

# **CERTAIN STEEL WIRE NAILS FROM THE REPUBLIC OF KOREA**

**Determination of the Commission  
in Investigation No. 731-TA-26  
(Final) Under the Tariff Act  
of 1930, Together With the  
Information Obtained in the  
Investigation**

**USITC PUBLICATION 1088**

**AUGUST 1980**



# UNITED STATES INTERNATIONAL TRADE COMMISSION

## COMMISSIONERS

Bill Alberger, Chairman  
Michael J. Calhoun, Vice Chairman  
George M. Moore  
Catherine Bedell  
Paula Stern

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Kenneth R. Mason, Secretary to the Commission

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This report was prepared by:

Edmond J. Power  
Judith Case  
Chandrakant G. Mehta  
James T. Tsao  
Phyllis N. Smithey, Attorney-Advisor  
Abigail Eltzroth

---

Lynn Featherstone, Supervisory Investigator

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

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

CERTAIN STEEL WIRE NAILS FROM KOREA

731-TA-26 (FINAL)

AGENCY: United States International Trade Commission

ACTION: Institution of a Final Antidumping Investigation

SUMMARY: As a result of the affirmative final determination on May 19, 1980, by the International Trade Administration, United States Department of Commerce, that certain steel wire nails provided for in item numbers 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS) from certain Korean companies are being sold in the United States at less than fair value, within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission (hereinafter "the Commission") hereby gives notice of the institution of investigation No. 731-TA-26 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. For purposes of this investigation, the term "steel wire nails" refers to nails, brads, spikes, staples and tacks of one-piece construction which are made of round steel wire and which enter the United States under item numbers 646.25 and 646.26 of the TSUS. The Commission's investigation encompasses imports of nails as defined above from Korea produced by all firms except those specifically excluded by the Department of Commerce. The excluded firms are Blobcar, Ltd., Dae Bong Industrial, Daeger Trading Co., Daewo Industrial, Dong-A-Nails Co., Jesse Industries, Kang Wan Industries, Lee Chun Steel Co., Ltd., Pacific Chemical Co., Sunkyong, Ltd., and Tong Myung Industries, which were found not to be selling below the applicable trigger price; Daegu Moolsan Co., Ltd., Dae Han Sang Sa Co., Ltd., Jin Heung Iron and Steel Co., Korea Nail Manufacturing Co., Ltd., New Korea Nails Ind., Co., Ltd., and Young Sin Metal Industrial Co., Ltd., which were found not to be selling at less than fair value or found to be selling at less than fair value in de minimis amounts; and Korean nail manufacturers not exporting to the United States, either directly or indirectly, during the period May 1978-March 1979.

EFFECTIVE DATE: May 19, 1980.

FOR ADDITIONAL INFORMATION, CONTACT: Mr. Lynn Featherstone, Supervisory Investigator, Office of Operations, U.S. International Trade Commission, Room 344, 701 E Street, NW., Washington, D.C. 20436; telephone (202) 523-1376.

SUPPLEMENTARY INFORMATION: The provisions of the Trade Agreements Act of 1979 (P.L. 96-39, 93 Stat. 144) repealed the Antidumping Act of 1921 and replaced it with Subtitle B of Title VII of the Tariff Act of 1930 (19 U.S.C. 1673) (hereinafter "Title VII") effective on January 1, 1980. Before the effective date of Title VII, the Department of Treasury made, under the Antidumping Act of 1921, a tentative preliminary but not a final determination, that no imports of steel wire nails from Korea were being sold in the United States at less than fair value. Consequently, pursuant to transition rules set forth in section 102(b)(2) of the Trade Agreements Act of 1979, the investigation was terminated under the Antidumping Act of 1921 and now continues subject to the provisions of Title VII, as if the preliminary determination had been made under section 733 of that title on the effective date of Title VII.

Section 735(b)(1) of the Tariff Act requires the Commission to make a final injury determination where the administering authority has made an affirmative final determination pursuant to section 735(a) as to whether the merchandise which is the subject of the investigation is being or is likely to be, sold in the United States at less than fair value.

Inasmuch as the preliminary determination by the administering authority was negative and its final determination was affirmative, section 735(b)(3) requires the Commission to make its final injury determination within seventy-five (75) days after the date of the affirmative final less-than-fair-value-sale determination.

This investigation will be conducted according to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457)<sub>2</sub> Subpart C, effective January 1, 1980.



WRITTEN SUBMISSION: Any person may submit a written statement of information pertinent to the subject of this investigation. A signed original and nineteen (19) true copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, on or before July 15, 1980.

Any submission of business information for which confidential treatment is desired shall be submitted separately from other documents. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

All written submissions, except for confidential business data, will be available for inspection by interested persons at the Office of the Secretary in Washington, D.C., and at the Commission's New York Office, 6 World Trade Center, New York, N.Y. 10048.

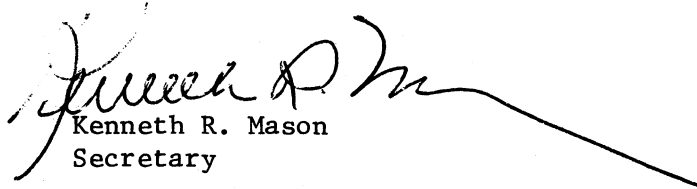
A staff report containing preliminary findings of fact will be available to all interested parties on June 17, 1980.

HEARING: The Commission will hold a public hearing in connection with this investigation on July 9, 1980. The proceedings will be conducted in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, and will begin at 10:00 a.m., e.d.t. Parties desiring to appear at the hearing should notify the Office of the Secretary not later than five (5) business days prior to the date of the hearing. In addition, all hearing participants must file written prehearing statements in conformity with section 207.22 of the Commissions Rules of Practice and Procedure (19 CFR 207.22) on or before July 3, 1980.

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules<sup>3</sup> of Practice and Procedure, Part 207, Subpart C (19 CFR 207), and Part 201,

Subparts A through E (19 CFR 201). This notice is published pursuant to section 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, 44 F.R. 76458).

By order of the Commission.



Kenneth R. Mason  
Secretary

Issued: June 5, 1980

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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.

[731-TA-26 (Final)]

CERTAIN STEEL WIRE NAILS FROM KOREA

Determination

On the basis of the record 1/ developed in this investigation, the Commission 2/ determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)), that an industry in the United States is not materially injured and is not threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports of certain steel wire nails from Korea, provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States, which are covered by the U.S. Department of Commerce determination of sales at less than fair value (LTFV).

Background

The Commission instituted this investigation effective May 19, 1980, following receipt of notice by the Department of Commerce that certain steel wire nails from Korea are being sold at LTFV. Notice of the institution of the Commission's investigation and of the hearing to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and in the Commission's New York City Office, located at 6 World Trade Center, and by publishing the notice in the Federal Register on May 23, 1980 (45 F.R. 34941).

The hearing was held in Washington, D.C., on July 9 and 10, 1980, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

2/ Commissioners Moore and Bedell dissenting.





VIEWS OF CHAIRMAN BILL ALBERGER, VICE CHAIRMAN MICHAEL J. CALHOUN,  
AND COMMISSIONER PAULA STERN

On the basis of the record developed in investigation number 731-TA-26 (Final), we determine pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d), that an industry in the United States is not materially injured or threatened with material injury, nor is the establishment of an industry materially retarded 1/ by reason of imports of nails from the Republic of Korea, which are covered by the U.S. Department of Commerce's determination of sales at less than fair value. 2/

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1/ Since there is an established domestic industry, the question of material retardation of the establishment of an industry is not at issue.

2/ This case comes before us as a result of a final affirmative determination of less than fair value sales by the Department of Commerce. On December 6, 1977, the President approved implementation by the Department of the Treasury of the Trigger Price Mechanism to monitor import prices of steel mill products. (The TPM was suspended in March 1980 in response to the filing of antidumping petitions by U.S. Steel Corporation relating to certain carbon steel products from European countries.) Production costs of steel mill products in Japan formed the basis of the trigger prices because Japan is considered to be the most efficient producer in the world. Imports priced below those prices were viewed as potential sales at less than fair value and when substantial quantities of such steel mill products entered the United States, an antidumping investigation could be "triggered" by the Department of the Treasury on its own motion. The Department's trigger price investigation of U.S. imports of certain steel wire nails from the Republic of 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 its investigation, the Department of the Treasury determined that 22 of these Korean companies shipped quantities of steel wire nails below the applicable trigger prices. Accordingly, on April 20, 1979, the Department of Treasury initiated an antidumping investigation, excluding the 11 companies not found to be selling below the trigger price. (On January 2, 1980, under the authority

(Continued)

### Domestic Industry

To begin an analysis of the impact on a domestic industry of imports sold in the United States at less than fair value, the Commission must first define the relevant industry. As a general rule, the term "industry" is defined in section 771(4)(A) of the Trade Agreements Act of 1979 (hereinafter referred to as the Trade Act), as,

[T]he domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.

The term "like product" is defined in section 771(10) as,

[A] product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation.

(cont'd). - of the Government Reorganization Act (Reorganization Plan #3), the Department of Commerce succeeded to the authority of the Department of the Treasury in this matter.) The Department of Commerce investigation of U.S. imports of certain steel wire nails from the Republic of Korea covered the 4-month period from December 1, 1978 through March 31, 1979. This investigation included 12 of the 22 Korean producers mentioned above which accounted for 73 percent by value of nails imported into the United States from the Republic of Korea during the period of investigation. Fair value comparisons were made on approximately 64 percent by value of all nails shipped from the Republic of Korea to the United States during the period of investigation. As a result of these comparisons, two companies were found to have no margins and four companies had de minimus margins. These six companies were found not to be selling below fair value.

In addition, the Department of Commerce determined that some of the 11 firms originally excluded from the investigation may be trading companies which might be subject to the possible imposition of antidumping duties to the extent that the nails they exported were manufactured by firms found to have made sales at LTFV. Furthermore, other Korean manufacturers that exported to the United States during May 1978 through March 1979 would also be subject to any antidumping order resulting from an affirmative finding.

Thus, the starting point for an analysis of the relevant industry is the proper identification of the imported article subject to the investigation and the proper identification of the "like product."

The Department of Commerce determination of less-than-fair-value sales covers those articles entering the United States under items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS), which includes brads, nails, spikes, staples, and tacks of one-piece construction, made of round steel wire. TSUS item 646.25 provides for these articles which are under 1-inch in length and less than 0.065 inches in diameter. Item 646.26 provides for these articles which are 1-inch or more in length and 0.065 inches or more in diameter.

While the technical scope of the Department of Commerce determination covers more than nails, the Department found LTFV sales only with respect to certain steel wire nails. Those items actually found to be entering at LTFV are electro-galvanized nails which account for 52.8 percent of LTFV imports; bright nails which account for 14.8 percent; phosphate coated nails which account for 10.2 percent; vinyl coated nails, 10.1 percent; cement coated nails, 8.8 percent; hot dipped galvanized nails, 1.5 percent; blued nails, 1.4 percent; and miscellaneous nails, 0.4 percent. As a result, these nails are the articles subject to the investigation and the subject of our determination. For the most part,

the imported nails in question are distinguishable from each other by their coatings and the consequent specialized uses which their coatings permit. The one exception is bright nails, which are not coated but are processed to give them a clean, smooth surface. 1/

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1/ Nails are galvanized with a zinc coating to prevent rust and corrosion. Two methods are commonly used to galvanize nails: electro-galvanizing and hot-galvanizing. Electro-galvanized nails are coated with a pure coating of zinc of a controlled thickness, attainable because of the electrical coating process. Hot-galvanized nails are coated with zinc by dipping them, which results in a thicker layer of zinc, presumably affording greater resistance to rust and corrosion. In the hearing, there was debate about the comparative advantages of the two processes for galvanizing nails. Evidence collected during the investigation indicates, however, that nails galvanized by one process perform as well as those galvanized by the other process in certain circumstances.

Phosphate coated nails are covered with a layer of phosphorous, which makes them easier to drive. They are used for dry-wall construction. Green-vinyl nails are coated with a poly-vinyl chloride lacquer, which makes the nails easier to drive and promotes a greater adherence to the wood. Cement coating is a process whereby nails are dipped in a resin mixture. The heat generated when this nail is driven into wood causes the cement coating to fuse, which thereby forms a bond with the wood. And, finally, blued nails are annealed and are preferred by some carpenters for sanitary reasons.

Approximately fifty domestic firms produce steel wire nails which include nails that are like the LTFV imports. In 1979, electro-galvanized nails accounted for 1.1 percent of domestic production of steel wire nails; bright nails accounted for 44.3 percent; cement coated nails for 20.9 percent; and hot galvanized for 25.1 percent. Phosphate coated, vinyl coated, blued, and other miscellaneous nails accounted for the remaining 8.5 percent of production.

There are two general types of domestic producers of steel wire nails: large integrated companies that make steel rod, draw it into wire, and then make nails from the wire and smaller, non-integrated firms that make nails from purchased steel rod or wire. Eight known integrated firms accounted for about two-thirds of total production in 1977.

It is our view that there are seven domestic like products, which, for all practical purposes, are identical to the seven imported articles described above. We also find that since at least one type of these specific nails is produced by every domestic steel wire nail producer, the domestic industry, that is "the domestic producers as a whole of a like product," is comprised of all producers of steel wire nails.

In certain circumstances, the general definition of industry in section 771(4)(A) can be superseded to allow producers of the like product located within a particular geographical area to be treated as

a distinct industry. This modification of the general definition of industry is provided for in section 771(4)(C), which states in relevant part:

(C) REGIONAL INDUSTRIES.-In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if-

(i) the producers within such market sell all or almost all of their production of the like product in question in that market, and

(ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

In this case, domestic producers of steel wire nails in the 10 western states of Arizona, California, Colorado, Idaho, Nevada, Montana, Oregon, Utah, Washington and Wyoming have argued for treatment as an industry under section 771(4)(C). We find that the two requirements for qualifying as a regional industry are met by the steel wire nail producers in these states. First, section 771(4)(C)(i) requires that producers within the regional market must sell all or almost all of their production of the subject like product in that market. The staff estimates that in 1979 shipments made by western regional producers to customers within the region accounted for more than 80 percent of all nail shipments for those producers. Because of high transportation costs, most shipments of steel wire nails in the United States are made to customers located within 500 miles of the plant. Second, section 771(4)(C)(ii) requires that regional demand must not be supplied to any substantial degree by producers of steel wire nails located in other parts of the country. Evidence on the record indicates

that shipments of nails into the western region by producers located outside the region was about 1.5 percent of western consumption in 1979.

Establishing that producers in the western states have met the two statutory criteria for qualifying as a regional industry does not necessarily lead to the treatment of these producers as a regional industry. Treatment under section 771(4)(C) is a discretionary matter for the Commission to decide as this section provides for such treatment "in appropriate circumstances." Virtually no guidance is given the Commission in deciding when "appropriate circumstances" exist which warrant the treatment of regional producers as a separate industry. There is no instruction within the statute nor any implicit standard on the face of the statute. Moreover, both the legislative history and the Statements of Administrative Action are silent on this question. Therefore, it would seem the Commission has broad discretion in exercising this permissive authority. In viewing the statute as a whole, we view at least two considerations to be implicit in the notion of "appropriate circumstances": First, a particular region should account for a significant share of domestic consumption and production. Second, the condition of producers of the like product in the region should be worse than that of the industry at large.

The first consideration prevents imposition of duties on imports sold in the entire national market when their negative impact is limited to a very small segment of that market. The second consideration recognizes the appropriateness of focusing on a regional industry only where a smaller group of producers is suffering more than all producers as a whole.

With regard to the first consideration, evidence in this investigation reveals that producers in these 10 states account for approximately 20 percent of the domestic production of steel wire nails and that the region accounts for about 20 percent of total domestic consumption. Regarding the second consideration, while the domestic industry as a whole is experiencing a downward trend, producers in the 10 western states are experiencing a sharper decline. The western region's profitability is substantially lower than that of the industry as a whole. The ratio of less-than-fair-value imports to domestic consumption was significantly greater in the 10 western states. Furthermore, the level of inventories of producers in these states has been considerably higher than the level of producers' inventories within the entire industry.

Therefore, it is our view that appropriate circumstances exist for treating producers of steel wire nails in the 10 western states as a separate regional industry pursuant to section 771(4)(C). Indeed, in view of the facts, treatment under section 771(4)(C) provides the domestic industry its best case for relief.



While the matter of import concentration is treated in the context of material injury under section 771(4)(C) of the Trade Act, we shall address it here because, as a practical matter, it operates as a further consideration elucidating our treatment of a regional industry in this investigation. 1/ The data obtained in this investigation indicate that approximately 43 percent of the LTFV imports entered the United States through this region. We must, therefore, determine whether 43 percent should be considered a concentration of such imports within the meaning of the statute.

In Carbon Steel Plate from Taiwan, which was considered under a different law containing a similar provision, Vice Chairman Alberger and Commissioner Stern stated:

[B]ecause cases before the Commission are likely to involve different factual circumstances, a precise mathematical formula will not always be reliable in determining the minimum percentage which constitutes sufficient concentration. 2/

There may be instances in which shipments of less than 50 percent may be considered a concentration of the subsidized or dumped imports within the region. In our view, this investigation is such a case.

The legislative history indicates that concentration can be found to exist where the ratio of the LTFV imports to consumption is clearly higher in the regional market than in the rest of the U.S. markets. 3/ Although we do not have sufficient data to determine the approximate shares of U.S. consumption which the other regional markets represent, the record indicates that the western region constitutes only 20 percent of total U.S. consumption, although 43 percent of the Korean LTFV imports

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1/ Vice Chairman Calhoun, while concurring in the analysis, believes it inappropriate to view the notion of concentration as a factor bearing on a finding of regional injury. In his view, section 771(4)(C) establishes concentration as a factor bearing solely on the question of whether there is material injury to a regional industry.

2/ See USITC Publication 970, May 1979, Determination of Injury in 11 Investigation No. AA1921-197 Under the Antidumping Act, 1921, As Amended, at pp. 22-23.

3/ See S. Report No. 96-249, 96th Cong., 1st Session, at p. 83 and H. Report No. 96-317, 96th Cong., 1st Session, at p. 72.

enter there. It might seem that the greatly disproportionate share of imports in this region is a function of a statistical aberration caused by the fact that a large portion of the LTFV imports enter this country through ports on the West Coast. However, as we have noted earlier, because of the high cost of land transportation associated with shipping steel wire nails, nails tend to be distributed within a 500 mile radius. Thus, it would appear that the overwhelming majority of steel wire nails entering the West Coast ports are actually sold within the ten western states under consideration.

Therefore, since the volume of dumped imports amounts to twice what could be expected if such imports were to be distributed evenly nationwide, we find that there is a concentration of the LTFV imports in the western regional market.

#### Material injury

Section 735(b) of the Tariff Act of 1930 provides for a Commission final determination as to material injury or threat thereof. Under section 771(7)(B), in making such a final determination,

[T]he Commission shall consider, among other factors--

- (i) the volume of imports of the merchandise which is the subject of the investigation,
- (ii) the effect of imports of that merchandise on prices in the United States for like products, and
- (iii) the impact of imports of such merchandise on domestic producers of like products.

In addition, section 771(4)(D), directs the Commission to assess the effect of subsidized imports in relation to the domestic production of a like product,

[I]f available data permit the separate identification of production in terms of such criteria as production process or the producers' profits.

If this is not possible, then,

[T]he effect of the...dumped imports shall be assessed by the examination of the production of the narrowest group or range of products, which includes a like product, for which the necessary information can be provided.

Furthermore, since we have found that producers in the ten western states should be treated as a regional industry, section 771(4)(C) adds the further requirement that material injury, or threat of material injury, to that region can only be found where such injury is experienced by "the producers of all or almost all of the production within that market." 1/

In the unanimous preliminary determination in this case, the Commission found a "reasonable indication of injury." 2/ In that case there were four factors which pointed to the possibility of injury and which required particular attention in the final investigation. Those factors were price depression, market penetration, shipments, and profits, particularly in the western states.

Pricing information shows that the average net selling prices for nails from Korean companies found to be selling at LTFV 3/ were generally lower during the period of investigation than those of the comparable U.S.-produced nails. However, the price of both imported and domestically produced nails

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1/ Vice Chairman Calhoun feels section 771(4)(C) adds concentration as a second requirement. See footnote 1 on page 11.

2/ Investigation No. AA1921-Inq.-26, Certain Steel Wire Nails from the Republic of Korea, May 1979. Vice Chairman Calhoun did not participate in the preliminary determination.

3/ The Department of Commerce investigation covered the four-month period from December 1, 1979 through March 31, 1979, and involved twelve of the 22 Korean producers found to be selling below trigger price. Another eleven companies had already been found not to be selling below trigger price. Of the twelve companies, six were found to be selling at less than fair value. The LTFV margins ranged from 1.3 to 11.5. Five of the six companies are located in the Masan free trade zone in Korea and constitute nearly all of the LTFV imports.

generally increased in the period 1978-79. The largest price differences were on the electro-galvanized and green-vinyl nails, which were not produced in any meaningful volume in the United States until 1979. Just under fifty-three percent of LTFV nails were electro-galvanized which are very costly to produce in the United States due to EPA regulations. 1/ The green-vinyl nails were another large import item and, although they were developed by a domestic company, the demand for them, particularly in the western states far exceeded domestic capacity to produce them at least until 1979. 2/ Thus, we do not find a causal relationship between the LTFV imports and any restraint on the upward movement of prices for nails .

There are also signs that the U.S. industry is undergoing some fundamental changes in its composition that have had an impact on pricing. Since 1976, six new non-integrated firms with improved productivity have entered the industry. The additional capacity of these plants, plus some capacity expansions in other firms, resulted in almost 60,000 tons of additional annual nail-producing capability (on a five-day operating basis) during 1977-79.

These new U.S. firms are aggressively seeking to gain market share by offering extensive product lines (which some integrated producers do not offer) and by adopting pricing strategies that in some cases do not cover costs of production. For example, a sales manager for two of the new U.S. firms stated at the public hearing that faced with current market conditions,

We had three choices: We could keep production up in order to hold on to our market share even if that meant selling at a loss; we could cut production in the hope of maintaining prices; or we could get out of the business. We chose to maintain production. With our substantial investment in new

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1/ Prehearing statement of Counsel for Armco Inc. and CF & I Steel Corporation, pg. 22.

