CERTAIN STEEL WIRE NAILS FROM THE REPUBLIC OF KOREA

Determination of a Reasonable Indication of Material Injury, or Threat of Material Injury, in Investigation No. 701-TA-145 (Preliminary) Under the Tariff Act of 1930, Together With Information Obtained in the Investigation

USITC PUBLICATION 1223

MARCH 1982

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

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UNITED STATFS INTFRNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-145 (Preliminary)

CFRTAIN STEFL WIRE NAILS FROM KOREA

Determination

On the basis of the record 1/ developed in investigation No. 701-TA-145 (Preliminary), the Commission determines that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury 2/ by reason of imports from Korea of steel wire nails 3/ provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS) upon which bounties or grants are allegedly being paid. 4/

Background

On January 19, 1982, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from counsel on behalf of Atlantic Steel Co., Florida Wire and Nail Co., New York Wire Mills Corp., Virginia Wire and Fabric Co., Tree Island Steel, Inc. and Armco Inc., U.S. producers of steel wire nails, alleging that they were being injured by imports of steel wire nails from Korea upon which bounties or grants are allegedly being paid. Accordingly, the Commission instituted this preliminary countervailing duty investigation under section 703(a) of the Tariff Act of

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

2/ Chairman Alberger and Commissioner Frank determine that an industry in the United States is materially injured by reason of imports from Korea of steel wire nails provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States upon which bounties or grants are allegedly being paid.

3/ For purposes of this investigation, brads, spikes, staples, and tacks are not included.

4/ Reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in this investigation.

1930 to determine whether there is a reasonable indication 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 the imports of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of the receipt of such advice or in this case by March 5, 1982.

Notice of the institution of the Commission's investigation and of a public conference 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, DC and by publishing the notice in the Federal Register on January 27, 1982 (47 F.P. 3896). The public conference was held in Washington, D.C. on February 12, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We have found that there is a reasonable indication that a domestic industry is materially injured or is threatened with material injury 1/ 2/ 3/ by reason of allegedly subsidized imports of certain steel wire nails from Korea. Our determination in the present case is based on the considerations set forth below.

Domestic industry

In order to make a determination that there is a reasonable indication that a domestic industry is materially injured or is threatened with material injury, we must first define the domestic industry. Section 771(4)(A) of the Tariff Act of 1930 provides that the domestic industry consists of the 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. A like product is in turn defined as a product which is like or in the absence of like, most similar in characteristics and uses with the article under investigation.

1/ Retardation of establishment of an industry is not an issue in this investigation and will not be further discussed.

2/ Chairman Alberger and Commissioner Frank find a reasonable indication of material injury by reason of these allegedly subsidized imports and therefore do not reach the issue of reasonable indication of threat of material injury.

3/ Commissioner Frank notes that the Statute and Legislative History require the Commission in its preliminary determinations in both antidumping and countervailing duty investigations to exercise only a low threshold test based upon the best information available to it at the time of such determination that the facts reasonably indicate that an industry in the United States could possibly be suffering material injury threat thereof, or material retardation. H.R. Rept. No. 96-317, 96th Cong., 1st Sess., p. 52 (1979).

For purposes of this preliminary determination we adopt the like product analysis of our earlier investigations, Certain Steel Wire Nails from Japan, the Republic of Korea and Yugoslavia 4/, and Certain Steel Wire Nails from Korea. 5/ We find that there are seven like products, which correspond precisely with each of the seven distinct types of nails being imported, and are characterized by different nail coatings. These seven like products are electrogalvanized nails, bright nails, vinyl-coated, cement-coated, hot-galvanized, phosphate-coated and blued-nails.

There are approximately 50 U.S. firms which manufacture some or all of these seven categories of steel wire nails. It has been suggested that there are other classifications of nails which may be appropriate for purposes of defining the domestic industry or that a continuum principle 6/ be applied. The continuum principle applies when the like product candidates consist of a group of products only slightly distinguishable from each other and where no clear dividing lines can be drawn based on characteristics and uses. While we do not adopt such an analysis here, we do not preclude the use of such an analysis in a final determination. No matter what approach is used, the end result in this preliminary investigation would be identical due to the limited data which we have been able to collect. When data on separate like products are unavailable, the effect of the dumped imports must be assessed in terms of the narrowest group of products for which information is available. 7/ This has been the case in the two prior investigations on certain steel wire nails

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4/ USITC investigation Nos. 731-TA-45, 46 and 47 (Preliminary), USITC Pub. No. 1175.

5/ USITC investigation No. 731-TA-26 (Final), USITC Pub. No. 1088.

6/ USITC investigation No. 731-TA-50 (Preliminary), USITC Pub. No. 1196 Stainless Clad Steel Plate from Japan.

7/ 19 U.S.C. 1677(4)(D) (Supp III 1980).

from Korea. 8/ The narrowest group we can analyze then is the producers of one or more of the seven like products. This is, therefore, the production against which we assess the impact of allegedly subsidized imports of nails from Korea. 9/

In this preliminary determination, we find a reasonable indication of material injury or threat of material injury on a national basis. We therefore do not make a determination on a regional industry basis at this time. This does not preclude use of the regional industry analysis in the final investigation.

Reasonable indication of material injury

In making a determination of whether there is a reasonable indication of material injury to the domestic industry by reason of imports of the allegedly subsidized product, we are required by statute to consider among other

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8/ Commissioners Frank and Eckes did not participate in these investigations.

9/ Commissioner Frank believes the Statute and Legislative History with regard to Section 771(4) of the Tariff Act of 1930 as amended by Section 101 of the Trade Agreements Act of 1979 is clear that this analytical approach, used when separate identification of relevant economic factors and other data on separate like products is not available in determining effects of subsidized or less-than-fair-value imports, is to be deployed in a careful well-reasoned fashion to satisfy the requirement of the Statute of defining the domestic industry. The Act mandates an examination of the impact of alleged unfairly traded imports on the domestic producers comprising the domestic industry. However, he recognizes the Statute and Legislative History provide for this approach to be applied to assess the impact of the imports ". . . as they relate to the production of the narrowest group or range of products which includes the like product and for which available data permits separate consideration." (Emphasis added.) But it is important to keep in mind this aproach is part of an overall framework of criteria set forth to satisfy the requirement of defining the domestic industry. (See 19 U.S.C. 1677(4)(D); Report of the Senate Committee on Finance on H.R. 4537, pp. 82-84.) Commissioner Frank therefore determines that the domestic industry consists of the producers of one or more of the like products. This industry determination is consistent with that rendered by the Commission in Inv. No. 731-TA-46 and 47 (Preliminary) Certain Steel Wire Nails From the Republic of Korea and Yugoslavia (USITC Pub. 1175, Aug 1981), and he believes such an industry determination needs to be explicitly set forth here.

relevant factors the volume of imports, the impact of the imports on domestic prices, and the consequent impact on the domestic industry. 10/

Volume of imports--

The volume of steel wire nails imported from Korea into the United States has increased irregularly from 1973 through 1981. These imports increased from 1,000 short tons or less than 0.5 percent of apparent domestic consumption in 1973 to 109,000 short tons or 12 percent of consumption in 1978. The volume of imports declined, however, to 92,000 short tons in 1979 with an additional drop to 76,000 short tons in 1980. Although the absolute volume of imports declined from 1979 to 1980, imports from Korea as a percent of consumption remained stable at 11 percent as consumption declined sharply in these years. In 1981, however, the volume of imports of steel wire nails from Korea increased to 115,000 short tons, an increase of 51 percent over 1980, while U.S. consumption continued to drop. Thus, imports from Korea as a percent of U.S. consumption increased to 19 percent in 1981.

Effect of imports on prices.--U.S. producers have alleged that Korean nails are the price leaders in the U.S. market and that there has been "destructive" price cutting in an effort to maintain sales. 11/ The information gathered in this preliminary investigation provides support for this allegation. Since the second quarter of 1979, imported steel wire nails of the one type for which data were gathered 12/ have undersold the domestic product by weighted average margins ranging from 0.4 percent (July-December 1981), to 6.9 percent (January-March 1980). 13/

10/ 19 U.S.C. § 1671.
11/ Conference Feb. 12, 1982, p. 8.
12/ Of the seven categories of nails in this investigation, 16-bright penny nails are the most commonly produced by the domestic producers.
13/ Staff report p. A-26.

The margin of underselling dropped to its lowest level in almost two years in July-September of 1981, which was shortly after the initiation of the preliminary dumping investigation of Steel Wire Nails from Japan, the Republic of Korea and Yugoslavia, Inv. Nos. 731-TA-45, 46 and 47 (Preliminary). 14/

In addition, the price of the Korean nails has actually declined from January-March 1979 to October-December 1981. This decline occurred at a time when the trigger price index for nails increased by 10 percent and the Bureau of Labor Statistics indexed price for nails increased by 31 percent.

There is a clear indication that there are price suppressing factors at work in the market. The imported product has been underselling the domestic product in every quarter since April of 1979. The price of the domestically-produced nail increased at a slower rate than did the producer price index for nails. At the same time, the price of the Korean nails actually decreased slightly during the period for which data were collected. As pointed out in prior investigations on nails, suppliers of steel wire nails regard price as the most important competitive sales factor. 15/ Although our data are not complete at this time, these preliminary indications of price suppression or depression merit further investigation.

Impact of imports on the domestic industry. 16/--While the condition of the domestic industry deteriorated from 1979-81, Korean market penetration increased from 11 percent to 19 percent during this same period. Domestic

14/ USITC investigation Nos. 731-TA-45, 46, and 47 (Preliminary), USITC Pub. No. 1175.

15/ Report, A-25.

16/ Vice Chairman Calhoun and Commissioner Stern note that there are also several non-import related problems faced by the domestic nail industry at this time, including the decline in housing starts and over-capacity problems created by a number of new producers which have entered the market in a short period of time. See 19 C.F.R. 207.27.

production of steel wire nails declined by 76,000 pounds or 27 percent and shipments followed a similarly declining trend. The ratio of inventories to production increased steadily throughout the period while the ratio of production to capacity declined from 52 percent in 1979 to 48 percent in 1981. The average number of employees declined from 1,946 workers in 1979 to 1,300 workers in 1981, a drop of 33 percent.

Furthermore, profit and loss information submitted to the Commission reveals a declining trend from 1979 to 1981. Of the 15 firms supplying profit-and-loss information, representing 96 percent of reported production in 1981, four firms reported losses in 1979, and seven in 1980. In 1981, five firms reported losses and overall gross profit for the 15 firms had declined. In addition, eight U.S. nail producing plants have closed or have filed for reorganization under Chapter 11 of the Federal Bankruptcy Act, since 1979. 17/ 18/

Reasonable indication of threat of material injury

In 1981 the volume and market penetration of exports from Korea increased substantially over 1980. The volume of imports increased from 76,000 tons in 1980 to 115,000 tons in 1981 or by 52 percent. Market penetration increased

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17/ Commissioner Frank notes that data on general, selling, and administrative expenses were not collected. Had such data been collected, it is possible that more firms would have shown losses in 1980 and 1981.

18/ Commissioner Frank notes that, although data in this regard is incomplete to draw any definitive determination, there is some indication that the domestic industry having operations in the ten-state Western Region as disclosed in the Report may be experiencing even greater economic distress, and suggests in a final investigation, should one be conducted, more data be obtained both on imports and domestic industry and related economic factors pertinent to this region. This in no way obviates his determinations in the present preliminary investigation on a national industry basis, nor does he believe necessarily a regional analysis approach is mandatory in a final investigation; rather, he believes such data in a final investigation may be helpful to the Commission in its deliberations in the context of whatever industry approach is deemed to be appropriate at that time.

from 11 percent in 1980 to 19 percent in 1981. This is an indication of Korea's ability to increase exports to the United States in a short period of time. Consequently, we find that there is a reasonable indication that the domestic industry is threatened with material injury. 19/

Motion to dismiss petition

A motion was made at the conference by counsel for the Korean Metal Industry to dismiss the petition for failure to comply with statutory and regulatory requirements. We have denied this motion because, in our view, we are without authority to rule on the sufficiency of petitions. Reliance on Commission rule 207.11 (19 CFR 207.11) in this regard is, therefore, misplaced.

Congress has given the administering authority, (Department of Commerce) not the Commission, the power to determine the sufficiency of petitions. Section 702(c) is clear on this matter:

> within 20 days after the date on which a petition is filed under subsection (b), the administering authority shall--(emphasis added)
>
> > (1) determine whether the petition alleges the elements necessary for the imposition of a duty under section 701(a) and contains information reasonably available to the petitioner supporting the allegations,

Those who believe that a petition does not present injury data reasonably available to the petitioner may request that the Commission raise the question of sufficiency of the petition with the administering authority prior to initiation by the administering authority. 20/ In the past, the Commission has given advice to Commerce concerning the sufficiency of a petition. In Latchet Hook Kits from the United Kingdom, 21/ the Commerce Department did

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19/ See fn. 2.
20/ 19 U.S.C. § 1671(a).
21/ F.R. Vo. 45, No. 239, Dec. 10, 1980.

dismiss an antidumping petition based upon such advice. However, in that case, advice from the Commission was submitted prior to initiation by the administering authority and before the expiration of the 20-day period.

