the Japanese owned companies in Korea are reputed to be among the best in the world.

Electro-galvanized nails

Both the Korean-owned facilities and the Japanese-owned facilities in Korea produce electro-galvanized nails, a type of nail produced only on custom order in the United States. Galvanized nails are rust proof and are used extensively in roofing. In 1978 more than 20 percent of the imports from Korea to the United States were electro-galvanized. These imports accounted for about 40 percent of U.S. consumption of such nails in 1978. The closest U.S.-produced equivalent, the hot-dipped galvanized nail, is considered by some industry sources to be inferior to the Korean product. Hot-dipped galvanized nails are rough on the hands and expensive. Two U.S. nonintegrated producers plan to begin production of electro-galvanized nails in 1979.

Compliance with the TPM

The Korean Government has established a mechanism to insure compliance with the TPM. This mechanism is described by counsel for the Korea Iron & Steel Association as follows--

> In order to insure compliance with the TPM, the government of the Republic of Korea directed the wire nail industry to establish a check price system. This system is enforced by the Korea Metal Industrial Cooperative,

Table 6.--Steel wire nails: Japanese manufacturers located in Korea's Masan Free Trade Zone 1/

Manufacturer	Capacity	Total investment	Foreign cash	Capital material and equipment	Japanese investment ratio	Employment	Rod supplier
	Metric tons per month	Dollars			Percent		
Kankoku Murata Nail Co	1,500	1,900,000	595,900	1,304,100	100	109	Kobe Steel Corp.
Kankoku Nitto Co	1,000	920,000	288,500	631,500	100	55	Godo Steel Ltd.
Masan Murakomi Steel Ind. Co	1,000	1,400,000	749,800	652,200	100	150	Nippon Steel Corp.
Korea Nihon Seisen Wire Mfg. Co	300	440,000	159,100	280,900	100	40	Nippon Steel Corp.
Korea Nittei Co	1,500	2,610,000	1,305,600	1,304,400	100	100	Sumitomo Steel
Total	5,300	7,270,000	3,098,900	4,173,100	100	454	

1/ As of July 1978.

Source: Provided by U.S. producer and importer interests.

A-18

with assistance from the Korea Iron & Steel Association. Basically, wire nails are not permitted to be exported to the United States unless they are accompanied by a certificate from the Korea Metal Industrial Cooperative or the Korea Iron & Steel Association indicating that trigger price requirements have been met. This system has been in effect since August 17, [1978].

Importers

There are great differences in the variety and scope of operations of companies that import nails into the United States. Some are manufacturers, exporters, and importers; some are trading companies; and others are building supply distributors that do some of their own importing. Twelve importers accounted for more than 70 percent of the total imports from Korea during 1978. These importers are concentrated on the West Coast and in New York.

Consideration of Injury or Likelihood Thereof

This section on the consideration of injury is based primarily upon information obtained during the course of investigation No. AA1921-189, Certain Steel Wire Nails from Canada, completed in February 1979. Respondents to the Commission's questionnaires in this previous steel wire nail investigation accounted for about 80 percent of total U.S. shipments of such nails in 1977, as reported by the U.S. Department of Commerce. In the instant investigation the Commission has sent these domestic producers questionnaires to update information already available. Seven U.S. producers responded to the Commission's request for additional information, as compared to 10 that responsed to questionnaires in the previous investigation.

U.S. production

Questionnaire respondents reported total production of the steel wire nails covered by this investigation as follows:

	Short tons
1975	254,335
1976	267,629
1977	272,687
January-September--	
1977	210,027
1978	222,338

These data, collected primarily from large integrated producers, show that production rose at an annual average rate of 3.6 percent from 1975 to 1977 and by 5.9 percent from January-September 1977 to January-September 1978. Industry sources have informed the Commission's staff that the nonintegrated producers have experienced even greater growth rates. Thus, the average

industrywide growth rate is probably even greater than is reflected in the figures above. The production of seven U.S. producers rose an additional 15.3 percent in October-December 1978 when compared with the corresponding period in 1977.

Production in the Western States, as shown in the following tabulation, * * *.

	Short tons
1975----------	* * *
1976----------	* * *
1977----------	* * *
1978----------	* * *

Utilization of productive facilities

It is difficult to determine U.S. productive capacity because output depends upon the type of nail produced. Glader Nail King machine number 71-2-1/2, for example, is advertised to produce 7d nails at the rate of 190 pounds per hour or 8d nails at the rate of 279 pounds per hour. Because of this, companies were asked to report capacity based on their "normal" product mix.

Nail machines are ideally operated 3 shifts a day with downtime only for maintenance and repair. Producers of both nails and nail machines indicated, however, that efficient utilization can be achieved by operating at this rate for 5, 6, or 7 days a week. Accordingly, the capacity data are presented on 5-day and 7-day bases for comparison. In 1978, the 5-day operating rate was closer to normal in the industry (table 7).

Table 7.--Steel wire nails: U.S. producers' 1/ capacity, by 5-day and 7-day bases of operations, 1975-77, January-September 1977, and January-September 1978

Period	5-day operating basis		7-day operating basis	
	Capacity	Ratio of production to capacity 2/	Capacity	Ratio of production to capacity 2/
	1,000 short tons	Percent	1,000 short tons	Percent
1975----------	352	72	493	52
1976----------	359	75	502	53
1977----------	355	76	497	54
Jan.-Sept.--				
1977----------	274	76	384	54
1978----------	283	78	397	56

1/ Questionnaire respondents. 2/ Calculated from unrounded figures.

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

These data show a slight increase in capacity utilization. The ratio of production to capacity on a 5-day a week operating bases, for example, increased from 72 percent in 1975 to 78 percent during January-September 1978. Data collected from 7 U.S. producers indicate that capacity was 5.9 percent higher in October-December 1978 when compared to the last quarter of 1977.

An additional indicator of capacity is the number of nail machines in use. The American Iron and Steel Institute (AISI) reports in its publication, Directory of Iron and Steel Works of the United States and Canada, that the total number of nail machines operated by reporting companies 1/ declined from 1,329 in 1974, to 1,250 in 1977. Not included in these figures, however, are nail machines operated by companies established after 1975 and by most non-integrated nail producers. Thus, the number of total machines in use is probably higher and most likely would show an upward trend.