2/ Domestic production is now increasing to meet this demand for green-vinyl nails.

plant equipment, we could not afford to sacrifice our market position and our skilled employees. We had to think of our future in the nail business, but obviously we cannot sustain these losses on an indefinite basis. 1/

Another of the new firms, Tree Island Steel Co., has adopted a marketing strategy of by-passing middlemen to offer end-users a more attractive price. 2/ The entry of these firms into the market and the overall decline in consumption in 1979 created a situation in which there was considerably more U.S. capacity than the market could absorb without a substantial drop in imports from all sources.

Profits generally declined both on a national and regional basis between 1977 and 1979. The total aggregate gross margin for all U.S. producers operating during 1977-79 fell from more than 8 percent in 1977 to 4.4 percent in 1979. In the western region, profits show an even sharper declining trend. However, much of this, on both a national and regional basis, can be attributed to the changes in the nail industry discussed above. New firms have entered the market since 1977, incurring significant start-up costs. At the same time, some of the older, less efficient firms have been going out of business due to their chronic noncompetitive position in the market which began well before the period that the domestic industry alleged injury.

U.S. consumption of nails, which is closely related to overall construction activity, rose each year since the 1975 recession until 1979 when an estimated decline of about 11 percent occurred. U.S. producers' shipments followed a similar trend increasing from 354,000 short tons in 1977 to 355,000 in 1978 before dropping to an estimated 348,000 tons in 1979. The impact of

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1/ Testimony of Mr. Ed Knapp, Sales Manager for Virginia Wire & Electric Co. and Florida Wire & Nail Co., Tr. p. 264.

2/ See Transcript, p. 198.

increasing import competition (from non-LTFV sources) can be seen, however, in the fact that the U.S. producers' share of the market declined from 58 percent in 1975 to 44 percent in 1978, before rising to an estimated 50 percent in 1979.

The most dramatic change in data from the preliminary affirmative case is in market penetration. The Department of Commerce finding of LTFV sales excludes 17 Korean firms, eleven of which were not selling below applicable trigger prices and 6 of which were specifically found not to be selling at LTFV. These 17 firms apparently account for the bulk of increases in imports from Korea, since data on the 5 largest producers, the Masan companies, show sharp declines since 1977, and questionnaire data show parallel declines for imports from Korea from other than the 17 excluded firms. These declines in imports began prior to the present investigation, and also prior to the initiation of trigger prices. The market penetration of LTFV imports declined by more than 50 percent both nationally and in the western states from 1977 to 1979. This decline seems to be continuing in 1980.

Further, the 14 customers contacted by the Commission and alleged to have purchased Korean imports in lieu of U.S. nails were unable to confirm that sales had in fact been lost specifically to imports from LTFV suppliers. We have therefore found no causal link between the condition of the industry and the LTFV imports.

There are other factors which indicate the relative stability of the nail industry in the United States. Production rose by 10 percent from 1977 to 1978 and remained constant in 1979. Inventories remained relatively stable between 1977 and 1979, but rose in the first quarter of 1980 resulting in part from the 1979 decline in consumption. Employment increased from 1,827 in 1977

to 1,882 in 1978. It fell to 1,867 in 1979; however, worker output per hour increased from 149 pounds in 1978 to 156 in 1979. Thus, while the number of workers decreased by 0.7 percent, worker productivity increased by 5 percent.

Many of the problems we have discussed in the nail industry are explained by the recession in the housing market. As noted, the consumption of steel wire nails is closely related to the construction industry. Statistics indicate that in the last decade (1969-79) the consumption of steel wire nails has followed the same cycle as construction, at least through 1976. During the period of decline in housing starts in 1979, the nail industry suffered a derivative period of decline affecting its profitability.

It was argued by counsel for the domestic producers that the substantial reduction in LTFV exports to the United States from the five Masan companies is merely a temporary and ill-disguised attempt to affect the outcome of this dumping case. They speculate that if the Commission "condones the Koreans tactic" 1/ it would open an immense loophole in the administration of the antidumping act. While we recognize that these firms may presently have excess capacity, we cannot determine, on the basis of pure conjecture, that this excess capacity will necessarily be directed at the United States upon the termination of this investigation. There must be some independent corroborating evidence before we can conclude that this withdrawal from the market has been done in bad faith. Moreover, the decline in LTFV imports began before the initiation of any antidumping proceedings, and plausible alternative causes in explanation of this decline were presented to the Commission at the hearing and in the written submissions of the respondents.

For these reasons, we determine that the U.S. industry is not materially injured or threatened with material injury by reason of LTFV imports from Korea.

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1/ Post-hearing brief of Tree Island Steel, Inc., July 15, 1980, pp. 7-10.

### Findings of Fact

Section 771(7)(B) of the Tariff Act of 1930 requires the Commission to consider (1) the volume of the subject imports, (2) their effect on the domestic price of the like product, and (3) their impact on the domestic producers of the like product. In section 771(7)(C), the act further specifies a series of economic factors that the Commission must include in these considerations. Our findings of fact on each of these factors follows:

#### A. Volume of imports

1. Imports from Korea increased from 1,500 tons, or less than 0.5 percent of imports in 1973, to 109,000 tons or 25 percent of imports in 1978. There was a corresponding decrease in Japan's share of imports due in part to the fact that there was a shift in Japanese-owned nail producing facilities from Japan to the Masan free trade zone in Korea. (See Report at p. A-29)

Imports into the western states from Korea increased from 0.5 percent of total Western imports in 1973 to 55 percent of imports in 1978. (See Report at p. A-31)

2. Imports from Korea decreased from 109,000 short tons in 1978 to 92,000 short tons in 1979, a drop of 16 percent. They show a further decrease of 20 percent during January-March 1980 when compared to the corresponding period in 1979. (See Report at p. A-29)

In 1979 imports from Korea into the western states decreased to 53 percent of total imports in that region. (See Report at p. A-31)

3. U.S. imports of nails from the 5 Masan companies 1/ declined from 51,000 tons in 1977, to 23,000 tons in 1979, representing a decrease of 55 percent. As a share of total imports from Korea, imports from the 5 Masan companies declined from 61 percent in 1977, to 25 percent in 1979.

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1/ These 5 firms accounted for nearly all imports found to be at LTFV.



Information on the first quarter of 1980 indicates another decline to 18 percent of total imports from Korea. (See Report at p. A-29)

Estimated imports from the five Masan companies into the western region declined from 19 percent of imports in 1977 to 11 percent in 1979. (See Report at p. A-31)

4. Imports from the 5 Masan companies declined from 6.9 percent of apparent U.S. consumption in 1977 to 3.4 percent of consumption in 1979. (See Report at p. A-29)

Import to consumption ratios in the western states for nails from the five Masan companies decreased to 7.1 percent in 1979. (See Report at p. A-31)

#### B. Effects of LTFV imports on U.S. prices

5. The average net selling prices for the four types of nails compared were lower for imports from LTFV suppliers than those of the comparable U.S.-produced nails on both a national and regional basis. However, the margins of underselling were the largest on those nails which were not produced in commercial quantities in the United States until 1979. (See Report at p. A-35)

6. The price of domestic nails rose during the period January 1978-March 1980 on both a national and regional basis; in the case of 16-penny bright common nails by as much as 20 percent. (See Report at p. A-34)

7. Several customers alleged to have purchased LTFV nails in lieu of U.S. nails indicated that the Korean nails they purchased were for the most part nails which were unavailable domestically. Although they indicated Korean imports were competitively priced, this was only one of several variables involved in their decision to purchase nails. In addition many indicated that some domestic nails are priced competitively with Korean nails. Many of these customers were located in the western region. (See Report at pp. A-44-48)

C. Impact on the affected industry

8. U.S. production rose by 10 percent between 1977 and 1978 and remained stable in 1979. (See Report at p. A-16) In the western states production increased to 60,000 tons in 1979. (See Report at p. A-16)

9. Employment increased from 1,827 in 1977 to 1,882 in 1978 and then dropped slightly to 1,867 in 1979. However, for this same time period, productivity increased from 142 pounds per hour in 1977 to 156 pounds per hour in 1979, an increase of 10 percent. (See Report at pp. A-22-23) Employment increased between 1977 and 1979 to 282 workers in the western states region. (See Report at p. A-23)

10. U.S. producers capacity to produce steel wire nails rose each year during 1977-79, whether considered on a national or a regional basis. The ratio of production to capacity declined from 1978 to 1979 because production did not increase while capacity rose by 6 percent. (See Report at p. A-17)

11. The ratio of gross profits to net sales declined between 1977 and 1979. This can be attributed in large part to the start-up costs of the several new producers that began operations in this period. (See Report at p. A-24) Gross profit information for the western states is confidential.

12. There have been nine new or expanded steel wire nail production facilities in the United States since 1976. Four of these new or expanded firms are located in the western region. (See Report at p. A-13)

13. Many of the financial problems of the nail industry can be attributed to the housing recession. (See Report at p. A-13)

14. U.S. producers' shipments increased between 1977 and 1978, but declined somewhat in 1979. (See Report at p. A-18) Shipments in the western states increased since 1977.

15. Apparent U.S. consumption increased from 739,000 short tons in 1977 to 759,000 short tons in 1978, but then declined sharply by 11 percent in 1979 to an estimated 675,000 short tons. Apparent consumption in the western region remained stable in the period January-March 1980 when compared with the same period 1980. (See Report at p. A-22)

16. Inventories remained stable in relation to production during 1977-79. (See Report at p. A-21)

17. There was insufficient data available to the Commission to enable us to analyze the factors cash flow, wages, ability to raise capital, and investments.

#### Conclusions of Law

1. A regional industry exists as defined by section 771(4)(C) of the Tariff Act of 1930 comprised of the producers of steel wire nails operating in the States of Arizona, California, Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.

2. The domestic industry producing steel wire nails, whether considered on a national or regional basis, is not being materially injured, and is not threatened with material injury, by reason of the imports of those nails from Korea which are covered by the LTFV determination of the U.S. Department of Commerce.



STATEMENT OF REASONS FOR THE AFFIRMATIVE DETERMINATION OF  
COMMISSIONERS GEORGE M. MOORE AND CATHERINE M. BEDELL

In order for the Commission to reach an affirmative determination in this investigation under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)), it is necessary to find that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the steel wire nails from Korea which the U.S. Department of Commerce has determined are being sold in the United States at less than fair value (LTFV).

The domestic industry

In this investigation we consider the relevant domestic industry against which the impact of imports at LTFV must be measured to consist of the facilities of the domestic steel wire nail producers located in the Western States region of the United States. 1/

Section 771(4)(C) of the Tariff Act of 1930 (19 U.S.C. 1677(4)(C)) provides as follows:

In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if--

(i) the producers within such market sell all or almost of their production of the like product in question in that market, and

(ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with

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

respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

The record indicates that appropriate circumstances exist for treating the Western States region as a separate industry. Producers within the region sell more than 80 percent of their production of nails therein, principally because nails are heavy and costly to transport long distances, and only about 1.5 percent of consumption in that region is supplied by companies located elsewhere. 1/ The "concentration of subsidized or dumped imports" criterion is met in that about 43 percent of imports from LTFV suppliers enter the Western States although that region accounts for only 20 percent of total U.S. consumption. 2/

Because of the small number of reporting firms, much of the economic data collected by the Commission on the Western industry is confidential. To avoid disclosure of such information, we will discuss only general trends and make comparisons with national data.

As a preface, we point out that our determination of material injury to the Western regional industry by reason of LTFV imports from Korea takes into consideration the vulnerable position of the Western producers brought about by an expansion of domestic capacity and a concurrent decline in demand for nails. The adverse effect of the present recession on nail producers has left them particularly susceptible to injury from unfair import competition.

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1/ Report, p. A-33, and data submitted by U.S. producers.

2/ Report, pp. A-32 and A-22.

Sales at less than fair value

In its investigation covering the 4-month period from December 1, 1978, through March 31, 1979, the Commerce Department found sales at less than fair value by six Korean companies. Five of these companies were Japanese-owned concerns operating in the Masan Free Trade Zone. The LTFV margins found by Commerce for these five companies ranged from 5.5 percent to 11.5 percent. The average LTFV margin found for the sixth company, Kuk Dong, was 1.3 percent.

Material injury by reason of LTFV imports

Section 771(7)(A) defines "material injury" as harm which is not inconsequential, immaterial, or unimportant. In making its determination with respect to material injury, the Commission is required, pursuant to section 771(7)(B) to consider, among other factors, the volume of the subject imports, the effect of such imports on prices in the United States for like products, and the impact on the domestic producers of like products.

Volume of LTFV imports.--Section 771(7)(C)(i) directs that, in evaluating the volume of imports, "the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."

Imports from Korea in the Western region increased from less than 0.5 percent of total imports in that region in 1973 to 53 percent in 1979. In 1977, imports from the five Masan companies, which accounted for nearly all sales found by Commerce to be at LTFV, represented an estimated 46 percent of total imports from Korea in the Western region. In 1978 and 1979 they accounted for an estimated 32 percent and 21 percent, respectively. About 43 percent of total LTFV imports from the Masan companies entered the Western region, or about 22,000 tons in 1977, 19,000 tons in 1978, and 10,000 tons in

1979. While such imports have declined, they still represented more than 7 percent of apparent Western consumption in 1979, a year in which U.S. producers accounted for only about 37 percent of consumption. 1/ Moreover, it was likely that the sharp decline in imports in 1979 was at least partly the result of this antidumping investigation.

The effect of the LTFV imports on prices.--In evaluating the impact of the subject imports on U.S. prices for like products, section 771(7)(C)(ii) requires the Commission to consider whether there has been significant price undercutting by the imported merchandise and whether the effect of such imports has caused significant price depression or price suppression.

In this investigation, it is evident that U.S. producers' prices have been suppressed by reason of LTFV imports from Korea. This price suppression is reflected in the financial performance of Western nail producers, which declined each year during 1977-79 and was significantly poorer than that of producers located outside of the Western region. Losses were reported in both 1978 and 1979. One of the main reasons for declining gross profits was the inability of domestic producers to raise the price of their product to keep pace with the increasing costs of raw material, labor, and energy. 2/ Producers' prices did rise between January 1978 and March 1980, but the increase was much less than the rate of increase in the Bureau of Labor Statistics (BLS) price index for iron and steel, which rose by 26.8 percent in that period. For example, the largest increase for the four types of nails examined was in the price of the 16-penny bright common nails, which rose by 19.9 percent, significantly less than the increase in the BLS producer price index for iron and steel products. In addition, U.S. producers' prices for the electro-galvanized and green-vinyl sinker nails examined rose much less

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1/ Report, pp. A-29-A-33.

2/ Report, pp. A-24-A-27.



than prices for bright and cement-coated nails. Electro-galvanized and green-vinyl nails accounted for more than 60 percent of total LTFV imports of nails during Commerce's investigation, indicating that price suppression is particularly evident for these major types of nails imported at LTFV. A comparison of domestic and import prices for the four types of nails on which the Commission collected information shows that LTFV imports from Korea generally undersold U.S.-produced nails for the eight quarters in which comparable data were available, in one instance by as much as 39 percent. Overall, the margins of underselling approximated the average LTFV margins, which ranged from 1.3 percent to 11.5 percent. 1/

The impact of the LTFV imports on the affected industry.--In the examination of the impact of the LTFV imports on the affected domestic industry, section 771(7)(C)(iii) directs the Commission to evaluate all relevant economic factors which have a bearing on the state of the industry.

As mentioned above, the financial experience of Western producers on their nail operations deteriorated each year during 1977-79. We found other convincing indicators of material injury to the Western region in the underutilization of domestic production capacity and in the high level of U.S. producers' inventories. While capacity rose during 1977-79, utilization of that capacity declined each year and was consistently lower than the comparable figures for producers nationwide. 2/ Coupled with this increase in unused capacity was a rapid increase in inventories that continued into the first quarter of 1980. By March of that year, Western producers' inventories had more than doubled in comparison with the level at the end of 1977. As a share of production, Western region inventories have been higher than national inventories since 1978. 3/ While declining consumption had some effect on

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1/ Report, pp. A-34-A-41, and BLS data.

2/ Report, pp. A-17 and A-18.

3/ Report, pp. A-20 and A-21.

producers' falling capacity utilization and growing inventories, nevertheless, in 1979, the 7 percent ratio of LTFV imports to consumption in the Western region was a direct cause of material injury to the U.S. industry.

Moreover, the Commission was able to confirm that several U.S. producers had lost sales to imports from Korea. While it was difficult for most customers to specifically identify imports from LTFV suppliers, questionnaire data indicated that the Korean producers selling at LTFV had supplied at least a portion of the imports in question. 1/

In this investigation, the demonstrated price suppression, sizable inventory buildup, declining profitability and capacity utilization, confirmed lost sales, and significant penetration of LTFV imports in the Western region lead us to the determination that the injury caused by the LTFV imports is more than inconsequential, immaterial, or unimportant.

#### Conclusion

On the basis of the foregoing considerations, we conclude that an industry in the United States is materially injured by reason of imports of the steel wire nails from Korea which the Commerce Department has determined are being sold in the United States at less than fair value.

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1/ Report, pp. A-43-A-48.

## INFORMATION DEVELOPED IN THE INVESTIGATION

## Summary

On May 19, 1980, the U.S. Department of Commerce (Commerce) determined that certain steel wire nails from Korea are being sold in the United States at less than fair value (LTFV). Accordingly, effective May 19, 1980, the U.S. International Trade Commission (Commission) instituted an investigation to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded by reason of the importation of such merchandise into the United States. A public hearing was held on July 9 and 10, 1980 in Washington, D.C. The Commission's vote in the investigation was taken on July 29, 1980, following a briefing by the staff.

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 accounted for about two-thirds of total production in 1977.

Apparent U.S. consumption of steel wire nails rose from 739,000 short tons in 1977 to 759,000 short tons in 1978. Estimated consumption declined by 11 percent in 1979 to 675,000 short tons. Imports from Korea increased from 84,000 short tons in 1977 to 109,000 short tons in 1978, and then declined to 92,000 short tons in 1979. Corresponding import-to-consumption ratios for imports from Korea rose from 11.4 percent in 1977 to 14.4 percent in 1978, and then declined to 13.6 percent in 1979. In 1979, Korea was the largest source of imports (accounting for 27 percent of the total), followed by Canada (24 percent), and Japan (20 percent).

At least 33 companies in Korea export steel wire nails to the United States; six were found by Commerce to be selling nails at LTFV. Imports from five of the six Korean companies which accounted for about \* \* \* percent of the LTFV sales declined from 51,000 short tons in 1977 to 23,000 short tons in 1979, representing a decrease of 55 percent. Imports from these 5 LTFV producers declined from 6.9 percent of U.S. consumption in 1977 to 3.4 percent in 1979. Imports into the Western States <sup>1/</sup> from the Korean producers that were found to be selling at LTFV decreased from an estimated 22,000 tons or \* \* \* percent of consumption in 1977 to 10,000 tons or 7.1 percent of consumption in 1979. Shipments by western producers \* \* \* from \* \* \* percent of consumption in the Western States in 1977 to 35.5 percent in 1979.

On the basis of U.S. producers' responses to questionnaires, U.S. production and employment rose during 1977-79 while capacity utilization and profitability declined (table 1).

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

Table 1.--Steel wire nails: U.S. production, capacity utilization, employment, and profitability, 1977-79

Year	Production	Capacity utilization (5-day basis)	Production and related workers	Ratio of gross profit to net sales 1/
	<u>1,000</u> <u>short tons</u>	<u>Percent</u>		<u>Percent</u>
1977-----	260	72	1,827	8.7
1978-----	285	72	1,882	8.8
1979-----	285	68	1,867	4.4

1/ Those firms producing nails each year, 1977-79.

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

Prices of steel wire nails generally rose during 1977-79 and questionnaire data show that imports from those Korean companies found to have been selling at LTFV generally undersold U.S.-produced nails.

## Introduction

On May 19, 1980, Commerce made a final affirmative determination that certain steel wire nails provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS) from certain Korean companies are being sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673) (hereinafter the "Tariff Act"). 1/ Notice of this determination was published in the Federal Register on May 23, 1980 (45 F.R. 34941). 2/

As a result of Commerce's determination, the Commission instituted investigation No. 731-TA-26 (Final) effective May 19, 1980, to determine, pursuant to section 735(b)(1) of the Tariff Act, whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Notice of the institution of the investigation and of the public hearing to be held in connection therewith was published in the Federal Register on June 11, 1980 (45 F.R. 39578). 3/ A list of witnesses appearing at the hearing is presented in appendix D.

The Treasury Department (Treasury) began this investigation on its own initiative under provisions of the Antidumping Act of 1921 (19 U.S.C. 160) in conjunction with its administration of the Trigger Price Mechanism (TPM) on April 20, 1979. Because of a negative Commission determination in a related antidumping investigation (No. AA1921-189, Certain Steel Wire Nails from Canada), 4/ Treasury had substantial doubt that an industry in the United States was being injured, and sent the case to the Commission for a preliminary "reasonable indication of injury" determination. On May 23, 1979, the Commission unanimously determined (Chairman Parker not participating) that there was a reasonable indication that an industry in the United States was being or was likely to be injured by reason of the importation of certain steel wire nails from Korea; thus, the Treasury investigation continued. On October 26, 1979, Treasury published a notice of "Tentative Determination of No Sales at Less Than Fair Value and Tentative Discontinuance." Effective January 1, 1980, provisions of the Trade Agreements Act of 1979 (P.L. 96-39, 93 Stat. 144) repealed the Antidumping Act of 1921, replaced it with Subtitle B of Title VII of the Tariff Act (hereinafter Title VII), and transferred administering responsibility from Treasury to Commerce. Accordingly, the investigation under the Antidumping Act of 1921 was terminated on January 1, 1980, and the investigation continued under the provisions of Title VII.

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

2/ A copy of Commerce's Federal Register notice is presented in app. B.

