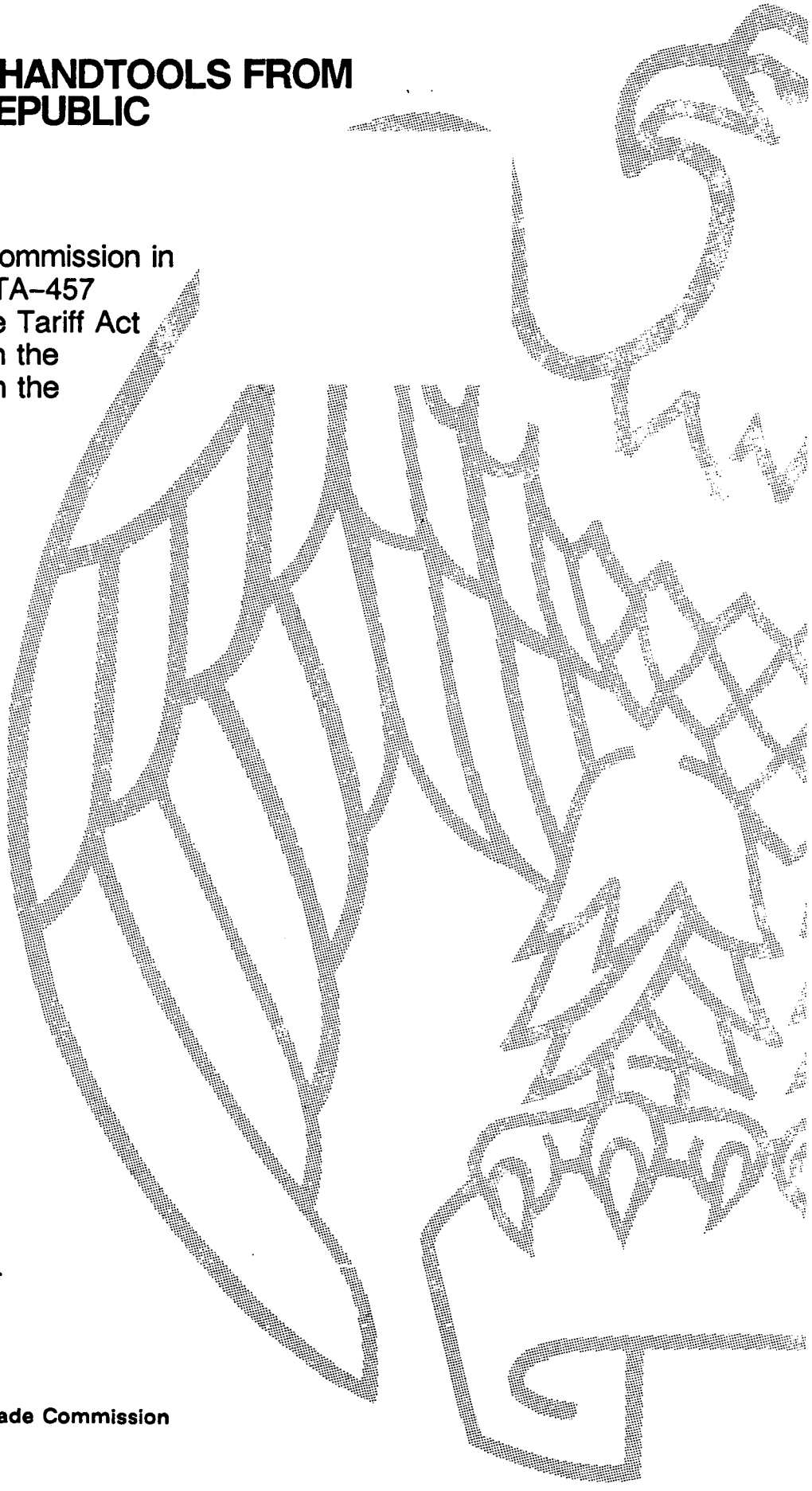
HEAVY FORGED HANDTOOLS FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination of the Commission in Investigation No. 731-TA-457 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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CONTENTS

CONTENTS

CONTENTS

CONTENTS

Note.--Information that reveal business proprietary operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-457 (Preliminary)

HEAVY FORGED HANDTOOLS FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record [1] developed in the subject investigation, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from the People's Republic of China of heavy forged handtools, provided for in subheadings 8201.30.00, 8201.40.60, 8205.20.60, and 8205.59.30 of the Harmonized Tariff Schedule of the United States [2] (previously under items 648.53, 648.67, 651.23, and 651.25 of the former Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

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[1] The record is defined in sec. 207.2(h) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(h)).

[2] For purposes of this investigation, heavy forged handtools consist of (1) hammers and sledges with heads over 1.5 kg (3.25 pounds) each (hammers and sledges); (2) bars over 18 inches in length, track tools and wedges (bars and wedges); (3) picks and mattocks; and (4) axes, adzes and similar hewing tools (axes and adzes).

Heavy forged handtools include heads for drilling hammers, sledges, axes, mauls, picks and mattocks, which may or may not be painted, which may or may not be finished, or which may or may not be imported with handles; assorted bar products and track tools including wrecking bars, digging bars and tampers; and steel woodsplitting wedges. Heavy forged handtools are manufactured through a hot forge operation in which steel is sheared to required length, heated to forging temperature and formed to final shape on forging equipment using dies specific to the desired product shape and size. Depending on the product, finishing operations may include shot blasting, grinding, polishing and painting, and the insertion of handles for handled products. Heavy forged handtools are currently provided for under the following HTS subheadings: 8205.20.60, 8205.59.30, 8201.30.00, and 8201.40.60.

This investigation does not include hammers and sledges with heads 1.5 kg (3.25 pounds) in weight and under, hoes and rakes, or bars 18 inches in length and under.

Background

On April 4, 1990, a petition was filed with the Commission and the Department of Commerce by Woodings-Verona Tool Works, Inc., Verona, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of heavy forged handtools from the People's Republic of China. Accordingly, effective April 4, 1990, the Commission instituted preliminary antidumping investigation No. 731-TA-457 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 11, 1990 (55 F.R. 13673). The conference was held in Washington, DC, on April 25, 1990, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the information obtained in this preliminary investigation, we unanimously determine that there is a reasonable indication that industries in the United States are materially injured by reason of imports of heavy forged handtools from the People's Republic of China that are alleged to be sold at LTFV. 1/2/

The legal standard in preliminary antidumping investigations is set forth in section 733(a) of the Tariff Act of 1930. 3/ That section requires the Commission to determine whether, based on the best information available at the time of the preliminary determination, there is a reasonable indication of material injury to a domestic industry, or threat thereof, or material retardation of the establishment of such an industry, by reason of imports. The definition of "material injury" is the same in both preliminary and final investigations, but in preliminary investigations an affirmative determination is based on a "reasonable indication" of material injury or threat of material injury, as opposed to the actual finding of material injury or threat required in a final determination. 4/

In American Lamb v. United States, 5/ the Federal Circuit stated that

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1/ Material retardation is not an issue in this investigation and therefore will not be discussed further.