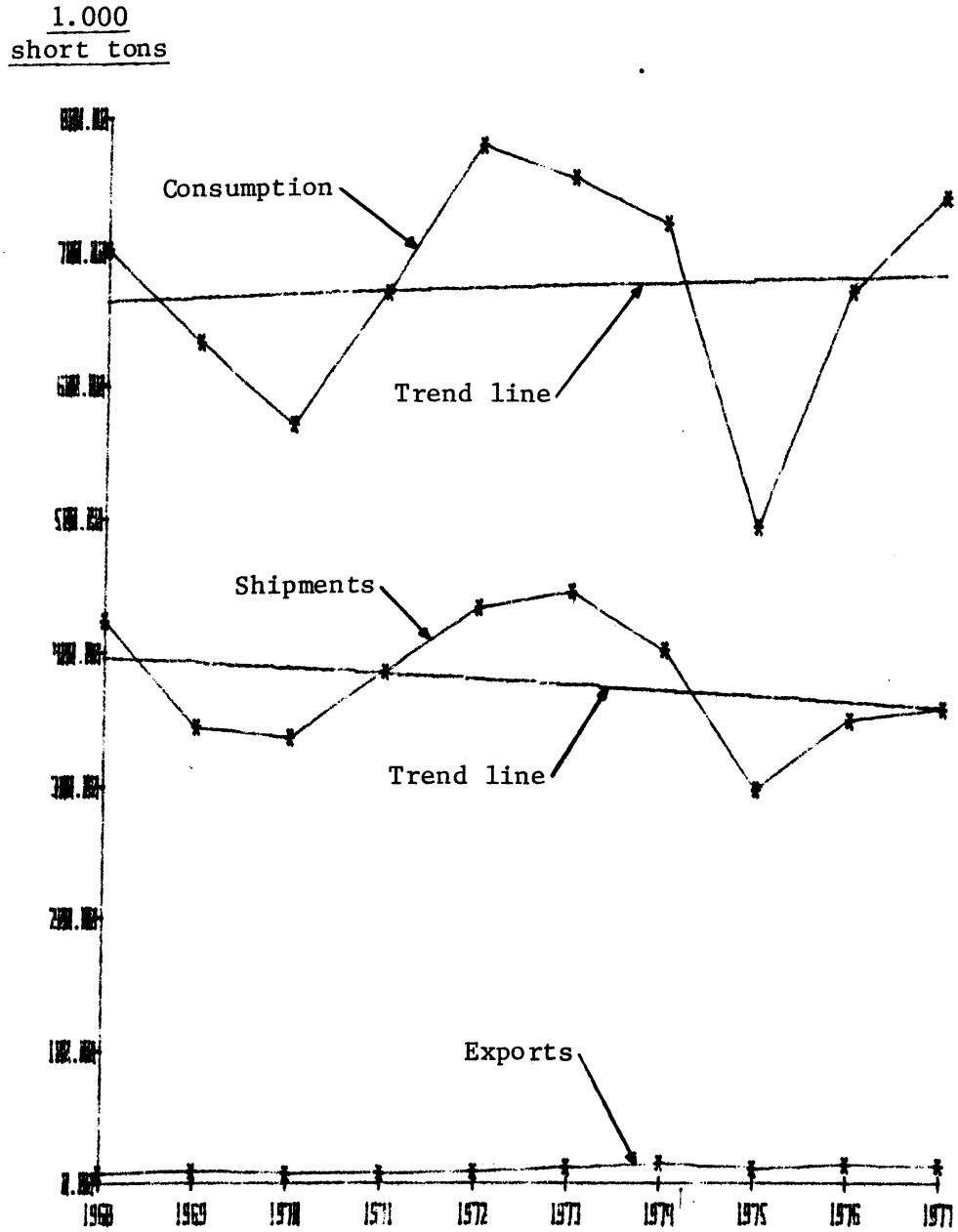
U.S. producers' shipments and exports

Data on U.S. producers' shipments of steel wire nails and staples are maintained by the U.S. Department of Commerce on a yearly basis and by AISI on a monthly, as well as yearly, basis. The Commerce data are consistently higher than those of AISI because of more complete industry coverage and mandatory reporting. For that reason, Commerce data are used whenever possible. It should be noted that both Commerce and AISI limit their data collection to steel works and wiredrawing establishments, which results in some understatement of the totals (i.e., data for firms that make nails from purchased steel wire--called fabricators by AISI--are not included). Commerce did collect data from such fabricators in its 1972 Census of Manufactures and in that year, steel works and wiredrawing establishments accounted for approximately 76 percent of the total quantity of shipments.

Shipments of steel wire nails (including exports) exhibited a slight downward trend with strong cyclical fluctuations during the 10-year period from 1968 through 1977 as shown in figure 2. From 1975 to 1977 total shipments by nail producers which draw their own wire increased by more than 20 percent. Commerce data for 1978 are not yet available. According to the less complete AISI statistics, shipments of nails rose from 278 thousands tons in 1977 to 289 thousand tons in 1978, representing an increase of 4.0 percent. From 1968 to 1977 exports generally increased, but never accounted for more than 4 percent of shipments. Exports are made primarily to Canada with smaller amounts going to Mexico, France, and the United Kingdom. Data on shipments and exports are summarized in table 8.

1/ Reporting companies are Angell Nail & Chaplet Co., Armco Steel Corp., Atlantic Steel Co., Bethlehem Steel Corp., CF & I Steel Corp., Keystone Consolidated Industries, Inc., Northwestern Steel & Wire Co., Penn-Dixie Steel Corp., and United States Steel Corp.

Figure 2.--Steel wire nails: Apparent U.S. consumption, U.S. producers' shipments, and exports, 1968-77.



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

Table 8.--Steel wire nails: U.S. producers' shipments and exports, 1968-77

Year	Shipments (including exports)			Exports		
	Quantity	Value	Unit value	Quantity	Value	Unit value
	Short tons	1,000 dollars	Cents per pound	Short tons	1,000 dollars	Cents per pound
1968	424,172	99,153	11.7	6,980	5,681	40.7
1969	343,629	91,117	13.3	8,697	6,880	39.6
1970	335,904	92,662	13.8	6,954	6,292	45.2
1971	385,154	114,081	14.8	7,374	5,725	38.8
1972	433,002	113,840	13.1	8,290	7,113	42.9
1973	445,348	189,561	21.3	11,587	10,512	45.4
1974	402,016	229,645	28.6	14,819	13,771	46.5
1975	297,449	164,949	27.7	10,839	11,397	52.6
1976	349,516	199,953	28.6	13,676	14,118	51.6
1977	357,595	224,628	31.4	12,847	13,656	53.2

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

U.S. shipments by the producers in the Western States, as shown in the following tabulation, * * *.

	Short tons
1973	* * *
1974	* * *
1975	* * *
1976	* * *
1977	* * *
1978	* * *

U.S. Steel in Pittsburg, Calif. has reported that its orders booked for April, May, and June 1979 are down 20, 40, and 65 percent, respectively, when compared with orders during these months in 1978.

To obtain information on the ability of U.S. producers to meet demand, U.S. producers were asked to estimate their delivery lead times in each quarter during January 1975 through December 1978. A summary of the responses is shown in the following tabulation:

Period	Weeks	Period	Weeks
	Number		Number
1975:		1977:	
Jan.-Mar	2.3	Jan.-Mar	1.9
Apr.-June	1.9	Apr.-June	2.4
July-Sept	1.8	July-Sept	2.4
Oct.-Dec	1.9	Oct.-Dec	2.1
1976:		1978:	
Jan.-Mar	1.9	Jan.-Mar	2.2
Apr.-June	2.5	Apr.-June	2.9
July-Sept	2.6	July-Sept	2.9
Oct.-Dec	2.2	Oct.-Dec	3.1

Since January-March 1975 delivery lead times have irregularly increased from about 2 weeks to about 3 weeks in October-December of 1978. Lead times for importers of nails from Korea which make back-to-back sales average about 8 weeks. Other importers sell only out of inventory. Deliveries from inventory sales are prompt.

Despite the indication that customers' orders have been filled promptly, one large nail distributor submitted evidence to the Commission that its attempts to purchase nails in 1978 from * * * and * * * were unsuccessful.

In 1979 this same distributor has encountered repeated difficulties in securing domestically produced nails:

1. This distributor says that * * * and * * *, are so flooded with orders that they will not even offer to sell this distributor any nails.

2. This distributor has encountered long-lead times approaching 8 weeks for * * *.

3. Several confirmed orders with * * * are 4-8 weeks overdue.

4. * * * has cancelled confirmed orders placed by this distributor of * * * tons of nails in the first quarter of 1979.

5. This distributor usually receives quotes from * * * 45-50 days before a quarter begins. In 1979 * * * did not offer this distributor a quote for the second quarter until * * *.

6. * * * * * * *

This distributor, * * *.

Another distributor in Connecticut reported that without Sivaco (a Canadian producer), he would be out of business in the Northeast.

Inventories

Inventories of steel wire nails are maintained by most producers in order to be assured of a sufficient supply to fill orders. Such inventories remained relatively stable in relation to shipments during 1975-77. As expected, however, inventories were higher at year ends when construction activity was low than at the end of September when construction was still strong (table 9).

Table 9.--Steel wire nails: U.S. producers' 1/ end-of-period inventories, 1975-77, January-September 1977, and January-September 1978

Period	Inventories	Ratio of inventories to shipments	Days supply of inventory
	Short tons	Percent	Days
1975	31,790	12.9	47
1976	35,820	13.7	50
1977	34,290	12.5	46
January-September--			
1977	30,924	2/ 10.9	40
1978	32,440	2/ 10.9	40

1/ Questionnaire respondents.
2/ Based on annualized shipments.

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

Year end inventories held by the 7 respondents to the Commissions questionnaire in the instant investigation fell by 9.4 percent in 1978, when compared with year end inventories held by these producers in 1977. Inventories held by producers in the Western States, as shown in the following tabulation, * * *.

Year	Inventories	Ratio of inventories to shipments
	1,000 pounds	Percent
1975	* * *	* * *
1976	* * *	* * *
1977	* * *	* * *
1978	* * *	* * *

U.S. consumption

Apparent U.S. consumption of steel wire nails (U.S. producers' domestic shipments plus imports for consumption) rose rapidly in 1976 and 1977, but did not reach the level of 1973 as shown in the following tabulation:

	1,000 short tons
1973	761
1974	727
1975	497
1976	676
1977	746

The value of consumption was an estimated $350 million in 1977. While 1978 data are not available, in light of the fact that imports rose by 7 percent between 1977 and 1978 and shipments by producers other than fabricators rose by 4 percent, apparent U.S. consumption undoubtedly continued to increase in 1978.

Apparent consumption in the Western States, which accounted for more than * * * percent of U.S. consumption in 1977, * * * as shown in the following tabulation:

	1,000 short tons
1973	* * *
1974	* * *
1975	* * *
1976	* * *
1977	* * *
1978	* * *

Employment

Employment in the U.S. nail industry, as reported by questionnaire respondents, increased from 1,330 in 1975 to 1,600 in 1977, representing an increase of more than 20 percent. The establishment of two new firms--Virginia

Wire & Fabric Co. in Warrenton, Va. (1976) and New York Wire Mills, Inc., in Tonawanda, N.Y. (1977)--both subsidiaries of a Canadian firm--account for most of the increased employment opportunities in the industry. A summary of the employment data reported to the Commission is presented in table 10.

Table 10.--Average number of production and related workers engaged in the manufacture of steel wire nails, man-hours worked by such workers, and output per man-hour, 1975-77, January-September 1977, and January-September 1978

Period	Production and related workers	Man-hours worked by production and related workers	Output per man-hour
		1,000 hours	Pounds per hour
1975	1,330	2,807	181
1976	1,443	3,171	169
1977	1,600	3,411	160
January-September--			
1977	1,647	2,609	161
1978	1,610	2,674	166

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

As shown in the table, productivity fell from 181 pounds per hour in 1975 to 160 pounds per hour in 1977. This is partly explained by the lower than average productivity experienced by Virginia Wire & Fabric Co. and New York Wire Mills, Inc. during start-up operations. Fourth quarter employment for the 7 reporting facilities was about the same in 1977 and 1978, while productivity rose 6 percent, from 150 pounds per hour to 159 pounds per hour.