Furthermore, in relying on Commission rule 207.11 as the basis for dismissal by the Commission, counsel has misinterpreted the purpose for this provision. Rule 207.11 simply establishes the responsibility of petitioners to present the kind of data the Commission uses for reaching determinations under section 701. 22/ To this extent, then, the rule establishes the terms under which the Commission can assess whether petitioners have met their burden of coming forward with information reasonably available. 23/

Counsel for the Korean Metal Industry raised the question as to whether the standards of rule 207.11 are satisfied by data which are several months old and has been updated by the petitioner in only a limited fashion. We will not consider this issue because it was not raised within the 20-day deadline.

22/ Rule 207.11 incorporates by reference from rule 207.26 an illustrative list of facts on which reasonably available data shall be submitted to facilitate the Commission's assessment of existence of a "reasonable indication of material injury."

23/ Senate Committee on Finance, Trade Agreements Act of 1979, S. Rept. No. 96-249, 96th Cong. 1st. Sess. 1979, p. 66; House Committee on Finance, Trade Agreements Act of 1979, H.R. No. 96-153, 96th Cong. 1sts Sess. 1979, p. 60; Inv. No. 731-TA-04, Countertop Micro-Wave Ovens from Japan, p. 5.

ADDITIONAL VIEWS OF COMMISSIONER PAULA STERN

Causation in Countervailing Duty Cases

A very important question has been raised in this investigation as to what the Commission should look to in determining causation in countervailing duty cases. Discussion has focused on two interpretations of the phrase, "the effects of the subsidized imports": 1/ (1) judging the full impact of the subject imports, which happen to benefit from a subsidy: and (2) judging the effects of the subsidy in causing the injury through the subject imports.

The conceptual difference between these two approaches cannot be underestimated. The first alternative would attach no weight to whether the subsidy was 0.5 percent or 50 percent. Any imports benefitting from a subsidy -- no matter how insignificant -- would be equally tainted for purposes of causality analysis under the first formulation. By contrast, the second formulation would require the causality analysis to trace, to whatever extent possible, the actual effects of the subsidies on the domestic industry.

The statute in section 771(7)(C)(ii) mandates that the Commission consider certain factors in "evaluating the effect of imports of such merchandise." But how these factors should be evaluated is not explicit in this phrase. I believe that the statute, the legislative

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1/ E.g., section 771(4)(D) uses this phrase.

history, and the relevant international agreements taken together clearly demonstrate that the second alternative is the proper basis for assessing causality in the Commission's countervailing duty investigations and is true to the intended meaning of the phrase "the effects of the subsidized imports."

A review of the drafting of the Subsidies Code contains direction on what should be used to determine causation for material injury. According to Rivers and Greenwald, two American negotiators of the codes on the effects language,

> [t]he language finally agreed upon provided that: "[i]t must be demonstrated that subsidized imports are, through the effects of the subsidy, causing injury within the meaning of this Agreement." 2/

The Director-General of GATT in April of 1979 described the negotiations at the Tokyo Round on this same issue:

> Many participants took the firm position that . . . [t]he existence of a significant material injury must be proven and the causal link between injury and the particular subsidy established. 3/

Most importantly, the Senate Finance Committee's "Report on the Trade Agreements Act" directs the Commission to continue to look to the effects of the net subsidy in its determinations:

2/ Richard Rivers and John Greenwald, The Negotiation of a Code on Subsidies and Countervailing Measures: Bridging Fundamental Policy Differences, 11 L. & Pol'y Int'l Bus. 1447, 1457 (1979).

3/ Director-General of GATT, the Tokyo Round of Multilateral Trade Negotiations 59. See also U.S. Office of Special Trade Representative, Background Papers on MTN, Subsidies and Countervailing Duties (May 2, 1979).

> In determining whether injury is "by reason of" subsidized imports, the ITC now looks at the effects of such imports on the domestic industry. The ITC investigates the conditions of trade and competition and the general condition and structure of the relevant industry. It also considers, among other factors, the quantity, nature, and rate of importation of the imports subject to the investigation, and how the effects of the net bounty or grant relate to the injury, if any, to the domestic industry. Current ITC practice with respect to which imports will be considered in determining the impact on the U.S. industry is continued under the bill. (Emphasis added) 4/

The "by reason of imports" language of the Trade Agreements Act 5/ tracks similar language in the Antidumping Act, 1921. The Commission's longstanding practice under the 1921 Act was to link the dumping margin to the injury. This precedent was repeated in the first countervailing duty investigation conducted by the Commission under section 303(b) of the Tariff Act. 6/ When the net subsidy accounted for only a small portion of the margin of underselling, the Commission reasoned in general that the injury could not be remedied by a countervailing duty and found in the negative.

In preliminary investigations the Commission is usually unable to assess precisely the effects of the subsidy because at this stage the exact subsidy margin is unknown. 7/ Thus, in judging causation in a preliminary

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4/ Senate Comm. on Finance, Trade Agreements Act of 1979, S. Rept. No. 96-249, 96th Cong., 1st Sess. (1979) (hereinafter cited as Senate Report).

5/ 19 U.S.C. § 1671(b).

6/ Certain Zoris from the Republic of China (Taiwan), Inv. No. 303-TA-1, USITC Pub. No. 787 (1976).

7/ The only available information on margins usually consists of allegations by the petitioner.

case, the focus is of necessity on the subject imports without substantial analysis of the alleged subsidy. 8/ If this case returns for a final investigation, the Commission will have the benefit of the final subsidy margin from Commerce and, as usual, I will take another look at causation. 9/

8/ In Hot-Rolled Carbon Steel Sheet from France, Inv. No. 701-TA-85 (Preliminary), USITC Pub. No. 1206, January 1982, I did analyze subsidy information in coming to the conclusion that "[t]here is no reasonable basis for denying the potential impact such subsidies could be having . . . ." However, that case was initiated by Commerce, which is responsible for determining the extent of subsidies. The information provided by Commerce was a good deal more substantial than allegations by an interested party. See "Views of Commissioner Paula Stern," at 27.

9/ There is a dumping investigation (731-TA-46) underway on the same products that we are considering in this investigation. If Commerce finds a preliminary subsidy margin, bond would be posted. However, there would be no adjustment of the dumping margin. If a final subsidy is found, an adjustment of the dumping margin will be made by Customs as directed by the Department of Commerce. Thus, there are potential problems in the bonding process over which the Commission has little control.

ADDITIONAL VIEWS OF VICE CHAIRMAN MICHAEL J. CALHOUN

In her additional views, Commissioner Stern raises an issue which has rather significant implications for the way in which we reach our determinations under Title VII of the Trade Agreements Act of 1979. It is my view that this issue was not pertinent to our findings in this investigation and need not necessarily be relevant in reaching a determination in the final investigation. However, since the issue has been aired and to the extent Commissioner Stern suggests that Title VII requires us in each case to establish a causal relationship between the actual subsidy (or the LTFV margin in dumping cases for that matter) and material injury, I wish to offer an additional perspective.

As a matter of policy underlying the discharge of our responsibilities in countervailing duty and antidumping cases, the notion that Title VII requires us to trace a specific subsidy (or LTFV margin) through to a particular quantum of harm, though posing practical difficulties, has a certain appeal. If the impact of Title VII is to remedy harm associated with specific subsidized products (or products sold at LTFV) it is certainly sound to expect that a finding resulting in the imposition of remedy for that behavior ought to be based upon a showing that such behavior actually caused the requisite measure of harm. In this regard, provisions in the GATT Code and in the literature related to it may well establish that the relevant Code provisions are premised on this policy.

The merits of this policy notwithstanding, the problem for me is that the plain language of Title VII is unambiguous in requiring of us a somewhat different approach than that alluded to by Commissioner Stern. Section 701(a), providing for the general rule under which countervailing duties shall be imposed, establishes that the ITC shall determine whether a domestic industry is materially injured, threatened with material injury, or whether the establishment of a domestic industry is materially retarded "by reason of imports of that merchandise". Section 703(a), providing for preliminary determinations, establishes that we shall find material injury, etc., "by reason of imports of the merchandise which is the subject of the investigation...." Section 705(b), providing for final determinations, establishes that material injury must be caused "by reason of imports of merchandise with respect to which the administering authority has made an affirmative determination...." Provisions relating to dumping investigations, in relevant part, use identical language.

In each of these directory provisions, statutory language does not compel us to establish a nexus between material injury and the subsidy (or LTFV margin) found by Commerce. Nor is the statute unclear in what it does require. Rather, in each provision the language plainly directs that the appropriate causal relationship is between harm and the imports which are under investigation. Moreover, section 771(7), which details the factors we are to consider in reaching a determination on the question of material injury establishes a nexus standard which is completely consistent. In each of the subparagraphs addressing the specific factors for us to consider, the language, without fail, directs us to relate the effect of the enumerated factors to "imports of merchandise."

It has always been my understanding that where the language of the statute is plain and unambiguous on its face, reference to interpretative aids is inappropriate. Thus, neither the writings of former GATT negotiators and officials nor language in the legislative history are appropriate sources for attributing meaning to words used in the statute which are not confusing. Furthermore, there is no mandate that Title VII has to be consistent with the GATT Code. In this connection, section 3(a) of the Trade Agreements Act of 1979 specifically provides that provisions of trade agreements which conflict with any statute of the United States shall not be given effect.

In addition, even though irrelevant because there is no statutory ambiguity, the Senate Report language relied upon by Commissioner Stern is not the least bit compelling as support for what I understand to be her construction of the statute. That language simply observes that in determining causality we consider, among other enumerated and unenumerated factors, how the effect of the subsidy (or LTFV margin) relates to the injury. Nothing in this report or the House report declares or suggests that a determination of material injury ought to be based upon a tracing of specific subsidies (or LTFV margins) through to a specific quantum of injury.

The Senate language relied upon simply recognizes the obvious, that in establishing a nexus between material harm and subsidized imports the strongest case for causality arises when the effect of a subsidy can, in fact, be tied to a measure of harm. Because causality is so strongly established in such a circumstance, it is not surprising that the Senate

language would observe with approval that such a nexus has been considered by us in the past. To be sure, in establishing causality the relation between a particular proscribed practice and material harm ought to be a consideration of the first order. But an observation by one branch of Congress that we do consider this matter in our assessment of causality is a far cry from establishing that the intent of the Congress is that a material injury determination shall rely upon such a tracing. Further, it should not go unnoted that the cited Senate language also observes, at the very outset, that in establishing "by reason of" the ITC looks at "the effect of such imports...."

There is a sound and unoffensive reason for the statutory scheme under Title VII expressly requiring only that imports and not subsidy (or LTFV margin) be the cause of material injury. First, Title VII is not punitive, it is a limited remedy statute. Under the scheme, the amount of the advantage enjoyed by the imports is offset by a corresponding duty. Imports are still permitted full access to the U.S. market. It would seem somewhat self-defeating to make this rather restrained remedy contingent upon a detailed tracking of these sometimes narrow practices through the complexities of the manufacturing, pricing and marketing patterns of foreign producers to an impact in the U.S. market. In light of the statutory detail under section 771, if such a substantial investigative undertaking were intended to be the cornerstone of causality under Title VII, certainly Congress would have been equally explicit in delineating the standards for applying it.

Second, the system provided for in the language of the statute affords a rather simple remedial format. Once imports are found to enjoy a subsidy (or LTFV margin) and we determine whether their presence is materially injuring a domestic industry, just the extent of their proscribed advantage is offset. By permitting us to relate the impact of the imports rather than trace the specific advantage they enjoy to a measure of harm, Congress has obviated the need in every case for close and detailed analysis of the nature and operation of a specific foreign practice and for following its effects through the marketplace. Avoiding such an investigation is a major simplification that goes not just to administrative ease, but also implicates the extent to which the domestic industry has a greater or lesser chance of receiving remedy.

With regard to the administrative ease of the statutory format as provided in the language, Congress must have recognized the unavoidable difficulties attending an effort to relate a specific foreign subsidy to a specific domestic harm. Relating harm to the imports presents a more manageable task. Under the alternative scheme, at the minimum, either Commerce or we would have to investigate the financial, manufacturing and management practices of foreign companies in order to determine how the subsidy is used so we can determine its impact in the U.S. market. To simplify the task it would be tempting, for example, to assume that a subsidy will usually reveal itself in pricing practices and, therefore, we should assess the impact by examining the effect of price on the market.