2/ This investigation was initiated based on a petition filed by Woodings Verona Tool Works, Inc. China National Machinery Import and Export Corporation, respondent manufacturer, and The Coalition of American Tool Distributors, respondent importers, oppose the petition.

3/ 19 U.S.C. § 1673b(a).

4/ Compare 19 U.S.C. § 1673b(a) with 19 U.S.C. § 1673(b)(1).

5/ 785 F.2d 994 (Fed. Cir. 1986).

(i) the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations, (ii) the "reasonable indication" standard requires more than a finding that there is a possibility of such injury, and (iii) the Commission may weigh the evidence before it is to determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."6/

Like Product

In this, as in other Title VII investigations, the Commission must first determine the "like product" and "domestic industry". The term "industry" is defined as "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..." 7/ The Act defines "like product" as "[a] product which is like or, in the absence of like, most similar in characteristics and uses with, the article subject to an investigation..." 8/ The Commerce Department has determined that the articles subject to investigation are as follows:

> The products covered by these investigations constitute four separate "class or kind" categories...(1) Hammers and sledges with heads over 1.5 kg. (3.25 pounds) each (hammers and sledges): (2) bars over 18 inches in length, track tools and wedges (bars and wedges); (3) picks and mattocks: and (4) axes, adzes and similar hewing tools (axes and adzes).

6/ Commissioner Eckes refers to his separate views in "Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil," Inv. No. 731-TA-421 (Preliminary) USITC Pub. No. 2128 (Sept. 1988) on the appropriate standard for preliminary determinations.

7/ 19 U.S.C. § 1677(4)(a).

8/ 19 U.S.C. § 1677(10).

> Heavy forged handtools (HFHTs) include heads for drilling hammers, sledges, axes, mauls, picks and mattocks, which may or may not be finished, or which may or may not be imported with handles; assorted bar products and track tools including wrecking bars, digging bars and tampers; and steel woodsplitting wedges. HFHTs are manufactured through a hot forge operation in which steel is sheared to require length, heated to forging temperature and formed to final shape on forging equipment using dies specific to the desired product shape and size. Depending on the product, finishing operations may include shot blasting, grinding, polishing and painting, and the insertion of handles for handled products.
>
> These investigations do not include hammers and sledges with heads 1.5 kg. (3.25 pounds) in weight and under, hoes and rakes, or bars 18 inches in length and under. 9/

The Commission's decision regarding like product is essentially a factual determination, made on a case-by-case basis. 10/ The Commission usually considers a number of factors when determining what product is "like" the articles subject to investigation, including: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions, and (6) price. 11/

In this preliminary investigation, we considered three questions relating to the definition of the like product: (1) whether there are four separate like products corresponding to the four classes or kinds identified by Commerce, as the petitioner has suggested, or whether all forged handtools constitute one like product; (2) whether there are domestically produced heavy forged handtools other than those described in the Commerce notice that should be included in any "like product"

9/ 55 Fed. Reg. 18364, 18365 (May 2, 1990).

10/ Asociacion Colombiana de Exportadores de Flores v. United States, 12 CIT _. 693 F. Supp. 1165, 1169 (1989) (hereinafter "ASOCOLFLORES").

11/ See, e.g., Polychloroprene from France and the Federal Republic of Germany, Inv. Nos. 731-TA-446-447 (Preliminary) USITC Pub. 2233 (November 1989) at 3.

definition; and (3) whether any like product definition including hammers, picks, mattocks, or axes should include heads, with or without handles. Each of these will be discussed in turn.

1. One "like product" or four "like products"

Petitioner argues that there are four distinct "like products": (1) hammers and sledges, with heads weighing over 1.5 kg (3.25 pounds) and with or without handles; (2) crowbars, track tools, and wedges or iron or steel, except for bars eighteen inches and under; (3) picks and mattocks; and (4) axes, adzes and hewing tools, other than machetes. 12/ Petitioner bases this contention, in part, on the assertion that each product has separate and distinct uses. 13/ Petitioner also argues that each of the four categories of tools is manufactured differently, and produced on dedicated equipment of different types. 14/ Respondents and importers (hereinafter referred to as "the Coalition") agree generally with petitioner that articles within each of the four categories of imports to be covered in the Commerce Department's investigation constitutes separate like products.

Because the physical characteristics of each category of heavy forged handtools subject to investigation differ, because they have limited interchangeability, because both the producers and importers perceive them to be different, and because at least the later steps of the manufacturing process typically differ from product to product, we find that there are

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12/ Petition at 11.

13/ Preliminary Transcript at 12.

14/ Id.

four like products corresponding to the four classes or kinds of articles subject to investigation. 15/

2. "Like Product" Categories Broader Than the Imports Subject to Investigation

Both respondent and the Coalition contend that three of the four like products suggested by petitioner should be expanded to include other tools, imports of which are not subject to investigation.

a. Hammers

The respondent and the Coalition argue that all hammers, regardless of the weight of the heads, should constitute one "like product." Respondent China notes that the petitioner produces small hammers, and that both small and large hammers are sold in the same channels of distribution. 16/ The Coalition contends that all hammers, regardless of head weight, look alike and are used as striking tools. Further, it is argued that a four pound hammer and a three pound hammer - the first falling within the petitioner's suggested "like product" category and the second not - can be used interchangeably; that the channels of distribution are the same for sledge hammers and drilling hammers of all weights; and that there is no

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15/ Chairman Brunsdale's determination that there are four separate like products is based primarily on the differences in uses of the four products. In the current case, she does not find additional support for her conclusion in the differences in the channels of distribution, except for differences in the degree to which industrial customers purchase the different products. In any final investigation, she would be willing to reconsider the possibility that there is only one like product if evidence was presented that producers would find it profitable, faced with a decline in the price of one of these products, to shift capacity to the production of one or more of the other products.

16/ Post-Conference Brief of Respondent at 7-8.

clear price demarcation between hammers weighing more than 3.25 pounds and those weighing less. 17/

Petitioner maintains that hammers with heads under 3.25 pounds are generally nail hammers or ball peen hammers, rather than sledgehammers. Not only are these standard hammers lighter with a smaller striking surface, but according to petitioner, they generally have either a ball or a claw opposite the head. 18/ Petitioner also contends that sledges and mauls are used for different purposes than small hammers - the former to drive wedges, break up concrete and demolish structures- the latter to drive in or remove nails. 19/ Although petitioner concedes that producers of heavy forged hand tools can produce small hammers, it notes that a large number of small hammer producers do not produce sledges. Finally, in contrast to the Coalition's assertions, petitioner argues that small hammers cost substantially less and are distributed in broader channels of distribution than sledge hammers. 20/

b. Bar Tools

The Coalition and respondent argued in their post-conference brief that all bar tools, whatever the length, should be defined as one "like product." Respondent China argues that all crowbars look alike, are used as prying tools, and go through the same forging and finishing processes. 21/ The Coalition contends that all bars of whatever size have

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17/ Id.