Employment in the Western States, as shown in the tabulation below * * *.

	Production and related workers
1975	* * *
1976	* * *
1977	* * *
1978	* * *

U.S. Steel has reported that its Pittsburg, Calif. works will be laying-off one-third of its skilled labor force in May 1979 because of declining orders.

A number of petitions for adjustment assistance have been filed with the Departments of Labor and Commerce in behalf of firms and workers alleged to have been adversely affected by imports of steel wire nails. Most of the determinations shown in table 11 encompassed many products in addition to nails, but in each case, at least some workers were directly involved with nail production.

Table 11.--Petitions for adjustment assistance filed with the Departments of Labor and Commerce in behalf of workers and firms involved in the production of steel wire nails

Investigation No.	Company	Status of petition
	Petitions filed with the Department of Labor	
TA-W-1429	U.S. Steel Corp.	Certified, June 9, 1977
TA-W-1503	Northwestern Steel & Wire Co.	Denied, July 18, 1977
TA-W-1534	Bethlehem Steel Corp.	Certified, August 26, 1977
TA-W-2612	Keystone Consolidated Industries, Inc.	Certified, March 10, 1978
TA-W-2857	Penn-Dixie Steel Corp.	Certified, July 7, 1978
TA-W-2887	Northwestern Steel & Wire Co.	Certified, August 23, 1978
TA-W-3205	U.S. Steel Corp.	Denied, July 20, 1978
	Petitions filed with the Department of Commerce	
TA-F-195	Specialty Tool Co., Inc.	Withdrawn, February 3, 1978
TA-F-218	E. H. Edwards Co.	Certified, April 6, 1978

Source: Compiled from Federal Register notices of the Departments of Labor and Commerce.

In Investigation No. TA-W-1503, the request for certification was denied because imports of articles like or directly competitive with those produced by Northwestern Steel & Wire Co. were not found to have contributed importantly to the separation of workers, or the threat thereof, and to the decrease in sales or production. A survey of customers of Northwestern Steel & Wire Co. indicated that most of those customers either did not purchase like or directly competitive imported products, or had increased purchases from Northwestern. In investigation No. TA-W-3205, the request for certification was denied because sales or production, or both, of wire and wire products by the Joliet-Waukegan Works of United States Steel Corp. were not found to have decreased absolutely.

Financial experience of U.S. producers

Data on financial experience were received from five integrated producers of steel wire nails (which together accounted for about half of total shipments in 1977) and from the two nonintegrated U.S. firms affiliated with Sivaco. These data are summarized in the following table.

Table 12.--Profit-and-loss experience of 5 integrated and 2 nonintegrated U.S. producers of steel wire nails on their nail operations, 1975-77, January-September 1977, and January-September 1978

Type of producer and period	Net sales	Gross profits	Ratio of gross profit to net sales
	1,000 dollars		Percent
Integrated producers:			
1975	80,305	9,383	11.7
1976	83,851	9,911	11.8
1977	88,269	9,334	10.6
January-September--			
1977	69,588	7,324	10.5
1978	70,537	6,613	9.4
Nonintegrated producers:			
1975	* * *	* * *	* * *
1976	* * *	* * *	* * *
1977	* * *	* * *	* * *
January-September--			
1977	* * *	* * *	* * *
1978	* * *	* * *	* * *

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

The profit-and-loss analysis is carried only to the gross profit level because of considerable difficulties encountered by producers in accurately identifying general, selling, and administrative expenses. The integrated producers treat nail operations (which are a small part of the overall wire and wire products operations) as cost centers, but not as profit centers so allocations of overhead are not routinely made.

The data shown for the two nonintegrated companies should be viewed in the light that each of these companies began operations during 1975-77 and thus incurred substantial start-up costs. In addition, * * *.

The indicated decline in gross profits for the five integrated producers is the result of a cost-price squeeze that saw the unit value of shipments rise slower than the unit cost of the goods sold. For example, the average

value of sales for these companies in 1976 was 25.87 cents per pound and the average cost was 22.82 cents per pound; in 1977, the unit value of sales rose to 27.27 cents per pound (an increase of 5.4 percent) while the average cost rose to 24.39 cents per pound (an increase of 6.9 percent). Similarly, the unit value of sales rose 1.4 percent in January-September 1978 compared with January-September 1977, while unit costs rose 2.7 percent. The sharp increases in nail prices that occurred in January-September 1978 will likely ease the cost-price squeeze somewhat, although raw material costs, which account for about one-half of total costs, and labor costs, which accounted for 14 percent of total costs in 1977, also increased. The average gross profit to net sales ratio for four reporting firms rose from 6.9 percent in October-December 1977 to 10.2 percent in October-December 1978.

Of the Western producers only * * *.

Research and development, and capital expenditures

Most research and development in the steel wire nail industry is involved with improving machine efficiency. Accordingly, companies following a policy of replacing old machines rather than upgrading them and companies that neither replace nor upgrade machines, 1/ tend to have few expenditures for research and development. Those companies responding to the Commission's questionnaire report research and development expenditures as follows:

Period	1,000 dollars
1975	* * *
1976	* * *
1977	* * *
January-September-- 1978	* * *

The seven producers which supplied the Commission with fourth quarter 1978 data reported no increase in research and development expenditures.

Capital expenditures reported by these companies and shown in the following tabulation were almost entirely for machinery, equipment, and fixtures, except for Virginia Wire & Fabric Co. and New York Wire Mills, Inc. which began operations in 1976 and 1977, respectively, and incurred substantial expenditures for building or leasehold improvements as well as machinery,

1/ One company visited by the Commission's staff operates nail machines 25 years old or older and performs only necessary maintenance operations to keep its machines running.

equipment, and fixtures. Capital expenditures for all questionnaire respondents are shown in the following tabulation:

Period	1,000 dollars
1975	1,038
1976	870
1977	2,531
January-September--1978	1,188

An indication of capital expenditures made by the entire domestic steel wire nail industry can be seen in the number of new nail machines purchased. For a new operation, nail machines, which cost about $40,000 apiece, are estimated to account for about 30 percent of the total required investment. The following tabulation presents total U.S. sales of nail machines by Wafios Machinery Corp., believed to be the only supplier of such machines.

Period	
1975	* * *
1976	* * *
1977	* * *
January-September--1978	* * *

The figure for 1978 includes sales to about * * *. It should be noted, however, that most new machinery is purchased by nonintegrated producers. Had such producers been included in AISI's Directory of Steel Works of the United States and Canada, it is likely that the directory would indicate an increase in total nail machines from 1974 to 1977 rather than the decline mentioned earlier.

The nail industry also has been indirectly affected by the large capital expenditures required of all steelmaking companies in complying with Environmental Protection Agency regulations; and some occupational safety and health costs (primarily noise control) have been incurred. According to industry officials, complying with environmental regulations has had a substantial negative impact on the industry's competitive position because the required investments have taken capital that could have been used for modernization and expansion.

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

U.S. imports and market penetration

U.S. imports of steel wire nails come primarily from four countries: Japan, Korea, Canada, and Poland. Total imports increased from 655 million pounds in 1973 to 750 million pounds in 1974 and decreased to 420 million pounds in 1975. Since the 1975 recession, imports increased to 680 million pounds in 1976, 803 million pound in 1977, and 857 million pounds in 1978.

Imports from Korea have increased dramatically since 1973, rising from 3 million pounds, or less than 0.5 percent of imports in that year, to more than 200 million pounds, or 25 percent of imports, in 1978. During this same period Japan's share of total imports decreased from more than 50 percent to 25 percent.

It is believed that Korea's increasing share and Japan's declining share of imports can be partly explained by a shift in Japanese-owned productive facilities from Japan to a free-trade zone in Korea. The combined share of imports from Korea and Japan has been more stable than that of either country individually. Imports from these two countries increased from 46 percent to 58 percent of total imports between 1974 and 1977 and decreased to 50 percent in 1978 (table 13 and fig. 3).