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

4/ In February 1979, the Commission unanimously determined in investigation No. AA1921-189 (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, sold at LTFV within the meaning of the Antidumping Act of 1921.

Section 735(b)(1) of the Tariff Act requires the Commission to make a final injury determination where Commerce has made an affirmative final determination pursuant to section 735(a) as to whether the merchandise which is the subject of the investigation is being, or is likely to be, sold in the United States at LTFV.

Inasmuch as the preliminary Treasury determination was negative and the final determination was affirmative, section 735(b)(3) requires the Commission to make its final injury determination within seventy-five (75) days after the date of the affirmative final LTFV determination, or in this case, by August 1, 1980.

### The Product

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, 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 E. An indication of the variety of nails can be seen in figure 1.

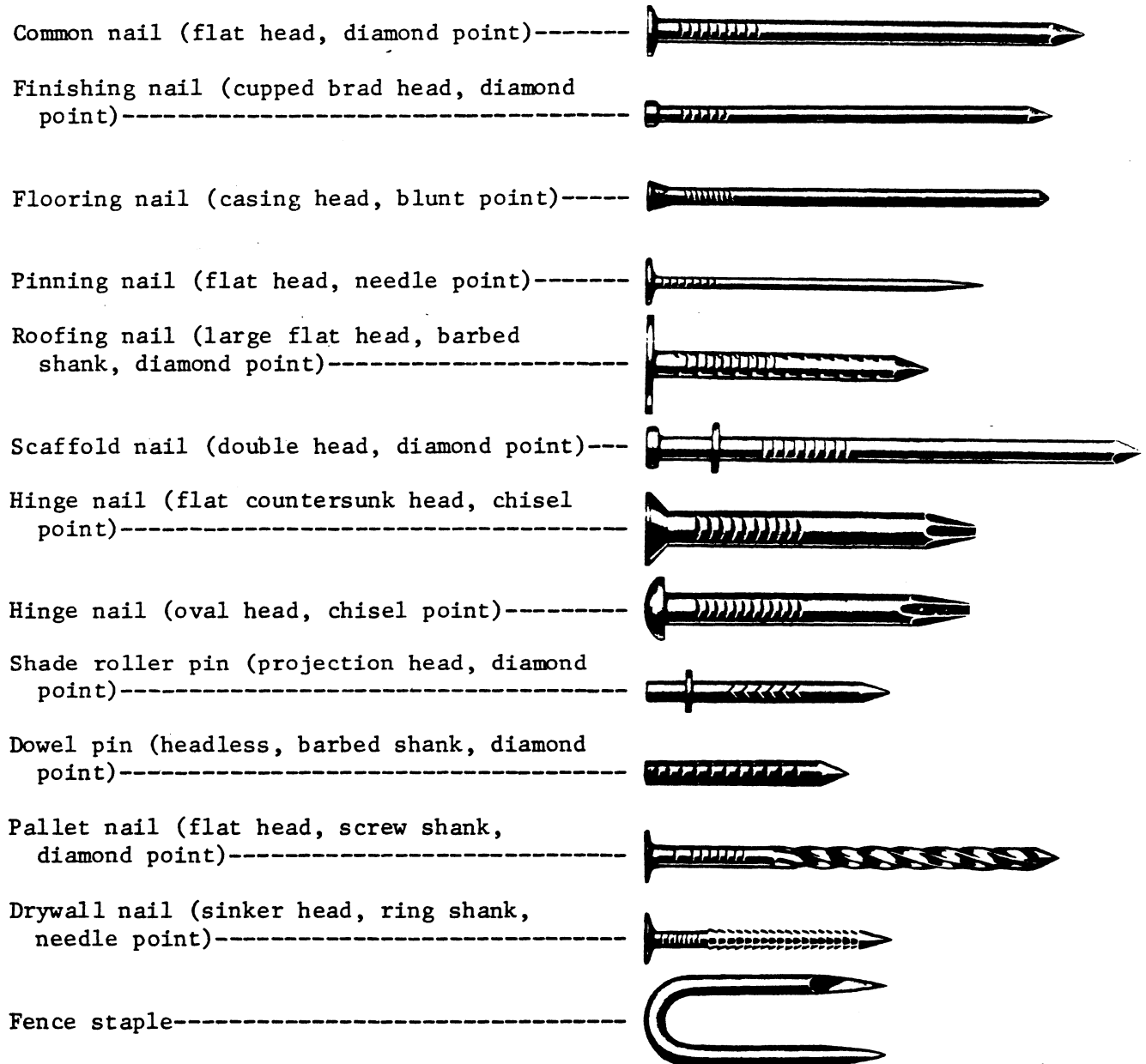
### Manufacturing process

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 nailmaking equipment, and nails were often used instead of currency in transactions 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 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.

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

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. A-5

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 placed 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.

### Nail finishes

Various coatings are applied to nails to improve their holding ability, or to prevent rust and corrosion, or both. These coating techniques include: electro-galvanizing, hot-galvanizing, cement-coating, and green-vinyl coating. Electro-galvanizing is a process in which a pure coating of zinc of controlled thickness is applied to nails. In the hot-galvanized process nails are coated by dipping them in zinc, resulting in a thicker coating of zinc and a superior product which has greater resistance to rust and corrosion. Cement coating is a process whereby nails are dipped in a resin mixture. The heat generated when this nail is driven into wood causes the cement coating to fuse slightly, thereby forming a bond with the wood. Green-vinyl nails are coated by immersing or tumbling chemically cleaned and dried nails in a thermoplastic material, PVC lacquer. This coating makes the nails easier to drive and, according to some sources, promotes greater adherence to the wood.

The hot-galvanized and cement-coated nails are produced extensively in the United States. The green-vinyl and electro-galvanized nails were not produced in commercial quantities in this country until 1979. According to information received on the questionnaires, approximately 38 percent and 33 percent of the nail imports from Korea in 1978 and 1979, respectively, were electro-galvanized. In 1979, 1.1 percent of the nails produced in the United States were electro-galvanized. According to a spokesman for Armco, Inc., regulations of the Environmental Protection Agency concerning the disposal of cyanide used in the electro-galvanizing process make the production of electro-galvanized nails not cost-effective in the United States. 1/ It has been reported that a new production process has been developed which precludes the use of cyanide. However, the cost of this process is also too high to make nails competitive with hot-galvanized nails on the basis of price. 2/

Although the hot-galvanized and electro-galvanized nails are often used interchangeably, there are instances in which one nail is preferred over the other. In the course of this investigation the staff discussed the differences in use between hot-galvanized and electro-galvanized nails with several nail customers. It was generally agreed that the hot-galvanizing process produced a better nail, offering greater resistance to corrosion, when the nail is directly exposed to the elements. One source also indicated that the hot-galvanized nail drives better in the dry wood in his area of \* \* \*. There were indications, however, that there are situations in which the greater corrosion resistance of the higher quality nail is not required and that the less expensive electro-galvanized nail would be just as satisfactory. One customer noted, for example, that since roofing nails are often covered by overlapping shingles, less corrosion protection is necessary; in this instance, the electro-galvanized nail performs as well as the hot-galvanized. In addition, there are indications that since the electro-galvanized nails are smoother, they are less rough on the hands. Several firms indicated that they carry both nails to satisfy the individual preferences of their customers.

Green-vinyl nails have only been in production since about 1975, when the nail was developed by Air Nail Corp. in Los Angeles. 3/ They quickly became popular on the west coast, taking a significant share of the market away from other coated nails. These nails are used extensively in home construction and are now reported to be the predominant nail used for this purpose in the West. These nails are imported in large quantities from Korea, partly because until late 1978 there was little U.S. production of this product. Use of green-vinyl nails is presently concentrated on the west coast, however, it is anticipated that demand for these nails in other areas in the United States will increase significantly. Two new producers have recently begun production of green-vinyl nails on the west coast. These producers reportedly have the capacity to meet demand. 4/ Production of cement-coated nails by western pro-

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1/ See transcript p. 65.

2/ Based on information contained in the pre-hearing statement made by Freeman, Meade, Wasserman, and Schneider on behalf of Armco, Inc. and CF & I Steel, p. 23.

3/ Based on information provided in the pre-hearing statement submitted on behalf of the Korean Metal Industry Cooperative, May 1980.

4/ Based on testimony by Mr. Abe Sacks at a hearing before the Commission on July 9, 1980.

ducers rose from 1977 to 1978 and dropped sharply in 1979, when one producer discontinued manufacturing them. This decline in cement-coated production coincides with the increased supply of domestically produced green-vinyl nails in the area.

#### U.S. Tariff Treatment

Imports of steel wire nails are classifiable under three TSUS items, depending primarily on size. The nails under consideration in this investigation enter under items 646.25 and 646.26. These two items 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. Round wire nails of 1 inch or more in length and 0.065 inch or more in diameter are dutiable under item 646.26. The most-favored-nation rate of duty (column 1) for these two items is 0.5 percent ad valorem. The column 2 rates of duty for these two items are 2 percent ad valorem and 3.5 percent ad valorem, 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.

The rate of duty for item 646.25 was 0.5 cents a pound from January 1, 1948 to December 31, 1979. The rate of duty for item 646.26 was 0.1 cents per pound from January 1, 1971 to December 31, 1979. The present rates of duty for these two items were established during the Tokyo round of trade negotiations and became effective January 1, 1980. These rates are not scheduled to be staged any lower at the present time. 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.

#### The TPM and Treasury's Steel Wire Nail Investigation

On December 6, 1977, the President approved implementation by Treasury of a TPM to monitor import prices of steel mill products. <sup>1/</sup> Production costs of steel mill products in Japan, deemed to be the most efficient producer in the world, formed the basis of the trigger prices. Imports priced below trigger prices were considered potential sales at LTFV. If substantial quantities of steel mill products entered the United States below the applicable trigger price, an antidumping investigation could be "triggered" by Treasury on its own motion.

Treasury's trigger price 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 its investigation, Treasury

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<sup>1/</sup> The TPM was suspended in March 1980 in response to the filing of antidumping petitions by U.S. Steel Corp. relating to certain carbon steel<sup>A-9</sup> products from European countries.

determined that 22 of these Korean companies shipped quantities of steel wire nails below the applicable trigger prices. Accordingly, on April 20, 1979, Treasury initiated an antidumping investigation on its own accord, excluding the 11 companies not found to be selling below trigger price.

#### Nature and Extent of Sales at LTFV

The Commerce investigation of U.S. imports of certain steel wire nails from Korea covered the 4-month period, from December 1, 1978 through March 31, 1979. This investigation included 12 of the 22 Korean producers mentioned above, which accounted for 73 percent (by value) of U.S. imports during the period of investigation. Fair-value comparisons were made on approximately 64 percent (by value) of all nails shipped from Korea to the United States during the period of investigation. As a result of these comparisons, 2 companies were found to have no margins and 4 companies had de minimis margins; these companies were excluded from the scope of Commerce's determination. Six companies were found to be selling below fair value as follows: Kankoku Nittei, Kankoku Nitto, Korea Murata, Korea Nippon Seisen, Kuk Dong, and Murakami Kogyo (table 2).

Table 2.--Certain steel wire nails: Exports to the United States by 12 Korean manufacturers, Dec. 1, 1978-Mar. 31, 1979

Manufac- turer	: Net : value : of sales	: Net value : of sales : compared	: Percent : of sales : compared	: Sales : at : margin	: Percent: : of : sales : at : margin	: Range : of : margin	: Weighted : average : margin of : all sales : compared
	: : --1,000 dollars--	: : 1,000 : dollars	: : Percent	: : dollars	: : Percent	: : Percent	: : Percent
Kankoku	:	:	:	:	:	:	:
Nittei---	***	***	79	***	***	0-19	5.5
Kankoku	:	:	:	:	:	:	:
Nitto----	***	***	97	***	***	0.1-20	11.5
Korea	:	:	:	:	:	:	:
Murata---	***	***	86	***	***	0-28	11.1
Korea	:	:	:	:	:	:	:
Nippon	:	:	:	:	:	:	:
Seisen---	***	***	94	***	***	4-13	10.5
Kuk Dong---	***	***	100	***	***	0-31	1.3
Murakami	:	:	:	:	:	:	:
Kogyo----	***	***	99	***	***	0-32	5.7
Other 1/	6,297	5,258	84	2/	2/	0-23	2/
Total--:	13,033	11,427	88	2/	2/	0-32	2/

1/ Six manufacturers excluded from the scope of the less than fair value determination.

2/ Not available.

Source: Derived from confidential and non-confidential files of the U.S. Department of Commerce.

Commerce has determined that some of the 11 firms originally excluded from the investigation are trading companies which would be subject to the possible imposition of antidumping duties to the extent that the nails they exported were manufactured by firms found to have made sales at LTFV. In addition, other Korean manufactures that exported to the United States during May 1978-March 1979 would also be subject to any antidumping order resulting from this proceeding. Those Korean nail manufacturers not exporting to the United States, either directly or indirectly, during May 1978-March 1979 are excluded.

### 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 3).

Table 3.--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.

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. Imported and domestically produced nails of a specific type are generally fungible, and few end users are aware of the country in which the nails were manufactured.

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 A-11

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 additional cost of collating is insignificant compared 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. No collated nails were entered from Korea during the period of the Commerce investigation and no allegations of injury have been made by U.S. nail collators.

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 sometimes 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, <sup>1/</sup> 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. In 1977, the integrated firms accounted for an estimated two-thirds of total production. In 1977 the major producers and their share of 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). These figures are not presented for 1979 because \* \* \* did not respond to the questionnaire. It is believed that since 1977 the share of production accounted for by the integrated producers has declined. Until recently, production facilities were located primarily in the Northeastern and North Central States; since 1977 new plants have opened in the South and West.

In general, integrated steel manufacturers produce other products which are more profitable than nails. Nonintegrated producers consider nailmaking a more essential aspect of their overall operations and have accordingly made substantial investments to enhance production capability.

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<sup>1/</sup> 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.

Nine steel wire nail production facilities have been established or expanded since 1976 (table 4). Three of these are located in the Western States. Plant closings since 1976 include American Nail Co. located in Earth City, Mo. which shut down in the spring of 1980, and U.S. Steel, which closed its Pittsburgh, Calif., Joliet, Ill., and Birmingham, Ala. plants in 1979-80. In addition, Queen Wire and Nail, Inc. and Penn-Dixie Steel Corp. filed for bankruptcy in 1980.

Table 4.--Steel wire nails: New or expanded production facilities 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. <u>1/</u>	:	1977
Tree Island Steel Co-----	:	Carson, Calif.	:	1979
American Nail Co-----	:	Schenectady, N.Y.	:	1980
Florida Wire & Nail Co-----	:	Quincy, Fla.	:	1979
Davis Walker Corp-----	:	Kent, Wash.	:	1979
Air Nail Corp-----	:	Los Angeles, Calif.:	:	1979
Davis Walker Corp-----	:	New Orleans, La.	:	1980
	:		:	

1/ Moved to Columbia, S.C. in 1979. Filed for bankruptcy in March 1980.

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

#### The Korean Industry

The Korean steel wire nail industry consists of more than 25 small Korean-owned nonintegrated companies and 5 large, modern, Japanese-founded 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 no more than "adequate." Problems one U.S. importer has encountered in 1979 with nails produced by Korean-owned companies resulted in \$180,000 in claims against nine of these Korean producers for rusty nails, faulty specifications, short shipments, and goods not shipped. Only one of these Korean-owned nail manufacturers, Kuk Dong, has been found to have sales at LTFV.

The five Japanese-founded steel wire nail production facilities were established in the Masan Free Trade Zone in Korea in February-April 1973. These mills generally used 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 produce nails in Korea more efficiently than in Japan because:

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. Until recently the Korean Government offered the Japanese investors attractive tax incentives to establish production facilities in the Masan Free Trade Zone.

The five Masan companies represent a total investment in buildings, equipment, inventories, etc., of more than \$7 million and have the capacity to produce about 70,000 short tons of nails a year (table 5).

Table 5.--Steel wire nails: Capacity, investment, and employment of manufacturers located in Korea's Masan Free Trade Zone, 1978

Maufacturer	Capacity	Total investment	Capital material and equipment	Employment
	Tons per year			
		-----1,000 dollars-----		
Japanese owned:				
Kankoku Nitto-----	13,200	920	632	55
Korea Nippon				
Seisen-----	3,960	440	281	40
Korean owned: 1/				
Korea Murata-----	19,800	1,900	1,304	109
Murakami Kogyo-----	13,200	1,400	652	150
Kankoku Nittei-----	19,800	2,610	1,304	100
Total-----	69,960	7,270	4,173	454

1/ Sold by Japanese concerns to Korean concerns in early 1980.

Source: Conditions of Competition in the Western U.S. Steel Market Between Certain Domestic and Foreign Steel Products . . . , USITC publication 1004, September 1979, p. C-47.

All of the Masan companies have been found to be selling at LTFV. In early 1980, three of the Masan companies were sold to Korean concerns. According to counsel for the Masan companies these firms were sold because tax incentives in the Masan Free Trade Zone are no longer available to the Japanese firms. The new Korean owners are free to buy rod from the cheapest source regardless of producer or country of origin. Under Japanese ownership, these Masan producers were obliged to purchase rod from a related Japanese parent company at allegedly premium prices. Nails produced by the Japanese-founded companies in Korea are reputed to be among the best in the world.

#### The Devaluation of the Korean Won

In January 1980 the Korean Government devalued the won by 16.55 percent. This event should result in an improved competitive position for Korean nails



in the U.S. market, although the amount of improvement or its timing cannot be determined immediately. Theoretically, exports of nails from Korea worth 1,000 won, which could be purchased for \$2.07 in December 1979, could be purchased for \$1.73 in January 1980. However, given the conditions that prevail in the Korean market concerning the terms of contracts, including their length and currency of denomination, there may be considerable delay in the devaluation's effect on export prices. In addition, the devaluation's effect on Korean export prices will be significantly influenced by the increased costs of imported inputs, such as energy, raw materials, and intermediate goods. To the extent that a Korean producer uses imported inputs, such as wire rod from Japan, production costs will increase significantly relative to a Korean producer that uses Korean inputs, especially inputs with a high proportion of domestic value added.

#### U.S. Importers

There are great differences in the variety and scope of operations of companies that import nails into the United States. Some are manufacturers and exporters; 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 1979. These importers are concentrated on the west coast and in New York. Most of the nails from the Masan companies were sold to trading companies located in Korea; few nails were sold directly to U.S. importers.

#### Consideration of Material Injury or Threat Thereof

To obtain statistical data for this section of the report, the Commission sent questionnaires to all known U.S. nail producers and to all significant importers of nails from Korea. In 1978, the U.S. producers responding to the questionnaires accounted for about 80 percent of total U.S. shipments of steel wire nails, as reported by the U.S. Department of Commerce. <sup>1/</sup>

#### U.S. production

Questionnaire respondents reported production of the steel wire nails as follows:

<u>Period</u>	<u>Quantity</u> <u>(1,000 short tons)</u>
1977-----	260
1978-----	285
1979-----	285
January-March--	
1979-----	73
1980-----	63

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<sup>1/</sup> Commerce data do not include shipments by firms that do not draw their own wire.

These data show that production rose by 10 percent from 1977 to 1978 and remained constant in 1979. U.S. nail production fell from 73,000 short tons in January-March 1979 to 63,000 short tons in the corresponding period in 1980, representing a decrease of 14 percent.

In 1977, five integrated U.S. nail producers accounted for 80 percent of this production; in 1979 the share of production held by these integrated producers dropped to 67 percent. The share of production held by non-integrated companies is increasing because they are expanding their capacity by opening new facilities. The integrated companies generally are not expanding nail operations.

Production in the Western States \* \* \* from \* \* \* tons in 1977 to 60,000 tons in 1979, representing \* \* \* of \* \* \* percent. Production decreased by 15 percent between January-March 1979 and the corresponding period in 1980, as shown in the following tabulation:

<u>Period</u>	<u>Quantity</u> (1,000 short tons)
1977-----	* * *
1978-----	* * *
1979-----	60
January-March--	
1979-----	14
1980-----	12

Of the nails found to have been sold at LTFV during December 1978-March 1979, 53 percent were electro-galvanized nails, 15 percent were bright nails, 10.2 percent were phosphate-coated nails, and 10 percent were vinyl-coated nails. Of the nails produced in the United States in 1979, 1/ 44 percent were bright nails, 25 percent were hot-galvanized, and 21 were cement coated, as shown in the following tabulation:

(In percent)				
Type of nail	:	LTFV nails	:	1979 U.S. production
Electro-galvanized-----	:	52.8	:	1.1
Bright-----	:	14.8	:	44.3
Phosphate coated-----	:	10.2	:	1/
Vinyl coated-----	:	10.1	:	1/
Cement coated-----	:	8.8	:	20.9
Hot-dipped galvanized-----	:	1.5	:	25.1
Blued-----	:	1.4	:	1/
Other-----	:	0.4	:	8.5
Total-----	:	100.0	:	100.0
	:		:	

1/ Included in "other."

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

1/ As reported by questionnaire respondents.

### 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 (table 6). Data for the 5-day operating basis which was closer to norm in 1979 show a slight increase in capacity utilization between 1977 and 1978. The ratio of production to capacity declined from 1978 to 1979 because production did not increase while capacity rose by 6 percent.

Table 6.--Steel wire nails: U.S. producers' 1/ productive capacity and ratio of production to capacity, by 5-day and 7-day bases of operation, 1977-79

Year	5-day operating basis		7-day operating basis	
	Capacity	Ratio of production to capacity	Capacity	Ratio of production to capacity
	<u>1,000</u>	<u>Percent</u>	<u>1,000</u>	<u>Percent</u>
	<u>short tons</u>		<u>short tons</u>	
1977-----	361	72	506	51
1978-----	394	72	552	52
1979-----	419	68	586	49

1/ Questionnaire respondents.

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

In the Western States production capacity \* \* \* by \* \* \* percent during 1977-79. Capacity utilization \* \* \*, however, \* \* \* a \* \* \* percent \* \* \* in \* \* \* (table 7). With the closure of the U.S. Steel plant in Pittsburg, Calif. in May 1980 the ratio of production to capacity will increase.