18/ Post Conference Brief of Petitioner at 5.

19/ Id. See also, Preliminary Tr. at 61-62.

20/ Id.

21/ Post-Conference Brief of Respondent at 7.

the same uses: prying and leveraging, that they move in the same channels of distribution, use the same production techniques and are perceived by customers to have the same function. The Coalition also argues that there is no clear price line between bars under and over eighteen inches. 22/

Petitioner maintains that there are differences in use, manufacturing methods, price and consumer perception in bars which are 18 inches and under. 23/

(c) Picks and Mattocks

Respondent and the Coalition argued in their post-conference briefs that the "like product" into which picks and mattocks fall should be expanded to include hoes and rakes. Respondent appears to base its argument solely on the fact that rakes and hoes fall within the same HTS category as picks and mattocks. 24/ The Coalition argues that picks, mattocks, hoes and rakes all resemble one another, in that they have a handle and a forged metal head. 25/ The Coalition also contends that all of these tools are used to work the earth, that they are interchangeable to some extent, that their channels of distribution are the same, and that they are produced in the same way. 26/ The Coalition does concede, however, that customers perceive picks, mattocks, hoes and rakes as different tools. 27/

22/ Post-Conference Brief of the Coalition at 13-4.

23/ Post- Conference Brief of Petitioner at 6.

24/ Post-Conference Brief of Respondent at 6.

25/ Post-Conference Brief of Coalition at 15.

26/ Id.

27/ Id.

Petitioner disagrees with the contention that a "like product" category consisting of picks and mattocks should also include hoes and rakes. Petitioner states that picks and mattocks are "substantial" tools with two useful forged ends. 28/ Picks and mattocks are generally sold without handles, whereas a hoe is made from a thin stamping with a permanently affixed handle. 29/ Petitioner, in direct contradiction to statements made by the Coalition, contends that the process for manufacturing picks and mattocks differs significantly from the production of hoes and rakes, and that picks and mattocks are generally made in separate facilities from hoes and rakes. 30/

d. Discussion

The Commission can, in appropriate circumstances, define like product more broadly than the Commerce scope determination. 31/

The Commission has also repeatedly considered whether to treat products which cover a range of weights and sizes as one "like product," or whether to break the like product definition at some specific weight or size demarcation, as is urged here by the petitioner. 32/

28/ Post-Conference Brief of Petitioner at 3.

29/ Id. at 4.

30/ Id. See also, Preliminary Tr. at 63.

31/ See, e.g., Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary) USITC Pub. 2128 (September 1988); Natural Bristle Paint Brushes from the People's Republic of China, Inv. No. 731-TA-244 (Final), USITC Pub. 1805 (Jan. 1986).

32/ See, e.g., Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. No. 731-TA-351 and 353 (Final), USITC Pub. 2014 (Sept. 1987), where petitioner proposed one like product based on a weight range, and respondents proposed three separate like products within the range. See, also, Internal Combustion Engine Forklift Trucks

(continued...)

Respondents and the Coalition suggested broadening the like product definitions for the first time in their post-conference briefs. The Commission was unable, therefore, to gather any data that would either support or refute their contentions. Thus, for purposes of this preliminary investigation, we decline to broaden our definition of any of the four like products to include additional products. However, we will revisit this issue in any final investigation.

3. Heads as part of like products

Petitioner has proposed that the Commission include in each like product category (except for bar tools) tools with and without handles. A tool without a handle is essentially a "head". No party has opposed petitioner's position. 33/ Heads are included in Commerce's scope of investigation.

32/(...continued)
From Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) (the Commission determined not to include forklift trucks with a weight-lift capacity of greater than 15,000 pounds, because of differences in end uses, applications and manufacturing processes); Color Picture Tubes From Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367-370 (Final), USITC Pub. 2046 (December 1987), (all CPTs are one "like product", regardless of size because they all have the same general appearance and end uses and, for the most part, CPTs of different sizes may be produced on the same production equipment and by the same employees, and all CPTs generally share the same distribution process); Color Television Receivers From the Republic of Korea and Taiwan, Inv. No 731-TA-134 (Final), USITC Pub. 1514 (April 1984), (the Commission concluded that all color television receivers were one like product regardless of size because all receivers are put to the same use and because there are no clear dividing lines).

33/ No party has raised the possibility that it may also be appropriate to include handles alone in any like product definitions. Certain facts which came to our attention in the preliminary investigation, discussed in the domestic industry section below, raise the possibility that the Commission should also include handles in the like product. We will further explore this question in any final investigation.

The question whether to include tools with handles and tools without handles (heads), raises the issue of the circumstances in which an article at one stage of a multi-stage production process, i.e., the head, is "like" an article at a later or final stage in the production process, i.e., the finished tool. Among the factors on which the Commission relies in determining whether finished and unfinished products are the same or different like products are the degree to which the different stages embody essential characteristics of or impart essential characteristics to the final product, the existence of separate markets for the finished and unfinished products, and the costs and value of the different production stages. 34/

In this investigation, it is clear that attaching the handles to the heads is part of an integrated production process that results in fully formed tools. Further, neither hammers, axes, mattocks, nor mauls can serve their intended function until the handle has been attached to the tool head. Although the value added by attaching the handle appears at least in some instances to be significant, 35/ this factor alone is not

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34/ Certain Forged Steel Crankshafts From the Federal Republic of Germany and the United Kingdom, Inv. No. 731-TA-351 and 353 (Final) USITC Pub. 2014 (September 1987). See also, Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376 (Final) USITC Pub. 2067 (March 1988) (finished and unfinished fittings found to constitute one like product because fittings cannot be used for their intended purposes unless completely finished, and finishing does not alter essential function of fitting); Butt-Weld Pipe Fittings from Brazil and Taiwan, Inv. Nos. 731-TA-308 and 310 (Final), USITC Pub. 1918 (Dec. 1986) and Butt-Weld Pipe Fittings from Japan, 731-TA-309 (Final), USITC Pub. 1943 (Jan. 1987) (finished and unfinished fittings found to constitute one like product because unfinished fittings had no use or market other than manufacture into finished fittings, finishing operations did not alter essential characteristics of fittings, and weighted-average cost of finishing was only 14 percent of total cost).

35/ Report at A-35-36.

determinative. For these reasons, we find that each of the four like products consists of both the finished tool and, where one is attached, the handle. 36/

Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines domestic industry as:

> 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. 37/

Having found four like products, we find four domestic industries, each producing one of the four like products.