Table 13.--Steel wire nails: U.S. imports for consumption, by principal sources, 1973-78

Source	1973	1974	1975	1976	1977	1978
	Quantity (million pounds)					
Republic of Korea	3	24	42	95	171	218
Japan	342	324	192	299	295	215
Canada	121	131	98	119	150	156
Poland	64	62	37	63	68	98
Other	125	209	51	104	119	170
Total	655	750	420	680	803	857
	Value (million dollars)					
Republic of Korea	1/	6	9	16	32	45
Japan	50	79	45	57	64	55
Canada	18	31	23	28	36	41
Poland	7	11	6	9	10	15
Other	14	29	10	19	22	20
Total	89	156	93	129	164	176
	Percent of total quantity					
Republic of Korea	1/	3	10	14	21	25
Japan	52	43	46	44	37	25
Republic of Korea and Japan	53	46	56	58	58	51
Canada	18	17	23	18	19	18
Poland	10	8	9	9	8	11
Other	19	28	12	15	15	20
Total	100	100	100	100	100	100

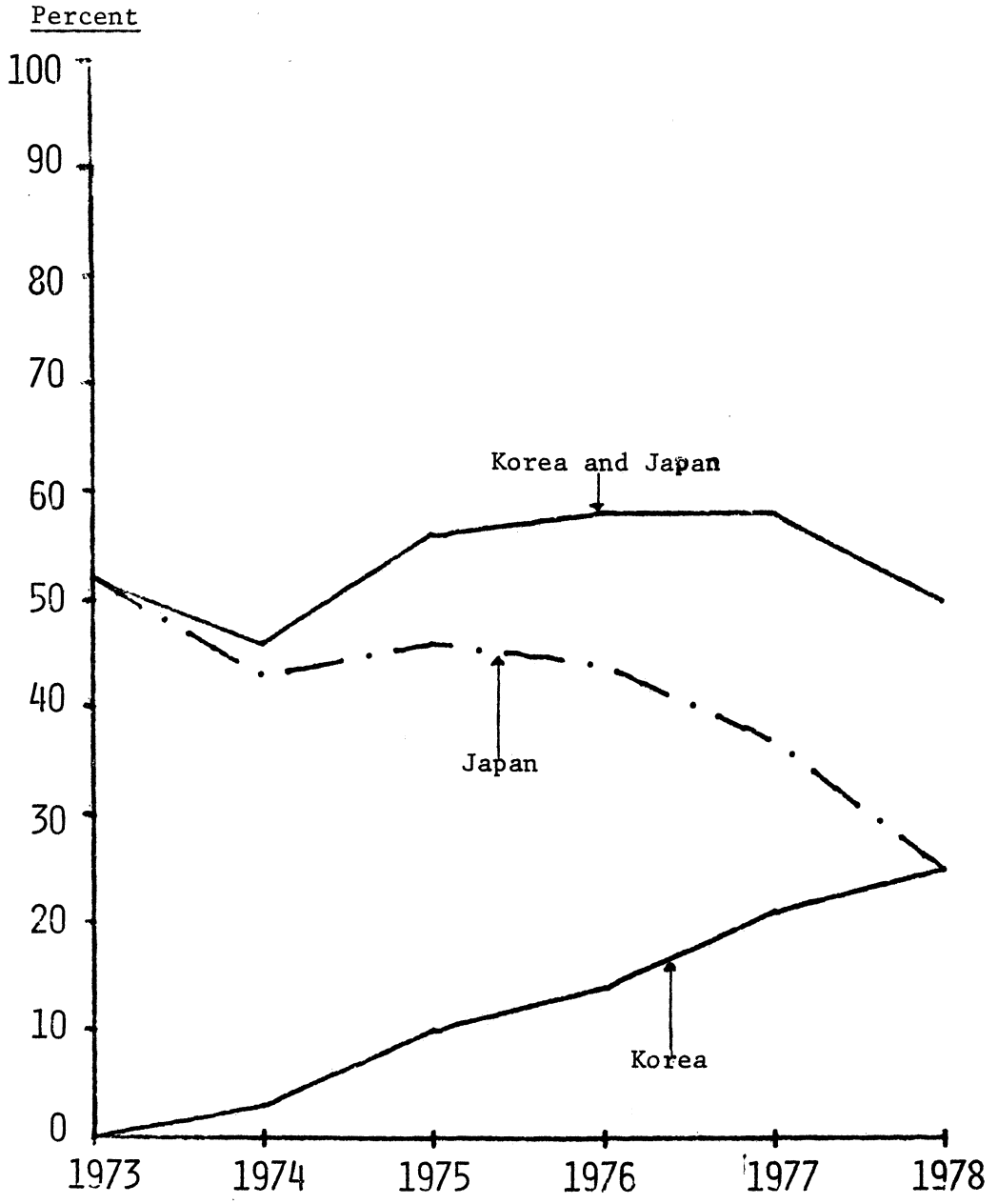
1/ Less than $500 thousand or 0.5 percent.

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

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

In relation to apparent U.S. consumption, imports of steel wire nails under investigation from all sources rose from 43 percent in 1973 to 52 percent in 1974 and fell to 42 percent in 1975. Total imports, recovering their share of U.S. consumption after the recession in 1975, rose from 50 percent of consumption in 1976 to 54 percent in 1977. Imports from Korea rose

Figure 3.--Steel wire nails: U.S. imports for consumption from Korea and Japan as a percent of total imports, 1973-78.



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

steadily from less than 0.5 percent of U.S. consumption in 1973 to 11 percent in 1977 as shown in the following tabulation:

Year	U.S. imports as percent of apparent consumption	
	From all sources	From Korea
1973	43	1/
1974	52	2
1975	42	4
1976	50	7
1977	54	11

1/ Less than 0.5 percent.

In light of the fact that imports from Korea increased by more than 25 percent from 1977 to 1978, the ratio of imports from Korea to consumption probably also increased.

In 1976 and 1977, 42 percent and 41 percent, respectively, of the imports from Korea entered the Western United States. 1/ In 1978, 55 percent of the imports from Korea entered the Western States. Imports from Korea into the Western States increased steadily from 778 thousand pounds, or 0.5 percent of such imports, in 1973 to 120 million pounds, or 55 percent of such imports, in 1978. During the same period, imports from Japan declined from 83 percent of the total to 36 percent (table 14 and fig. 4). Twenty-five percent of the imports from Korea in 1978 into the Western States were galvanized nails.

1/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.

Table 14.--Steel wire nails: U.S. imports for consumption in the Western districts, 1/ by principal sources, 1973-77

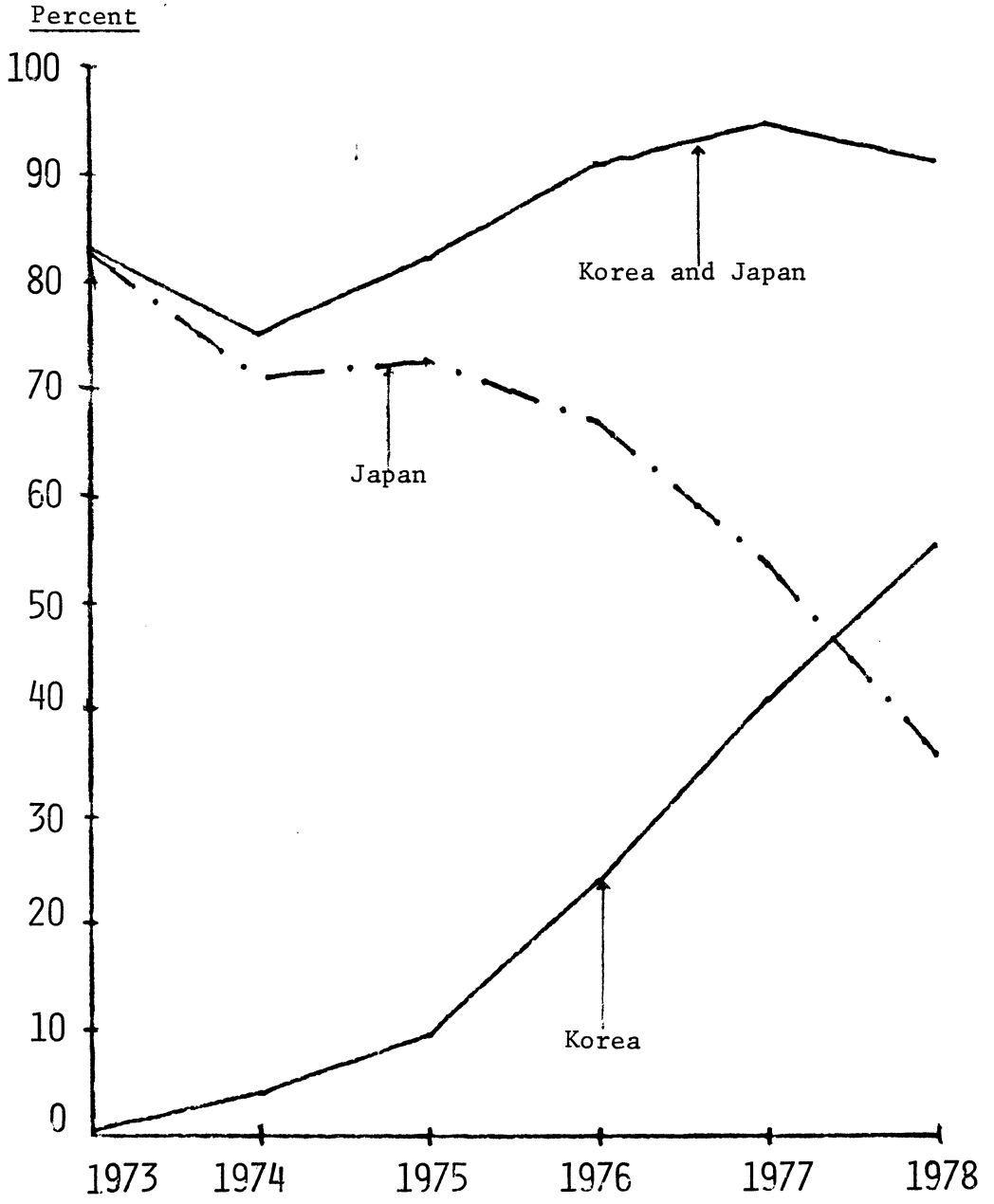
Item	1973	1974	1975	1976	1977	1978
Korea:						
Quantity						
1,000 lbs--	778	6,607	9,683	39,717	94,837	119,689
Percent of total--	0.5	4.1	9.5	23.9	40.9	55.2
Japan:						
Quantity						
1,000 lbs--	117,021	113,107	73,735	111,035	124,255	77,673
Percent of total--	82.6	71.0	72.4	66.8	53.6	35.8
All other:						
Quantity						
1,000 lbs--	23,948	39,705	18,359	15,422	12,807	19,518
Percent of total--	16.9	24.9	18.0	9.3	5.5	9.0
Total:						
Quantity						
1,000 lbs--	141,747	159,419	101,777	166,174	231,899	216,880
Percent of total--	100.0	100.0	100.0	100.0	100.0	100.0