Table 7.--Steel wire nails: Western U.S. producers' productive capacity and ratio of production to capacity, by 5-day and 7-day bases of operation, 1977-79

Year	5-day operating basis		7-day operating basis	
	Capacity	Ratio of production to capacity	Capacity	Ratio of production to capacity
	<u>1,000</u>	<u>Percent</u>	<u>1,000</u>	<u>Percent</u>
	<u>short tons</u>		<u>short tons</u>	
1977-----	***	***	***	***
1978-----	90	***	126	***
1979-----	109	55	152	39

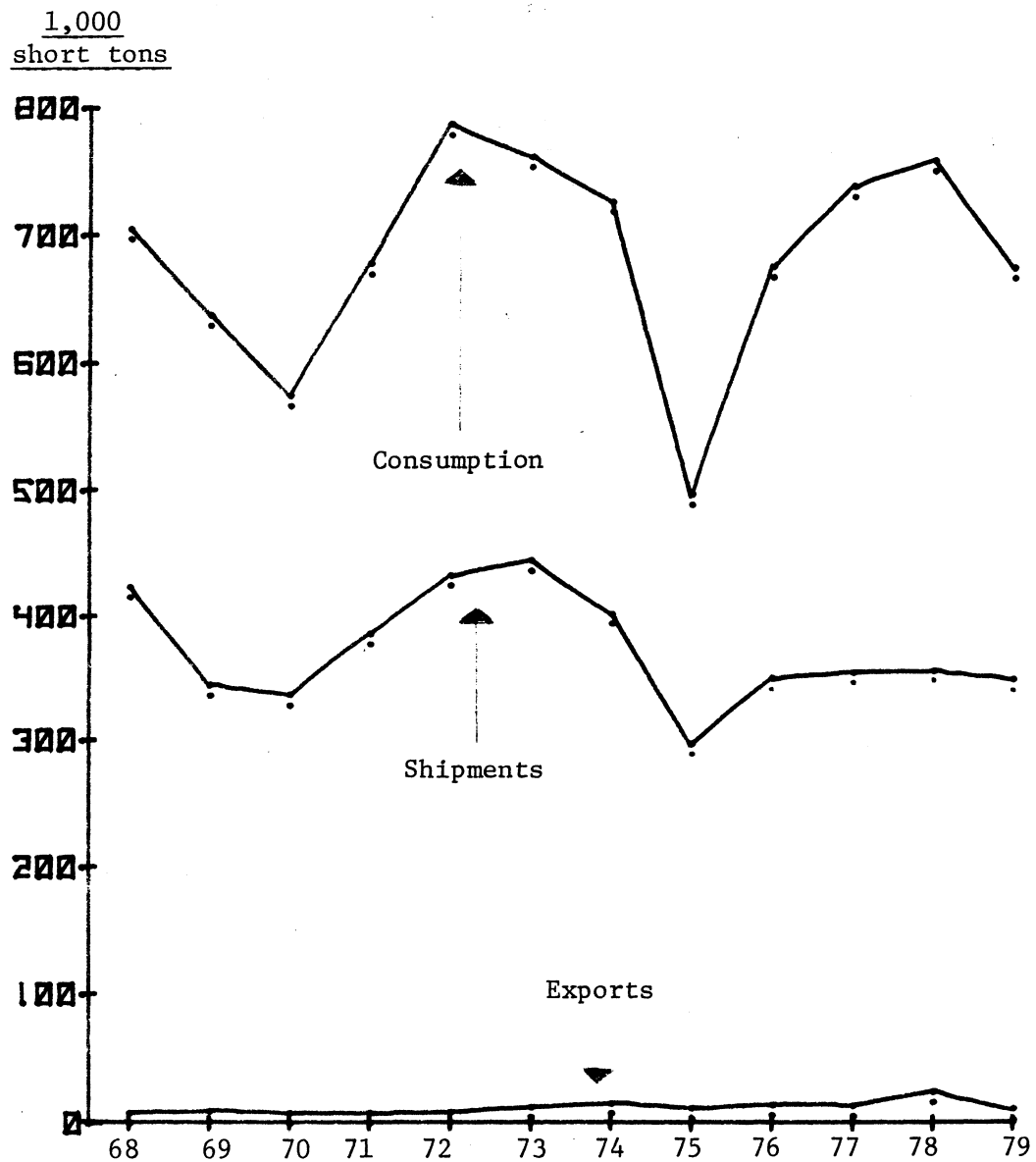
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

#### U.S. producers' shipments and exports

Data on U.S. producers' shipments of steel wire nails and staples are maintained by Commerce on a yearly basis, however, Commerce limits its data collection to steel works and wiredrawing establishments. Data for firms that make nails from purchased steel wire--called "fabricators"--are not included and, as a result, shipment totals are understated. Commerce did collect data from such fabricators in its 1977 Census of Manufactures and in that year, preliminary data show that steel works and wiredrawing establishments accounted for approximately 85 percent of the total quantity of shipments.

Shipments of steel wire nails (including exports) exhibited strong cyclical fluctuations during the 11-year period, 1968-78, as shown in figure 2. From 1975 to 1978, total shipments by nail producers which draw their own wire increased by more than 19 percent. Commerce data for 1979 are not available. According to Commission estimates based on questionnaire responses, U.S. producers' shipments declined by about 3 percent between 1978 and 1979 to 345,000 tons. From 1968 to 1978 exports generally rose, increasing irregularly from 1.6 percent of shipments in 1968 to 6.8 percent of shipments in 1978. From 1978 to 1979 exports decreased by 58 percent. 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.

Figure 2.--Steel wire nails: Apparent U.S. consumption, U.S. producers' shipments, and exports, 1968-79.



Source: Compiled from official statistics of the U.S. Department of Commerce. A-19

Table 8.—Steel wire nails: U.S. producers' shipments and exports, 1968-79

Year	Shipments (including exports)			Exports		
	Quantity	Value	Unit	Quantity	Value	Unit
			value			value
	<u>1,000</u>	<u>1,000</u>	<u>Cents</u>	<u>1,000</u>	<u>1,000</u>	<u>Cents</u>
	<u>short tons</u>	<u>dollars</u>	<u>pound</u>	<u>short tons</u>	<u>dollars</u>	<u>pound</u>
1968-----	424	99,153	11.7	7	5,681	40.7
1969-----	344	91,117	13.3	9	6,880	39.6
1970-----	336	92,662	13.8	7	6,292	45.2
1971-----	385	114,081	14.8	7	5,725	38.8
1972-----	433	133,840	15.4	8	7,113	42.9
1973-----	445	189,561	21.3	12	10,512	45.4
1974-----	402	229,645	28.6	15	13,771	46.5
1975-----	297	164,949	27.7	11	10,839	52.6
1976-----	349	203,947	29.2	14	13,676	51.6
1977-----	354	212,537	30.0	13	12,897	53.1
1978-----	355	225,651	31.8	24	23,911	49.4
1979-----	<u>1/</u> 348	<u>2/</u>	<u>2/</u>	10	26,014	126.0

1/ Estimated by the U.S. International Trade Commission.

2/ Not available.

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

U.S. shipments by the producers in the Western States to customers in those states \* \* \* from \* \* \* short tons in 1977 to 50,000 short tons in 1979, representing \* \* \* of \* \* \* percent. Shipments declined to 10,000 tons in January-March 1980 in comparison with 12,000 tons in the corresponding period of 1979, as shown in the following tabulation:

	<u>1,000 short tons</u>
1977-----	***
1978-----	***
1979-----	50
January-March--	
1979-----	12
1980-----	10

### 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 production during 1977-79, but rose significantly in January-March 1980, as shown in table 9.

Table 9.--Steel wire nails: U.S. producers' <sup>1/</sup> end-of-period inventories, 1977-79, January-March 1979, and January-March 1980

Period	Producers' inventories	Ratio of inventories to production
	<u>1,000 short tons</u>	<u>Percent</u>
1977-----	36	13.8
1978-----	36	12.6
1979-----	40	14.0
January-March--		
1979-----	40	<sup>2/</sup> 13.7
1980-----	44	<sup>2/</sup> 17.5

<sup>1/</sup> Questionnaire respondents. <sup>2/</sup> On the basis of annualized production.

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

Inventories held by producers in the Western States, as shown in the following table \* \* \* from \* \* \* percent of production in 1977 to 19.8 percent in January-March 1980 (table 10).

Table 10.--Steel wire nails: Western U.S. producers' end-of-period inventories, 1977-79, January-March 1979, and January-March 1980

Period	Producers' inventories	Ratio of inventories to production
	<u>Short tons</u>	<u>Percent</u>
1977-----	***	***
1978-----	***	***
1979-----	9,118	15.2
January-March--		
1979-----	7,648	<sup>1/</sup> 13.7
1980-----	9,512	<sup>1/</sup> 19.8

<sup>1/</sup> On the basis of annualized production.

### U.S. consumption

According to Commerce data, apparent U.S. consumption of steel wire nails (U.S. producers' domestic shipments plus imports for consumption) fell dramatically during the 1975 recession. Consumption then increased steadily to 759,000 short tons in 1978. The value of consumption was an estimated \$413 million in 1978. While 1979 Commerce data are not available, parties to the investigation have prepared three estimates of domestic nail consumption for 1979. These estimates ranged from 636,000 short tons to 688,000 short tons. The Commission, taking into consideration fluctuations in U.S. housing starts<sup>A-21</sup>

and extrapolating from questionnaire data, estimates that U.S. nail consumption in 1979 was approximately 675,000 short tons. In this report, the Commission's estimate will be used where applicable. Using the Commission's estimate, consumption in 1979 was 11 percent lower than in 1978, as shown in the following tabulation:

	<u>1,000 short tons</u>
1973-----	762
1974-----	727
1975-----	497
1976-----	676
1977-----	739
1978-----	759
1979 <u>1/</u> -----	675

1/ Estimated.

Apparent consumption in the Western States, which accounted for more than 20 percent of U.S. consumption in 1979, \* \* \* from \* \* \* short tons in 1977 to 141,000 short tons in 1979, representing \* \* \* of \* \* \* percent. Consumption remained constant in January-March 1980 when compared with consumption in the corresponding period in 1979, as shown in the following tabulation:

	<u>1,000 short tons</u>
1977-----	***
1978-----	***
1979-----	141
January-March--	
1979-----	32
1980-----	32

### Employment

Employment in the U.S. nail industry, as reported by questionnaire respondents, increased from 1,827 production and related workers in 1977 to 1,882 in 1978, and then fell to 1,867 in 1979. A summary of the employment data reported to the Commission is presented in table 11.



Table 11.--Average number of production and related workers engaged in the manufacture of steel wire nails, hours worked by such workers, and output per hour, 1977-79

Year	Production and related workers	Hours worked by production and related workers	Output per hour
		<u>1,000 hours</u>	<u>Pounds per hour</u>
1977-----	1,827	3,671	142
1978-----	1,882	3,820	149
1979-----	1,867	3,664	156

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Firms responding to questionnaires accounted for 80 percent of industry total.

As shown in table 11, productivity increased from 142 pounds per hour in 1977 to 156 pounds per hour in 1979, representing an increase of 10 percent.

Employment in the Western States, as shown in table 12, \* \* \* from \* \* \* workers in 1977 to 282 in 1979, representing \* \* \* of \* \* \* percent. In addition, output per hour \* \* \* by \* \* \* percent, from \* \* \* pounds per hour in 1977 to 203 pounds per hour in 1979. Productivity in the Western States was \* \* \* percent \* \* \*, during 1977-79, than that for all of the domestic producers. Tree Island Steel Co. reported that during January-May 1980 the number of persons engaged in its nail operations averaged \* \* \* employees, \* \* \* an average of \* \* \* employees in 1979.

Table 12.--Average number of production and related workers engaged in the manufacture of steel wire nails in the Western States, hours worked by such workers, and output per hour, 1977-79

Period	Production and related workers	Hours worked by production and related workers	Output per hour
		<u>1,000 hours</u>	<u>Pounds per hour</u>
1977-----	***	***	***
1978-----	***	***	***
1979-----	282	586	203

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

### Financial experience of U.S. producers

The Commission mailed a total of 50 questionnaires to producers of steel wire nails requesting selected financial information. Usable data were received from 16 domestic producers, accounting for approximately 40 percent of total U.S. sales of steel wire nails in 1978.

Out of the 16 respondents, 4 producers are located in the Western region. Two of the 4 producers started their nail operations in 1979. Of the remaining 12 producers located outside the Western region, one respondent, \* \* \* started its nail operation in \* \* \*. Few producers keep complete accounting records on a product-line basis. In addition, \* \* \* provided only standard cost data adjusted for the effects of volume, wage rates, commercial raw material prices, and price of purchased products and services, not actual product costs. Consequently, the data submitted by the firms on steel wire nails are the best estimates compiled by using various arbitrary allocation methods and, therefore, are limited in their use as a measure of profitability.

As set forth in the table 13, total net sales of steel wire nails \* \* \* from \$142 million in 1977 to \* \* \* million in 1979, or by \* \* \* percent. Total net sales of Western producers and non-Western producers \* \* \* by \* \* \* percent and \* \* \* percent, respectively. The increase in sales was primarily due to an increase in the average unit value coupled with an increase in volume of sales.

Total gross profits of Western producers operating during 1977-79 \* \* \* from \* \* \* in 1977 to \* \* \* million in 1979. The ratio of gross profits to net sales showed a similar \* \* \* from \* \* \* percent in 1977 to \* \* \* percent in 1979. \* \* \*.

Aggregate gross profits of non-Western producers operating during 1977-79 also \* \* \* percent from \* \* \* million in 1977 to \* \* \* million in 1979. The gross operating margin similarly \* \* \* from \* \* \* percent in 1977 and \* \* \* percent in 1978 to \* \* \* percent in 1979. \* \* \*. U.S. Steel's Joliet Works and Fairfield Works discontinued nail production in October 1979 and January 1980, respectively.

The total aggregate gross margin for all U.S. producers operating during 1977-79 fell in 1979 to 4.4 percent from more than 8 percent in 1977 and 1978 (table 13). \* \* \*. As shown in table 14, the average gross operating margins for miscellaneous fabricated wire products, increased during 1977-79 and was \* \* \* than the margin for nail operations, \* \* \*.

Table 13.--Selected financial data for U.S. producers on their operations on steel wire nails, by regions, 1977-79

Year and item	Western producers		Other producers		Total	
	In operation : during 1977-79:	Operation : started in 1979:	In operation : during 1977-79:	Operation : started in 1979:	In operation : during 1977-79:	Operation : started in 1979:
1977:						
Net sales-----1,000 dollars---	***	:	***	:	141,890	:
Cost of goods sold-----do-----	***	-	***	-	129,491	-
Gross profit or (loss)-----do-----	***	-	***	-	12,399	-
Ratio of gross profit or (loss) to net sales-----percent---	***	-	***	-	8.7	-
1978:						
Net sales-----1,000 dollars---	***	:	***	:	162,543	:
Cost of goods sold-----do-----	***	-	***	-	148,312	-
Gross profit or (loss)-----do-----	***	-	***	-	14,231	-
Ratio of gross profit or (loss) to net sales-----percent---	***	-	***	-	8.8	-
1979:						
Net sales-----1,000 dollars---	***	***	***	***	157,543	***
Cost of goods sold-----do-----	***	***	***	***	150,562	***
Gross profit or (loss)-----do-----	***	***	***	***	6,981	***
Ratio of gross profit or (loss) to net sales-----percent---	***	***	***	***	4.4	***

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

Table 14.--Selected financial data for U.S. producers on their operations of steel wire nails, excluding U.S. Steel's operations, by regions, 1977-79

Year and item	Western producers		Other producers		Total	
	In operation : during 1977-79	Operation : started in 1979	In operation : during 1977-79	Operation : started in 1979	In operation : during 1977-79	Operation : started in 1979
1977:						
Net sales-----1,000 dollars---	***		***		***	
Cost of goods sold-----do-----	***		***		***	
Gross profit or (loss)-----do-----	***		***		***	
Ratio of gross profit or (loss) to net sales---						
For steel wire nails-----percent---	***		***		***	
For miscellaneous fabricated wire products 1/-----percent---	-		-		22.7	
1978:						
Net sales-----1,000 dollars---	***		***		***	
Cost of goods sold-----do-----	***		***		***	
Gross profit or (loss)-----do-----	***		***		***	
Ratio of gross profit or (loss) to net sales---						
For steel wire nails-----percent---	***		***		***	
For miscellaneous fabricated wire products 1/-----percent---	-		-		23.6	
1979:						
Net sales-----1,000 dollars---	***		***		***	***
Cost of goods sold-----do-----	***		***		***	***
Gross profit or (loss)-----do-----	***		***		***	***
Ratio of gross profit or (loss) to net sales---						
For steel wire nails-----percent---	***		***		***	***
For miscellaneous fabricated wire products 1/-----percent---	-		-		24.3	

1/ From 1979 Annual Statement Studies published by Robert Morris Associates for establishments primarily engaged in manufacturing miscellaneous fabricated wire products from purchased wire (SIC No. 3496).

Source: <sup>A</sup>Compiled from data submitted in response to questionnaires of U.S. International Trade Commission.

The primary reason for the declining gross profit was that the increase in average sales price did not keep pace with the increasing costs of production. Raw material costs increased significantly during the period. Labor costs and energy costs also increased each year. Three producers, not located in Western region, submitted data for January-May 1980 and each reported \* \* \* each month during January-May. Further, some producers alleged that their financial position continued to decline in 1980 as demand for nails slackened because of the housing recession, and rising costs of production continued to increase faster than prices.

According to information published by the Bureau of Labor Statistics (BLS), the cost of 8-penny bright nails kept pace with the increasing cost of the wire rod. In 1978, as shown in table 15, wire rod costs increased faster than the price of the bright nail. By 1980, however, the price increases in nails matched the wire rod price increases. Commission data on U.S. producers' prices for 16-penny bright common nails and 16-penny cement-coated countersunk nails show the same increases as the BLS index on 8-penny bright common nails. The Commission's data on prices for electro-galvanized roofing nails and green-vinyl sinkers, however, showed a much smaller price increase.

Table 15.--U.S. producers price indexes for wire rod and 8-penny bright common nails, by quarters, January 1977-March 1980

(January-March 1977=100)				
Period	:	Wire rod	:	8d bright common nails
	:		:	
1977:	:		:	
January-March-----	:	100.0	:	100.0
April-June-----	:	100.0	:	104.6
July-September-----	:	105.3	:	106.1
October-December-----	:	105.3	:	106.1
1978:	:		:	
January-March-----	:	109.5	:	106.9
April-June-----	:	109.9	:	108.0
July-September-----	:	111.8	:	109.7
October-December-----	:	117.3	:	111.8
1979:	:		:	
January-March-----	:	110.8	:	111.8
April-June-----	:	120.0	:	119.1
July-September-----	:	121.9	:	119.7
October-December-----	:	121.5	:	125.4
1980:	:		:	
January-March-----	:	127.1	:	127.8
	:		:	

Source: Bureau of Labor Statistics.

#### Research and development, and capital expenditures

Most research and development in the steel wire nail industry is involved with improving machine efficiency. Firms which have programs for replacing ~~or~~ upgrading machines tend to have few expenditures for research and development.

Research and development expenses associated with the production of steel wire nails in 1977-79 were negligible, as shown in the following tabulation. Almost all such expenses were incurred by two firms. Most of the research and development expenses were reported by \* \* \*, which \* \* \*.

Capital expenditures, as reported by 14 firms more than doubled from \$3.6 million in 1977 to \$7.6 million in 1978, and decreased to \$6.7 million in 1979. Of the total capital expenditures, more than 80 percent in 1977-78 and 65 percent in 1979 were incurred by firms which began production during this period, as shown in the following tabulation:

(In thousands of dollars)				
Item	1977	1978	1979	
Research and development expenses:				
Firms in operation during 1977-79-----	***	***	***	***
Firms which started operation during 1977-79----	***	***	***	***
Total-----	***	***	***	***
Capital expenditures:				
Firms in operation during 1977-79-----	***	***	***	***
Firms which started operation during 1977-79----	***	***	***	***
Total-----	3,604	7,618	6,666	

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. Most of the new machinery was purchased by nonintegrated producers. The following tabulation presents total U.S. sales of nail machines by Wafios Machinery Corp., believed to be the only current supplier of such machines.

	Quantity
1975-----	***
1976-----	***
1977-----	***
1978-----	***
1979-----	***

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 LTFV  
Imports and Alleged Injury

U.S. imports and market penetration

U.S. imports of steel wire nails come primarily from four countries: Korea, Canada, Japan, and Poland. Total imports increased from 328,000 short tons in 1973 to 340,000 tons in 1974, and decreased to 210,000 tons in 1975. Since the 1975 recession, imports increased to 340,000 tons in 1976, 398,000 tons in 1977, and 428,000 tons in 1978. Imports decreased in 1979 to 337,000 tons, or by 21 percent when compared with the 1978 level. During 1973-79, Japan's share of total imports decreased from 52 percent to 20 percent.

Imports from Korea increased dramatically during 1973-78, rising from 1,500 tons, or less than 0.5 percent of imports in 1973, to 109,000 tons, or 25 percent of imports, in 1978. In 1979 imports from Korea decreased to 92,000 tons, representing 27 percent of total imports. Imports from Korea decreased a further 20 percent during January-March 1980 when compared with the corresponding period in 1979.

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 51 percent to 58 percent of total imports between 1974 and 1977 and decreased to 51 percent in 1978 and to 47 percent in 1979 (table 16).

Imports of nails from the five Masan companies to the United States, according to information supplied by counsel for the Korean producers, declined from 51,000 tons in 1977 to 23,000 tons in 1979, representing a decrease of 55 percent. As a share of total imports from Korea, imports from the five Masan companies declined from 61 percent in 1977 to 25 percent in 1979 (table 17). No information is available from counsel concerning imports from Kuk Dong, the sixth company found to be selling at LTFV and which accounted for \* \* \* percent of LTFV sales.

Data collected from importers of nails from Korea indicate that imports from those companies not excluded from the investigation, a large share of which is accounted for by the five Masan companies, declined by 56 percent between 1977-79. Questionnaire data also show that imports from those firms not excluded declined from 73 percent to 16 percent of total imports from Korea.