Although no party has raised this issue, information received has raised the possibility that handle manufacturers should be included in the domestic industries, inasmuch as, as discussed supra, handles may constitute a significant percentage of the value of striking or hewing tools, and those tools are not used without handles. 38/

The Commission will explore in any final investigation whether companies which import heads and produce handles to attach to them are members of the domestic industries. We will also explore, in any final investigation, whether companies which import heads, purchase domestically made handles, and assemble them are part of the domestic industries.

36/ See Photo Albums and Filler Pages from Hong Kong and the Republic of Korea, Inv. Nos. 731-TA-240-241 (Final) USITC Pub. 1784 (December 1985) (Commission determined that photo albums and filler pages are one like product); Nylon Impression Fabric from Japan, Inv. No. 731-TA- 269 (Preliminary) USITC Pub. 1726 (July 1985) (Commission determined that slit and unslit nylon impression fabric constitute a single like product).

37/ 19 U.S.C. § 1677(4)(A).

38/ Report at A-35-36.

Related Parties

The related parties provision 39/ allows for the exclusion of certain domestic producers from a domestic industry. Under that provision, when a producer is related to exporters or importers of the product under investigation, or is itself an importer of that product, the Commission may exclude such producer from the domestic industry in "appropriate circumstances."

The Commission generally applies a two step analysis in addressing the related parties question, considering: (1) whether the company is solely a domestic producer or whether it is also a "related party" within the meaning of section 771(4)(B); and (2) whether, in view of the producer's "related" status, there are "appropriate circumstances" for excluding the producer in question from the domestic industry.

The Commission generally examines three factors in deciding whether appropriate circumstances exist to exclude related parties:

> (1) the position of the related producers vis-a-vis the rest of the domestic industry;
>
> (2) the reasons why the domestic producers have chosen to import the product under investigation -- to benefit from the unfair trade practice, or to enable them to continue production and compete in the domestic market; and
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> (3) the percentage of domestic production attributable to related producers. 40/

The Commission has also considered whether each company's books are kept

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39/ 19 U.S.C. § 1677(4)(B).

40/ Id. See Empire Plow Co. v. United States, 675 F. Supp. at 1353-54 (commenting, with respect to factors (1) and (2) that "[t]his is a reasonable approach when viewed in light of the legislative history...").

separately from its "relations" and whether the primary interests of the related producers lie in domestic production or in importation. 41/

The petitioner in this case imports in two of the like product categories. The value of the products imported by petitioner represents a significant portion of the total value of the imports in those categories from the PRC. 42/

Petitioner states that it has the capacity to produce a full line of products, but imports certain products from the PRC because otherwise it cannot compete profitably for sales of these items. No party contends that petitioner's data should be excluded. It is clear from the record that this company is committed to its domestic production facilities. It also appears that it is importing only as a means of continuing to compete for sales of certain handtools. Petitioner's production of mattocks and picks, as well as axes, bill hooks and similar hewing tools represents a significant portion of domestic shipments. Based on these factors, we decline to exclude petitioner from the domestic industries producing these products.

Petitioner also contends that both Barco and Mann-Edge should be excluded as "related parties." 43/

We note that Barco is a U.S. producer that also imports. 44/ There is confidential evidence of record which indicates that "appropriate

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41/ See, e.g., Rock Salt from Canada, Inv. No. 731-TA-239 USITC Pub. 1798 (1986) at 12.

42/ Report at A-16, A-30-31, Table 20.

43/ Post-Conference Brief of petitioner at 8-12.

44/ Report at A-7.

circumstances" do not exist which would warrant Barco's exclusion from any of the domestic industries. However, we will revisit this issue in any final investigation.

Mann Edge is believed to be the largest domestic producer of axes. It also produces other heavy forged handtools such as hammers, mauls, sledges, and a minimum line of bar products. 45/ Mann-Edge has a controlling interest in Hickory Forge, Inc., which is engaged in the importation of heavy forged handtools. 46/ The data available in this preliminary investigation do not reveal the percentage of Mann Edge's heavy forged handtools sales which are imports. For purposes of this preliminary investigation we feel that there is insufficient evidence to warrant excluding Mann Edge as a related party. However, we will revisit this issue in any final investigation.

Council, another U.S. producer that produces each of the heavy forged handtools subject to investigation with the exception of mattocks and picks, imports mattocks and picks from the People's Republic of China. No party has argued for its exclusion as a related party from the three industries of which it is a member. There is no basis for excluding Council from the sledge, bar, or hewing tool industries on the basis of its importation of mattocks and picks. Further, Council already is "excluded" from the domestic industry producing picks and mattocks, since it does not manufacture these articles. 47/

45/ Report at A-5.

46/ Report at A-5 n.12.

47/ Report at A-5.

Condition of the Industries 48/

In assessing the condition of the domestic industries, we consider, among other factors, U.S. consumption, production, shipments, capacity utilization, inventories, employment, wages, financial performance, capital investment, and research and development expenditures. 49/ No single factor is dispositive, and in each investigation we consider the particular nature of the industry involved and the relevant economic factors which have a bearing on the state of the industry. 50/ Before describing the condition of the industries, we note that much of the information on which we base our decision is business proprietary, and our discussion of the condition of the industries must necessarily be general in nature.

The Commission requested data from the domestic industry concerning overall establishment operations, operations on heavy forged handtools, and operations on each of the four categories of handtools. Production, consumption and employment data were obtained for specific product

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48/ Chairman Brunsdale and Vice Chairman Cass join in this discussion of the condition of the domestic industries. However, they do not reach a separate legal conclusion regarding the presence or absence of material injury based on this information. While they do not believe an independent determination is either required by the statute or useful, they find the discussion of the condition of the domestic industry helpful in determining whether any injury resulting from dumped or subsidized imports is material. See Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410 (Final), USITC Pub. 2169 (March 1989) at 10-15 (Views of Chairman Brunsdale and Vice Chairman Cass).

49/ See 19 U.S.C. § 1677(7)(C)(iii).

50/ See 19 U.S.C. § 1677(7)(V)(iii), which requires us to consider the condition of the industry in the context of the business cycle and conditions of competition that are distinctive to the domestic industry. See also H.R. Rep. 317, 96th Cong., 1st Sess. at 46; S. Rep. 249, 96th Cong., 1st Sess. at 88.

categories corresponding to the like products in this investigation. 51/ However, the domestic industries were only able to provide us with financial data based on their overall operations. Thus, in accordance with 1677(4)(D), the industries' financial data was analyzed using a product line basis. 52/

(1) Hammers, Sledge Hammers and Mauls with Heads over 1.5 Kilograms

Apparent domestic consumption of hammers, sledge hammers and mauls increased in quantity and value over the entire period of investigation. 53/ Domestic production increased from 1987 to 1988, and declined from 1988 to 1989, though remaining above 1987 levels. U.S. producers' production capacity declined from 1987 to 1988 and remained unchanged between 1988 and 1989. Capacity utilization increased from 1987 to 1988, and then decreased from 1988 to 1989, while still remaining above 1987 levels. 54/ Domestic shipments increased throughout the period of investigation. 55/

51/ The Commission was able to obtain production and consumption data which is broken down in the following categories: (1) Hammers, sledge hammers and mauls, all having heads weighing over 1.5 kilograms (3.25 pounds) each; (2) bars over 18 inches in length, track tools and wedges; (3) mattocks and picks; and (4) axes, bill hooks, and similar hewing tools, excluding machetes. Five firms were able to provide some employment data on their overall establishments in which heavy forged handtools are produced. Only two of the five were able to supply employment data with respect to their heavy forged handtool operations.