1/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

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

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

Figure 4.--Steel wire nails: U.S. imports for consumption from Korea and Japan as a percent of total imports, through the Western customs districts 1/, 1973-78.



1/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

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

Import-to-consumption ratios for the Western States * * *. Corresponding import-to-consumption ratios for nails from Korea * * *. The share of apparent consumption held by the producers in the Western States * * * (table 15 and fig. 5).

Table 15.--Steel wire nails: U.S. imports for consumption and U.S. shipments as a share of U.S. consumption in the Western States, by principal sources, 1973-78

(In percent)

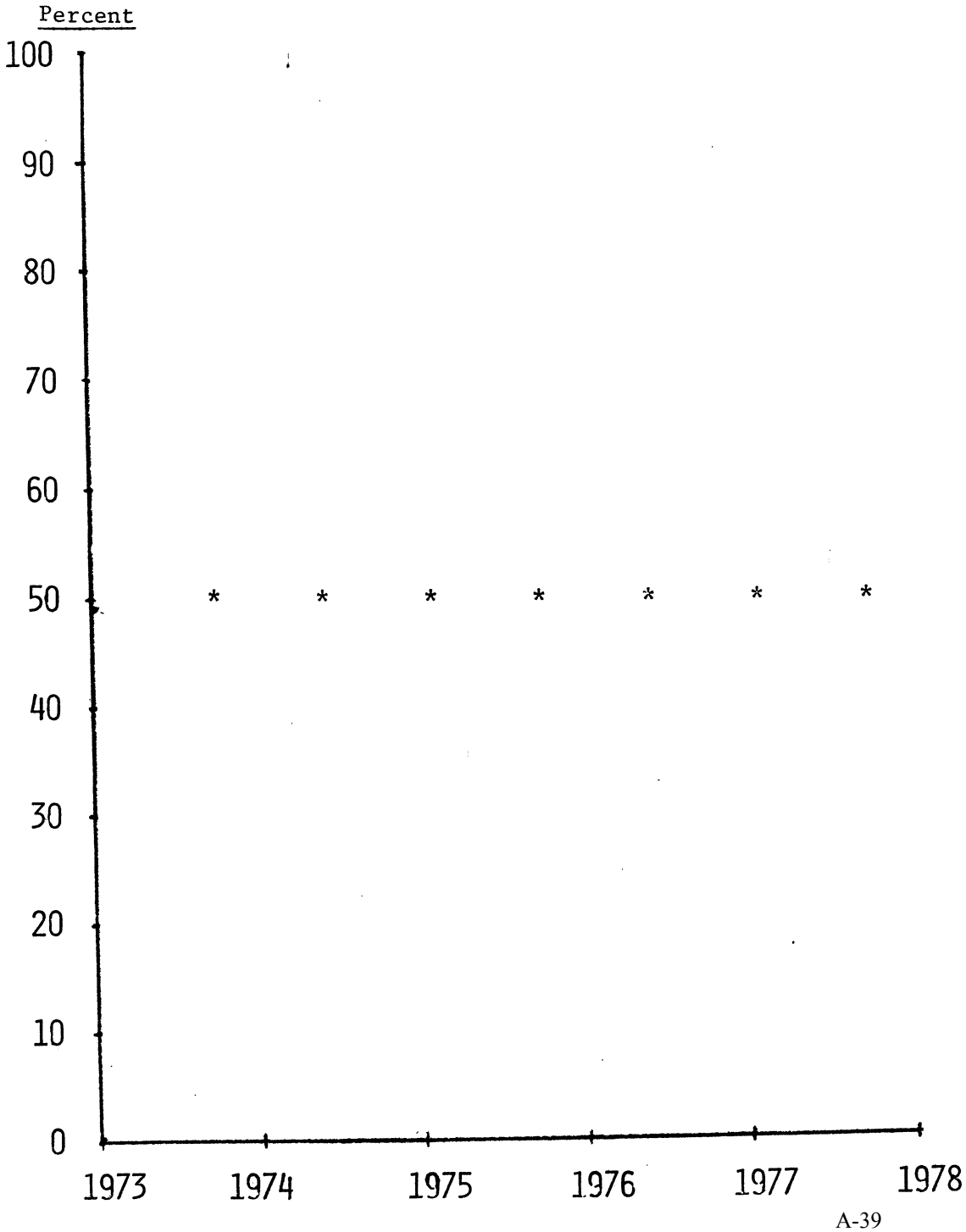
Year	Imports from--					Shipments from--		Total
	Korea	Japan	Korea and Japan	Other countries	All countries	Western producers	Eastern producers	
1973	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0
1974	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0
1975	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0
1976	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0
1977	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0
1978 1/	* * *	* * *	* * *	* * *	* * *	* * *	* * *	100.0

1/ 1978 data estimated by the U.S. International Trade Commission.

Source: Compiled from official statistics of the U.S. Department of Commerce and from data submitted in response to questionnaires of the U.S. International Trade Commission.

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

Figure 5.--Steel wire nails: Imports from Korea and Japan and shipments by U.S. producers in the Western States as a share of consumption in the Western States, 1973-78.



Source: Compiled from official statistics of the U.S. Department of Commerce and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices

It is a common practice for U.S. producers and importers to sell steel wire nails at negotiated prices. Generally, U.S. producers quote prices on an f.o.b., mill basis, but on some transactions they absorb part of the freight expense on shipments to customers. 1/

U.S. importers quote on a variety of bases. Some give customers a choice between an ex-dock, duty-paid basis and a delivered basis with the full freight charge included in the price. Some importers give their customers a choice based on (1) ex-dock, duty-paid, (2) c.i.f., 2/ or (3) c. & f. 3/

On the basis of data obtained in a sample survey by the Commission's staff, nail prices generally increased from January-March 1976 through December 1978.

Among importers there is a widespread conviction that the TPM is having an inflationary impact on the costs of importing nails and on importer's selling prices, and that the TPM is beneficial to U.S. producers. 4/ Counsel for the domestic producers believes, however, that it is "too early to tell" whether the TPM benefits U.S. nail producers, but that the TPM "does not appear to have impeded" imports of non-Japanese nails. 5/

During 1975-77 and January-September 1978, the average net realized selling price for 16-penny bright common nails made by integrated U.S. producers ranged from $0.2057 per pound ($10.29 per 50-pound carton) in January-March 1976 to $0.2343 per pound ($11.72 per carton) in July-September

---

1/ At least one of the U.S. nail producers * * * quotes prices on a delivered basis.

2/ The c.i.f. value represents the value of the imported product at the first port of entry in the United States. It includes all freight, insurance, and other charges incurred in bringing the merchandise from the country of exportation to the U.S. port, but does not include the U.S. import duty.

3/ Same as c.i.f., but excluding insurance charges.

4/ The Treasury Department raised trigger prices for nails several times during 1978. Selling prices rose correspondingly thus generating higher returns for suppliers that maintained or increased their level of sales.

5/ Transcript of the hearing in investigation AA1921-189, Certain Steel Wire Nails from Canada, pp. 69 and 70.

1978. 1/ During the same 45-month period, these producers' average net realized price for 8-penny galvanized nails ranged from $0.2710 per pound ($13.55 per carton) in January-March 1976 to $0.3200 per pound ($16.00 per carton) in July-September 1978. For 16-penny cement-coated countersunk nails ("sinkers"), U.S. producers' average net realized price ranged from $0.2138 per pound ($10.69 per carton) in April-June 1976 to $0.2359 per pound ($11.80 per carton) in July-September 1978.

Pricing information has also been collected from importers of nails from Korea. Several difficulties have emerged in attempting to analyze these data, however, because importers of nails from Korea are often distributors of domestically produced nails. Once in the warehouse, these importer-distributors have informed the Commission that it is often impossible to distinguish among nails imported from Korea, nails imported from other countries, and nails produced in the United States.