Such an approach, however, is simplistic, if not naive. Subsidies may be used in numerous ways that have little or no easily discernable relationship to price in the market. Such uses include improvement in manufacturing technology, increased return to shareholders, more aggressive advertising, higher salaries, accelerated debt retirement, and greater allocations to research and development. How are we to quantify their impact on the U.S. industry? Why is there no Congressional guidance on such an important matter if Commissioner Stern's construction were intended? Title VII and the legislative history do provide great detail on similar complicated but important aspects of this legislation.

It needs little more than to observe that, currently, Commerce does not normally apprise us of how subsidies are employed by individual companies nor do we attempt such factfinding. Nevertheless, factfinding by both agencies can be formidable. From the difficulties that arise in simply establishing the fact of a subsidy and the fact of material injury, it should be apparent that the task of discovering how a subsidy is exploited by a foreign company can be substantial, a fact we cannot assume Congress did not appreciate in drafting the statute as it did.

Regarding the impact of the statute's relative simplicity on the outcome of investigations, as the statute is now, the Commission's task is not further complicated by doing this kind of analysis. Thus, the ability of an industry to obtain redress is not obstructed by significant factfinding barriers. However, relying on the establishment of a nexus between subsidy and harm makes needed, though limited, redress for demonstrated harm unnecessarily burdensome. It is axiomatic that the greater the

difficulty of establishing relevant fact, the lower the likelihood of rendering remedy. The scheme as provided in the language of Title VII quite clearly carries less difficulty in establishing nexus than does Commissioner Stern's approach. This difference in level of difficulty grows not from a policy preference, rather it is simply a function of the relevant facts being more difficult to collect. Even the most narrow reading of the origins of the 1979 Act and the legislation transferring countervailing duty and antidumping responsibilities from the Treasury Department to the Commerce Department must acknowledge that the Congressional interest here is in advancing rather than reducing the predictability of remedy to domestic industries confronted with the injurious behavior of subsidies (or LTFV imports).

As a final matter, Commissioner Stern accurately observes that preliminary cases are not likely to afford us sufficient information to relate material injury to subsidy practices. This results in there being different standards, de facto, for finding material injury in preliminary and final cases. Nothing in the statute or in any of the accompanying literature seems to anticipate such a double standard. While we are to reach preliminary decisions on the basis of the best information available, we are expected to apply the same standards in all investigations whether they may be preliminary or final. If the basis of causality is to be the effect of the subsidy and it is predictable that information on how the subsidy is used is unlikely to be available, the decisionmaking that occurs results in a decision based upon a completely different standard

of causality. A finding of material injury in such a circumstance is based upon a theory other than tracing the effect of the subsidy or upon assumption. The statute simply cannot be read to permit preliminary decisionmaking using a standard different from that required in final cases or based upon conjecture.

It is, therefore, my belief that for sound policy reasons, the language of Title VII means exactly what it says. In order for countervailing duty or antidumping duties to issue, material injury must be found to be caused by the imports in question not by the operation of the subsidy (or the LTFV margin). Any other reading of the statute distorts its plain language though it may well be based upon very sound policy.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On January 19, 1982, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from counsel on behalf of Atlantic Steel Co., Florida Wire & Nail Co., New York Wire Mills Corp., Virginia Wire & Fabric Co., Tree Island Steel, Inc., and Armco, Inc., U.S. producers of steel wire nails, alleging that bounties or grants are being paid with respect to steel wire nails, imported from the Republic of Korea (Korea), classifiable under items 646.25 and 646.26 of the Tariff Schedules of the United States (TSUS). The Commission therefore instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication 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 from Korea of steel wire nails upon which the petitioners allege bounties or grants are being paid. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case, by March 5, 1982. Notice of the institution of the Commission's investigation and of a public conference 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 by publishing the notice in the Federal Register of January 27, 1982 (47 F.R. 3896). 1/ The public conference was held in Washington, D.C., on February 12, 1982. 2/ The Commission vote on injury in this case was made on February 23, 1982.

Other U.S. International Trade Commission Investigations Concerning Steel Wire Nails

On July 2, 1981, the U.S. International Trade Commission received advice from the U.S. Department of Commerce that it was initiating an antidumping investigation concerning imports of certain steel wire nails from Japan, the Republic of Korea, and Yugoslavia. Commerce initiated these investigations on its own accord pursuant to information developed under the Trigger-Price Mechanism (TPM). This information indicated that significant sales of steel wire nails were being made at less than the relevant trigger price. The Commission, therefore, instituted 3/ preliminary antidumping investigations, on July 2, 1981 (Investigations Nos. 731-TA-45, 46, and 47 (Preliminary)), to determine whether there is a reasonable indication 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 from Japan, the Republic of Korea, and Yugoslavia of steel wire nails, provided for in items 646.25 and 646.26 of the TSUS, which are allegedly being sold in the United States at less than fair value (LTFV).

1/ A copy of the notice of institution is presented in app. A.
2/ A list of witnesses appearing at the conference is presented in app. B.
3/ The Commission notice of initiation is presented in app. C.

On August 11, 1981, the Commission determined that there is a reasonable indication that an industry in the United States is materially injured, 1/ by reason of imports from Korea of steel wire nails, which are allegedly being sold in the United States at LTFV. On the same day the Commission made a negative determination with respect to steel wire nails from Yugoslavia. The case against Japan was terminated by the Department of Commerce pursuant to section 734(a) of the Tariff Act of 1930 on the basis of assurances provided by the Japanese nail manufacturers. The Commission therefore terminated investigation No. 731-TA-45 (Preliminary) without making a determination on imports from Japan.

On January 29, 1982, the Department of Commerce made a preliminary determination of sales at LTFV on steel wire nails from Korea with a weighted average margin of 4 percent. As a result of the determination, the Commission initiated a final dumping investigation on steel wire nails from Korea on February 5, 1982.

In a prior antidumping investigation completed in August 1980, the Commission determined (Commissioners Moore and Bedell dissenting) that an industry in the United States was not materially injured and was not threatened with material injury, and the establishment of an industry in the United States was not materially retarded, by reason of imports of certain steel wire nails from Korea, provided for in items 646.25 and 646.26 of the TSUS, which Commerce had determined were being sold at LTFV. Counsel for Armco Inc. and CF & I Steel Corp. has appealed this determination to the U.S. Court of International Trade (Armco Inc. and CF & I Steel Corp. v U.S., No. 80-9-01435).

In February 1979, the Commission unanimously determined (Commissioner Parker not participating) that an industry in the United States was not being injured and was not likely to be injured, and was not prevented from being established, by reason of the importation of certain steel wire nails from Canada that were being, or were likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921.

Description and Uses

Steel wire nails have been produced in the United States since, 1875. However, recent technological developments in the industry such as improved wire quality, treating the finished nails for improved performance in special applications, and increasing the speed and precision of the basic machinery have led to improved product quality. 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

1/ Commissioner Stern voted that there is also a threat of material injury.

machines, such as those made by Wafios Machinery Corp., a subsidiary of a German manufacturing company and the dominant supplier of nail machines to U.S. producers, reach operating speeds of 900 revolutions per minute when small nails are being produced. A spokesman for Wafios indicated that the cost of a complete rebuild is approximately two-thirds that of purchasing a new machine.

Nail finishes

Various coatings are applied to nails to improve their holding ability or to prevent rust and corrosion, or both. Common coating materials include zinc (galvanized nails), cement, and vinyl. Nails are galvanized with a zinc coating to prevent rust and corrosion. There are two methods commonly used to galvanize nails: electrogalvanizing and hot galvanizing. Electrogalvanizing 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 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, forming a bond with the wood. Vinyl-coated nails are coated by immersing or tumbling chemically cleaned and dried nails in a thermoplastic material, polyvinylchloride lacquer. This coating makes the nails easier to drive and, according to some sources, promotes greater adherence to the wood.

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

Vinyl-coated nails have been in production only since about 1975, when this type of nail was developed by Air Nail Corp. in Los Angeles. 1/ It 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. Use of vinyl-coated nails is presently concentrated on the west coast; however, it is anticipated that demand for these nails will increase significantly on a national basis.

1/ Based on information provided in the prehearing statement submitted on behalf of the Korean Metal Industry Cooperative, May 1980.

The imported product

Steel wire nails from Korea.--The imported products included within the scope of this investigation are nails 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 description of nails, including figures showing a variety of heads, shanks, points and finishes is presented in appendix D. An indication of the variety of nails can be seen in figure 1.

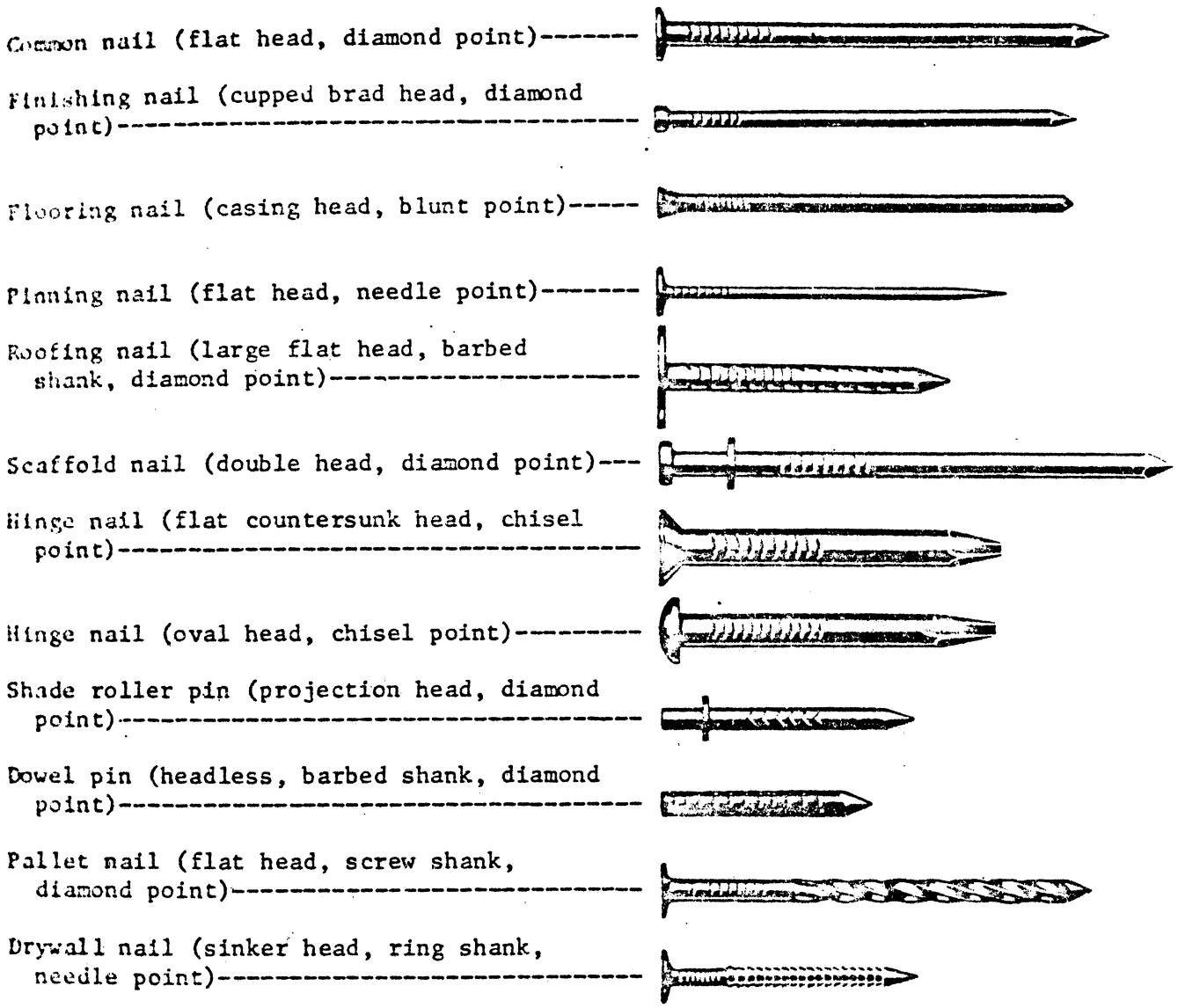
Korean nails are available in a variety of nail finishes. A breakdown of imports from Korea by nail finish, for the period January-July 1981, are shown in the following tabulation. 1/

Type of nail	Percentage distribution of imports from Korea January-July 1981
Electrogalvanized	31.3
Bright	21.8
Vinyl-coated	17.4
Cement-coated	10.5
Hot-galvanized	5.4
Phosphate-coated	4.9
Blued	1.0
Other	7.6
Total	100.0

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 United States is a significant market for exports of steel nails from Korea, accounting for more than 80 percent of total exports during 1977-80 (table 1). Most of the Korean facilities, except those of the Japanese-founded companies, 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 encountered in 1979 with nails produced by these companies resulted in $180,000 in claims against nine of these Korean producers for rusty nails, faulty specifications, short shipments, and goods not shipped.

1/ Provided by counsel for the Korean product.

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 nonstandard gage), or points, according to customer order.