52/ Compare, Mitsubishi Elec. Co. v. U.S., 700 F.Supp. 538, 563 (CIT 1988). In contrast to the circumstances of that case, we requested producers to break out their financial data to correspond to the production of the four different like products, but the producers were unable to comply.

53/ Report at A-7-A-9.

54/ Report At A-10-A-11.

55/ Report at A-13.

The employment of production and related workers and related factors generally increased from 1987 to 1988, and decreased from 1988 to 1989. In general 1989 levels were above those in 1987.

(2) Bars Over 18 Inches in Length, Track Tools and Wedges

Apparent consumption of bars over 18 inches in length, track tools and wedges increased in quantity from 1987 to 1988, before falling slightly from 1988 to 1989, to a level still greater than that for 1987. 56/ In value terms, apparent consumption increased throughout the period of investigation. Production capacity declined from 1987 to 1988, and remained unchanged from 1988 to 1989. Domestic production, shipments, and capacity utilization increased in 1987 to 1988 and decreased from 1988 to 1989 though remaining above 1987 levels. 57/ The employment trends for production and related workers generally declined from 1987 to 1988 and increased from 1988 to 1989. Such trends were generally higher in 1989 than in 1987.

(3) Mattocks and Picks

United States consumption increased in quantity and value from 1987 to 1988, and decreased from 1988 to 1989, while remaining above 1987 values in terms of quantity and falling below 1987 values in terms of value. 58/ Production capacity declined from 1987 to 1988, and remained unchanged from 1988 to 1989. U.S. production, shipments, and capacity utilization decreased throughout the period of investigation. Domestic shipments

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56/ Report at A-7-A-9.

57/ Report at A-10-A-13.

58/ Report at A-7-A-9.

decreased throughout the period of investigation.59/ Employment trends declined continuously from 1987 to 1989 in all areas except productivity and unit labor costs.

(4) Axes, Bill Hooks, and Similar Hewing Tools, excluding Machetes

United States consumption increased in quantity and value throughout the period of investigation. 60/ United States production increased slightly from 1987 to 1988 and then decreased from 1988 to 1989, dropping below 1987 values. 61/ Capacity remained constant, while capacity utilization increased slightly from 1987 to 1988, and then decreased from 1988 to 1989, falling below 1987 values. Domestic shipments increased in quantity and value throughout the period of investigation. 62/ Employment trends generally increased from 1987 to 1988, and then decreased in 1989.

Financial Data

Net sales for overall establishment operations of the producers who reported such data increased throughout the period of investigation. 63/ Operating income increased from 1987 to 1988, and then decreased from 1988 to 1989. Operating income margins were low and followed the same trends. Operating income margins were lower in 1989 than in 1987. 64/ Producers reported that heavy forged handtools accounted for approximately 62 percent

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59/ Report At A-10-A-14.

60/ Report at A-7-A-9.

61/ Report at A-14.

62/ Report at A-10-A-13.

63/ Since none of the reporting firms were able to provide separate data on the four product groups or on heavy forged handtools generally, the discussion of trends of these data is based on overall operations.

64/ Report at A-19.

of overall establishment net sales in 1989. 65/ Gross profits increased from 1987 to 1988 and decreased from 1988 to 1989. Gross profits as a share of net sales decreased throughout the period of investigation. 66/ Overall, return on both fixed and total assets was poor throughout the period of investigation. 67/

Based on the data available in these investigations, we find there is a reasonable indication that the four domestic industries are materially injured.68/ While the trends are mixed, we note that capacity utilization decreased for all industries for the latter part of the investigation as apparent U.S. consumption increased for most of the domestic industries. Further, production capacity declined in three out of the four domestic industries during the period of investigation. Finally, we note that the overall profitability of the producers, particularly their return on both fixed and total assets, indicates that there is a reasonable indication that the industry is suffering material injury.

65/ Report at A-20.

66/ Report at A-21.

67/ Report at A-24.

68/ Vice Chairman Cass does not join in this conclusion. He believes that the statute under which the Commission conducts Title VII investigations does not contemplate that the Commission will make a separate legal finding respecting the condition of the domestic industry. While he believes the condition of the domestic industry is relevant to assessing whether the effect of the allegedly LTFV imports has been "material" that information has relevance only in assessing material injury by reason of the allegedly LTFV imports. See Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (January 1989) at 95-113 (Concurring and Dissenting Views of Commissioner Cass); Generic Cephalexin Capsules from Canada, 731-TA-423 (Final), USITC Pub. 2211 (August 1989) at 47 (Additional Views of Vice Chairman Cass). See, Additional Views of Vice Chairman Cass, infra.

Reasonable indication of material injury by reason of allegedly LTFV imports from China 69/

The final step in the Commission's preliminary determination in an antidumping investigation is to determine whether material injury to the domestic industry is "by reason of" the imports under investigation. 70/ The Commission may take into account other causes of harm to the domestic industry, but it is not to weigh causes. 71/ The imports need only be a cause of material injury. 72/

We find that there is a reasonable indication that the subject imports are a cause of material injury to the U.S. heavy forged handtool industry. 73/

69/ Vice Chairman Cass does not join in the Commission's discussion of whether there is a reasonable indication of material injury by reason of the subject allegedly LTFV imports. His analysis of this issue is set forth separately in his Additional Views.

70/ 19 U.S.C. § 1673b(a).

71/ "Current law does not...contemplate that the effects from the subsidized [or LTFV] imports be weighted against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57-58, 74 (1979).

72/ Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (CIT 1988); Hercules, Inc. v. United States, 673 F. Supp. 454, 479 (1987).

73/ Chairman Brunsdale notes that while the Commission is not to weigh causes, it must nonetheless determine that the injury "by reason of" the subject imports is material in order to reach an affirmative determination. While the a-cause-of-injury formulation used in the text has received some favorable commentary in judicial dicta, it finds no support in the language of the statute or in the legislative history. For a full treatment of this issue, see Certain Telephone Systems and Subassemblies Thereof, USITC Pub. 2237, at 146-248 and particularly 228-248.