Of the importers of nails from Korea that reported pricing information to the Commission, only one was a sales agent which would be competing with U.S. manufactures for sales to distributors. During the first and second quarters of 1977 and the first quarter of 1978 this importer sold 16-penny bright common nails to distributors at prices lower than the U.S. producers. During the last 3 quarters of 1978, however, this importer sold these nails at prices equal to the lowest prices of the U.S. producers.

Similarly, this importer sold 16-penny cement coated countersunk nails during the last three quarter of 1977 and the first quarter of 1978 at prices lower than the U.S. producers. During the final three quarters of 1978 this importer matched or was higher than the lowest prices of the U.S. producers.

In investigation No. 332-89, Conditions of Competition in the Western U.S. Steel Market Between Certain Domestic and Foreign Steel Products, the Commission collected pricing information from importers and U.S. producers in the Western States (table 16). This information indicates that the weighted average lowest importers selling prices of 16d common bright nails to distributors was lower than the U.S. producers' selling prices in every quarter during 1975-77. Specific data on prices of importers of nails from Korea are not available.

1/ Price data were received from two U.S. subsidiaries of Ivaco Industries, Inc. that produce steel wire nails from purchased wire rod or wire. Their data are not included in the averages because (1) they did not produce any nails during the early part of the period, (2) they did not produce 8-penny galvanized nails during any part of the period, and (3) one of them failed to report prices on a net realized basis.

Table 16.--16d common bright nails: Indexes of weighted average lowest selling prices of importers and of U.S. producers to distributors or steel service centers in 10 Western States, by quarters, 1973-7/

Period	Weighted average lowest selling price--		Ratio of importers' distributor price to U.S. producers' distributor price
	Of importers	Of producers	
			Percent
1973:			
January-March	125	101	124
April-June	122	106	115
July-September		108	
October-December	150	111	135
1974:			
January-March	245	114	215
April-June	291	146	198
July-September	222	174	127
October-December		185	
1975:			
January-March	170	185	92
April-June	145	184	78
July-September	143	185	77
October-December	138	183	75
1976:			
January-March	137	184	74
April-June	137	190	72
July-September	132	190	69
October-December	181	193	94
1977:			
January-March	160	178	90
April-June	158	202	78
July-September	159	201	79
October-December	139	192	73

1/ Arizona, California, Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.

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

Note.--Price data in the above table were converted to index numbers to avoid disclosure of individual company data.

Lost sales

Five U.S. producers supplied the Commission with information concerning instances in which they had to (1) lower prices to meet Korean prices or (2) lost sales to 9 customers because of imports from Korea. The staff was able to contact 3 of the 9 U.S. purchasers involved. All three purchasers indicated that their purchases of Korean nails have not increased in the past 4 years.

One U.S. producer, however, * * * located in * * *, reported to the Commission that--

> We did not reduce prices to meet Korean competition since we have no specific knowledge of any jobber in our market area purchasing Korean nails. We are not aware of lost sales attributed to Korean nails.

Cyclical nature of consumption

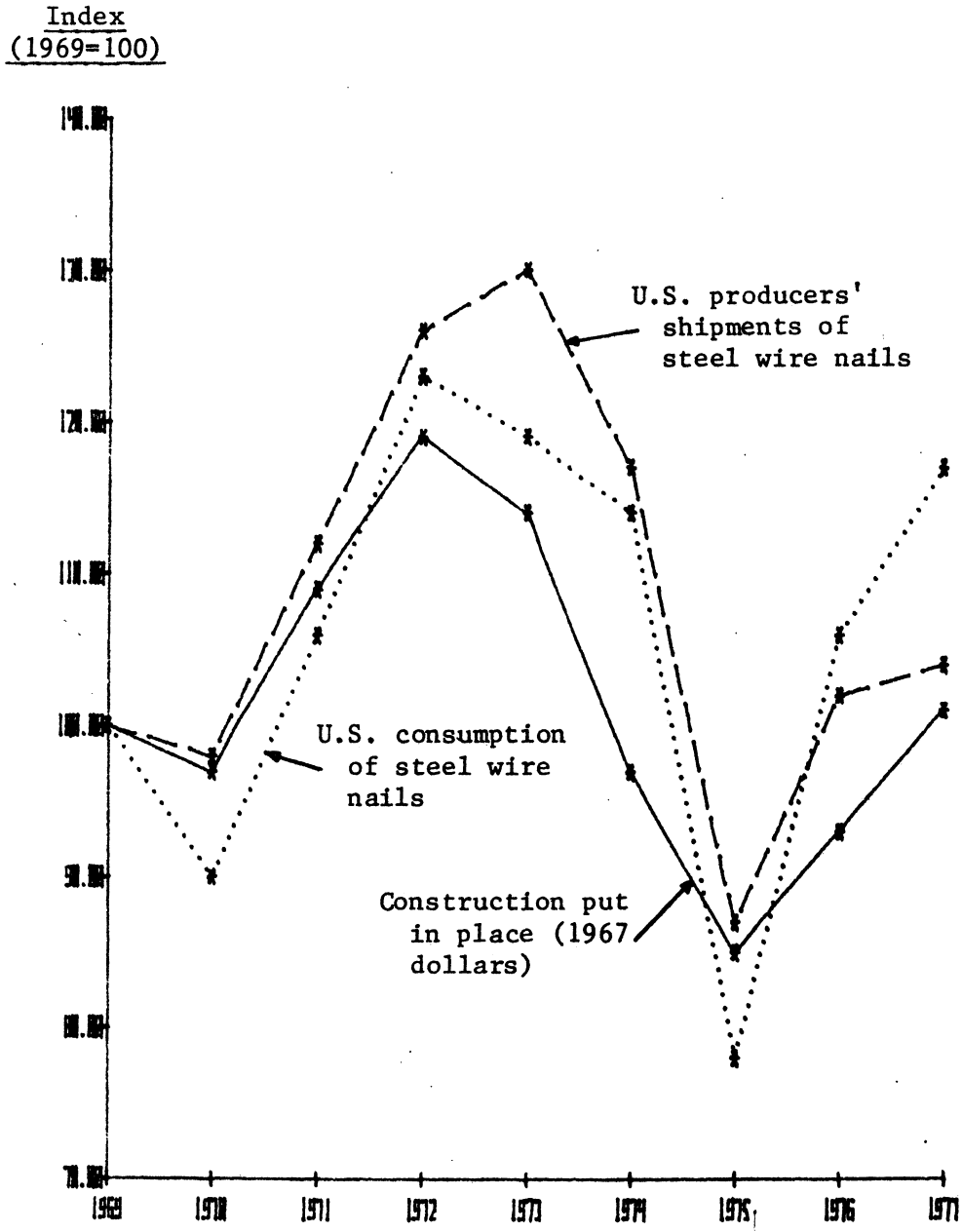
Consumption of steel wire nails is closely related to U.S. construction as shown in figure 6. U.S. producers' shipments generally followed consumption until 1976 when the impact of increasing imports can be seen. The indexes used in figure 6 are listed in the following tabulation:

(1967=100)

Year	Construction put in place (1967 dollars)	U.S. producers' shipments of steel wire nails	U.S. consumption of steel wire nails
1969	100	100	100
1970	97	98	90
1971	109	112	106
1972	119	126	123
1973	114	130	119
1974	97	117	114
1975	85	87	78
1976	93	102	106
1977	101	101	116

Note.--Indexes for shipments and consumption are based on quantity, and index for construction put in place is in constant dollars.

Figure 6.--Indexes of construction put in place, U.S. producers' shipments of steel wire nails, and U.S. consumption of steel wire nails, 1969-77



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

APPENDIX A

TREASURY'S LETTER OF NOTICE TO THE COMMISSION

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

APR 15 1979

Dear Mr. Chairman:

In accordance with section 201(c) of the Antidumping Act of 1921, as amended, an antidumping investigation is being initiated with respect to certain steel wire nails from Korea. Pursuant to section 201(c)(2) of the Act, you are hereby advised that the information developed during our preliminary investigation has led me to the conclusion that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States.

The bases for my determination are summarized in the attached copy of the Antidumping Proceeding Notice in this case. Additional information will be provided by the U.S. Customs Service.

Some of the information involved in this case is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the information provided for its investigation to be for the official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.

Sincerely,

Robert H. Mundheim

The Honorable
Joseph Parker
Chairman, International
Trade Commission
Washington, D.C. 20436

Enclosure

APPENDIX B

NOTICE OF THE COMMISSION'S INVESTIGATION AND HEARING

INTERNATIONAL TRADE COMMISSION

Certain Steel Wire Nails from Korea; Inquiry and Hearing

The United States International Trade Commission (Commission) received advice from the Treasury Department (Treasury) on April 17, 1979, that, during the course of determining whether to institute an investigation with respect to certain steel wire nails from Korea in accordance with section 201(c) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(c)), Treasury had concluded from the information developed during its preliminary investigation that there is substantial doubt that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of this merchandise into the United States. Therefore, the Commission on April 20, 1979, instituted inquiry No. AA1921-Inq.-28, under section 201(c)(2) of that act, to determine whether there is no reasonable indication that an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of steel wire brads, nails, spikes, staples, and tacks of one-piece construction which are (1) under 1 inch in length and under 0.065 inch in diameter, or (2) which are 1 inch or more in length and 0.065 inch or more in diameter, provided for in item numbers 646.25 and 646.26, respectively, of the Tariff Schedules of the United States.