Table 1.--Steel wire nails: Korean exports, 1977-80

Year	Total exports	Exports to the United States	Exports to the United States as a share of total exports
	1,000 short tons		Percent
1977	105	94	90
1978	148	118	80
1979	105	90	86
1980	105	88	84

Source: Compiled from official statistics of the Korean Government.

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 initially used Japanese rod, Japanese machinery, and Korean labor under Japanese supervision. Virtually all of the production in the free trade zone is produced for export.

The Japanese could produce nails in Korea more efficiently than in Japan because:

1. Wages in Korea were lower.

2. The Japanese in Korea were not bound by the Japanese practice of hiring workers for life. Instead, they could 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.

At the end of 1978, the five Masan companies had a total investment in the buildings, equipment, inventories, and so forth of their Korean facilities of more than $7 million. The facilities had a capacity to produce about 70,000 short tons of nails a year (table 2).

Counsel for the Korean producers reported that since early 1980, all of the Masan companies were sold--four plants to Korean concerns and one plant to a private Japanese citizen. According to counsel, these firms were sold because tax incentives in the Masan Free Trade Zone are no longer available to the Japanese firms. The new owners are free to buy rod from the cheapest source regardless of producer or country of origin. Under Japanese multinational 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.

Table 2.--Steel wire nails: Capacity, investment, and employment of manufacturers located in Korea's Masan Free Trade Zone, 1978

Manufacturer	Capacity	Total investment	Capital material and equipment	Employment
	Tons per year	1,000 dollars		
Kankoku Nitto	13,200	920	632	55
Korea Nippon Seisen	3,960	440	281	40
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

Source: Conditions of Competition in the Western U.S. Steel Market Between Certain Domestic and Foreign Steel Products, USITC Pub. 986, September 1979, p. C-47.

U.S. tariff treatment.--Imports of steel wire nails are classifiable under three TSUS items depending primarily on size. The nails under consideration in these investigations 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 classified under item 646.25. Round wire nails of 1 inch or more in length and 0.065 inch or more in diameter are classified under item 646.26. The most-favored-nation rate of duty (column 1) for these two TSUS 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.

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 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. The rate of duty for item 646.25 was 0.5 cent per pound (or 1.3 percent ad valorem) from January 1, 1948, to December 31, 1979. The rate of duty for item 646.26 was 0.1 cent per pound (or 1.3 percent ad valorem) from January 1, 1971 to December 31, 1979.

The domestic product

Steel wire nails.--The domestically produced products which are most like the imported products are round, one-piece steel wire nails that are less than 1 inch in length and less than 0.065 inch in diameter and round, one-piece steel wire nails of 1 inch or more in length and 0.65 inch or more in diameter. These domestically produced nails are, like the nails imported from Korea, available in a variety of sizes and finishes (see app. D). A breakdown of nails produced in the United States in 1980, 1/ and the Western States, by nail finishes, is shown in the following tabulation:

Type	Percentage distribution of production	Percentage distribution of Western States production
Bright	45.3	***
Cement-coated	24.4	***
Hot-galvanized	21.2	***
Vinyl-coated	4.8	***
Electro-galvanized	1.6	***
Other	2.7	***
Total	100.0	100.0

The U.S. 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, 2/ 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, and smaller firms concentrate production in higher priced nails (e.g, those having special-purpose heads, shanks, points, or finishes).

In 1980, steel wire nails were manufactured in the United States by as many as 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; by 1980, their share had decreased to 59 percent of total production. In 1980, the major producers and their share of production, as reported in questionnaires were: * * *.

1/ Based on questionnaire responses in investigations No. 731-TA-45, 46, and 47 (Preliminary).

2/ 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.

3/ New York Wire Mills, Inc., Virginia Wire & Fabric Co., Florida Wire & Nail Co., and Atlantic Steel Corp.

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.

Nine new steel wire nail production facilities have been established from 1976-80 (table 3). Three of these new nail production facilities 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 Pittsburg, Calif., Joliet, Ill., and Birmingham, Ala., plants in 1979 and 1980. In addition, in 1980, Queen Wire & Nail, Inc., and Penn-Dixie Steel Corp. filed for reorganization under chapter 11 of the Federal Bankruptcy Act. On April 2, 1981, the board of directors of Tree Island, Inc. decided to shut down the company's nail mill in Carson, Calif., and discontinued operations in October of that year.

Table 3.--Steel wire nails: U.S. production facilities established from 1976-80

Firm	Location	Year 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. 1/	1977
Tree Island Steel Co	Carson, Calif. 2/	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.
2/ Ordered closed on Apr. 2, 1981.

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

Nature and Extent of Alleged Subsidies

The petition alleges that in an effort to promote exports, the Korean government has provided support for the production and sale of certain export items, among them steel wire nails. Specific types of programs and the amount of subsidy allegedly provided are as follows:

	Alleged subsidy amount 1/ (Percent)
Preferential financing	
Short-term export financing based on letter of credit	5.3
Raw material purchase loans	2.0
Medium to long-term loans for facilities, machinery & technology	1.5
Tariff Incentives	2/
Direct subsidies for utilities and related services	2/
Tax benefits	
Accelerated depreciation	1.8
Deductible reserves for export promotion	1
Special benefits, for manufacturers located in the Masan Free Trade Zone	2/
Subsidized wire rod	3.4

1/ Share of shipment price of an average ton of nails.
2/ Unable to estimate.

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. The distribution channels are not clear cut, however, some importers, for example, also purchase nails from domestic producers and some domestic producers sell directly to retailers. Several producers also import nails. Because nails are heavy and costly to transport long distances, most shipments are made to customers located within 500 miles of the producing plant or port of entry (table 4).

Table 4.--Steel wire nails: 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	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 industry and other nail-consuming industries, a new and more efficient method of applying nails has been developed in which nails are shot from pneumatic nailing guns at rates of up to 150 nails per minute. These guns use "collated" nails (i.e., those which have been attached to strips of tape or other adhesive material), and are capable of increasing carpenter output so dramatically that the additional cost of collating is insignificant compared with the gain in efficiency. As the use of nail guns is growing rapidly, increasing amounts of nails are likely to be purchased or produced by firms specializing in collating. 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 for payment within 10 days of the date of invoice or net 60 days.

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 known significant importers of nails from Korea. In 1979, 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. 1/ When possible, data are presented separately for operations in a 10-State Western region. 2/

U.S. production

Questionnaire respondents reported production of steel wire nails as follows:

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

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

Year	Quantity (1,000 short tons)
1979	287
1980	227
1981	211

These data show that production declined by 21 percent from 1979 to 1980 and decreased again by 7 percent in 1981, representing a total drop in production of 76,000 short tons, or 26 percent, between 1979 and 1981.

Production of steel wire nails, as reported by six U.S. producers located in the Western States, decreased from * * * tons in 1979 to * * * tons in 1980, or by * * * percent. Production continued to decrease by * * * percent to * * * tons in 1981. Two west coast producers closed their nail-producing operations during this time period--U.S. Steel in May 1980, and Tree Island in October 1981. Production figures for the west coast producers are shown in the following tabulation:

Year	Quantity (1,000 short tons)
1979	***
1980	***
1981	***

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 as being capable of producing 7d nails at the rate of 190 pounds per hour or 8d nail at the rate of 279 pounds per hour. Because of this, companies were asked to report capacity on the basis of their "normal" product mix.

Nail machines are ideally operated 3 shifts a day with downtime for maintenance and repair. The capacity data presented in this report are based on operating nail-producing facilities 3 shifts a day, 7 days a week. Capacity decreased steadily throughout the period, from 552,000 short tons in 1979 to 442,000 short tons in 1981. The ratio of production to capacity also declined steadily, from 52 percent in 1979 to 48 percent in 1981, as shown in table 5.

Table 5.--Steel wire nails: U.S. producers' 1/ production capacity, operating facilities 3 shifts a day, 7 days a week, 1979-81

Year	Capacity	Ratio of production to capacity
	1,000 short tons	Percent
1979	552	52
1980	454	50
1981	442	48

1/ Questionnaire respondents.

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

In 1978, the U.S. Steel plant located in Pittsburg, Calif., accounted for approximately * * * percent of the production capacity in the Western States. This plant was closed in May 1980. Capacity subsequently declined by an additional * * * short tons, or * * * percent, in 1980 and by * * * short tons, or * * * percent in 1981. The ratio of production to capacity declined from * * * percent in 1979 to * * * percent in 1980, with a slight increase to * * * percent shown in 1981, as shown in table 6.

Table 6.--Steel wire nails: Western U.S. producers' 1/ production capacity, based on operating facilities 3 shifts a day, 7 days a week, 1979-81

Year	Capacity	Ratio of production to capacity
	1,000 short tons	Percent
1979	***	***
1980	***	***
1981	***	***

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

U.S. producers' domestic shipments and exports

Data on U.S. producers' shipments of steel wire nails and staples are maintained by Commerce on a yearly basis (table 7). Although these data are probably the best available, caution should be used in interpreting them. Commerce limits its data collection to steel works and wire-drawing 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 wire-drawing establishments accounted for approximately 85 percent of the total quantity of shipments.

Table 7.--Steel wire nails: U.S. producers' shipments and exports, 1973-81

(In thousands of short tons)

Year	Shipments 1/	Exports
1973	524	12
1974	473	15
1975	349	11
1976	410	14
1977	416	13
1978	506	24
1979	2/ 494	10
1980	2/ 410	12
1981	3/ 316	12

1/ Data collected by the U.S. Department of Commerce do not include nail shipments of fabricators. The Commission estimates that shipments of fabricators account for 15 percent of total shipments and has adjusted Commerce data accordingly.

2/ Because Commerce increased its industry coverage in 1978, data for 1978 and 1979 are not necessarily comparable with previous years' data.

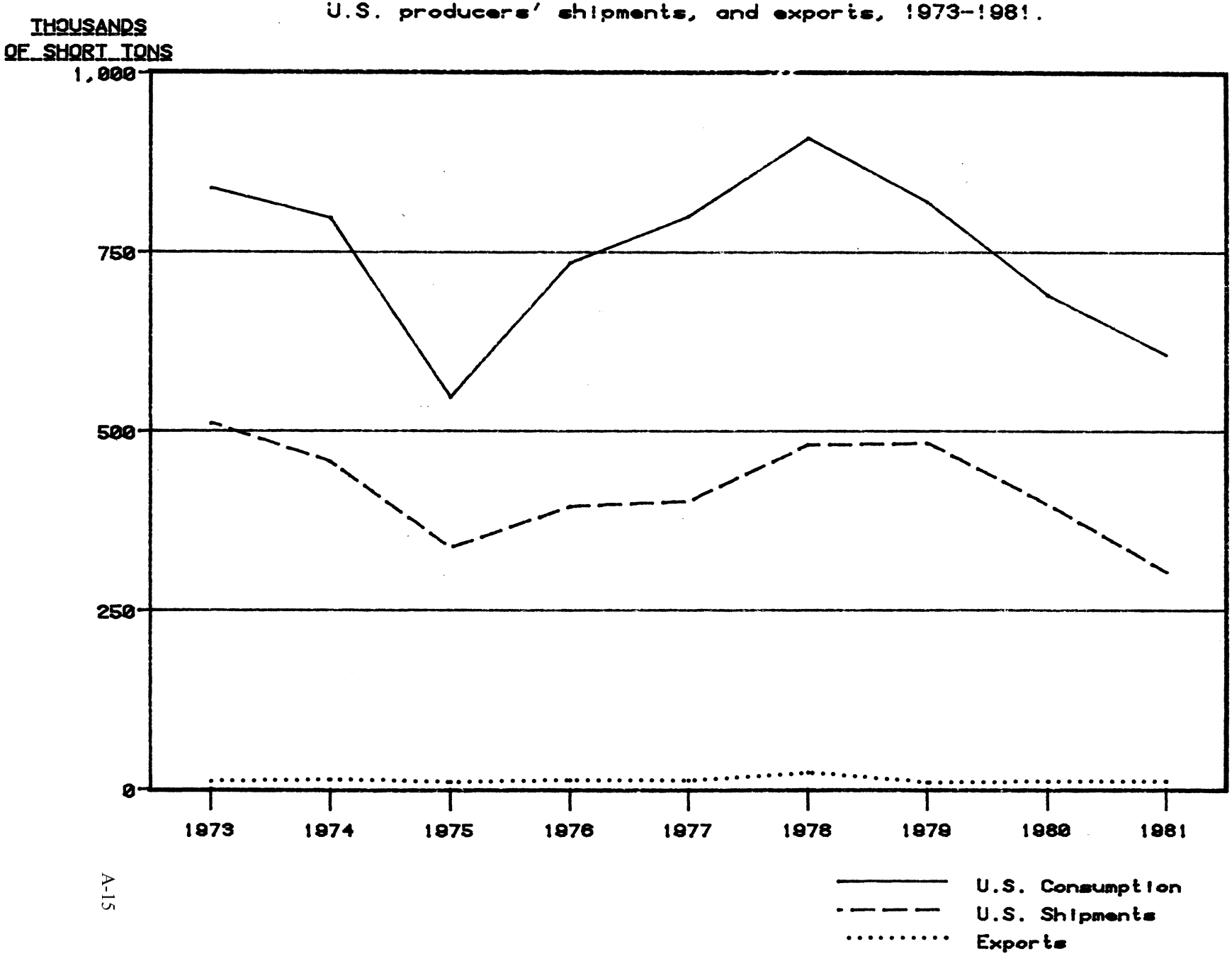
3/ Estimated by the staff of the U.S. International Trade Commission, taking into consideration fluctuations in U.S. housing starts and extrapolating from questionnaire data.