In relation to apparent U.S. consumption, imports of steel wire nails under investigation from all sources rose from 43 percent in 1973 to 47 percent in 1974, and then 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 56 percent in 1978, and then fell to 50 percent in 1979. Imports from Korea rose steadily from less than 0.5 percent of U.S. consumption in 1973 to 14.4 percent in 1978, and then fell to

Table 16.—Steel wire nails: U.S. imports for consumption, by principal sources, 1973-79, January-March 1979, and January-March 1980

Source	1973	1974	1975	1976	1977	1978	1979	January-March--	
								1979	1980
Quantity (1,000 short tons)									
Republic of Korea-----	1	12	21	47	84	109	92	25	20
Japan-----	171	162	96	150	146	108	68	22	16
Canada-----	60	66	49	60	75	78	80	16	19
Poland-----	32	31	18	32	34	49	18	2	6
Other-----	63	70	26	52	58	85	80	22	15
Total-----	328	340	210	340	398	428	337	87	76
Value (million dollars)									
Republic of Korea-----	1/	6	9	16	31	45	50	14	9
Japan-----	50	79	45	57	63	55	48	15	11
Canada-----	18	31	23	28	36	41	45	9	11
Poland-----	7	11	6	9	10	15	7	1	2
Other-----	14	29	10	19	23	33	39	9	8
Total-----	89	156	93	129	162	189	189	48	41
Percent of total quantity									
Republic of Korea-----	1/	4	10	14	21	25	27	29	26
Japan-----	52	48	46	44	37	25	20	25	21
Republic of Korea and Japan-----	53	51	56	58	58	51	47	54	47
Canada-----	18	19	23	18	19	18	24	18	25
Poland-----	10	9	9	9	9	11	5	2	8
Other-----	19	21	12	15	15	20	24	25	20
Total-----	100	100	100	100	100	100	100	100	100

1/ Less than 500 thousand dollars 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.

Table 17.—Steel wire nails: Shipments to the United States from the Masan Free Trade Zone of Korea, 1977-79, and January-March 1980

Firm	1977	1978	1979	January-March 1980
Kankoku Nitto-----short tons--	9,594	9,105	3,070	663
Kankoku Nittei-----do-----	13,078	11,563	7,877	735
Korea Murata-----do-----	11,415	8,649	4,650	1,276
Korea Nippon Seisen-----do-----	2,669	3,293	3,410	532
Murakami Kogyo-----do-----	14,165	12,201	4,000	364
Total-----do-----	50,921	44,811	23,007	3,570
Share of total imports from Korea-----percent--	61	41	25	18

Source: Compiled from statistics presented by counsel for the 6 Korean nail producers found to be selling at LTFV.



13.6 percent in 1979. Imports from the five Masan companies declined from 6.9 percent of consumption in 1977 to 3.4 percent of consumption in 1979, as shown in the following tabulation:

Year	(In percent)		
	: U.S. imports as a percent of apparent		
	: U.S. consumption		
	: All sources	: All Korean companies	: Masan companies
1973-----	43.0	<u>1/</u>	<u>2/</u>
1974-----	46.8	1.7	<u>2/</u>
1975-----	42.3	4.2	<u>2/</u>
1976-----	50.3	7.0	<u>2/</u>
1977-----	53.8	11.4	6.9
1978-----	56.5	14.4	5.9
1979 <u>3/</u> -----	49.9	13.6	3.4

1/ Less than 0.5 percent. 2/ Not available. 3/ Estimated by the U.S. International Trade Commission.

In 1978 and 1979, 55 percent and 51 percent, respectively, of the imports from Korea entered the Western United States. 1/ Such imports from Korea increased steadily from 389 tons, or 0.5 percent of total Western State imports, in 1973 to 60,000 tons, or 55 percent of imports, in 1978. In 1979 imports from Korea into the Western States decreased to 48,000 tons, or 53 percent of total imports in that region. During 1973-79, imports from Japan declined from 83 percent of the total to 21 percent (table 18). Estimated imports from the five Masan companies into the Western States declined from 22,000 tons, or 19 percent of imports in 1977, to 10,000 tons, or 11 percent of imports in 1979.

Import-to-consumption ratios for the Western States for total imports \* \* \* from \* \* \* percent in 1977 to 63 percent in 1979. Corresponding import-to-consumption ratios for nails from the five Masan companies \* \* \* from \* \* \* percent in 1977 to 7.1 percent in 1979. The share of apparent consumption held by the U.S. producers in the Western States \* \* \* from \* \* \* percent in 1977 to 36 percent in 1979 (table 19).

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

Table 18.--Steel wire nails: U.S. imports for consumption in the Western States, 1/  
by principal sources, 1973-79, January-March 1979, and January-March 1980

Item	1973	1974	1975	1976	1977	1978	1979	January-March--	
								1979	1980
5 Masan companies: <u>2/</u>									
Quantity-----short tons--	3/	3/	3/	3/	21,999	19,358	9,939	3/	1,542
Percent of total-----	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	19.0	17.9	11.2	<u>3/</u>	7.1
Other Korean producers:									
Quantity-----short tons--	389	3,304	4,842	19,858	25,420	40,486	37,371	9,105	9,652
Percent of total-----	0.5	4.2	9.5	23.9	21.9	37.3	42.2	46.3	44.6
Japanese:									
Quantity-----short tons--	58,510	56,554	36,869	55,518	62,128	38,836	18,592	5,684	5,350
Percent of total-----	82.5	71.2	72.5	66.8	53.6	35.8	21.0	28.9	24.7
All other:									
Quantity-----short tons--	11,974	19,593	9,174	7,707	6,402	9,754	22,638	4,876	5,078
Percent of total-----	16.9	24.7	18.0	9.3	5.5	9.0	25.6	24.8	23.5
Total:									
Quantity-----short tons--	70,874	79,450	50,882	83,083	115,948	108,436	88,539	19,664	21,622
Percent of total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

2/ Estimated by the U.S. International Trade Commission. During the period of the Commerce's investigation, 43.2 percent of exports from the 5 Masan companies to the United States entered the Western States. It is assumed here that the share of exports to the Western States by the 5 Masan companies was 43.2 percent during 1977-79.

3/ Included in other Korean producers.

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

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

Table 19.--Steel wire nails: U.S. imports for consumption and U.S. producers' shipments as a share of U.S. consumption in the Western States, by principal sources, 1977-79

(In percent)									
Year	Imports from--			Shipments from--			Total		
	5 Masan companies	Other Korean companies	Japan	Other countries	All countries	Western producers	Eastern producers		
1977-----	***	***	***	***	***	***	***	100.0	
1978 1/-----	***	***	***	***	***	***	***	100.0	
1979 1/-----	7.1	26.6	13.2	16.1	63.0	35.5	1.5	100.0	
1/ 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.

## Prices

It is a common practice for U.S. producers and importers to sell steel wire nails at negotiated prices, although two U.S. producers (Armco and CF & I) testified at the hearing that large portions of their shipments are sold at published prices. <sup>1/</sup> Generally, domestic 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. On the other hand, U.S. importers quote prices 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.

In order to make price comparisons between U.S.-produced nails and those imported from Korea, the Commission asked domestic producers and importers to supply net selling prices for four representative nails for each quarter during January 1978-March 1980. The four selected articles are: 16-penny cement-coated countersunk nails; 16-penny green-vinyl sinker nails; 11G x 1-1/4 x 7/16 electro-galvanized roofing nails; and 16-penny bright common nails. Prices reported for imports from Korea are only for sales of products produced by the Korean manufacturers which were found by Commerce to have LTFV margins.

Reported prices of U.S.-produced nails generally rose during the period and exhibited less fluctuation than prices for nails imported from Korea. The average net selling price, according to questionnaire information, for 16-penny cement-coated countersunk nails made by U.S. producers increased from 21.8 cents per pound in January-March 1978 to 26.1 cents per pound in January-March 1980. During the same 9-quarter period, the average net selling price for 16-penny green-vinyl sinker nails increased from 24.7 cents per pound in January-March 1978 to 25.6 cents per pound in January-March 1980. The average net selling price for the specified electro-galvanized roofing nails \* \* \* cents per pound in January-March 1978 to 41.4 cents per pound in January-March 1980, and the price for 16-penny bright common nails rose from 21.6 cents per pound to 25.9 cents per pound.

Pricing information collected from importers of nails from the six Korean companies found to have LTFV margins is incomplete. In certain instances, only one or two importers were able to supply pricing data in the form requested by the Commission. For this reason, the pricing data in this report are of limited value as a measure of sales prices in the United States of nails produced by those Korean companies found to be selling at LTFV. Price data for January-March 1980 are not available and only one firm reported prices for each of the eight quarters (January-March 1978 to October-December 1979). Import prices exhibited an upward trend, but fluctuated significantly during the 2-year period. For instance, the average net selling price for Korean 16-penny cement-coated countersunk nails started at \* \* \* cents per pound in January-March 1978, \* \* \* to \* \* \* cents in October-December 1978, and then \* \* \* to \* \* \* cents in October-December 1979. The average net selling price for the 16-penny green-vinyl sinker nails \* \* \* from \* \* \* cents per pound in January-March 1978 to \* \* \* cents in January-March 1979, \* \* \* to \* \* \* cents in July-September 1979, and then \* \* \* to \* \* \* cents in October-

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<sup>1/</sup> Transcript, p. 96.

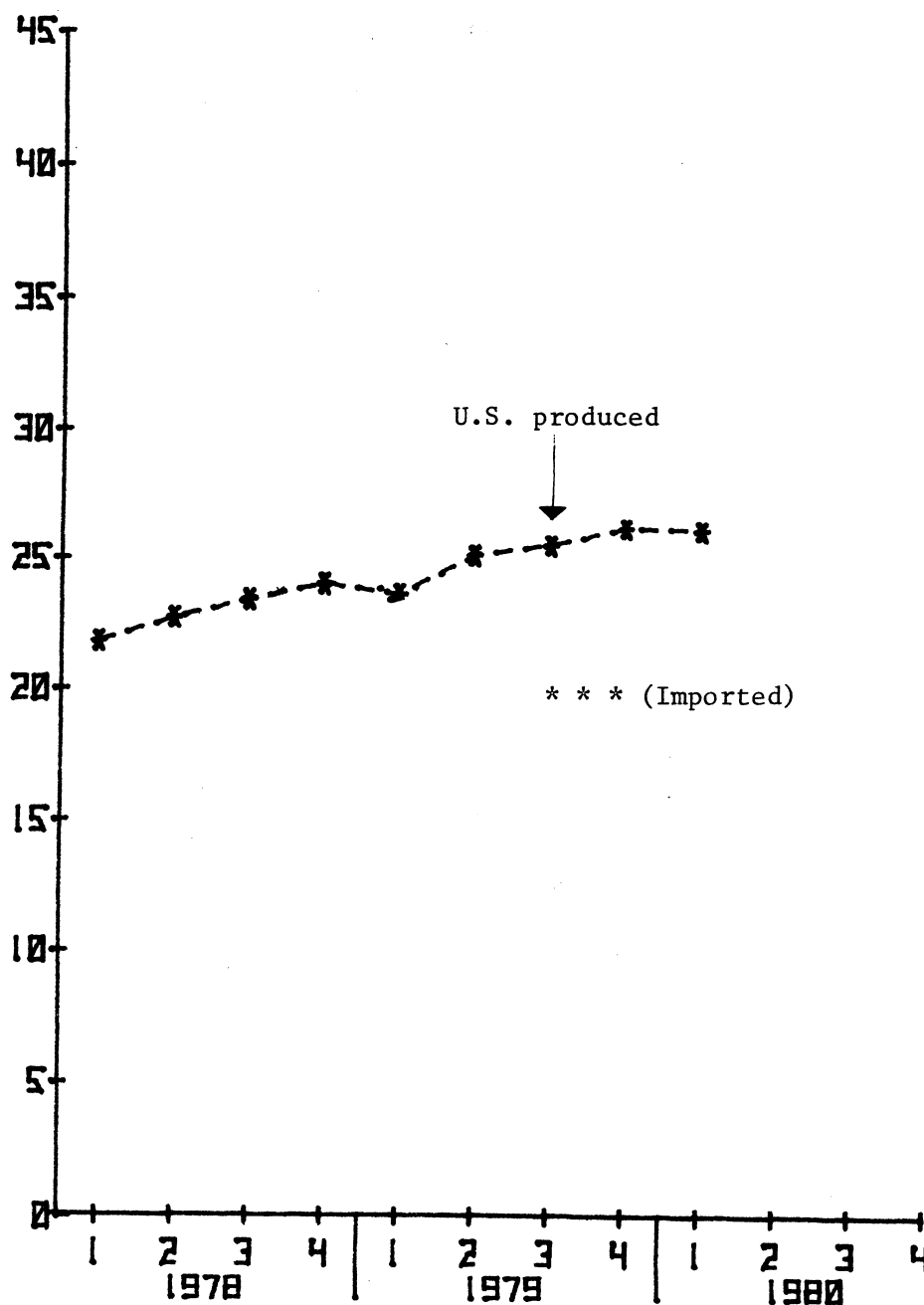
December 1979. The average net selling price for Korean electro-galvanized roofing nails \* \* \* from 24.5 cents in January-March 1978 to \* \* \* cents in October-December 1979. During the same period, the average net selling price for Korean 16-penny bright common nails \* \* \* irregularly from 16.5 cents to \* \* \* cents per pound.

In general, the average net selling prices for those nails manufactured by the six Korean companies were lower than those of comparable U.S.-produced nails. The average margin of \* \* \* for electro-galvanized roofing nails was \* \* \* percent; for 16-penny green-vinyl sinker nails, \* \* \* percent; for 16-penny cement-coated sinker nails, \* \* \* percent; and for 16-penny bright common nails, \* \* \* percent. These six Korean companies had average LTFV margins of 1.3 percent to 11.5 percent.

Figures 3, 4, 5, and 6, and tables 20 and 21 show average net selling prices for U.S.-produced nails and Korean nails made by the six companies found to have LTFV margins.

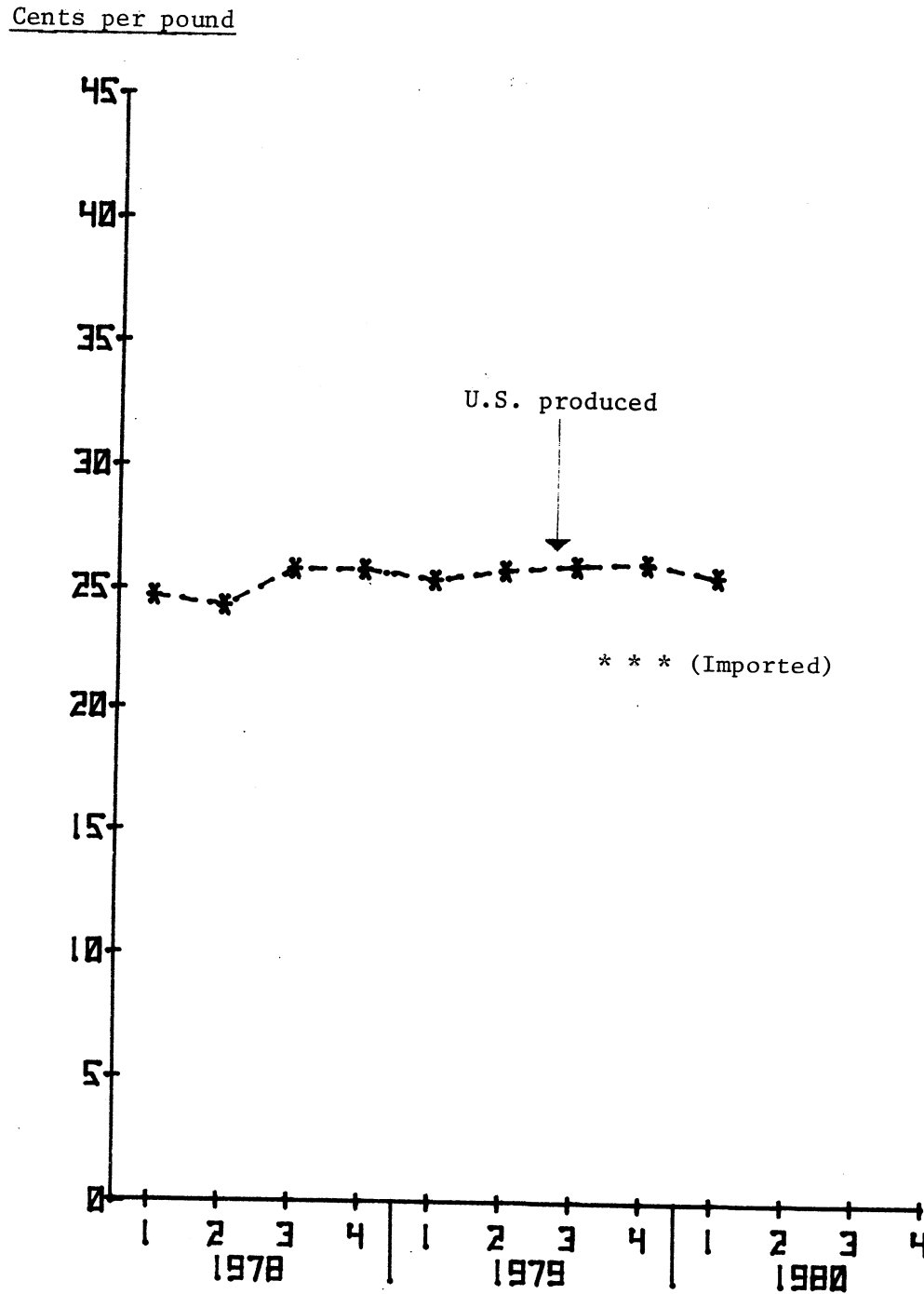
Figure 3.--16-penny cement-coated countersunk nails: Average net selling price for the largest shipments of U.S. produced nails and those imported from the 6 Korean companies found to be selling at LTFV, by quarters, January 1978-March 1980

Cents per pound



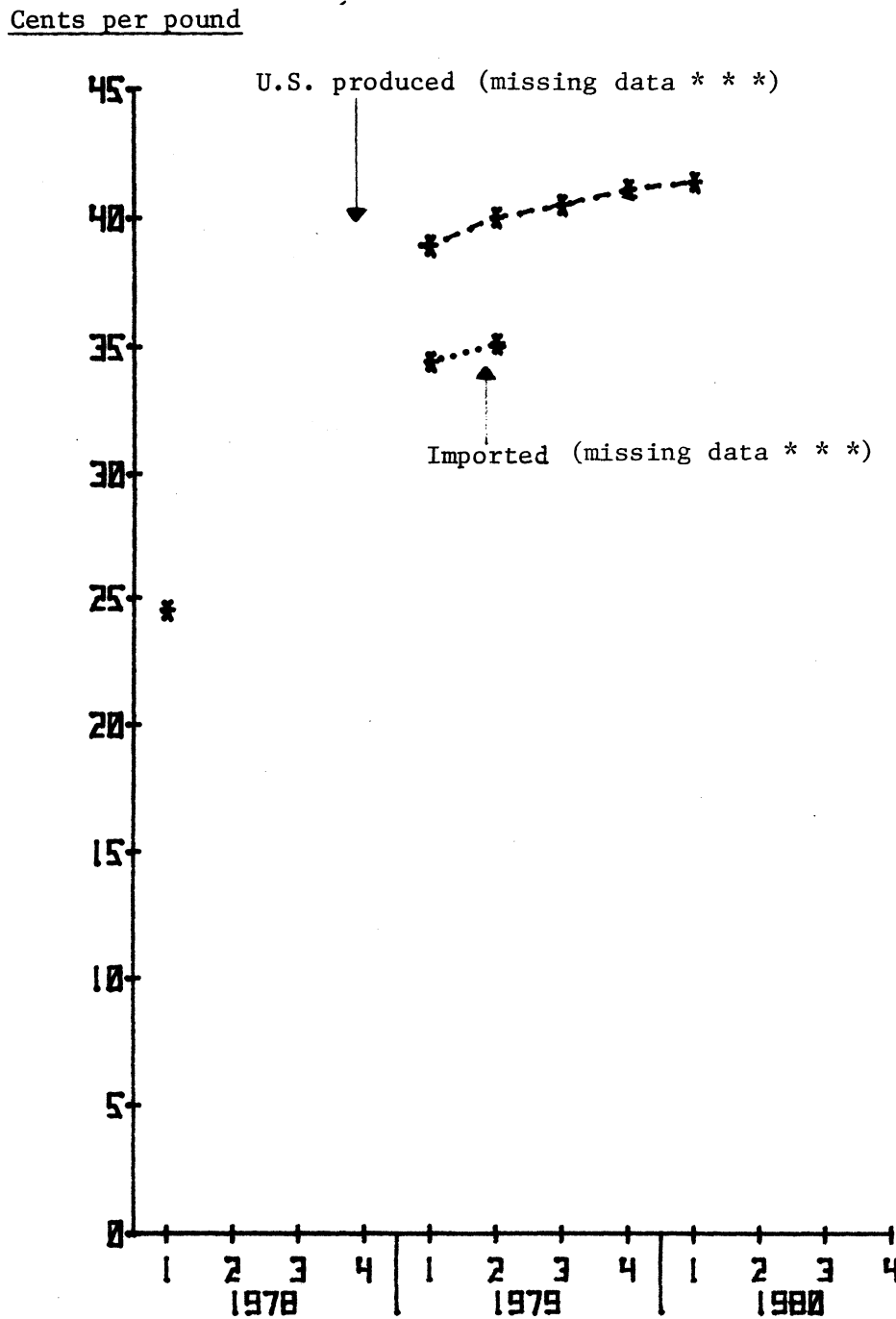
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 4.--16-penny green-vinyl sinker nails: Average net selling price for the largest shipments of U.S. produced nails and those imported from the 6 Korean companies found to be selling at LTFV, by quarters, January 1978-March 1980.



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. A-37

Figure 5.--Electro-galvanized roofing nails (11G x 1-1/4 x 7/16):  
Average net selling price for the largest shipments of U.S. produced  
nails and those imported from the 6 Korean companies found to be  
selling at LTFV, by quarters, January 1978-March 1980.