For most of the industries, the subject imports increased their market penetration during at least some of the period of investigation. While the price comparison trends were mixed, there were numerous instances of underselling by the imported products throughout the period of investigation. Further, much of the overselling which was evident at the beginning of the period of investigation had turned to underselling by the imports by the end of the period of investigation. 74/

Specific trends for each of the industries for which data are available are discussed in turn.

(1) Hammers, Sledge Hammers and Mauls with Heads over 1.5 Kilograms

Questionnaire responses show that U.S. imports from the PRC of hammers, sledge hammers, and mauls increased by 68.4 percent between 1987 and 1989. Market penetration increased throughout the period of investigation. While there was overselling by the imports of hammers manufactured with handles in the PRC, there were also instances of product underselling by imported 8 pound sledge hammers with U.S. handles, particularly in 1989 and 1990.

(2) Bars Over 18 Inches in Length, Track Tools, and Wedges

U.S. imports from the PRC of bars over 18 inches in length, track tools and wedges increased from 1987 to 1988, and then decreased in 1989. Market penetration followed the same trends. Overselling by imports was seen at the wholesale level from 1987 to 1989, but turned to underselling during the first quarter of 1990. Available retail price comparisons show a

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74/ Chairman Brunsdale's conclusion that there is a reasonable indication of material injury to the domestic industries by reason of the dumped imports from the PRC is based on the significant, and generally increasing, levels of these imports as a share of domestic apparent consumption, the substantial alleged dumping margins, and the fact that the record suggests a reasonably high level of substitutability between the subject imports and the domestic like products.

mixture of underselling and overselling through 1988. However, the overselling at that level turned to underselling in 1989 and in the first quarter of 1990.

(3) Mattocks and Picks

U.S. imports from the PRC of mattocks and picks increased from 1987 to 1988, and then decreased from 1988 to 1989, while market penetration increased throughout the period of investigation. No price comparisons were available for the domestic and imported product.

(4) Axes, Bill Hooks, and Similar Hewing Tools

U.S. imports from the PRC of axes, bill hooks, and similar hewing tools decreased from 1987 to 1988, and then increased significantly in 1989. Market penetration followed similar trends.

Pricing data indicate significant underselling. Sales figures for imports both with handles manufactured in the U.S., and imports with handles produced in the PRC, indicate significant underselling at the wholesale level. The only comparison available for finished tools manufactured entirely in the PRC showed significant underselling at the retail level. The reported data for Chinese products with U.S. handles sold to retailers showed a mixture of underselling and overselling in 1987, with underselling by the imports occurring from 1988 the first quarter of 1990.

Conclusion

For all of the reasons set forth above, we determine that there is a reasonable indication that the domestic industries producing heavy forged handtools are materially injured by reason of allegedly LTFV imports from the People's Republic of China.

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS

Heavy Forged Handtools From the People's Republic of China
Inv. No. 731-TA-457
(Preliminary)

I concur with the Commission's determination in this investigation that there is a reasonable indication that the relevant domestic industries are suffering material injury by reason of alleged less than fair value ("LTFV") imports of heavy forged hand tools from the Peoples Republic of China. I join the Commission's discussion of the like product issue, of the possible threat of injury to a domestic industry from the subject imports, and of the condition of the domestic industry to the extent that it accurately summarizes information relevant to my disposition of this investigation. I offer these Additional Views because my analysis of whether there is sufficient reason to believe that LTFV imports have caused material injury to a domestic industry differs in certain respects from that reflected in the Views of the Commission.

I. LEGAL STANDARD GOVERNING DISPOSITION OF PRELIMINARY INVESTIGATIONS

Our evaluation of the evidence and our ultimate disposition of this investigation necessarily are guided by the legal standard that controls disposition of preliminary investigations under Title VII of the Tariff Act of 1930.[1] The

[1] The standard is codified at 19 U.S.C. § 1671b(a) (countervailing duty investigations) and at 19 U.S.C. § 1673b(a) (antidumping investigations).

contours of that standard are elaborated in other opinions.[2] The essential elements of that standard can be stated briefly.

To support an affirmative determination in a preliminary investigation, record evidence must exist indicating a reasonable likelihood that the injury necessary to imposition of antidumping duties -- material injury by reason of the alleged LTFV imports -- occurred or is imminent.[3] Less evidence is required to make this showing of injury than is necessary to support an affirmative decision in a final investigation.[4] In deciding whether the requisite showing has been made even in a preliminary investigation, however, we must consider all of the evidence before us, not just the evidence offered in support of an affirmative determination. [5] In weighing conflicting evidence, we should not dismiss evidence supporting a factual inference necessary to an affirmative determination unless contrary evidence is offered that clearly is more probative or more

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[2] See, e.g., Certain Telephone Systems from Japan, Korea and Taiwan, USITC Pub. 2156, Inv. Nos. 731-TA-426-28 (Preliminary) 53-63 (Feb. 1989) (Additional Views of Commissioner Cass) ("Phone Systems"); Generic Cephalexin Capsules from Canada, USITC Pub. 2143, Inv. No. 731-TA-433 (Preliminary) 39-45 (Dec. 1988) (Dissenting Views of Commissioner Cass) ("Cephalexin Capsules"); New Steel Rails from Canada, USITC Pub. 2135, Inv. Nos. 701-TA-297, 731-TA-422 (Preliminary) 19-31 (Nov. 1988) (Additional Views of Commissioner Cass) ("New Steel Rails").

[3] Where, as here, the domestic industry producing the like product is well-established, material retardation is not at issue.

[4] See, e.g., Phone Systems, supra, at 54-55; New Steel Rails, supra, at 21.

[5] See American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

credible.[6] Finally, the absence of evidence necessary to an affirmative finding of injury from LTFV imports does not necessarily indicate that a negative determination is appropriate. Rather, we must consider the present lack of such evidence in light of the likelihood that in a final determination evidence might be developed that would support an affirmative decision.[7]

II. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

The first step the Commission must take toward is analyzing the effects of the practices and imports at issue on a domestic industry in the United States is definition of that industry. Title VII describes the relevant industry as producers of the relevant "like product"[8] which the statute further defines as the product "like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation."[9] Although I view this mandate as comprehending analysis of closely competing goods, a view not articulated in quite the same manner by some colleagues, I believe the criteria used to judge this question and the result reached are appropriate. I agree with my colleagues that the domestic products corresponding to the imported heavy forged hand tools

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[6] Id. The court's phrase for such evidence is "clear and convincing".

[7] Id.

[8] 19 U.S.C. 1677(4).

[9] 19 U.S.C. 1677(10)

under investigation are, on the present record, best characterized as four like products produced by four separate domestic industries. Based on the evidence we have before us now, I also agree that these categories should be limited, as Petitioner has argued, to 1) hammers and sledges with heads over 1.5 Kg., with or without handles ("hammers"); 2) wedges and bars over 18 inches in length ("bars"); 3) picks and mattocks ("picks"); and 4) axes and adzes ("axes").