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

Shipments of steel wire nails (including exports) exhibited strong cyclical fluctuations during the 9-year period from 1973 through 1981, as shown in figure 1. Shipments decreased sharply from 524,000 tons in 1973 to 349,000 tons during the 1975 recession, or by 33 percent.

In 1976 and 1977, shipments recovered to 410,000 and 416,000 tons, respectively. Commerce data for 1978 and 1979 are not necessarily comparable with previous years' data because Commerce increased the number of firms receiving and responding to the Commerce questionnaires beginning in 1978. Data for these years indicate that shipments decreased by 2 percent from 1978 to 1979. The Commission estimates that U.S. producers' shipments decreased by 84,000 pounds to an estimated 410,000 short tons in 1980, or by 17 percent, from the 1979 level. In 1981 shipments dropped an additional 23 percent to 316,000 tons. In 1981, U.S. producers' shipments, as reported by questionnaire respondents, decreased by 12 percent when compared with 1980. U.S. producers' exports accounted for no more than 5 percent of shipments during 1968-80 and are made primarily to Canada, with smaller amounts going to Mexico, France, and the United Kingdom.

Figure 1.--Steel wire nails: Apparent U.S. consumption, U.S. producers' shipments, and exports, 1973-1981.



Source: Based on data in table 10.

A-15

Between * * * percent and * * * percent of the nails produced in the Western States were consumed in those States from 1979 through 1981. Shipments of steel wire nails by the Western producers to customers in the Western States, and as a percent of total shipments as reported in questionnaires, are shown in the following tabulation:

Year	Quantity 1,000 short tons	Percent of total shipments
1979----------	***	***
1980----------	***	***
1981----------	***	***

U.S. producers' inventories

Inventories of steel wire nails are maintained by most producers in order to be assured of a sufficient supply to fill orders. Inventory levels declined by 6,000 short tons from 1979 to 1980 and then increased by 2,000 short tons in 1981. As shown in table 8, the ratio of inventories to production increased slightly but steadily throughout the period, rising from 13.6 percent in 1979 to 16.2 percent in 1981.

Table 8.--Steel wire nails: U.S. producers' 1/ end-of-period inventories, 1979-81

Year	Producers' inventories	Ratio of inventories to production
	1,000 short tons	Percent
1979----------	39	13.6
1980----------	33	14.4
1981----------	35	16.2

1/ Questionnaire respondents.

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

Inventories held by producers in the Western States decreased slightly from 1979 to 1980. A sharp drop occured in 1981. The ratio of inventories to production rose from 1979 to 1980, then dropped in 1981, as shown in table 9.

Table 9.--Steel wire nails: Western U.S. producers' end-of-period inventories, 1979-81

Year	Producers' inventories	Ratio of inventories to production
	1,000 short tons	Percent
1979	***	***
1980	***	***
1981	***	***

1/ Based on annualized production.

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

U.S. consumption

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 from 548,000 tons in 1975 to 801,000 by 1977. Data for 1978 and 1979 are not necessarily comparable with that reported in prior years for the reasons previously discussed. However, the available data indicate that consumption decreased by 10 percent from 1978 to 1979, with an additional drop of 16 percent in 1980. Although Commerce data are not available for 1981, the Commission, taking into consideration fluctuations in U.S. housing starts and extrapolating from questionnaire data, estimates that U.S. nail consumption was approximately 607,000 tons in 1981 representing a drop of 83,000 tons or 12 percent, in 1981, as shown in table 10.

Table 10.--Steel wire nails: Apparent U.S. consumption, 1973-80

(In thousands of short tons)

Year	U.S. producers shipments 1/	Exports	Imports	Apparent consumption
1973	524	12	328	840
1974	473	15	340	798
1975	349	11	210	548
1976	410	14	340	736
1977	416	13	398	801
1978	2/ 506	24	428	910
1979	2/ 494	10	337	821
1980	2/ 410	12	292	690
1981	3/ 316	4/ 12	303	607

1/ Data collected by the U.S. Department of Commerce do not include nail shipments of fabricators. The Commission estimates that shipments of fabricators account for 15 percent of total shipments, and has adjusted Commerce data accordingly.

2/ Because Commerce increased its industry coverage in 1978, data for 1978 and 1979 are not necessarily comparable with previous years' data.

3/ Estimated by the staff of the U.S. International Trade Commission, extrapolating from questionnaire data.

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

Estimated apparent consumption in the Western States, which accounted for * * * percent of U.S. consumption in 1980, declined from * * * tons in 1979 to * * * tons in 1980, or by * * * percent, as shown in the following tabulation:

Year	Quantity 1,000 short tons
1979	***
1980	***
1981	1/

1/ Not available.

Employment

Employment in the U.S. nail industry, as reported by questionnaire respondents, dropped by 505 employees, or 26 percent, from 1979 to 1980, with a continued drop of 141 workers, or 10 percent, in 1981. On an individual basis, nearly all responding firms reported substantial declines in employment during 1979-81, except two firms, Florida Wire & Nail and Davis Walker Corp., both of which started production in 19[illegible]. * * *. A summary of employment data reported to the Commission is presented in the following tabulation.

Year	Average number of employees
1979	1,946
1980	1,441
1981	1,300

Employment by plants operating in the Western region also declined throughout the period from 386 workers in 1979 to 205 workers in 1981, or by 47 percent. Data on employment in the Western States are shown in the following tabulation:

Year	Average number of employees
1979	386
1980	301
1981	205

U.S. producers' financial experience

The Commission sent questionnaires to 31 producers of steel wire nails requesting selected financial information. Usable data were received from 15 domestic producers, accounting for approximately 96 percent of total U.S. production of steel wire nails in 1981, as reported by questionnaire respondents.

Out of the 15 respondents, 3 are located in the Western region. Few producers keep complete accounting records on a product-line basis. 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.

Total net sales decreased from $161 million in 1979 to $156 million in 1980. In 1981, net sales decreased to $139 million, or by 10.9 percent from the level of sales in 1979. This decrease can be attributed to a 12-percent decrease in the volume of reporting U.S. producers shipments.

As shown in table 11, gross profit of the U.S. producers on their nail operations was $20 million in 1979. These profits decreased to $13 million in 1980, with a further drop to $12 million in 1981. The number of firms reporting losses increased from 4 in 1979 to 7 in 1980. These firms reported losses of $6.5 million in that year. In 1981, five firms reported losses. 1/ Data on general, selling, and administrative expenses were not collected. Had such data been collected, it is possible that more firms would have shown losses in 1980 and 1981. The declining profitability of the nail producers

1/ One firm * * * Tree Island, went out of business in 1981 and was unable to provide separate profit-and-loss data for its nail operations in 1981.

Table 11.--Selected financial data for 15 U.S. producers on their operations on steel wire nails, by regions, 1979-81

Year and item	3 Western producers	All producers
1979:		
Net sales----------1,000 dollars--	***	$161,624
Cost of goods sold----------do----	***	141,445
Gross profit or (loss)--------do----	***	20,179
Ratio of cost of goods sold to net sales----------percent--	***	88
Ratio of gross profit or (loss) to net sales----------percent--	***	12.5
Number of firms reporting a loss----	***	4
1980:		
Net sales----------1,000 dollars--	***	156,187
Cost of goods sold----------do----	***	143,684
Gross profit or (loss)--------do----	***	12,503
Ratio of costs of goods sold to net sales----------percent--	***	92.0
Ratio of gross profit or (loss) to net sales----------percent--	***	8.0
Number of firms reporting a loss----	***	7
1981:		
Net sales----------1,000 dollars--	***	139,315
Cost of goods sold----------do----	***	127,782
Gross profit or (loss)--------do----	***	11,533
Ratio of costs of goods sold to net sales----------percent--	***	92
Ratio of gross profit or (loss) to net sales----------percent--	***	8.5
Number of firms reporting a loss----	***	5

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

can be attributed to sluggish increases in nail prices which did not keep pace with significant increases in the costs of production during 1979-81. This can be seen in the ratio of cost of goods sold to net sales, which increased from 87 percent in 1979 to 92 percent in 1981.

* * * * * * *

Research and development and capital expenditures 1/

Most research and development in the steel wire nail industry is involved with improving machine efficiency. Firms which do not 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 totaled $485,000 during 1978-80, as shown in the table 12. More than * * * percent of such expenses were incurred by one firm, * * *.

Capital expenditures, as reported by 19 firms, totaled $24 million in 1978-80 (table 12). Three firms which accounted for 80 percent of total capital expenditures were * * *.

Table 12.--Research and development and capital expenditures by U.S. producers of steel wire nails, by regions, 1978-80

(In thousands of dollars)

Item	1978	1979	1980	Total
Research and development expenses:				
Western producers	***	***	***	394
All producers	192	128	165	485
Capital expenditures:				
Western producers	***	***	***	10,568
All producers	7,943	8,236	7,719	23,898

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

During 1978-80, U.S. producers in the Western States spent * * * million on capital expenditures. Tree Island and Davis Walker accounted for * * * percent and * * * percent, respectively, of the total expenditures.

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. Nail machines, which cost about $40,000 apiece, are estimated to account for about 30 percent of the total required investment for a new operation. The following tabulation presents total U.S. sales of new nail machines by Wafios Machinery Corp., whose nail machines are reputed to be the best in the world. Most of the new machinery was purchased by nonintegrated producers.

1/ Research and development and capital expenditure data were gathered in the previous USITC investigations Nos. 731-TA-45, 46, 47 (Preliminary) on certain steel wire nails from Japan, the Republic of Korea, and Yugoslavia, and cover the period 1978-80.

Period	Quantity
1975----------	***
1976----------	***
1977----------	***
1978----------	***
1979----------	***
1980----------	***
1981 (January-June)---------	***

A spokesman for Wafios indicated that sales of spare parts for nail machines decreased in 1981 from the level in 1980. He attributed this decrease to a slowdown in production.

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 Allegedly Subsidized Imports and Alleged Injury

U.S. imports and market penetration

U.S. imports of the steel wire nails under investigation enter under items 646.25 and 646.26 of the TSUS. While most of the imports entered under these items are nails, some brads, tacks, spikes, and staples which are not under investigation also enter under these items. Therefore, data on imports of nails presented in this report are slightly overstated.

U.S. imports of steel wire nails come primarily from four countries: Canada, Korea, Japan, and Poland. Since the 1975 recession, imports increased from 210,000 tons in 1975 to 428,000 tons in 1978. Imports have since decreased to 337,000 tons in 1979 and 292,000 tons in 1980, or by 32 percent in two years. Imports increased to 303,000 tons in 1981, or by 4 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 and 1980, imports from Korea decreased to 92,000 tons and 76,000 tons, respectively. Imports from Korea rose to 115,000 tons in 1981, or by 51.3 percent over 1980 levels. Imports from Korea represented 38 percent of total imports of nails in 1981.

Imports of certain steel wire nails from Japan decreased steadily from 150,000 tons in 1976 to 33,000 tons in 1981, or by 78 percent. As a share of total imports, imports from Japan decreased from 52 percent in 1973 to 11 percent in 1981.

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 the 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 53 percent to 58 percent of total imports between 1973 and 1977, and then decreased to 49 percent in 1981, as shown in table 13.

Table 13.--Steel wire nails: U.S. imports for consumption, by principal sources, 1973-81

Source	1973	1974	1975	1976	1977	1978	1979	1980	1981
	Quantity (1,000 short tons)								
Republic of Korea	1	12	21	47	84	109	92	76	115
Japan	171	162	96	150	146	108	68	57	33
Yugoslavia	17	13	6	15	13	14	11	10	9
Canada	60	66	49	60	75	78	80	82	70
Poland	32	31	18	32	34	49	18	26	26
Other	46	57	20	37	45	71	69	41	50
Total	328	340	210	340	398	428	337	292	303
	Value (million dollars)								
Republic of Korea	1/	6	9	16	31	45	50	36	55
Japan	50	79	45	57	63	55	48	37	23
Yugoslavia	3	4	2	4	4	4	4	3	3
Canada	18	31	23	28	36	41	45	46	42
Poland	7	11	6	9	10	15	7	9	10
Other	11	25	8	15	19	29	35	22	27
Total	89	156	93	129	162	189	189	153	160
	Percent of total quantity								
Republic of Korea	2/	4	10	14	21	25	27	26	38
Japan	52	48	46	44	37	25	20	20	11
Subtotal	53	51	56	58	58	51	47	46	49
Yugoslavia	5	4	3	4	3	3	3	3	3
Canada	18	19	23	18	19	18	24	28	23
Poland	10	9	9	9	9	11	5	9	9
Other	14	17	9	11	11	17	21	14	16
Total	100	100	100	100	100	100	100	100	100

1/ Less than $500,000.
2/ Less than 0.5 percent.