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



Figure 6.--16-penny bright common nails: Average net selling price for the largest shipments of U.S. produced nails and those imported from the 6 Korean companies found to be selling at LTFV, by quarters, January 1978-March 1980.

Cents per pound

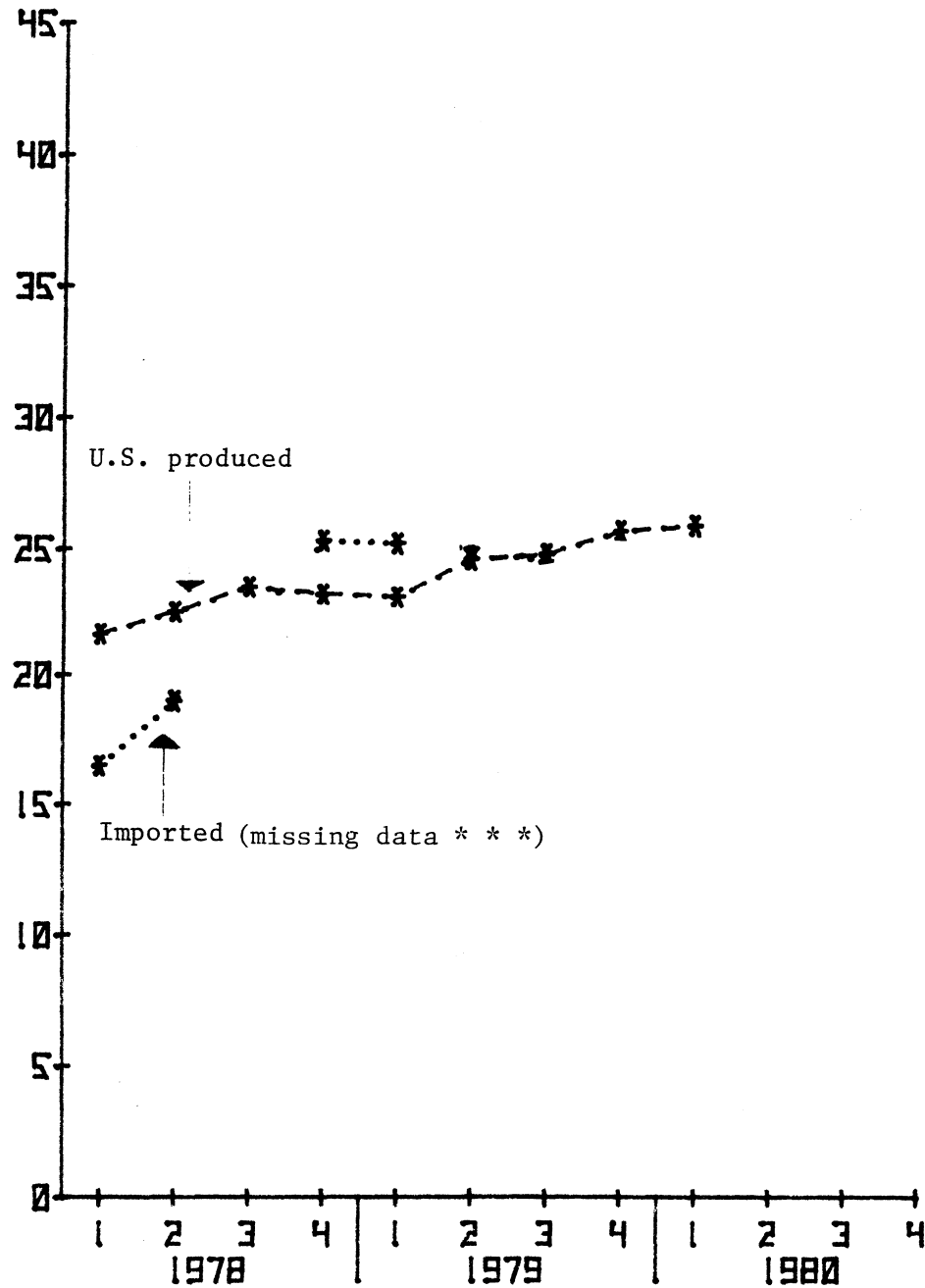


Table 20.—16-penny cement-coated countersunk and 16-penny green vinyl sinker nails:  
 Net selling price for the largest shipments of U.S.-produced nails and those imported  
 from the 6 Korean companies found to be selling at LTFV, by quarters, January  
 1978-March 1980

(In cents per pound)							
Period	U.S.-produced nails		Imported nails		Importers' margin of		
	Price range	Average price	Price range	Average price	In cents per pound	under or (over) selling	As a percent of producers' price
16-penny cement-coated countersunk nail							
1978:							
Jan.-Mar-----	19.5-24.1	21.8	***	***	***		***
Apr.-June-----	20.4-24.1	22.7	***	***	***		***
July-Sept-----	21.0-25.5	23.4	***	***	***		***
Oct.-Dec-----	22.9-25.5	24.0	***	***	***		***
1979:							
Jan.-Mar-----	21.0-25.5	23.6	***	***	***		***
Apr.-June-----	23.0-27.1	25.1	1/	-	-		-
July-Sept-----	23.0-27.1	25.5	***	***	***		***
Oct.-Dec-----	22.8-32.5	26.2	***	***	***		***
1980:							
Jan.-Mar-----	23.0-32.5	26.1	1/	-	-		-
16-penny green-vinyl nail							
1978:							
Jan.-Mar-----	***	24.7	***	***	***		***
Apr.-June-----	***	24.3	***	***	***		***
July-Sept-----	***	25.8	***	***	***		***
Oct.-Dec-----	***	25.8	***	***	***		***
1979:							
Jan.-Mar-----	24.0-27.0	25.4	***	***	***		***
Apr.-June-----	24.0-27.7	25.8	***	***	***		***
July-Sept-----	24.0-28.3	26.0	***	***	***		***
Oct.-Dec-----	24.0-29.9	26.1	***	***	***		***
1980:							
Jan.-Mar-----	***	25.6	1/	-	-		-

1/ Not available.

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

Table 21.--16-penny bright common and electro-galvanized roofing (11G x 1-1/4 x 7/16) nails: Net selling price for the largest shipments of U.S.-produced nails and those imported from the 6 Korean companies found to be selling at LTFV, by quarters, January 1978-March 1980

(In cents per pound)							
Period	U.S. produced nails		Imported nails		Importers' margin of		
	Price range	Average price	Price range	Average price	In cents per pound	under or (over) selling	As a percent of producers' price
Electro-galvanized roofing nails (11G x 1-1/4 x 7/16)							
1978:							
Jan.-Mar-----	***	***	***	24.5	***		***
Apr.-June-----	***	***	***	***	***		***
July-Sept-----	***	***	***	***	***		***
Oct.-Dec-----	***	***	***	***	***		***
1979:							
Jan.-Mar-----	***	38.9	***	34.4	4.5		11.6
Apr.-June-----	***	40.0	***	35.1	4.9		12.2
July-Sept-----	***	40.6	***	***	***		***
Oct.-Dec-----	***	41.1	***	***	***		***
1980:							
Jan.-Mar-----	***	41.4	1/	-	-		-
16-penny bright common nails							
1978:							
Jan.-Mar-----	18.3-22.8	21.6	***	16.5	5.1		23.6
Apr.-June-----	20.0-25.0	22.5	17.6-20.0	19.0	3.5		15.6
July-Sept-----	20.0-25.0	23.5	***	***	***		***
Oct.-Dec-----	20.4-24.1	23.2	***	25.3	(2.1)		(9.1)
1979:							
Jan.-Mar-----	21.0-24.5	23.1	***	25.2	(2.1)		(9.1)
Apr.-June-----	22.4-26.3	24.6	***	***	***		***
July-Sept-----	22.4-27.0	24.8	***	***	***		***
Oct.-Dec-----	22.4-28.4	25.7	***	***	***		***
1980:							
Jan.-Mar-----	22.8-28.4	25.9	1/	-	-		-

1/ Not available.

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

In its questionnaire sent to all major importers of nails from Korea, the Commission requested information concerning certain factors (the quality of the nails, the quality of packing, the ability to collect on claims, and the responsiveness to orders) which influenced the prices these importers are willing to pay for imported and domestically produced nails. Using the following codes, the importers estimated the effect these factors have on the prices of their purchases of nails:

- 5 - Warrants a price premium of more than 10 percent,
- 4 - Warrants a price premium of 0-10 percent,
- 3 - Warrants no price premium or discount,
- 2 - Requires a price discount of 0-10 percent,
- 1 - Requires a price discount of more than 10 percent.

The fourteen importers that responded to this section estimated that the Japanese nails were the best with an average score of 3.4, followed by the United States and the six Korean firms which made LTFV sales to the United States, each with an average score of 3.1. Nails produced by the Korean-owned plants received the lowest average score of 2.6, as shown in the following tabulation:

Source	Quality of nails	Quality of packing	Ability to collect on claims	Respon- siveness to orders	Average
Imports of nails from the Korean producers found to have LTFV margins 1/-----	3.1	3.2	3.0	3.0	3.1
Imports from other Korean producers-----	3.1	2.8	2.2	2.4	2.6
Imports from Japan-----	3.7	3.3	3.2	3.2	3.4
Purchases from U.S. producers-----	2.8	3.4	3.1	3.1	3.1

1/ Kankoku Nittei, Kankoku Nitto, Korea Murata, Korea Nippon Seisen, Kuk Dong, and Murakami Kogyo.

The staff interviewed 5 domestic producers, 2 importers, and a producer-importer to discuss their operations. While most agreed that the price of Korean nails was lower than the price of nails from other sources, not all thought that Korean nails were the major cause of the depressed condition of the U.S. industry. Two U.S. producers said low-priced Korean nails were depressing market prices. None, however, distinguished between LTFV imports and other Korean imports. Two importers and a producer in the \* \* \* claimed \* \* \*, a domestic producer, sold below trigger price; one said it was using predatory pricing. One producer-importer was not concerned with others in the market, claiming business is good. One domestic producer, \* \* \*,

from \* \* \* claimed that domestic producers' prices were depressing prices in his market area. A summary of these interviews is presented in appendix F.

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 encountered repeated difficulties in securing domestically produced nails:

1. This distributor says that \* \* \*, \* \* \*, \* \* \*, and \* \* \*, four large U.S. producers, were so flooded with orders that they did not even offer to sell this distributor any nails.
2. This distributor encountered long-lead times approaching 8 weeks in obtaining nails produced by \* \* \*.
3. Several confirmed orders with \* \* \* were 4-8 weeks overdue.
4. \* \* \* 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.

#### Lost sales

Domestic producers were requested to report or supply information concerning sales of steel wire nails which they lost because of competition from imports from Korea. Of the producers responding to the questionnaires, six companies reported such lost sales. This involved nineteen allegations of sales lost to sixteen customers. The Commission was able to contact fourteen

of these sixteen customers. It should be noted that the companies responding indicated that these alleged lost sales were just examples of lost sales and did not constitute all the sales lost. In addition, other companies indicated they were losing sales to Korean competition but were unable to supply specific examples or documentation to support this.

The loss of sales occurred for the most part in the Western region, with twelve allegations in California, two in \* \* \*, and one each in \* \* \* and \* \* \*.

A lost sale occurs when a customer decreases its purchases or stops purchasing from a domestic producer with whom it has been doing business to buy the imported, in this case Korean, product. This implies that the customer must have made comparable purchases from the U.S. producer in the past. Owing to the nature of the nail market and the way in which purchases are made, this standard is difficult to apply. Distributors and wholesalers simultaneously buy nails from several producers and suppliers on a regular basis, making it difficult to verify a particular lost sale as such. An added difficulty in this case is that not all nails from Korea are involved in this investigation, only those nails manufactured by companies selling at LTFV are included. It is very difficult to trace alleged lost sales to a particular Korean producer.

The staff took these difficulties into consideration when investigating the reported lost sales. In an attempt to compensate for these difficulties the staff looked not only for actual lost sales but also at the buying trends of the customers. The staff also attempted to determine from which importer or importers the Korean nails were purchased. When available, the share of total nail imports from those Korean companies not excluded from the investigation purchased by each importer that sold nails to an alleged lost sale customer will be shown.

Of the fourteen customers the staff was able to contact, all but one purchased some Korean nails. Price was a major factor in choosing among suppliers of nails; other considerations included availability, size of the order, delivery time, and quality.

A summary of the information reported by the individual customers follows:

\* \* \* (reported by \* \* \*).--The customer reported that prior to 1978 it had purchased mainly domestic nails. In 1979 it switched to nails imported from Japan and Korea, particularly Korea because the price was better. Its purchases of nails were mainly through \* \* \*, a Japanese trading company. This importer reported no imports from the nonexcluded companies in 1977, 100 percent of Korean imports from the nonexcluded companies in 1978, and no imports from the nonexcluded companies in 1979. Since February 1980, \* \* \* has been dealing increasingly with domestic and Canadian firms, particularly \* \* \* because its quality is better and its price competitive. \* \* \* reported that it does not have to keep its inventory as high when it buys domestically produced nails, and that for a minor difference in price it would rather buy domestic nails when available.

\*\*\* (reported by \*\*\*).—This customer reported that over the past 15 years, until April 1980, approximately 30 percent to 40 percent of its nail purchases were of Korean-produced nails. In the buyers opinion, the Korean nails are of a good quality and low priced. \*\*\* usually imports through \*\*\* and \*\*\*. \*\*\* imported 10 percent of its nails imported from Korea from nonexcluded companies in 1977, 6 percent in 1978, and 3 percent in 1979. Of the six companies found to be selling at LTFV, \*\*\* purchased only from Kuk Dong. During the period of Commerce's investigation, Kuk Dong had a LTFV margin of 1.3 percent. It is unknown what share of its nails \*\*\* purchases from the nonexcluded Korean companies. The buyer stated that he prefers to buy domestically because then he does not have to commit himself to the large advance orders required when ordering Korean nails. Since April 1980, he has been buying domestic nails from \*\*\*, \*\*\* and \*\*\* because their prices have become competitive.

\*\*\* (reported by \*\*\*).—This customer reported that it buys both domestic and Korean nails on a regular basis. The buyer stated that he has customers that prefer Korean nails because they are cheaper and other customers that prefer the domestic product. Price is not the only factor involved in making purchasing decisions. He stated that some nails are not available domestically, and that he would buy more domestic nails if they were available. He purchased his domestic nails mainly from \*\*\*. His purchases of Korean nails are through \*\*\*, \*\*\*, and \*\*\*. \*\*\* imported approximately 92 percent of its Korean nails from nonexcluded companies in 1977, 13 percent in 1978, and 58 percent in 1979. Information concerning imports by \*\*\* are unavailable. The customer added that prices of the imports have increased in the past 6 months and, as a result, he is cutting back on his purchases of imported nails.

\*\*\* (reported by \*\*\*).—This small firm reported that 80 percent of its business is in Korean nails. All of its imports are procured through \*\*\* in Seoul, Korea, a nonexcluded company. This customer projected that it will import \$400,000 worth of nails from Korea in 1980. In 1978 he imported approximately \$850,000 from Korea. In the past 2 months this customer indicated that \*\*\* prices have been competitive with Korean imports and, as a result, this customer has been buying from \*\*\*. \*\*\* stated that it must buy some Korean nails in order to compete with other suppliers.

The customer indicated that price was not the only factor in making purchasing decisions. \*\*\* stated that when it had previously tried to purchase nails from \*\*\*, \*\*\* turned down its order. In addition, \*\*\* refuses to buy from \*\*\* because its marketing techniques are \*\*\*. \*\*\* reports that \*\*\* nails are of a poor quality.

This customer would deal with \*\*\* because its quality, especially on the hot-galvanized nails, is very good. However, \*\*\* are prohibitive. The buyer stated that in his opinion U.S. mills cannot keep up with demand on the west coast.

\*\*\* (reported by \*\*\*).—This customer reported that it deals primarily in roofing nails. Three to four years ago it purchased Korean nails because they were less expensive. Since \*\*\* came on the scene, however, this customer purchases most of its nails from \*\*\* because its price and qua-<sup>A-45</sup>

lity are better. Now less than 10 percent of his business is accounted for by Korean nails. Those Korean nails \* \* \* still purchases are bought primarily through \* \* \*, \* \* \*, and \* \* \*. \* \* \* imported 56 percent of its nails from nonexcluded producers in Korea in 1977, 26 percent in 1978, and 35 percent in 1979.

\* \* \* (reported by \* \* \*).--The \* \* \* buyer stated that in the spring of 1979, \* \* \* was buying mainly Japanese nails. In 1980, he has purchased mainly Korean nails. He stated that a large share of his nail purchases are green-vinyl sinkers from Korea. Generally he buys these imports through \* \* \*, \* \* \*, and \* \* \*. \* \* \* imported 93 percent of its nails from Korea from nonexcluded companies in 1977, 90 percent in 1978, and 0.3 percent in 1979. Figures on \* \* \* imports are unavailable.

The buyer stated that he has turned down sales offers from \* \* \*, \* \* \*, and \* \* \* to buy the Korean product. He stated that the quality of the Korean nail he purchased through \* \* \* is better than that from \* \* \*. He stated that \* \* \* has recently offered nails at a price competitive with the Koreans, and if they deliver at the price, he'll buy from them. He said other factors affecting his purchases are availability and the quantity he must purchase.

\* \* \* (reported by \* \* \*).--\* \* \* purchases 90 percent of its nails from Japan. The company spokesman said he feels Korean nails are "junk." He purchased some \* \* \* nails but the price was not competitive and he had complaints on the quality.

\* \* \* (reported by \* \* \*).--This customer has purchased mainly Korean nails for at least 4 years. It deals mainly with imported 8-penny and 16-penny green-vinyl sinkers because these are less expensive when imported. \* \* \* gets its Korean nails from \* \* \* and \* \* \*, and has rejected offers from \* \* \* because of price. The Korean quality is not as good but the price is better.

\* \* \* (reported by \* \* \*).--This customer indicated it has been buying nails from Korea for the past 7 years; 95 percent of its business is imports, 5 percent is domestic. Prior to that time it purchased mainly Japanese nails. It gets imported Korean nails through \* \* \* and \* \* \*. \* \* \* does not import any Korean nails from the nonexcluded companies.

The customer stated that it has purchased few domestic nails because the price was not competitive or they were unavailable. The company spokesman said he has not decreased his purchases from any U.S. producer because he never bought nails from them in any quantity. The only producer of any size in the area was \* \* \* and they were not interested in pursuing the market. He added he has not seen a salesman from \* \* \* in 3 to 4 years. They also wanted very large orders and their delivery terms were unacceptable.

\* \* \* (reported by \* \* \*).--This customer purchases \$15,000 worth of nails a year from \* \* \*, and believes they are from Korea. \* \* \* did not import Korean nails in 1977 or 1978. In 1979, 82 percent of its Korean imports were from nonexcluded companies. Three years ago \* \* \* shifted from domestic to imported nails because the price was better. The spokesman added



that at that time the quality of the imported nails was also better and domestic supply was irregular depending on market demand. When he has purchased domestic nails, he bought from \* \* \* and \* \* \*.

\* \* \* (reported by \* \* \*).--This buyer has been importing Korean nails for at least 3 to 4 years. Less than 3 percent of his nail purchases are Korean nails. The only nails he bought from Korea are green-vinyl sinkers. He does not handle hot-galvanized or electro-galvanized nails. His domestic nail purchases are mainly from \* \* \* and \* \* \*. He does not know what importer his Korean nails come from. Korean nails used to set the price but now the domestic producers have a competitive price. He buys what is available at the time at the best price.

\* \* \* (reported by \* \* \*).--The customer reported he has been purchasing Korean nails for at least 4 years. A company spokesman stated that prior to that time he had purchased more Japanese nails. He said he had consistently imported approximately 75 percent of his purchases. Generally he has imported through \* \* \* and to a lesser extent through \* \* \* and \* \* \*. He stated he buys imported nails because the domestic producers can't produce enough nails to supply the market. In addition, he said that domestic companies use old out-dated equipment and they can't compete with the imports. He stated he felt this was the problem with \* \* \*.

His import purchases of Korean nails have generally been of green-vinyl and electro-galvanized nails. He stated that until recently these were unavailable domestically. \* \* \* is the only domestic producer to solicit his business other than \* \* \*. He indicated he had never turned down a purchase from a domestic producer to buy the Korean import. He felt even with \* \* \*, the domestic producers can't fill the demand. Trucking costs are too high to make \* \* \* competitive in his area.

\* \* \* (reported by \* \* \*).--This customer estimates that 10 percent of its nail purchases are of nails imported from Korea. They are purchased through the \* \* \*. The nails from Korea are electro-galvanized. The other 90 percent of his business is supplied by \* \* \*, a \* \* \* firm which does not produce electro-galvanized nails. He has never turned down a sale from a domestic producer to buy the Korean product.

He considers the hot-galvanizing process to be a better finishing process that results in greater holding power. However, with roofing nails the better finish is not as important because the nails are often not directly exposed to the elements and the less expensive electro-galvanized nail will do just as good a job.

\* \* \* (reported by \* \* \*).--This customer purchases electro-galvanized nails imported from Korea through \* \* \* and \* \* \*. \* \* \* imported 85 percent of its nails from nonexcluded companies in 1977, 26 percent in 1979, and 55 percent in 1979. \* \* \* buys both foreign and domestic nails on a regular basis depending on what the customers want. It buys regularly from \* \* \*, \* \* \*, \* \* \*, \* \* \*, and \* \* \*, as well as through the importers noted above. Generally, when this firm has checked the price on other types of nails from Korea, they are less expensive, but it buys the domestic nails anyway because that is what its customers want.

The examples cited give an indication of the many variables involved in nail purchases. In addition to the lost sales reported in the questionnaire, one domestic producer, CF & I, provided copies of 11 sales reports to the Commission at the hearing. While all 11 indicate \* \* \*, they also show, in \* \* \* instances, \* \* \*, which by \* \* \* and \* \* \*. There is also an indication that the slow down in the housing industry \* \* \*. A January report also reflected that \* \* \* in 1980, making domestic producers \* \* \*.