Several arguments advanced fairly late in this investigation by Respondent and the Coalition of American Tool Distributors (the "Coalition") raise questions about the propriety of these product definitions. These parties argued that additional products should be included in three of the above categories. Respondent and the Coalition point out that all hammers are striking tools, all bars are prying tools, and hoes and rakes move earth as do picks and mattocks.[10] They argue, moreover, that at the margins of the like product categories certain tools are interchangeable in use with lighter tools excluded from the like products. These arguments, without more, are not compelling. Identifying broad similarities between tools in a given category and other tools arguably similar in some respect or noting a small potential for overlapping sales between the heavy and the lighter tools does not address the specific

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[10] Post Conference Brief of The Coalition of American Tool Distributors at 10-15 ("Coalition Brief"); Post Conference Brief of China National Machinery Import and Export Corporation at 6-7 ("CMC Brief").

questions raised by the Commission's like product criteria, which are meant to identify those products that actually compete in the same markets for the same consumers as the imports or and, to a lesser degree, for the same factors of production as other domestic goods in the same product category.

Petitioner presents a stronger argument for the proffered like product categories, distinguishing among tools of different weights and sizes by principal use and other characteristics. For each of the three like products that conceivably could include lighter or smaller tools, Petitioner points out that the heavy hand tools have substantially different uses than the lighter tools, and therefore are perceived as different products by consumers. The heavy picks are used to break rock and soil, while hoes are used to move light topsoil (a gardener would not use a pick for the same purpose as a hoe, and picks are used in heavy construction in which hoes are not used at all); sledgehammers are used to drive wedges and break concrete, while light carpentry hammers are used primarily to drive and remove nails; the over 18 inch bars are used to demolish buildings, while the smaller bars are used to remove nails and open light crates. Thus, although the same consumer might purchase both the light and the heavy tools, she would not normally consider these tools for the same task.

The tools also have somewhat different channels of distribution in that the light tools are sold not only at hardware and home center stores but at retail shopping outlets

such as supermarkets. Petitioner argues further that the forged heavy handtools are manufactured by different processes, and largely by different firms, than the light handtools, and that the light tools may even be of different materials, i.e. hoes may be of stamped sheet metal rather than forged. In all, it does not appear that light tools compete with the tools included in the like product categories sufficiently to be affected by imports to the same degree or in the same manner. These light tools, therefore, are correctly excluded from the like products identified by the Commission.

I do not know if this determination would change on a fuller record reflecting more information respecting actual uses of included and excluded products. Certainly, that possibility cannot be ruled out and should be examined in any final investigation. On the present record, however, the Commission rightly identifies the categories described in our opinion.

III. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF LTFV IMPORTS OF HEAVY FORGED HANDTOOLS FROM THE PEOPLE'S REPUBLIC OF CHINA

Title VII directs the Commission, in assessing the effects of LTFV imports on a domestic industry, to consider, among other factors:

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

domestic producers of like products . . . ."[11] Subsequent portions of the statute describe these three factors with greater particularity. The text of the statute does not purport to identify every factor relevant in analyzing whether LTFV imports have materially injured a domestic industry; indeed, the statute explicitly contemplates that the Commission will consider economic factors in addition to those mentioned in the statute.[12] The factors that are listed in the statute and the order in which they are listed nevertheless shape the fundamental inquiry to be carried out. Three related questions are identified as critical to an assessment of the possible existence of material injury by reason of LTFV sales of imports:

First, the Commission must examine the volumes of imports of the merchandise under investigation. The absolute volumes of

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[11] See 19 U.S.C. § 1677(7)(B).

[12] See 19 U.S.C. § 1677(7)(C).

Under Title VII, as amended by the Omnibus Trade and Competitiveness Act of 1988, we are required to explain how these factors affect the outcome reached in any particular investigation. The statute also requires Commissioners to describe the relevance of other economic factors that we consider in addition to those specifically identified in the statute. See Pub. L. No. 100-418, § 1328(1), 102 Stat. 1107, 1205 (to be codified as 19 U.S.C. § 1677(7)(B)(ii)). I have explained in detail in other opinions how the three-part inquiry that I employ considers certain other economic factors relevant to an assessment of the impact of unfairly traded imports on the domestic industry producing the like product -- e.g., dumping margins -- in addition to the specific factors listed in the statute. See, e.g, New Steel Rails from Canada, USITC Pub. 2135, Invs. Nos. 701-TA-297 and 731-TA-422 (Preliminary) 35-37 (Nov. 1988) Additional Views of Commissioner Cass) ("New Steel Rails I"); Generic Cephalexin Capsules from Canada, USITC Pub. 2143, Inv. No. 731-TA-433 (Preliminary) 56-58 (Dec. 1988) (Dissenting Views of Commissioner Cass).

imports and their magnitude relative to domestic consumption and production of the competing like product are both relevant to this question. So, too, is the effect of dumping on the prices of the imports, as the change in import volumes brought about by dumping will be closely related to changes in the prices of the imports that occurred as a result of sales of these products at LTFV prices.

Second, we must attempt to determine how dumping of the subject imports affected prices, and concomitantly sales, of the domestic like product. In addition to evidence relating to the prices at which imports and domestic like products are sold, evidence bearing on three issues is central to an analysis of this question: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of those products.

Finally, we must evaluate the extent to which these changes in demand for the domestic like product caused by LTFV sales of imports affected the financial and employment performance of the domestic industry, and determine whether these effects are material.[13] A variety of factors must be examined in considering

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[13] The judgment as to whether these effects are "material" within the meaning of the statute may be subsumed within the third

(continued...)

that issue; important examples include the industry's level of profitability and return on investment, and its employment levels and levels of employment compensation.[14]

A. Volumes and Prices of the Subject Imports

In this investigation, the Commission collected information on import levels from firms accounting for 63.4 percent of the imports reported by the Department of Commerce for the tariff categories in which the subject imports are included. The Commission also reviewed the official import statistics, which provide separate tariff numbers for each of the like products identified by the Commission, but include in each tariff category additional products not subject to investigation. Thus the figures for import volume and value available to the Commission understate the true figure if drawn from the questionnaire responses and overstate the true figure if taken from official statistics. The Commission Staff reported only the value of imports given in the official statistics, not the volume of such imports. For that reason, I have relied on the data collected from importers in my analysis, recognizing that these figures may not fully reflect the level of imports.

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[13](...continued)
inquiry or may be seen as a fourth part of the inquiry. See Digital Readout Systems and Subassemblies Thereof from Japan, USITC Pub. 2150, Inv. No. 731-TA-390 (Final) 117-19 (Jan. 1989) (Concurring and Dissenting Views of Commissioner Cass).