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

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

In relation to apparent U.S. consumption, imports of steel wire nails from all sources rose from 39 percent in 1973 to 43 percent in 1974, and fell to 38 percent in 1975. Total imports, recovering strongly after the recession in 1975, rose to 50 percent of consumption in 1977. Imports' share of consumption decreased irregularly from 47 percent in 1978 to 42 percent in 1980, and then increased to 50 percent in 1981.

Imports from Korea rose steadily during the period, increasing from less than 0.5 percent of consumption in 1973 to 10 percent of consumption in 1977. These imports decreased from 12 percent of consumption in 1978 to 11 percent in 1979 and 1980, and then increased to 19 percent in 1981, as shown in table 14.

Table 14.--Steel wire nails: U.S. imports as a share of apparent U.S. consumption, 1973-81

(In percent)

Year	Republic of Korea	Japan and Republic of Korea	All sources
1973	1/	20	39
1974	2	23	43
1975	4	21	38
1976	6	27	46
1977	10	29	50
1978	12	24	47
1979	11	19	45
1980	11	19	42
1981	19	24	50

1/ Less than 0.5 percent.

Source: Compiled from data presented in tables 13 and 10.

Note.--Data for 1978-81 are not necessarily comparable with previous years' data.

Year	Imports from Korea into the Western States
	Percent
1973	39
1974	28
1975	23
1976	42
1977	56
1978	55
1979	51
1980	54
1981	1/

1/ Not available.

Imports from Korea into the Western States increased steadily from 389 tons, or 39 percent of imports, in 1973 to 60,000 tons, or 55 percent of imports, in 1978. Such imports have since decreased to 47,000 tons in 1979 and 41,000 tons in 1980, or by 53 percent in two years.

Import-to-consumption ratios for total imports from all sources into the Western States declined from 57 percent in 1978 to 52 percent in 1980. The share of consumption held by Korean imports decreased from 32 percent in 1978 to 27 percent in 1979, and increased to 30 percent in 1980. The share of apparent consumption held by U.S. producers in the Western States increased from 32 percent in 1978 to 41 percent in 1980 (table 15).

Table 15.--Steel wire nails: U.S. imports for consumption and U.S. producers' shipments as a share of consumption in the Western States, by principal sources, 1979-80 1/

(In percent)

Item	1979	1980
Imports from:		
The Republic of Korea	26.7	29.6
Japan and The Republic of Korea	37.2	40.4
Other countries	12.8	11.7
All countries	50.0	52.1
Shipments from:		
Western producers	35.9	40.7
Other U.S. producers	14.2	7.3
Total	100.0	100.0

1/ Figures for 1981 are not yet available.

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

Prices

Vigorous price competition has existed for some time between firms that produce nails domestically and firms that import them from Korea. 1/ Price lists are more prevalent among domestic producers than importers, but actual sales of both domestic and imported nails are often made at negotiated prices. Generally, U.S. producers quote prices on a f.o.b. basis; price quotes for the imported products often vary, and may be on either an ex-deck, ex-warehouse, or delivered-price basis.

1/ As pointed out in Certain Steel Wire Nails from Japan, the Republic of Korea, and Yugoslavia: Determination of the Commission in Investigations Nos. 731-TA-45, 46 and 47 (Preliminary) . . ., USITC Publication 1175, August 1981, suppliers of steel wire nails regarded price as the most important competitive factor.

In order to obtain price data for steel wire nails produced in the United States and those imported from the Republic of Korea, the Commission questionnaires requested net f.o.b. selling prices for the period 1979-81, by quarters, for 16-penny bright common nails. 1/ The price data obtained from both the domestic producers and importers of Korean steel wire nails provided full price series for the subject type of nails. Although the prices for both domestic and imported nails fluctuated significantly during 1979-81, the prices of domestic nails generally increased, and the prices for nails imported from Korea generally declined.

The average net selling price of domestic producers for 16-penny bright common nails between January-March 1979 and October-December 1981 increased from 23.0 cents per pound to 24.4 cents per pound, or by 6 percent. Prices of both the producers and importers had declined in 1980, as shown in table 16.

Table 16.--Steel wire nails: Net selling prices for the largest shipments of U.S. produced nails and those imported from the Republic of Korea, by quarter, 1979-81

Period	U.S. produced nails		Nails imported from Korea		Margin of Price difference
	Price range	Weighted average price	Price range	Weighted average price	
	Cents per pound				Percent
1979:					
January-March	***	23.0	***	24.8	17.8
April-June	***	24.6	***	23.8	(3.3)
July-September	***	25.0	***	24.4	(2.5)
October-December	***	25.1	***	24.2	(3.6)
1980:					
January-March	***	23.3	***	21.7	(6.9)
April-June	***	22.5	***	22.1	(1.8)
July-September	***	22.9	***	21.6	(5.7)
October-December	***	22.8	***	21.7	(4.8)
1981:					
January-March	***	23.9	***	23.1	(3.3)
April-June	***	24.2	***	23.1	(4.5)
July-September	***	24.6	***	24.5	(0.4)
October-December	***	24.4	***	24.3	(0.4)

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

1/ Although f.o.b. prices were requested by the questionnaires, it is believed that some respondents may have submitted prices on some other basis.

Data obtained from importers of nails from Korea also showed that prices of the selected nails fluctuated throughout the period, generally declining in 1980 to 21-22 cents per pound but increasing in 1981. From 1979-81 prices declined by 0.5 cent per pound, or by 2 percent.

In general, average net selling prices for nails imported from Korea were lower than those of the comparable domestically produced nails except during January-March 1979, when the Korean prices were 1.8 percent above the price of the comparable domestic product. Margins of underselling during 1979-81 varied between a high of 6.9 percent during January-March 1980 and a low of 0.4 percent during July-December 1981. Figure 2 shows weighted average net selling prices for domestic and imported 16-penny bright common nails sold during 1979-81.

Prices in the Western region of the United States

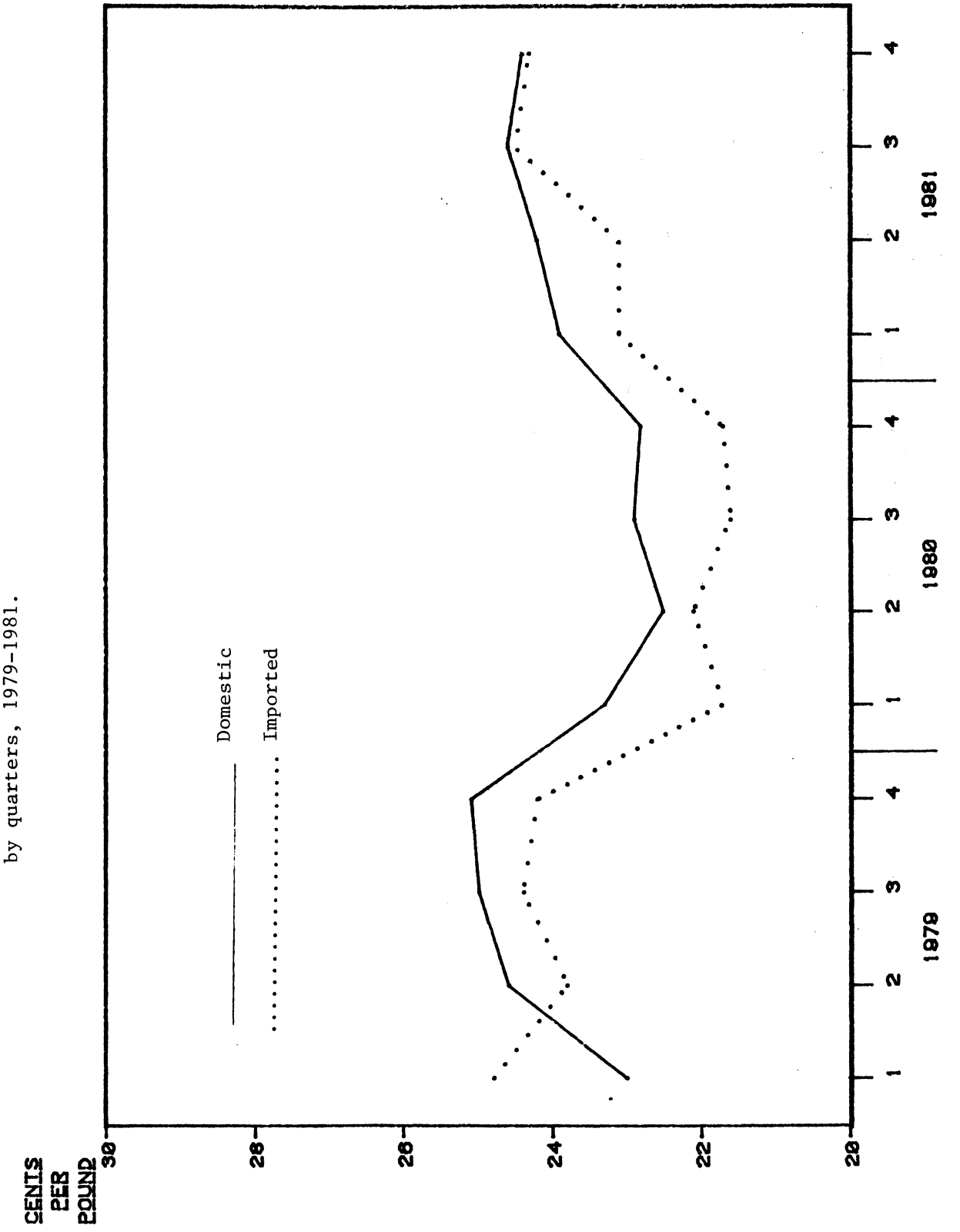
Domestic producers and importers of nails from the Republic of Korea were requested to furnish price data on sales of 16-penny bright common nails sold in the Western region of the United States. Although the responses indicate significant fluctuations in prices, the general trend is slightly different from the one observed in total U.S. sales, i.e., the average net prices for domestic nails increased, but by a lesser amount than did the Korean nails (table 17).

Table 17.--Steel wire nails: Net selling prices in the Western region for the largest shipments of U.S.-produced nails and those imported from the Republic of Korea, by quarters, 1979-81

Period	U.S.-produced nails		Nails imported from Korea		Price difference
	Price range	Weighted average price	Price range	Weighted average price	
	Cents per pound				Percent
1979:					
January-March	***	23.0	***	23.6	(2.6)
April-June	***	24.1	***	23.4	(2.9)
July-September	***	24.3	***	24.4	(.4)
October-December	***	24.4	***	24.2	.8
1980:					
January-March	***	21.7	***	21.7	0.
April-June	***	21.6	***	22.0	1.9
July-September	***	21.5	***	21.4	(.5)
October-December	***	21.5	***	21.7	.9
1981:					
January-March	***	23.1	***	23.1	0.
April-June	***	23.2	***	23.1	(.4)
July-September	***	23.6	***	24.8	5.1
October-December	***	23.4	***	24.3	3.8

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

Figure 3.--Wire Nails: Imports from the Republic of Korea and domestic prices, by quarters, 1979-1981.



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

Domestic producers' average net selling prices for the selected nail in the Western region rose slightly between January-March 1979 and October-December 1981, increasing from 23.0 to 23.4 cents per pound, or by 1.7 percent, after having declined to between 21 and 22 cents per pound in 1980.

Prices for imported nails increased from 23.6 cents per pound to 24.3 cents per pound, or by 3 percent, during 1979-81.

Korean nail imports undersold domestic nails in five quarters, with margins of underselling varying between a low of 0.5 percent and a high of 2.9 percent. During January-March 1980 and the corresponding period of 1981, the prices of the domestic and imported products were the same. In five quarters the domestic product undersold the Korean nails by margins which varied from 0.4 to 5.1 percent. Figure 3 presents net selling prices for domestic and imported 16-penny bright common nails sold in the Western States during 1979-81.

Table 18 presents indexes for steel wire nail prices based on trigger prices, producer prices collected by the Bureau of Labor Statistics (BLS), as well as data submitted by domestic producers and importers of nails in response to Commission questionnaires. The data cover 1979-81.