The Treasury advised the Commission as follows:

The General Counsel of the Treasury,
Washington, D.C., April 13, 1979.

Dear Mr. Chairman: In accordance with section 201(c) of the Antidumping Act of 1921, as amended, an antidumping investigation is being initiated with respect to certain steel wire nails from Korea. Pursuant to section 201(c)(2) of the Act, you are hereby advised that the information developed during our preliminary investigation has led me to the conclusion that there is substantial doubt that an industry in the United States is being, or is likely to be, injured by reason of the importation of this merchandise into the United States.

The bases for my determination are summarized in the attached copy of the Antidumping Proceeding Notice in this case. Additional information will be provided by the U.S. Customs Service.

Some of the information involved in this case is regarded by Treasury to be of a confidential nature. It is therefore requested that the Commission consider all the information provided for its investigation to be for the official use of the ITC only, not to be disclosed to others without prior clearance from the Treasury Department.

Sincerely,

Robert H. Mundheim.

The Honorable Joseph Parker,
Chairman, International Trade Commission, Washington, D.C. 20436.

Enclosure.

Hearing. A public hearing in connection with the inquiry will be held in Washington, D.C. on Friday, May 4, 1979, at 10:00 a.m., e.d.t. The hearing will be held in the Hearing Room, United States International Trade Commission Building, 701 E Street, NW., Washington, D.C. All parties will be given an opportunity to be present, to produce evidence, and to be heard at such hearing. Requests to appear at the public hearing should be received in writing in the office of the Secretary to the Commission not later than noon Thursday, May 3, 1979.

Written statements. Interested parties may submit statements in writing in lieu of, and in addition to, appearing at the public hearing. A signed original and nineteen true copies of such statements should be submitted. To be assured of their being given due consideration by the Commission, such statements should be received not later than Wednesday, May 9, 1979.

By order of the Commission.

Issued: April 23, 1979

Kenneth R. Mason,
Secretary.

[AA1921-Inq.-28]

[FR Doc. 79-12834 Filed 4-25-79; 8:45 am]
BILLING CODE 7020-02-M

APPENDIX C

TREASURY'S FEDERAL REGISTER NOTICE

Certain Steel Wire Nails From the Republic of Korea; Antidumping Proceeding Notice

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that, pursuant to information developed under the "Trigger Price Mechanism" for certain steel mill products, an antidumping investigation is being initiated for the purpose of determining whether imports of certain steel wire nails from the Republic of Korea are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. There is substantial doubt that imports of the subject merchandise are causing, or are likely to cause, injury to an industry in the United States. Therefore, the case is being referred to the U.S. International Trade Commission for a determination on the injury question.

EFFECTIVE DATE: April 20, 1979.

FOR FURTHER INFORMATION CONTACT: Holly A. Kuga, Operations Officer, Duty Assessment Division, U.S. Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On December 6, 1977, the President approved implementation by the Treasury Department of a "Trigger Price Mechanism" ("TPM") applicable to importations of certain steel mill products. As stated in the **Federal Register** of December 30, 1977 (42 FR 65214), the TPM consists of four major parts: (1) the establishment of trigger prices for steel mill products imported into the United States; (2) the use of a Special Summary Steel Invoice ("SSSI") applicable to imports of all steel mill products; (3) the continuous collection and analysis of data concerning (a) the cost of production and prices of steel mill products exported to the United States, and (b) the condition of the domestic steel industry; and (4) where appropriate, the expedited initiation and disposition of proceedings under the Antidumping Act of 1921 with respect to imports below the Trigger Prices.

The Trigger Price Mechanism is a monitoring device established by the Treasury Department to determine if basic steel mill products may be sold to the United States at less than fair value. Actual C.I.F. transaction prices on sales to the United States are compared to trigger prices established by the Treasury Department. Prices below the trigger prices are considered to represent potential sales at less than fair value since trigger prices reflect the estimated cost of production of the world's most efficient steel industry.

Analysis of information developed from the SSSI's submitted by importers of the subject merchandise indicates that shipments of steel wire nails from a number of firms in the Republic of Korea have been entering the United States at prices below the applicable "trigger prices". Such information indicates the possibility that the subject steel wire nails are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended (19 U.S.C. 160 *et seq.*). Of the 33 companies shipping steel wire nails to the United States, 22 companies were determined to have shipped quantities of steel wire nails below the applicable "trigger prices". Certain companies known to sell nails to the U.S. but which did not sell below trigger prices in the relevant period are listed below. These companies are excluded from the present investigation:

Blobcar Ltd., Dae Bong Industrial, Daeger Trading Co., Daewo Industrial, Dong-A-Nails Company, Jesse Industries.

Kang Wan Industries, Lee Chun Steel Co., Ltd., Pacific Chemical Co., Sunkyong, Ltd., Tong Myung Industries.

For purposes of this notice, the term "steel wire nails" refers to nails, brads, staples and tacks of one piece construction provided for in item numbers 646.25, 646.26, 646.27, 646.28, 646.29, and 646.30 of the Tariff Schedules of the United States (TSUS).

Customs' information indicates margins of dumping up to approximately 9 percent based upon comparisons between the export prices to the U.S. and the prices in the Republic of Korea, with deductions, where appropriate, for packing, foreign inland freight, ocean freight, and handling charges.

In the administration of the TPM, information has also been developed regarding the cost of producing the steel wire nails in question in Japan, which is regarded as the most efficient steel industry in the world. A comparison of the Korean home market price data with these costs indicates the possibility that significant sales of nails are being made in Korea at prices below their cost of production. Therefore, information will be requested from the Korean manufacturers subject to the investigation regarding their costs of producing the nails in question.

In establishing and administering the TPM, evidence has been developed concerning injury or the likelihood of injury to the United States steel industry from sales of foreign steel at less than fair value. In the period 1975–1977 imports of steel wire nails from all sources increased from 42 percent of apparent consumption to approximately 55 percent. Data for 1978 indicates that the market share held by imports increased slightly to 55.5 percent. Imports from Korea have been increasing their share of the U.S. market at an even faster rate over the period, from 4 percent in 1975 to 12 percent in 1977 and approximately 14.2 percent in 1978. From 1977 to 1978, Korean nail imports increased their share of total imports from 21.3 percent to 25.5 percent. While total nail imports increased approximately 7.0 percent from 1977 to 1978, Korean nail imports increased approximately 28.0 percent. There is some indication that the bulk of the nails imported from Korea are concentrated in the Western U.S. market.

However, in its "Determination of No Injury or Likelihood Thereof" regarding Certain Steel Wire Nails from Canada, published in the **Federal Register** of February 7, 1979 (44 FR 7840), the United States International Trade Commission (ITC) announced by unanimous vote that there was no injury or likelihood of injury to the U.S. steel wire nail industry by reason of "less than fair value" sales of nails from Canada. While this investigation focused specifically on the impact of LTFV sales from Canada on the domestic nail industry, the ITC concluded "since the recession of 1975, * * * there is little indication of injury to a domestic industry". A-50

Data developed in the ITC investigation revealed that domestic production, consumption, capacity

utilization, price levels and employment increased each year from 1975 through 1977, and in the first three quarters of 1978 compared to the same period in 1977. Over the same period, domestic inventory levels declined.

The ITC report also revealed significant expansions in domestic production capacity being undertaken with seven new manufacturing facilities opening or to be opened in the 1977–1979 period. These facilities represent $15 million in capital equipment, 80,000 tons of new nail capacity and jobs for 450 workers. These favorable trends are occurring at the same time as total imports, and particularly the alleged less than fair value imports from Korea, have been increasing.

In light of the information regarding the conditions in the U.S. domestic nail industry cited above, it has been concluded that there is substantial doubt of injury or likelihood of injury to an industry in the United States by reason of imports of such merchandise from Korea. Accordingly, the U.S. International Trade Commission is being advised of such doubt pursuant to section 201(c)(2) of the Act (19 U.S.C. 160(c)(2)).

Having conducted a summary investigation as required by § 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value. Should the International Trade Commission, within 30 days of receipt of the advice cited in the preceding paragraph advise the Secretary that there is no reasonable indication that an industry in the United States is being, or is likely to be, injured by reason of the importation of such merchandise into the United States, the Department will publish promptly in the **Federal Register** a notice terminating the investigation. Otherwise the investigation will continue to conclusion.

Standard questionnaires will be promptly presented by the Customs Service to all appropriate parties. Responses to those secions of the questionnaire relating primarily to price data (sections A–C) must be received by the Customs Service within 4 weeks from the date of presentation, but in no case more than 5 weeks after the date of publication of this notice in the **Federal Register**. Responses to that section of the questionnaire relating primarily to cost of production data (section D) must be received by the Customs Service within 6 weeks from the date of presentation, but in no case more than 7 weeks after the date of publication in the **Federal Register**. Any responses received after the above-cited deadlines will not be considered by the Secretary in making the Tentative Determination and may not be used in making the Final Determination.