#### Cyclical nature of consumption

Consumption of steel wire nails is closely related to U.S. construction as shown in figure 7. U.S. producers' shipments generally followed consumption until 1976, when the impact of increasing imports can be seen. The indexes used in figure 7 are listed in the following tabulation (1969=100):

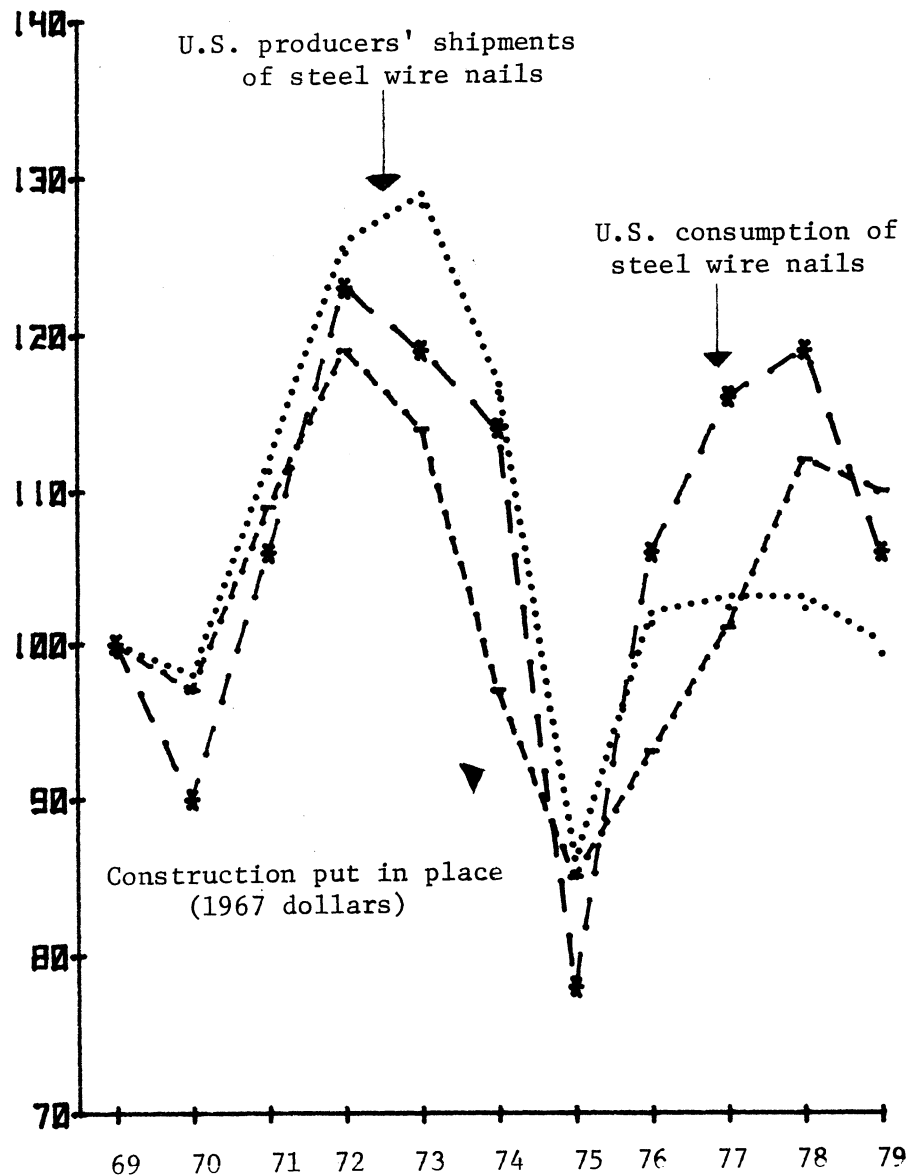
Year	Construction : put in place (1967 dollars)	U.S. : producers' : shipments : of steel : wire nails	U.S. : consumption : of steel : wire nails
1969-----	100 :	100 :	100
1970-----	97 :	98 :	90
1971-----	109 :	112 :	106
1972-----	119 :	126 :	123
1973-----	114 :	129 :	119
1974-----	97 :	117 :	114
1975-----	85 :	86 :	78
1976-----	93 :	102 :	106
1977-----	101 :	103 :	116
1978-----	112 :	103 :	119
1979-----	110 :	<u>1/</u> 100 :	<u>1/</u> 106

1/ Estimated.

Note.--Indexes for shipments and consumption are based on quantity.

Figure 7. Indexes of construction put in place, U.S. producers' shipments of steel wire nails, and U.S. consumption of steel wire nails, 1969-79.

Index  
(1969=100)





APPENDIX A

COMMERCE'S LETTER OF NOTICE TO THE COMMISSION



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**

Washington, D.C. 20330

RECEIVED

1980 MAY 22 AM 11:56

80 MAY 22 PM 19 1980

OFFICE OF THE SECRETARY  
 DOCKET/USITC

The Honorable  
 Catherine Bedell  
 Chairman, International  
 Trade Commission  
 Washington, D.C. 20436

Dear Madam Chairman:

In accordance with section 735(a) of the ~~Tariff Act of 1930~~, as amended (93 Stat. 169, 19 U.S.C. 1673d(a)(the Act)), the Department of Commerce has determined that certain steel wire nails from Korea are being sold at less than fair value within the meaning of section 731 of the Act (93 Stat. 172, 19 U.S.C. 1673). Pursuant to section 735(d) of the Act, (93 Stat. 172, 19 U.S.C. 1673d(d)), you are hereby formally advised of this determination and the bases for the determination which are specified in the attached copy of the Federal Register notice.

Pursuant to section 735(c)(1)(A) of the Act (93 Stat. 171, 19 U.S.C. 1673d(c)(1)(A)), you will be given full access to all nonprivileged and confidential information in the files. All privileged and confidential information in the files will be made available upon confirmation that the confidentiality of such information will be maintained and that it will not be disclosed, either publicly or under administrative protective order, without the express written consent of the Assistant Secretary for Trade Administration.

Sincerely,

John D. Greenwald  
 Deputy Assistant Secretary for  
 Import Administration



APPENDIX B

COMMERCE'S FEDERAL REGISTER NOTICE

**DEPARTMENT OF COMMERCE****International Trade Administration****Certain Steel Wire Nails From the Republic of Korea; Antidumping: Final Determination of Sales at Less Than Fair Value and Exclusion From Investigation**

**AGENCY:** Department of Commerce, International Trade Administration.

**ACTION:** Final determination of sales at less than fair value and exclusion from investigation.

**SUMMARY:** In this antidumping investigation the Department of Commerce has determined that certain steel wire nails from certain Korean companies are being sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673). We are referring this case to the United States International Trade Commission for a determination whether the sales made at less than fair value by these companies have caused or are likely to cause material injury to a domestic industry.

**EFFECTIVE DATE:** May 23, 1980.

**FOR FURTHER INFORMATION CONTACT:** Holly A. Kuga, Office of Investigations, Import Administration, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202-377-1785).

**SUPPLEMENTARY INFORMATION:****Background**

On April 20, 1979, the Treasury Department began this investigation with publication of an "Antidumping Proceeding Notice" in the *Federal Register* (44 FR 23621). Treasury started the investigation on its own initiative in conjunction with its administration of the "Trigger Price Mechanism" (TPM). The TPM was established in December 1977 to monitor prices at which certain steel mill products enter the United States.

Special Summary Steel Invoices submitted by importers indicated that steel wire nails imported from 22 Korean companies were being sold at prices less than the appropriate "trigger price" for that product. Further investigation revealed the possibility that these steel wire nails were being, or were likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

The "Antidumping Proceeding Notice" indicated that there was evidence on the record concerning injury to, or likelihood of injury to, an industry in the United States. However, the notice also

indicated that there was substantial doubt that imports of such merchandise from Korea were causing, or were likely to cause, injury. Treasury so advised the United States International Trade Commission (ITC) pursuant to section 201(c)(2) of the Antidumping Act of 1921, as amended (19 U.S.C. 160(c)(2)). On May 23, 1979, the ITC published its decision that there was 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 less than fair value (44 FR 29989). Therefore, the investigation proceeded.

On October 26, 1979, Treasury published a notice of "Tentative Determination of No Sales at Less Than Fair Value and Tentative Discontinuance" in the *Federal Register* (44 FR 61722). This notice advised the public that, with the exception of merchandise produced by Murakami Kogyo Company, there was no reason to believe or suspect that steel wire nails from Korea were being sold to the United States at less than fair value. In the case of Murakami Kogyo, the investigation was tentatively discontinued because the margins found were minimal and assurances of no future sales at less than fair value had been received.

Counsel for the parties raised a number of issues following the Tentative Determination, both in written submissions and orally at a hearing held on December 12, 1979. Among the issues raised were:

- The time period over which certain production costs were calculated in determining constructed value.
- Adjustments for differences in merchandise in those instances where fair value comparisons involved purchase prices and either home market or third Country prices.
- The applicability of the multinational corporation provision (Sec. 773(d) of the Tariff Act of 1930) to certain firms subject to the investigation.
- Changes in circumstances following the period selected for examination of price and cost of production data (the investigatory period).

On January 1, 1980, the Trade agreements Act of 1979, Pub. L. 96-39, took effect. The 1979 Act repealed the Antidumping Act of 1921 and replaced it with Subtitle B of Title VII of the Tariff Act of 1930 (hereinafter referred to as "the Act"). The Department of Commerce determined that the transition rules of the 1979 Act, specifically section 102(b)(2) (93 Stat. 189, 19 U.S.C. 1671 note), covered pending investigations of less than fair



value sales in which no final determination had been made but in which a tentative negative determination had been made by December 31, 1979.

In accordance with these rules the investigation under the Antidumping Act of 1921, as amended, covering certain steel wire nails from the Republic of Korea was terminated on January 1, 1980, and the investigation continued under the provisions of Title VII of the Act (93 Stat. 150 et seq.) as if the preliminary determination under the Antidumping Act has been a preliminary determination under section 733 of the Act, (93 Stat. 163, 19 U.S.C. 1673b), made on January 1, 1980.

The Commerce Department subsequently determined under section 735(a)(2) of the Act that an extension of the time period in which to make a final determination was necessary in this case and published notice to this effect in the **Federal Register** on March 19, 1980 (45 FR 17624). This determination was based upon the need to collect, verify and analyze additional information, particularly with respect to (1) the possible application of the multinational corporation provision of the Act and (2) the possible recalculation of constructed value.

For purposes of this determination, the term "steel wire nails" refers to nails, brads, spikes, staples and tacks of one-piece construction which are made of round steel wire and which enter the United States under item numbers 646.25 and 646.26 of the Tariff Schedules of the United States Annotated (TSUSA).

#### Scope of the Investigation

This case was initiated as a result of sales by twenty-two Korean companies of steel wire nails in the U.S. market at prices below the prevailing trigger price level. Because of the difficulties in examining in detail price and cost of production data of all Korean producers which sold nails below trigger prices a representative sample of twelve producers was used for purposes of the investigation. The companies investigated were:

1. Daegu Moolsan Co., Ltd. (Daegu Moolsan).
2. Dae Han Sang Sa Co., Ltd. (Dae Han Sang Sa).
3. Jin Heung Iron and Steel Co. (Jin Heung)
4. Kankoku Nittei Co., Ltd. (Kankoku Nittei).
5. Kankoku Nitto Co., Ltd. (Kankoku Nitto).
6. Korea Murata Industrial Co., Ltd. (Korea Murata).
7. Korea Nail Manufacturing Co., Ltd. (Korea Nail).
8. Korea Nippon Seisen Co., Ltd. (Korea Nippon Seisen).
9. Kuk Dong Metal Ind., Co. (Kuk Dong).

10. Murakami Kogyo Co., (Masan) Ltd. (Murakami Kogyo).

11. New Korea Nails Ind., Co., Ltd. (New Korea Nails).

12. Young Sin Metal Industrial Co., Ltd. (Young Sin).

During the period of investigation, these twelve companies accounted for 73% of U.S. imports of steel wire nails from Korea.

Korean exporters (both manufacturers and trading companies) which were not included in the sample of producers selected for purposes of investigation but were found to be selling in the U.S. at prices below trigger prices were given the opportunity to provide price and cost of production information to demonstrate that they did not sell the merchandise at less than fair value during the period of investigation. One company, Korea Electrode, provided such information. However, the information submitted did not include a nonconfidential summary of confidential information, as required by § 353.28 of Commerce Regulations, and was accordingly returned. Korea Electrode was given an opportunity to revise its submission to include such a summary, but chose not to do so.

Pricing information and cost of production information were obtained and examined for shipments to the United States, to the home market and to third countries during the period December 1, 1978 through March 31, 1979.

#### U.S. Price

Purchase price, as defined in Section 772 of the Act (19 U.S.C. 1677a) was used for determining the "United States price" because all sales by the companies investigated were made to unrelated U.S. customers prior to the date of importation. Purchase price was calculated on the basis of the f.o.b., f.o.b.c., c&f and c.i.f., packed price to an unrelated trading company or to an unrelated purchaser in the United States, as appropriate. Where applicable, we deducted from this price ocean freight, insurance, stevedorage, wharfage, Customs clearance, handling, inland freight, and commissions. Where applicable, we added to the price the Korean value-added tax, defense tax, and duties on imported raw materials rebated on export but which are included in the price of products sold in Korea.

#### Foreign Market Value

Home market prices could be used as the basis for foreign market value for only two companies (Kuk Dong and New Korea Nails). The overwhelming proportion of all sales by the companies

investigated were to the U.S. market. Only three of the companies sold in the home market during the period of investigation. Of these three, one company (Jin Heung) sold in Korea so small a fraction of the amount it sold to the United States (less than 2.5%) that the home market sales do not provide an adequate basis for determining foreign market value. The other two companies, Kuk Dong and New Korea Nails, shipped to the home market 5% or more of the quantity shipped to the United States and, where there were third country sales, shipped greater quantities to the home market than were shipped to the third country. Home market prices were calculated by making adjustments for differences in packing to the weighted-average ex-factory price to unrelated purchasers in Korea. In the case of Kuk Dong, we disallowed an adjustment claimed under § 353.15 Customs Regulations (19 CFR 353.15) for extension of credit to domestic purchasers due to insufficient documentation.

Third country sales were used as the basis for foreign market value for the one company whose sales in Canada were 5% or more of the company's sales in the U.S. (Korea Nails). Foreign market value was calculated by deducting from the c&f value of sales to unrelated Canadian purchasers deductions for ocean freight, wharfage, inland freight, stevedorage, and Customs brokerage. Third country sales were not used in the case of Daegu Moolsan, whose shipments to Japan were well below 5% of shipments to the United States, or in the case of Murakami Kogyo, which was subject to the the multinational corporation provision of the Act (see below).

The use in this case of the 5% benchmark for deciding whether sales in the home market or to third countries are adequate for determining foreign market value does not establish a rigid rule of general application. The 5% benchmark does provide a guideline from which our analysis begins, but in some cases there may be particular facts that require another result in order to implement the purposes of the Act. In this case there are no such special facts.

For four of the remaining nine companies that were investigated constructed value was the basis for foreign market value (Daegu Moolsan, Dae Han Sang Sa, Jin Heung and Young Sin).

Sales in both the home market and third country market for each of these companies were either nonexistent or inadequate to form a basis for comparison with the U.S. price.

We calculated constructed value by adding the cost of raw materials and fabrication, general expenses and profit considered usual in the trade (but not less than the minimum amounts required by Section 773(e) of the Act) and the cost of all containers and coverings used to pack the merchandise for shipment to the United States.

In the tentative determination constructed value was computed from the average cost of production data supplied by each company for an entire year. Counsel for the domestic industry maintained that the use of annual data is improper for calculation of the cost of raw materials and fabrication elements of constructed value. Section 773(e) of the Act (19 U.S.C. 1677(b) states that the constructed value shall be "the cost of materials \* \* \* and of fabrication or other processing \* \* \* at a time preceding the date of exportation of the merchandise under consideration which would ordinarily permit the production of this particular merchandise \* \* \*." Counsel argued that average annual raw material and fabrication costs did not represent the costs "at the time preceding the date of exportation" which would "ordinarily" permit the manufacture of the nails exported during the investigatory period and that the use of annual data, as opposed to data for a more limited period, significantly understated the proper raw material and fabrication costs.

Based upon a review of the Korean nail industry, and in particular the average lag time between date of purchase of raw materials and date of exportation of the finished product made from these materials, we determined that raw material and fabrication costs for the period August through November 1978 provided a more appropriate basis for calculating the value of those elements of the constructed value during the period of investigation than did annual data.

General expenses and profit for each company were calculated using the annual data originally supplied, because section 773(e) distinguishes between the treatment of raw materials and fabrication, on the one hand, and general expenses (e.g. general overhead, capacity utilization) and profit, on the other. For general expenses and profit the use of annual data or data over an appropriate "normalized" period (e.g. a business cycle) may be used.

Foreign market value for the remaining five companies (Kankoku Nitte, Kankoku Nitto, Korea Murata, Korea Nippon Seisen and Murakami Kogyo) must be determined in an unusual way. All five are located in the Masan Free Trade Zone and hereafter

referred to collectively as the Masan Companies. The Trade Act of 1974 added to the Antidumping Act of 1921 a special rule for determining foreign market value for certain multinational corporations. This provision was retained in section 773(d) of the 1979 Act (19 U.S.C. 1677b(d)). It requires that where:

(1) Merchandise exported to the United States is being produced in facilities which are owned \* \* \* by a person, firm or corporation which also owns or controls \* \* \* other facilities for the production of such or similar merchandise which are located in another country or countries;

(2) The sales of such or similar merchandise by the company concerned in the home market of the exporting country are nonexistent or inadequate as a basis for comparison with sales of the merchandise to the United States; and

(3) The foreign market value of such or similar merchandise produced in one or more of the facilities outside the country of exportation is higher than the foreign market value of such or similar merchandise produced in the facilities located in the country of exportation."

Then the foreign market value of such merchandise shall be determined "by reference to the foreign market value at which such or similar merchandise is sold in substantial quantities by one or more facilities outside the country of exportation." Congress added this provision to ensure that our antidumping laws "cannot be evaded by a multinational company which practices price discrimination through plants situated in several countries" S. Rep. 93-1298 at 175 (1974).

The five Masan Companies were subsidiaries of Japanese corporations. None sold steel wire nails in Korea during the investigatory period. Thus, the first two criteria of 773(d) were met.

With respect to the third criterion, the Treasury Department had developed "trigger prices" for nails based on data supplied by steel producers in Japan. Because trigger prices for the nails under investigation were higher than the foreign market values established for the production of each of the Masan companies, there was sufficient cause to request actual home market price information from each of the Japanese companies related to the Korean exporters.

A request was made to the Government of Japan to collect information from the Japanese companies related to the nail producers in the Masan Free Export Zone. The Commerce Department was unable to

obtain authorization to present the questionnaires necessary to collect the appropriate data.

Section 776(b) of the Act (19 U.S.C. 1677e) states that whenever any party refuses or is unable to produce information requested, the Commerce Department will use the "best information otherwise available" in determining the existence of "less than fair value" sales. In this case, the relevant trigger prices for steel wire nails are the "best available information" of the foreign market value for nails in Japan. Because these trigger prices are greater than the foreign market value which would otherwise be used for the Masan Companies, section 773(d) is applicable. For these five companies, therefore, we compared the purchase price to the foreign market value in Japan, as represented by trigger prices.

Respondents requested that the foreign market value for the five companies subject to the multinational corporation provisions of the Act should be adjusted for differences in the cost of production between Japan and Korea. No information has been submitted by the Japanese parents which would permit the determination of whether such cost differences in fact exist and how great any such differences may be. In light of the inability of the Japanese companies to provide verifiable information, no adjustment has been allowed.

In early 1980 two of the multinational companies subject to the provision of Section 773(d) of the Act were sold by their Japanese owners to Korean enterprises. Counsel for the Korean producers has argued that, even though the two companies were sold after the period investigated, Section 773(d) should not apply to these companies because they no longer meet the criteria of section 773(d).

The issue raised is an important one. Under what conditions and to what extent should a determination under the Act take into account circumstances which differ from the situation that existed during the period investigated?

In every anti dumping investigation information is collected and examined concerning prices and/or cost of production over a finite period. The result is necessarily a "snap-shot" of the companies under investigation at a specific point in time. Economic and business conditions are, of course, constantly changing. The "snap-shot" taken will not reflect subsequent changes in circumstances affecting the companies being investigated.

There will undoubtedly be cases in which the impact of developments

subsequent to the period selected for examination of information are of such overriding significance that they must be factored into a determination of sales at less than fair value. As a rule, however, adjustment to findings for subsequent changed circumstances will not be made. Selection of a specific investigatory period is the only practical way of thoroughly investigating a large volume of complex international business transactions. Without a general presumption against adjustment for subsequent change in circumstances, claims for analysis of revised data or other adjustments for such changes would be made continuously. Under these circumstances, firm conclusions would at best prove elusive.

In this particular case, the purportedly changed circumstances could quite easily change again soon after publication of this determination (i.e., resale of the two companies back to Japanese or other foreign interests).

Assuming that an antidumping order is issued after the material injury investigation of the U.S. International Trade Commission, a company may petition for review under Section 751(b) of the Act, based on changed circumstances. Where good cause is shown, we will undertake such a review expeditiously.

#### Cost of Production

At the time it initiated the investigation, Treasury had evidence indicating possible sales of steel wire nails at prices below the cost of production. Pursuant to section 773(b) of the Act (19 U.S.C. 1677b(b)), substantial home market or third country sales made at less than the cost of production must be disregarded in determining fair value. Cost of production data was collected from all of the companies under investigation for the most recent full fiscal year for which cost of production data was available. For all but two of the companies that period was calendar year 1978. For the remaining two firms, cost of production data was supplied for the period April 1, 1978, through March 31, 1979.

Based on analysis of this data, we determined that for those three companies in which home market price or third country price was used for purposes of determining foreign market value, no sales were made at prices below the cost of production and therefore no home market or third country sales were disregarded.

#### Other Issues

In determining whether merchandise is being, or is likely to be, sold in the United States at less than fair value,

comparisons are, to the maximum extent possible, made between sales of identical merchandise. Where such merchandise is not available for comparison purposes, similar merchandise is used. In this case, some sales of items similar to but not identical with merchandise sold to the United States were used when foreign market value based upon the price of home market or third country sales.