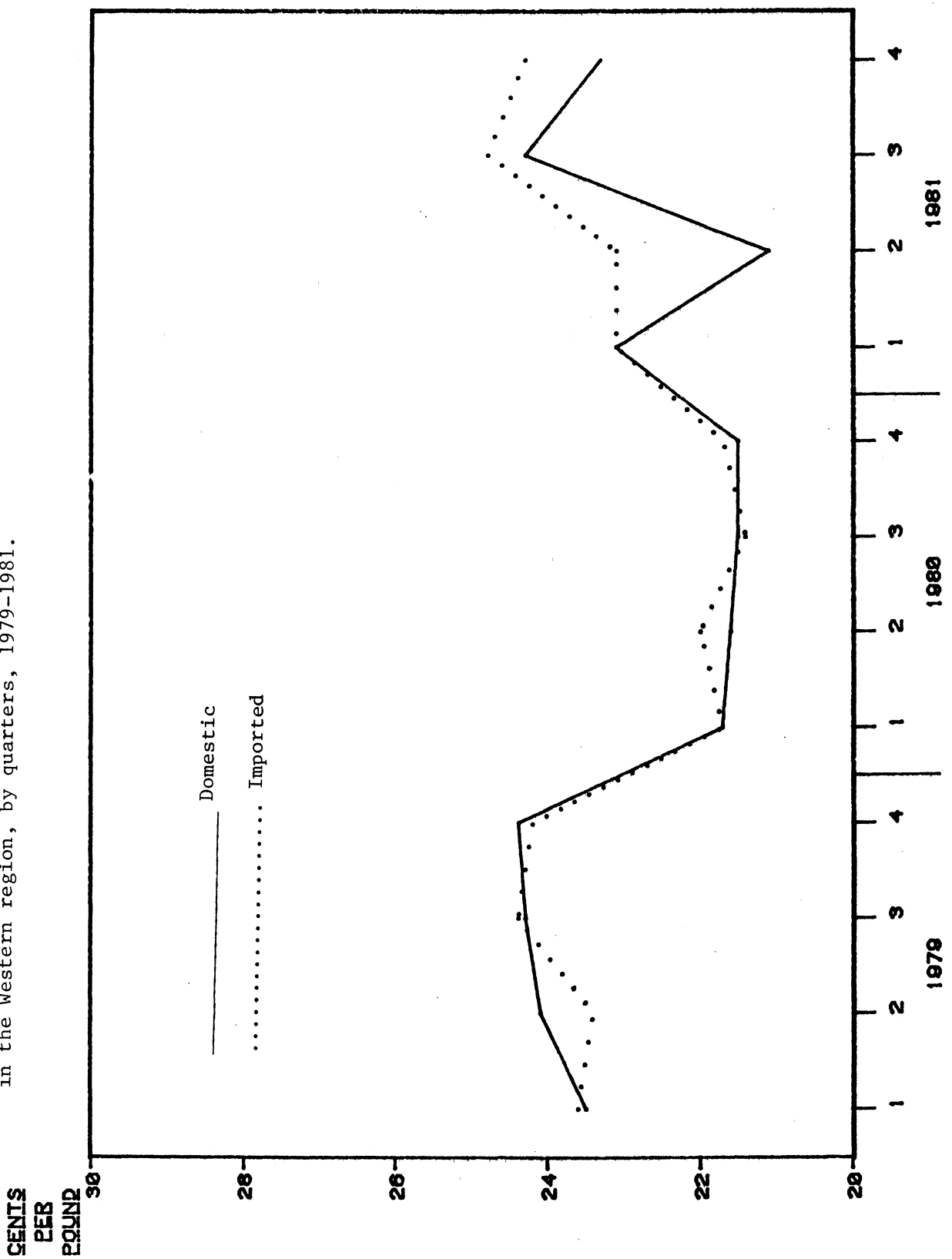
The comparison of these indexes indicates that all prices, with the exception of the price index for imports from Korea, have increased during the period under discussion. The greatest price increase was noted by the BLS index, rising by 31 percent, followed by the index based on price data submitted by domestic nail producers, which rose irregularly by 11 percent. The trigger-price index shows a net increase of 10 percent after first rising by 20 percent during January-March of 1981, and then falling by 8 percent during the remainder of that year. The index based on price data submitted by importers of Korean nails showed an irregular decline during the whole period, remaining at all times below the prices of January-March 1979, and registering a 2-percent price decline at the end of 1981.

Lost sales

In this investigation, domestic producers were not requested to report or supply information concerning sales of steel wire nails which they lost, or which were made at reduced prices, because of imports from Korea. In investigation Nos. 731-TA-45, 46, and 47, concluded in August 1981, producers had been asked to provide information on lost sales as well as sales at reduced prices, involving imports from Korea, as well as from Japan and Yugoslavia.

Of the producers responding to the questionnaire in that investigation, eight companies reported a total of 62 allegations involving sales lost to 38 customers. The eight companies responding indicated that these alleged lost sales were examples of lost sales and did not constitute all sales lost. In addition, some companies indicated that they were losing sales to imports but were unable to supply specific examples to support such claims.

Figure 4.--Wire Nails: Imports from the Republic of Korea and domestic prices, in the Western region, by quarters, 1979-1981.



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

Table 18.--Sixteen-penny bright common nails: Nail price indexes, by quarters, 1979-81

(January-March 1979=100)

Period	Trigger price index	PPI price index 1/	Commission questionnaire data	
			Domestic price index 2/	Import price index 3/
1979:				
January-March	100	100	100	100
April-June	100	107	112	96
July-September	103	107	109	98
October-December	103	112	115	98
1980:				
January-March	106	114	106	88
April-June	4/	120	113	89
July-September	4/	120	105	87
October-December	119	120	114	88
1981:				
January-March	120	123	109	93
April-June	110	125	112	93
July-September	110	131	112	99
October-December	110	131	111	98

1/ Based on prices for 8-penny bright common nails.
2/ Based on U.S. prices.
3/ Based on price data for nails imported from the Republic of Korea.
4/ Not available.

Source: Compiled from official statistics of the Bureau of Labor Statistics, Producer Price Index, Department of Commerce, and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Of the 38 customers listed as lost sales by the U.S. producers, 31 customers were contacted by the Commission staff. Although all customers contacted purchased nails made in the countries under investigation, there was not confirmed evidence of any lost sales. All customers had a history of buying imported nails, and all claimed that they had not changed their buying habits or sources in the past year, nor were they aware that imports had any depressing effect on prices in the market place.

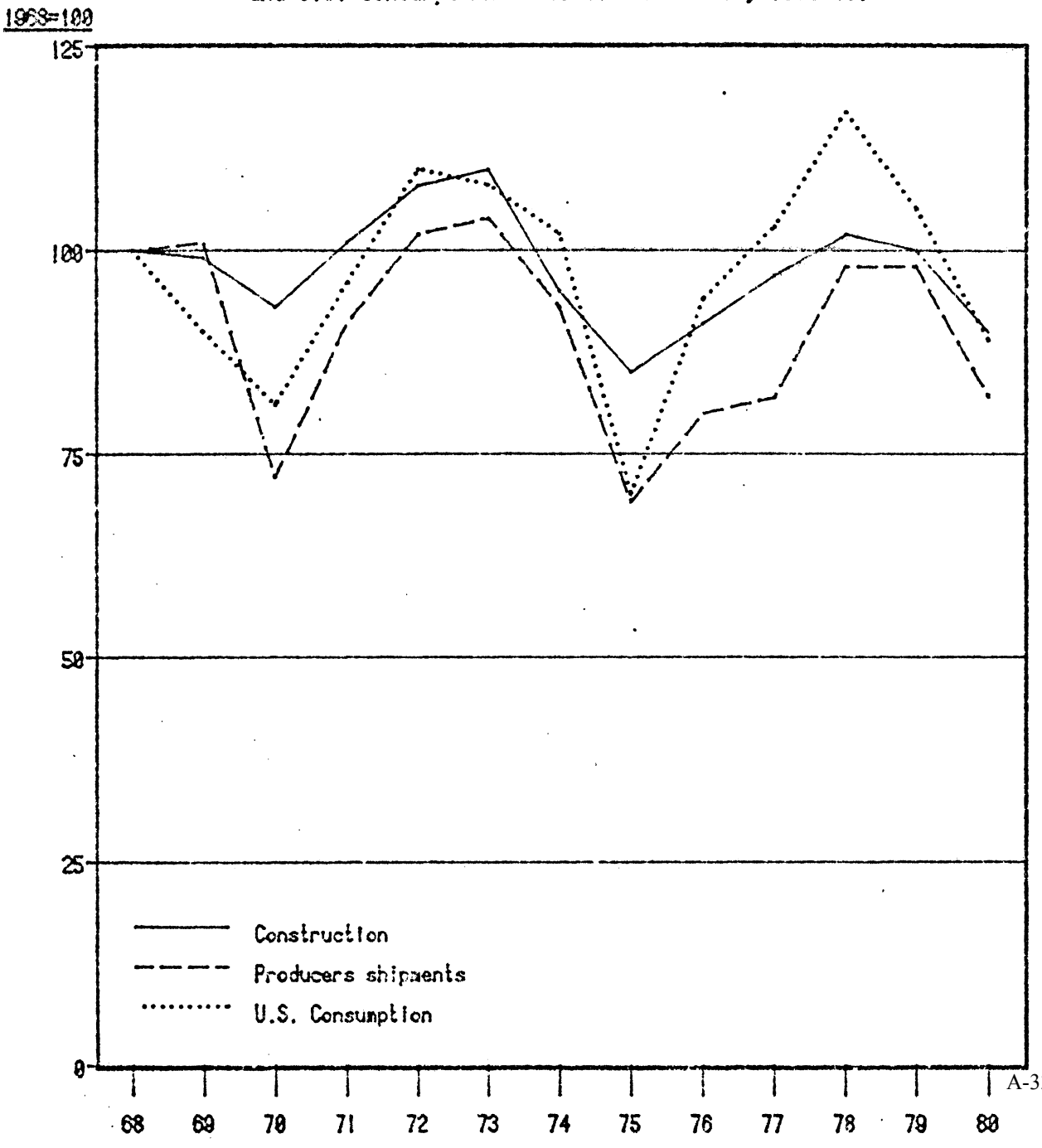
Cyclical nature of consumption

Consumption of steel wire nails is related to U.S. construction, as shown in figure 4. The indexes used in figure 4 are listed in the following tabulation (1968=100):

Year	Construction put in place (1972 dollars)	U.S. producers' shipments 1/ of steel wire nails	U.S. consumption 1/ of steel wire nails
1968	100	100	100
1969	99	101	90
1970	93	72	81
1971	101	91	96
1972	108	102	110
1973	110	104	108
1974	95	93	102
1975	85	69	70
1976	91	80	94
1977	97	82	103
1978	102	98	117
1979	100	98	105
1980	90	82	89
1981	2/	2/	2/

1/ Indexes are based on quantity.
2/ 1981 data is not available.

Figure 4.—Indexes of construction put in place, U.S. producers' domestic shipments of steel wire nails, and U.S. consumption of steel wire nails, 1968-80.



APPENDIX A
COMMISSION'S NOTICE OF INSTITUTION

[Investigation No. 701-TA-145 (Preliminary)]

Certain Steel Wire Nails From Korea

AGENCY: International Trade Commission.

ACTION: Institution of a preliminary countervailing duty investigation and the scheduling of a conference to be held in connection with the investigation.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 701-TA-145 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication 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 from Korea of steel wire nails,[1] provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States Annotated (1982), upon which bounties or grants are alleged to be paid.

EFFECTIVE DATE: January 19, 1982.

FOR FURTHER INFORMATION CONTACT: Judith C. Zeck, Office of Investigations, U.S. International Trade Commission (202-523-0339).

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on January 19, 1982, by counsel on behalf of Atlantic Steel Co., Florida Wire and Nail, New York Wire Mills, Virginia Wire and Fabric, Tree Island Steel, Inc., and Armco Inc., U.S. producers of steel wire nails.

The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition or, in this case, by March 5, 1982 (19 CFR 207.17). The investigation will be subject to Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 76457), and particularly subpart B thereof.

Written Submissions.—Any person may submit to the Commission on or before February 16, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and nineteen copies of such a statement must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 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 public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., e.s.t., on February 12, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for this investigation, Mr. John MacHatton (202-523-0439). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to the petition will each be allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the supervisory investigator.

Inspection of the Petition.—A copy of the petition filed with the Department of Commerce in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

This notice is published pursuant to § 207.12 of the Commission's rules of practice and procedure (19 CFR 207.12).

Issued: January 22, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-2066 Filed 1-26-82; 8:45 am]

BILLING CODE 7020-02-M

[1] For purposes of this investigation, brads, spikes, staples and tacks are not included.

APPENDIX B
WITNESSES AT THE COMMISSION CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations No. 701-TA-145 (Preliminary)

CERTAIN STEEL WIRE NAILS FROM KOREA

February 12, 1982

In support of the imposition of countervailing duties

Steptoe & Johnson--Counsel
Washington, D.C.
on behalf of

Tree Island Steel, Inc.
Armco, Inc.