All information submitted during the investigation for which confidential treatment is requested must be accompanied (unless § 153.22(a)(2) of the Customs Regulations is applicable) by a full and descriptive nonconfidential summary in accordance with § 153.22 of the Customs Regulations (19 CFR 153.22). All information or portions of confidential submissions which are not adequately summarized will not be considered by the Secretary in determining the question of sales at less than fair value.

This notice is published pursuant to § 153.30 of the Customs Regulations (19 CFR 153.30).

April 13, 1979.

Robert H. Mundheim,

General Counsel of the Treasury.

[FR Doc. 79-12331 Filed 4-9-79; 8:45 am]

BILLING CODE 12331-M

APPENDIX D

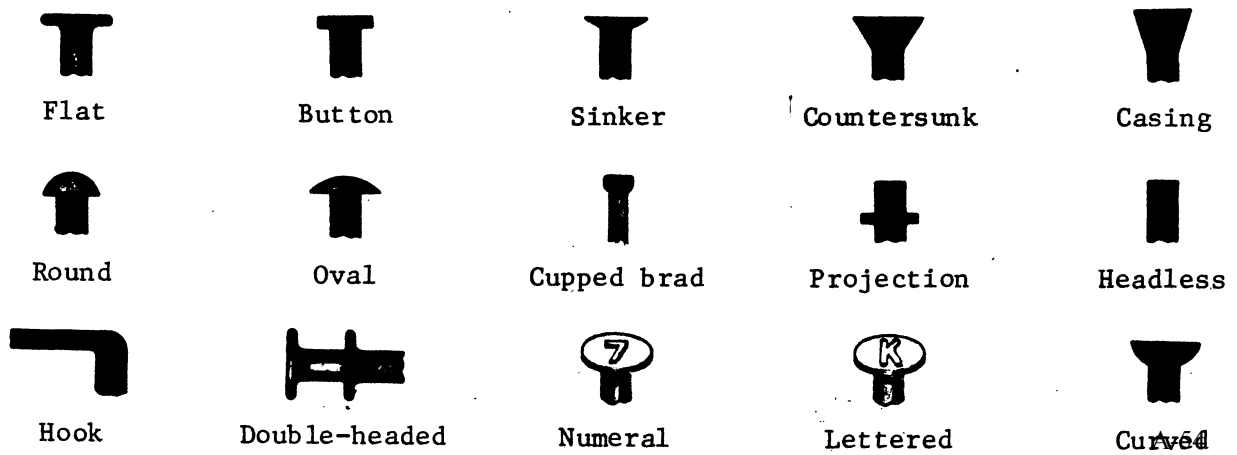
DETAILED DESCRIPTION OF STEEL WIRE NAILS

DETAILED DESCRIPTION OF STEEL WIRE NAILS

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

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

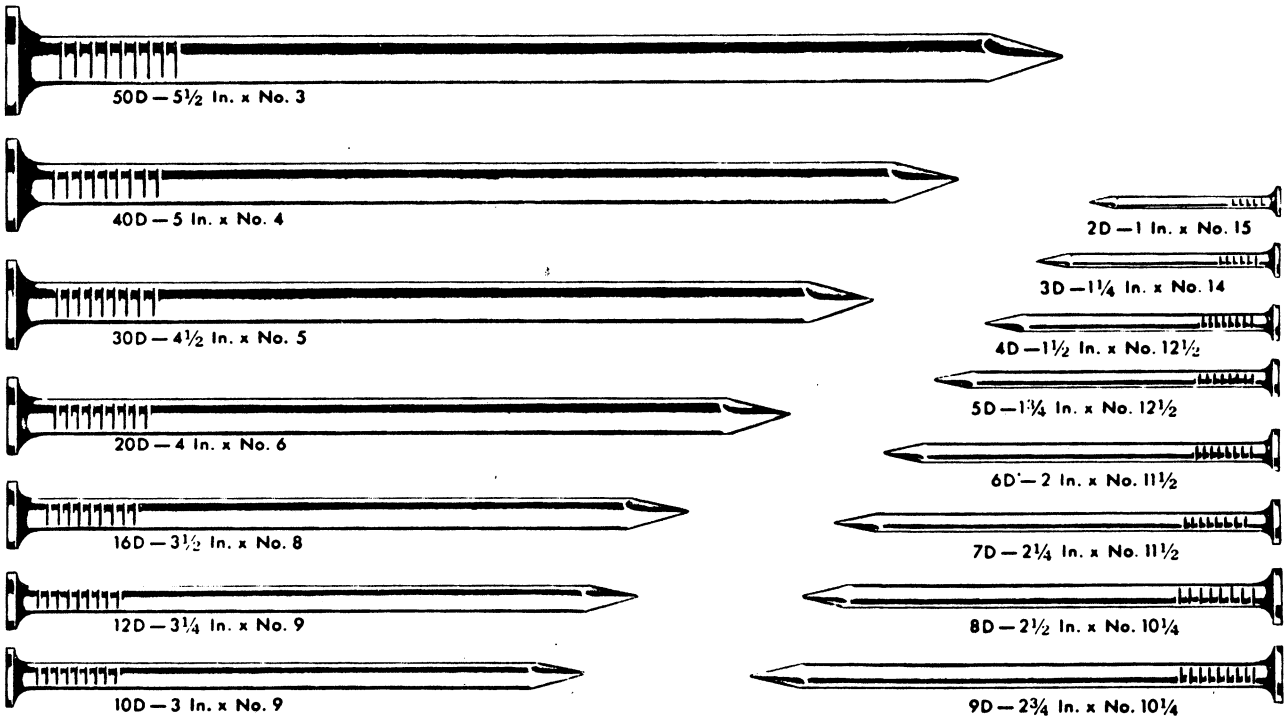
Figure D-1.--Types of nail heads



Source: Sales brochure of Independent Nail, Inc.

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

Figure D-2.--Nail sizes, by "penny" (d) designation (length and wire gage)

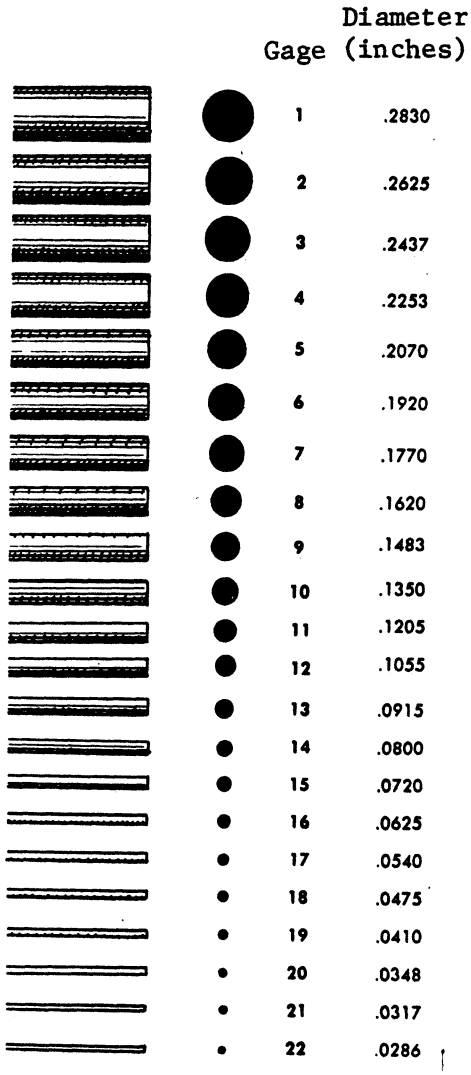


Source: Sales brochure of Republic Steel Corp.

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

gage) and type of head. Gage is also generally standardized for specific-penny nails as indicated in figure D-2, but customers may specify non-standard gages with most suppliers. A listing of gage sizes is presented in figure D-3.

Figure D-3.--Wire gage sizes, by gage number and diameter

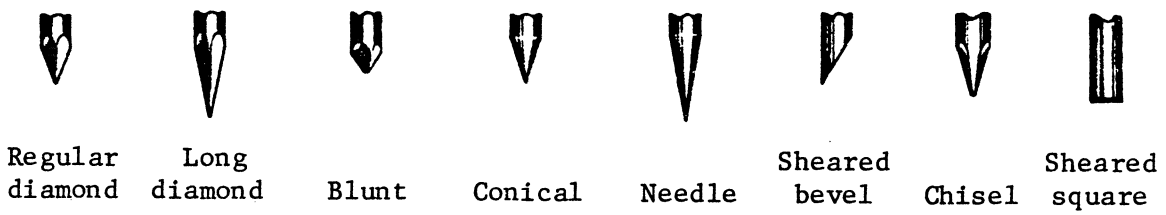


Source: Sales brochure of The Hillwood Manufacturing Co.

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

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

Figure D-4.--Types of nail points



Source: Sales brochure of Independent Nail, Inc.

and are principally used on larger nails. Needle and conical points are largely used in applications where fast hand nailing is required. Nails with these points are easily started with a light tap of the hammer or even by hand. Other points designed for special uses include side points, duck-bill points, sheared bevel points, and sheared square points.