Section 353.16 of the Commerce Regulations (19 CFR 353.16) states that in comparing U.S. price with the selling price of merchandise sold in the home market or for sale to third countries, due allowance shall be made for differences in the physical characteristics of the items being compared. This allowance is generally established on the basis of differences in the cost of manufacturing of the items under consideration.

At the time of the tentative determination in this case, no adjustments for differences in physical characteristics were made in the comparisons involving similar merchandise. Counsel for domestic industry claimed that adjustments for such differences should be made on the basis of verified cost data, or in the absence of such data, on the basis of the trigger price differences for these products.

Cost information was submitted and verified as part of our determination that sales in the home market or to third countries were not being made at less than cost of producing the merchandise. On the basis of this verified information on the cost of materials and fabrication of the similar items, we have made appropriate adjustments for differences in physical characteristics of the merchandise.

Counsel for the domestic industry has also argued that conditions have changed materially since the four month period selected for evaluation of price and cost of production data and that the subsequent developments should be factored into this determination. Counsel for the Korean producers has challenged the contentions of materially changed circumstances.

This issue has been reviewed in some detail in the discussion of the sale of two Masan Companies, supra. As stated above, a thorough investigation of sales and cost of production data on a large number of complex international business transactions requires that we examine transactions over a fixed period. Economic and business conditions are constantly changing. In order for adjustments to be made for developments following the period selected for examination of data, there must be compelling reasons to make

such adjustments. While changed circumstances have been alleged and limited supporting data presented, the issues are not clear on their face. Without a full investigation of subsequent developments it is impossible to determine what, if any, impact they would have on the findings made. A compelling case for adjustment for subsequent developments has not been made.

Information submitted and relied upon in this determination was verified by on-site examination of the manufacturing and accounting records of the companies investigated, including:

1. Manufacturing expense ledgers;
2. Raw material purchase ledgers;
3. Production ledgers;
4. Invoices and supporting documents such as purchase orders, letters of credit;
5. Salary records;
6. Raw materials account books;
7. Labor cost account books;
8. Production expense account books; and
9. Financial statements.

#### Results of Fair Value Comparisons

During the period under consideration, comparisons were made on all nails shipped to the United States by Dae Han Sang Sa, Kuk Dong and Young Sin. Approximately 92 percent, 98.6 percent and 78.9 percent by value of the nails shipped by Daegu Moolsan, Jin Heung and Kankoku Nitte respectively were compared for this determination. In the case of Kankoku Nitto, Korea Murata and Korea Nails, approximately 97 percent, 86 percent and 76.8 percent of their respective nail shipments to the U.S. were compared for this determination. Approximately 94.4 percent, 98.5 percent and 75 percent by value of the nails shipped by Korea Nippon Seisen, Murakami Kogyo and New Korea Nails were compared for this determination. Taken together comparisons were made or approximately 64 percent by value of all nails shipped from Korea to the U.S. during the period of investigation. The results of these comparisons follow:

Manufacturer	Percent margin range	Percent weighted average margin on all sales compared
Daegu Moolsan	0-23.1	.28
Dae Han Sang Sa	0-4.2	.16
Jin Heung	0-3.0	.005
Kankoku Nitte	0-19.4	5.5
Kankoku Nitto	1-19.8	11.5
Korea Murata	0-27.9	11.1
Korea Nails	0-9.3	.21
Korea Nippon Seisen	4-13	10.5
Kuk Dong	0-31.2	1.3
Murakami Kogyo	0-32.1	5.7
New Korea Nails		
Young Sin		

In the case of Daegu Moolsan, Dae Han Sang Sa, Jin Heung and Korea Nails, weighted average margins are *de minimis*.

On the basis of above list, the following companies are selling below fair value: Kankoku Nittei, Kankoku Nitto, Korea Murata, Korea Nippon Seisen, Kuk Dong and Murakami Kogyo.

In initiating TPM based cases, it has been the policy of the Treasury Department to only initiate against those companies which were found to be selling below the applicable trigger price. (See for example, T.P. 79-166, *Certain Carbon Steel Plate from Taiwan*, 44 FR 33877). The Tentative Determination in this investigation excluded from the scope of investigation a number of companies. Companies which were so excluded as well as those companies investigated and found not to be selling at less than fair value or found to be selling at less than fair value in *de minimis* amounts are excluded from the scope of this determination and, in the event an antidumping order is issued, will be excluded from the scope of any such order. Korean nail manufacturers not exporting to the United States, either directly or indirectly, during the period May 1978-March 1979 are also excluded from the scope of this determination and any subsequent antidumping order. This determination applies to all other Korean manufacturers of steel wire nails, as such nails are defined herein, whether exporting to the United States directly or indirectly.

Pursuant to Section 735(c)(1)(B) of the Act, I hereby direct appropriate customs officers to suspend the liquidation of all entries of Korean nails subject to this determination which are entered, or withdrawn from warehouses for consumption on or after May 23, 1980. A cash deposit, bond or other security shall be posted for each entry of steel wire nails (as defined herein) from companies subject to this determination).

This notice is published pursuant to § 353.44(f), Commerce Regulations (19 CFR 353.44(f)).

Robert Herzstein,

*Under Secretary for International Trade.*

[FR Doc. 80-15926 Filed 5-22-80; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX C

NOTICE OF THE COMMISSION'S INVESTIGATION  
AND HEARING

## INTERNATIONAL TRADE COMMISSION

[731-TA-26 (Final)]

### Certain Steel Wire Nails From Korea

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of a final antidumping investigation.

**SUMMARY:** As a result of the affirmative final determination on May 19, 1980, by the International Trade Administration, United States Department of Commerce, that certain steel wire nails provided for in item numbers 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS) from certain Korean companies are being sold in the United States at less than fair value, within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission (hereinafter "the Commission") hereby gives notice of the institution of investigation No. 731-TA-26 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. For purposes of this investigation, the term "steel wire nails" refers to nails, brads, spikes, staples and tacks of one-piece construction which are made of round steel wire and which enter the United States under item numbers 646.25 and 646.26 of the TSUS. The Commission's investigation encompasses imports of nails as defined above from Korea produced by all firms except those specifically excluded by the Department of Commerce. The excluded firms are Blobcar, Ltd., Dae Bong Industrial, Daeger Trading Co., Daewo Industrial, Dong-A-Nails Co., Jesse Industries, Kang Wan Industries, Lee Chun Steel Co., Ltd., Pacific Chemical Co., Sunkyoung, Ltd., and Tong Myung Industries, which were found not to be selling below the applicable trigger price; Daegu Moolsan Co., Ltd., Dae Han Sang Sa Co., Ltd., Jin Heung Iron and Steel Co., Korea Nail Manufacturing Co., Ltd., New Korea Nails Ind., Co., Ltd., and Young Sin Metal Industrial Co., Ltd., which were found not to be selling at less than fair value or found to be selling at less than fair value in *de minimis* amounts; and Korean nail manufacturers not exporting to the United States, either directly or indirectly, during the period May 1978-March 1979.

**EFFECTIVE DATE:** May 19, 1980.

**FOR ADDITIONAL INFORMATION CONTACT:** Mr. Lynn Featherstone, Supervisory Investigator, Office of Operations, U.S. International Trade Commission, Room 344, 701 E Street, NW., Washington, D.C. 20436; telephone (202) 523-1376.

**SUPPLEMENTARY INFORMATION:** The provisions of the Trade Agreements Act of 1979 (Pub. L. 96-39, 93 Stat. 144) repealed the Antidumping Act of 1921 and replaced it with Subtitle B of Title VII of the Tariff Act of 1930 (19 U.S.C. 1673) (hereinafter "Title VII") effective on January 1, 1980. Before the effective date of Title VII, the Department of Treasury made, under the Antidumping Act of 1921, a tentative preliminary but not a final determination, that no imports of steel wire nails from Korea were being sold in the United States at less than fair value. Consequently, pursuant to transition rules set forth in section 102(b)(2) of the Trade Agreements Act of 1979, the investigation was terminated under the Antidumping Act of 1921 and now continues subject to the provisions of Title VII, as if the preliminary determination had been made under section 733 of that title on the effective date of Title VII.

Section 735(b)(1) of the Tariff Act requires the Commission to make a final injury determination where the administering authority has made an affirmative final determination pursuant to section 735(a) as to whether the merchandise which is the subject of the investigation is being or is likely to be, sold in the United States at less than fair value.

Inasmuch as the preliminary determination by the administering authority was negative and its final determination was affirmative, section 735(b)(3) requires the Commission to make its final injury determination within seventy-five (75) days after the date of the affirmative final less-than-fair-value-sale determination.

This investigation will be conducted according to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 76457), Subpart C, effective January 1, 1980.

**WRITTEN SUBMISSION:** Any person may submit a written statement of information pertinent to the subject of this investigation. A signed original and nineteen (19) true copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, on or before July 15, 1980.

Any submission of business information for which confidential

treatment is desired shall be submitted separately from other documents. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

All written submissions, except for confidential business data, will be available for inspection by interested persons at the Office of the Secretary in Washington, D.C., and at the Commission's New York Office, 6 World Trade Center, New York, N.Y. 10048.

A staff report containing preliminary findings of fact will be available to all interested parties on June 17, 1980.

**HEARING:** The Commission will hold a public hearing in connection with this investigation on July 9, 1980. The proceedings will be conducted in the Hearing Room of the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, and will begin at 10:00 a.m., e.d.t. Parties desiring to appear at the hearing should notify the Office of the Secretary not later than five (5) business days prior to the date of the hearing. In addition, all hearing participants must file written prehearing statements in conformity with section 207.22 of the Commission's Rules of Practice and Procedure (19 CFR 207.22) on or before July 3, 1980.

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subpart C (19 CFR 207), and Part 201, Subparts A through E (19 CFR 201). This notice is published pursuant to section 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, 44 FR 76458).

By order of the Commission.

Issued: June 5, 1980.

Kenneth R. Mason,  
Secretary.

[FR Doc. 80-17662 Filed 6-10-80; 8 45 am]

BILLING CODE 7020-02-M

APPENDIX D

WITNESSES AT THE COMMISSION'S HEARING

Norman H. Nordby, Manager, Wire Product Sales, CF & I Steel Corp. of Pueblo, Colo.

William P. Brock, Assistant Project Manager, Merchant Wire, Armco, Inc. of Kansas City, Mo.

Jack Gumpert Wasserman, Freeman, Meade, Wasserman & Schneider, on behalf of CF & I and Armco

Beth C. Ring, Freeman, Meade, Wasserman & Schneider, on behalf CF & I and Armco

Abe Sacks, President of Tree Island Inc.

Bruce P. Malashevich, Vice President of Economic Consulting Services, Inc., on behalf of Tree Island

Paul Schlesinger, Legislative Assistant to the Honorable Glenn M. Anderson, Member of Congress, State of California, on behalf of Tree Island

Richard O. Cunningham, Steptoe & Johnson, on behalf of Tree Island

Edward Knapp, Sales Manager, Florida Wire and Nail and Virginia Wire and Fabric Co.

David E. Birenbaum, Fried, Frank, Harris, Shriver, & Kampleman, on behalf of Atlantic Steel Co., Florida Wire and Nail, New York Wire Mills Corp., and Virginia Wire and Fabric Co.

N. David Palmeter, Daniels, Houlihan, & Palmeter on behalf of, The Korea Metal Industry Cooperative, Kankoku Nittei (now Je Il Steel Co., Ltd), Kankoku Nitto, Korea Murata, Korea Nippon Seisin, Kuk Dong, and Murakami Kogyo (now Ah Ju Steel Co., Ltd.)

Gary B. Townsend, International Business and Economic Research Corp. on behalf of The Korea Metal Industry Cooperative, Kankoku Nittei (now Je Il Steel Co., Ltd.), Kankoku Nitto, Korea Murata, Korea Nippon Seisen, Kuk Dong, and Murakami Kogyo (now Ah Ju Steel Co., Ltd.)



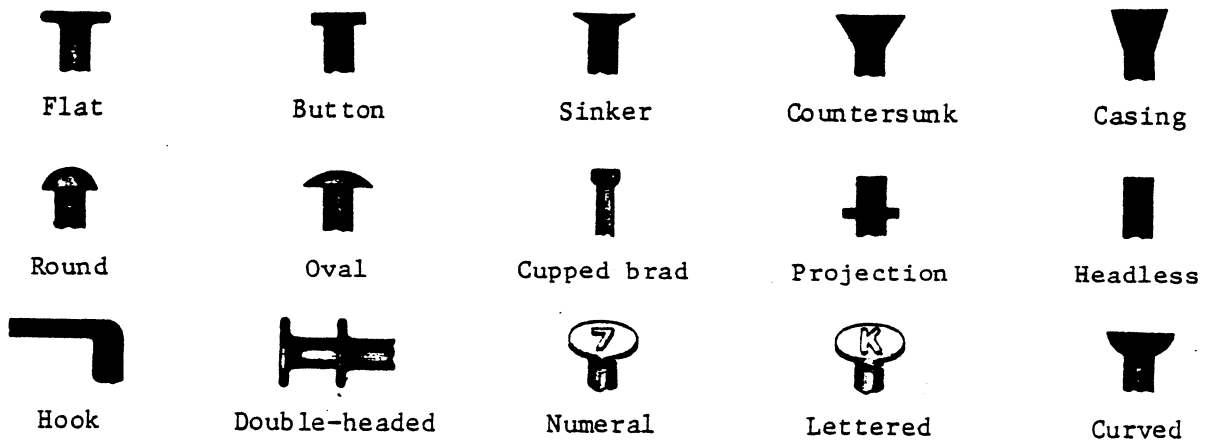
APPENDIX E

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.

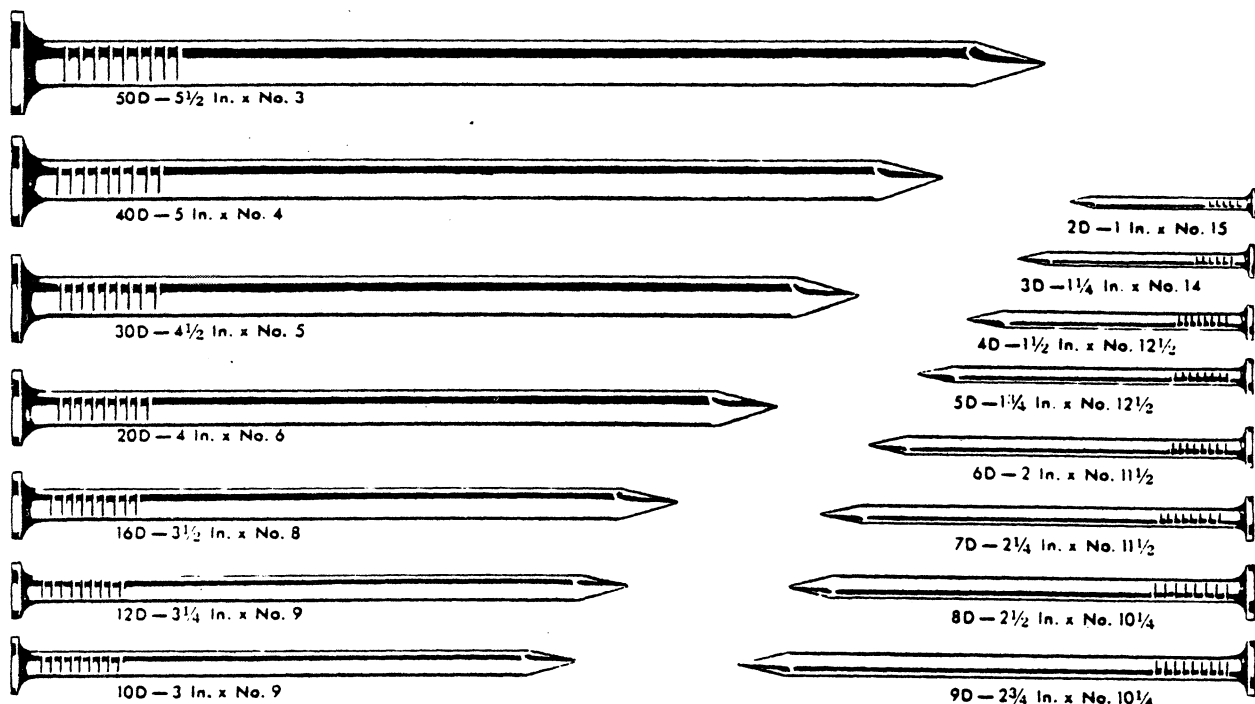


A-64

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).



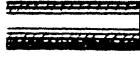

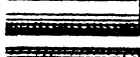

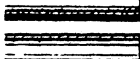

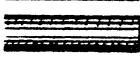

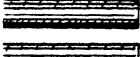

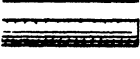

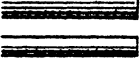

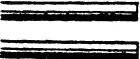

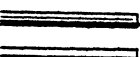

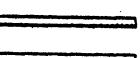

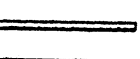

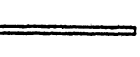

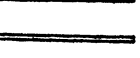



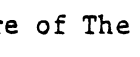















Source: Sales brochure of Republic Steel Corp.

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.

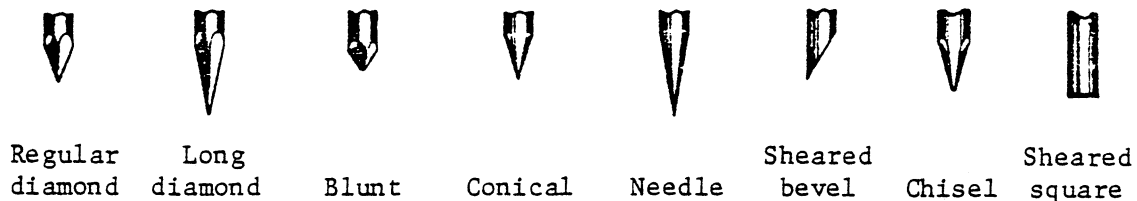
		Diameter Gage (inches)	
		1	.2830
		2	.2625
		3	.2437
		4	.2253
		5	.2070
		6	.1920
		7	.1770
		8	.1620
		9	.1483
		10	.1350
		11	.1205
		12	.1055
		13	.0915
		14	.0800
		15	.0720
		16	.0625
		17	.0540
		18	.0475
		19	.0410
		20	.0348
		21	.0317
		22	.0286

Source: Sales brochure of The Hillwood Manufacturing Co.

Most nails, imported as well as 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 resistance 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.

APPENDIX F

SUMMARY OF STAFF INTERVIEWS  
WITH PRODUCERS AND IMPORTERS

\*\*\*.—This \*\*\* importer and \*\*\* producer located in the \*\*\* has not noticed any loss of business to imports or to the recession. It is running nail machines three shifts, 7 days a week, and is planning to expand and automate. Although \*\*\* has not expressed complaints about prices or competition, it reports that Korean nails are cheaper. As a large customer of \*\*\*, \*\*\* observed that \*\*\* went out of the nail business because it was not price competitive due to old machinery, too much labor, and unreliable delivery. \*\*\* asserted that most foreign and domestic nails are of better quality than those produced by \*\*\*.

\*\*\*.—This \*\*\* producer in the \*\*\* has gone out of the nail business. A company representative stated that it realized no profit on nails since 1974 \*\*\*. \*\*\* It is now trying to dispose of present equipment. It claimed that price was the only factor for the shut down of its nail plants and that Koreans are now the price setters. Nails are being sold in its market area at prices less than \*\*\*cost of production.

\*\*\*.—This is an integrated producer and importer located in the \*\*\* with \*\*\* production factories in \*\*\*. This company's plans \*\*\*. Imports are selling \$40 less per ton than \*\*\* constructed cost of production. \*\*\*, a U.S. producer, and the Koreans are depressing market prices. On a recent trip to Korea, a company official was under the impression that some Korean nail producers are going out of business and many nailmaking machines were idle. This official thought that management in Korea was inefficient. Korean nails in the Western market are selling about 5 percent below the prices of nails produced by other sources.

\*\*\*.—This large importer in the \*\*\* area claimed that Korean nails are the lowest priced nails now on the market. Japan is not a big exporter anymore and the company's business has fallen off considerably. \*\*\* asserted that two U.S. producers, \*\*\* and \*\*\*, set prices that are well below trigger prices. However, this company was satisfied with the trigger price system.

\*\*\*.—This large producer in the \*\*\* area claims that present market prices allow no margin for expansion or even to keep up with obligations. Low Korean prices are the cause of the generally low market prices and have displaced Japanese nails as price setters. Unable to keep most nail machines running, \*\*\* has laid off 30 percent of its work force in May 1980. Although \*\*\* is the \*\*\*, it is still being undersold. \*\*\* claimed it is no longer meeting prices just to move nails. Its warehouse is now full. \*\*\* asserts that it is being particularly injured by low-priced green-vinyl sinkers imported from Korea.

\* \* \* \* \*



\*\*\*.--This large importer in the \*\*\* area claimed that \*\*\*, a U.S. producer, is underselling everyone else in the market. If \*\*\* had not entered the market, the Trigger Price Mechanism for nails would have worked. \*\*\* has also disrupted regular business patterns, \*\*\*. \*\*\* business has dropped by more than 50 percent because of \*\*\* predatory pricing. \*\*\*, another U.S. producer, did not deliver on time, nor sell at competitive prices.

\*\*\*.--This medium-sized producer in the \*\*\* area claims it is losing business in a declining market in part because of low-priced imports from Korea and Poland, but mostly because of stiff price competition between \*\*\* and \*\*\* plant which closed in 1979 are unloading all its inventory on the market and \*\*\* is selling very low \*\*\*. All these are factors in depressing prices to levels below the cost of production. Because of these market conditions, depressed prices, and the recession, \*\*\* is on limited production.

\*\*\*.--This specialty \*\*\* nail producer located in \*\*\* decided to go out of business in the spring of 1980 because it could not compete with low priced imports. When contacted by the Commission's staff, the president of the company stated that \*\*\*.

\* \* \* \* \*