W. George Grandison)
Melinda Chandler) --OF COUNSEL

Fried, Frank, Harris, Shriver & Kampelman--Counsel
Washington, D.C.
on behalf of

Atlantic Steel Co.
Florida Wire & Nail
New York Wire Mills
Virginia Wire & Fabric

William P. Alford)
Alan G. Kashdan) --OF COUNSEL

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

In opposition to the imposition of countervailing duties

Daniels, Houlihan & Palmeter--Counsel
Washington, D.C.
on behalf of

KOREA METAL INDUSTRY COOPERATIVE
AH-JU STEEL CO., LTD.
GAYA METAL IND. CO., LTD.
HANDUK IND. CO., LTD.
HAN KUK STEEL WIRE IND. CO.
JE IL STEEL CO., LTD.
JIN HEUNG IRON & STEEL CO.

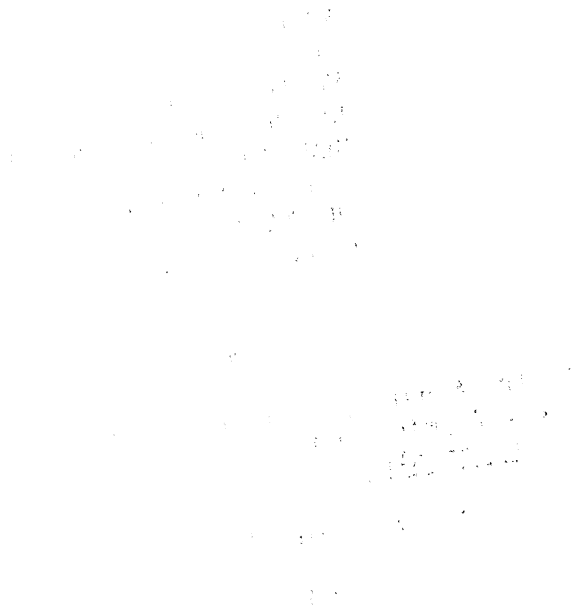
KABUL LTD.
KOREA ILL DONG CO., LTD.
KOREA NIPPON SEISEN CO., LTD.
KUK DONG METAL IND. CO., LTD.
NEW KOREA NAILS IND., CO., LTD.
SAMCHOK INDUSTRIAL CO., LTD.
THE TAN'S METAL IND. CO., LTD.
YOUNG SIN METAL IND. CO., LTD.

N. David Palmeter -- OF COUNSEL

Stein, Shostak, Shostak & O'Hara--Counsel
Los Angeles, CA.
on behalf of

So-Cal Commerical

Irwin P. Altschuler) -- OF COUNSEL



APPENDIX C
COMMISSION'S NOTICES ON INVESTIGATIONS
NOS. 731-TA-45, 46, and 47(Preliminary)

[731-TA-45, 46, and 47 (Preliminary)]

Certain Steel Wire Nails From Japan, the Republic of Korea, and Yugoslavia; Notice of Institution of Preliminary Antidumping Investigations and Scheduling of Conference

AGENCY: International Trade Commission.

ACTION: Institution of preliminary antidumping investigations.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of preliminary antidumping investigations to determine whether there is a reasonable indication 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 from Japan, the Republic of Korea, and Yugoslavia of steel wire nails, provided for in items 646.25 and 646.26 of the Tariff Schedules of the United States, possibly sold at less than fair value.

EFFECTIVE DATE: July 2, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Lynn Featherstone, Supervisory Investigator, telephone (202-523-0242), U.S. International Trade Commission, Room 346, 701 E Street, NW., Washington, D.C. 20436.

SUPPLEMENTARY INFORMATION:

Background. On July 2, 1981, the Department of Commerce (hereinafter "Commerce") advised the Commission that Commerce was initiating antidumping investigations of steel wire nails from Japan, the Republic of Korea, and Yugoslavia pursuant to section 732(a) of the Tariff Act of 1930, (19 U.S.C. Section 1673a(a) (Supp. III 1979)). After monitoring imports of certain steel products under the Trigger Price Mechanism, Commerce found significant sales of steel wire nails being made at less than the relevant trigger price. These sales constitute possible sales at less than fair value.

Accordingly, on July 2, 1981, the Commission, pursuant to section 733(a) of the Tariff Act of 1930, (19 U.S.C. 1673b(a) (Supp. III 1979)), instituted preliminary antidumping investigations Nos. 731-TA-45, 46, and 47 (Preliminary).

Section 733(a) of the Tariff Act of 1930 requires the Commission to make a determination of whether there is a reasonable indication 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 possibly sold in the United States at less than fair value. Such a determination must be made within 45 days after the date on which notice of an investigation commenced under section 732(a) is received from the Department of Commerce. These investigations will be subject to the provisions of the Commission's Rules of Practice and Procedure (19 CFR 201.00, *et seq.*) and, particularly, to part 207 thereof (19 CFR 207.1, *et seq.*).

Written submissions. Any person may submit to the Commission on or before July 30, 1981, a written statement of information pertinent to the subject matter of these investigations. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR Section 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with the investigations for 10 a.m., e.d.t., on July 23, 1981, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Persons wishing to participate in the conference should contact the supervisory investigator for the investigations, Mr. Lynn Featherstone (202-523-0242) by the close of business (5:15 p.m., e.d.t.), July 22, 1981. It is anticipated that persons in support of the imposition of antidumping duties and persons opposed to such duties will each be collectively allocated 1 hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the supervisory investigator.

Issued: July 2, 1981.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-20004 Filed 7-7-81; 8:45 am]

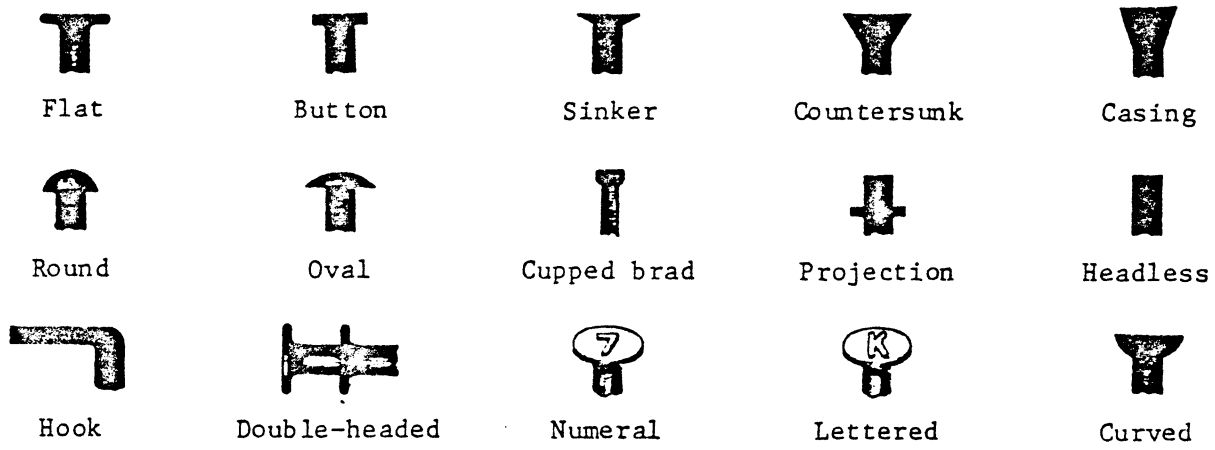
BILLING CODE 7020-02-M

APPENDIX D
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 F-1.

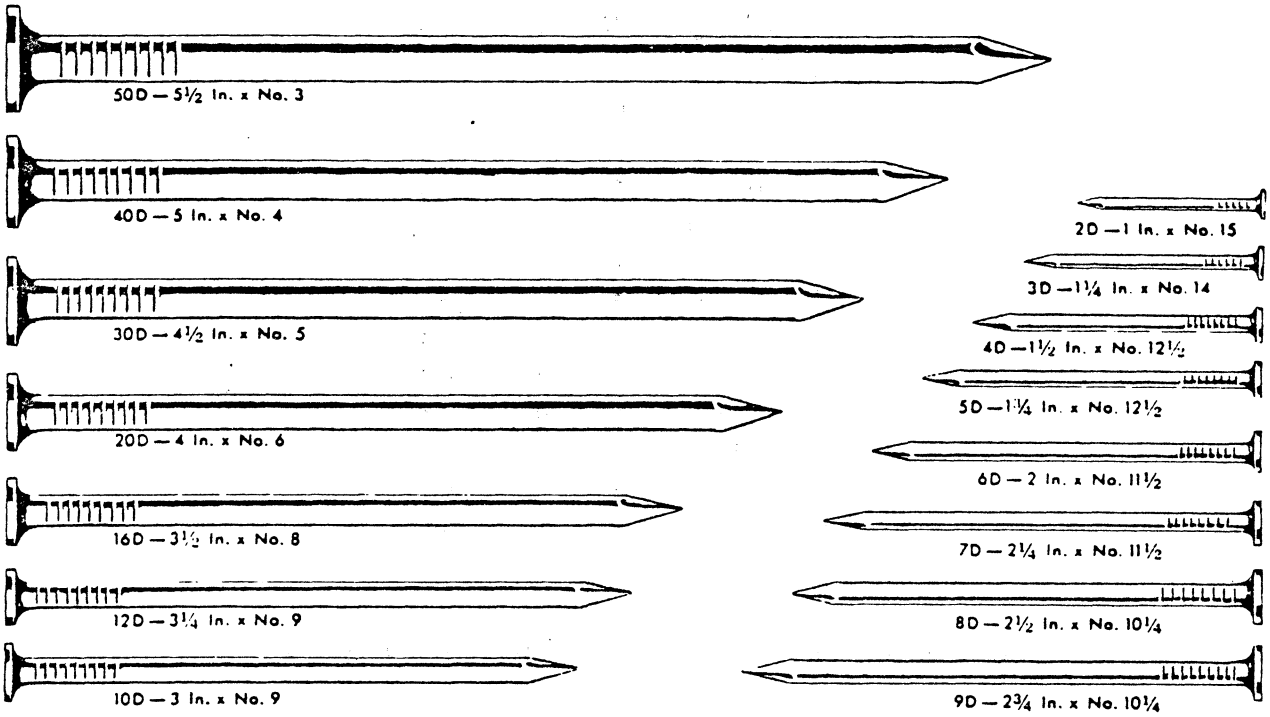
Figure F-1.--Types of nail heads.



Source: Sales brochure of Independent Nail, Inc.

Shank.--The shank of the nail can be described in terms of its length, diameter, surface texture, and finish. Wire nail sizes are standardized by length 1/ and designated in terms of "penny" size. The origin of this method of designation is not known, but is probably found in the English system of measurements. A sixteenpenny 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 F-2) regardless of weight, which varies with diameter (or

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

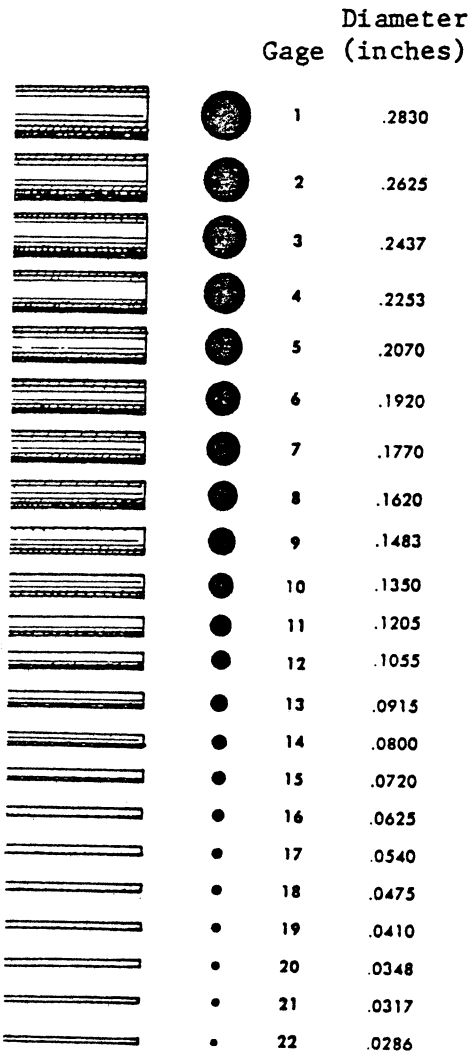


Source: Sales brochure of Republic Steel Corp.

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 F-2, but customers may specify nonstandard gages with most suppliers. A listing of gage sizes is presented in figure F-3.

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



Source: Sales brochure of The Hillwood Manufacturing Co.

Most domestically produced nails have smooth shanks. For special uses, however, barbs, rings, or threads may be added to the shank during production. Nail shanks are usually bare metal (called "bright"), but may also be treated to gain special properties. Zinc coating (or galvanizing), for example, imparts corrosion resistence, and 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" (fig. F-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 F-4.--Types of nail points.

Regular diamond | Long diamond | Blunt | Conical | Needle | Sheared bevel | Chisel | Sheared square

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."