[14] In making each of these inquiries under the statute, we are to consider the particular dynamics of the industries and markets at issue. See new Section 771(7)(C)(iii) of the statute (to be codified at 19 U.S.C. § 1677(7)(C)(iii)). See also S. Rep. No. 71, 100th Cong., 1st Sess. 117 (1987).

During 1989, the period for which Petitioner estimated the alleged dumping margins, imports of hammers totalled *** units valued at $***, with *** percent of the domestic market by volume and *** percent by value; bars totalled *** units valued at $***, with *** percent of the domestic market by volume and *** percent by value; picks totalled *** units valued at $***, with *** percent of the domestic market by volume and *** percent by value; and, axes totalled *** units valued at $***, with *** percent of the domestic market by volume and *** percent by value.

Imports of hammers increased by *** units between 1987 and 1988, and by *** units between 1988 and 1989, although the value of these imports did not rise proportionately. This information corresponds to the price information gathered by the staff indicating that the prices of imported hammers generally *** over the period of investigation. Imports of bars increased by *** units between 1987 and 1988, but declined by *** units in 1989, with total value *** in 1989 to 1987 levels. The prices for imported bars generally *** over the period, except in certain sales to retailers. Imports of picks rose by *** units between 1987 and 1988, but then fell by *** units in 1989. The value of pick imports fell slightly in 1989, which corresponds to information collected by the Staff indicating that the price of picks to retailers *** during the period. Finally, imports of axes fell by *** units in 1988 and rose by *** units in 1989, with a disproportionate *** percent increase in value between

1988 and 1989. This does not correspond to the price information gathered by the staff, which indicates that the price of imported axes generally *** over the period.

Petitioner has alleged margins (adjusted by Commerce to disallow a deduction for U.S. credit expense from U.S. purchase price) for hammers of 21.6 to 75 percent; for bars of 11.8 to 65 percent; for picks of 42 to 72.3 percent; and, for axes of 6.9 to 18.2 percent. Because the PRC is a non-market economy, Petitioner in this investigation constructed the fair market value of the imports using cost data from an economy, India, considered to be near the same level of development as the PRC, and other publically available information. Petitioner then estimated the dumping margins by comparing the U.S. sales prices of the imports to this constructed value.[15] In Title VII preliminary investigations such as these, we must accept the margins alleged by Petitioner (as modified by Commerce) as the best evidence available to us.[16]

In the usual case, dumping margins (as alleged or as determined by Commerce) measure the difference between prices in two markets, but they do not measure the extent to which the prices of subject imports declined as the result of charging prices for sales in the U.S. that are lower than prices at which the same products are sold in another market (that is, as a result of dumping, selling below what usually is taken as a

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[15] See Report at A-3.

[16] See New Steel Rails I, supra, at 39-40.

relevant benchmark for fair value). In most cases, the actual price decrease in sales to the United States will be less than the full amount of the dumping margin.[17] In cases where the alleged dumping margins at issue reflect an assertion that the subject foreign producers/exporters have charged a lower price for their product in the United States than the price that they have charged in their home market (or another foreign market used as the surrogate for the home market), the actual decrease in the U.S. price of the subject imports that occurred consequent to dumping will be only a fractional percentage of the dumping margin. This percentage, in turn, will be in large measure a function of the proportion of the total sales of the subject foreign producer(s) in the U.S. and the exporter's home market (or other surrogate foreign market) that is accounted for by sales in the home market.[18]

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[17] The reason for this is explained in 3.5" Microdisks and Media Therefor from Japan, USITC Pub. 2170, Inv. No. 731-TA-389 (Final) 82-89 (Mar. 1989) (Dissenting Views of Vice Chairman Cass).

[18] See, e.g., Certain All-Terrain Vehicles from Japan, USITC Pub. 2163, Inv. No. 731-TA-388 (Final) 58-60 (March 1989) (Additional Views of Commissioner Cass); Granular Polytetrafluoroethylene Resin from Japan and the Netherlands, USITC Pub. 2112, Invs. Nos. 731-TA-385 and 386 (Final) 74 (Aug. 1988) (Additional Views of Commissioner Cass); Certain Bimetallic Cylinders from Japan, USITC Pub. 2080, Inv. No. 731-TA-383 (Final) 44 (May 1988) (Additional Views of Commissioner Cass). The price decline in the United States will be a function both of the difference in competitive conditions faced by the dumping firm in the United States and in its home market and of the value to the firm of sales in each of those markets. The dumping margin, if properly calculated, reflects the first of these considerations, and the relative shares of sales by the firm in the two markets reflects the second (at least over the time frame relevant to our dumping investigations). For that reason, a proportional fraction of the

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However, when, as in this case, the dumping margins do not reflect a finding that the subject foreign producers have charged higher prices in their home market than in the United States, as in this investigation, a different mode of analysis is required. When sales allegedly are made below the value of production, absent some reason for a contrary conclusion, it is reasonable to infer that the relevant benchmark of fair value is the value of production and that, in the absence of dumping, the imports sold into the United States would have been priced at that level. In this case, I therefore have used the full amount of the relevant dumping margin as the measure of the extent to which dumping affected price of the subject imports. Given the way in which such values are constructed, that margin arguably overstates to some degree the extent to which dumping caused the prices of the subject imports to decline. Nevertheless, that appears most consistent with the current law governing our decision.

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[18](...continued)
dumping margin equal to the portion of the firm's combined U.S.-home market sales accounted for by sales to the home market will, by combining these two considerations, approximate the price change consequent to dumping.

In reality, an estimate of the decrease in the price of the dumped product that is derived in this fashion will be somewhat overstated as it represents an approximate upper bound of that decrease. For a thorough explication of this subject, see Office of Economics, Assessing the Effects on the Domestic Industry of Price Dumping, USITC Memorandum EC-L-149 at 1, n. 1, 13, 19-21 (May 10, 1988). A more accurate statement of the effects of dumping on import prices also may require some adjustment to reflect the fact that dumping margins are calculated on an ex-factory, rather than final sales price, basis. However, the evidence that would be necessary to make such an adjustment is not contained in the record here.

The record in this investigation contains sufficient evidence to support the inference that LTFV sales of the subject imports caused significant decreases in the prices of the subject imports. The extent to which decreases in subject import prices caused increases in subject import sales is, in large measure, a function of the nature of the competition between the imported goods and the domestically produced like product. As explained in more detail in the succeeding section of these Views, the record evidence developed on this issue is disputed by the parties and is less than conclusive at this stage. Nevertheless, the record contains evidence to support an inference that the substitutability of the subject imports for each domestic like product was sufficiently high that the effects of dumping were significant in producing increased import volumes.

B. Effects on Domestic Prices and Sales

In determining the effect of dumping on the prices, and concomitantly the sales, of the domestic like products, it is necessary to take into account certain evidence other than the record evidence relating to import volumes and direct observation of market prices.[19] Information relating to three additional

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[19] Congress explicitly has asked us to look for the existence both of significant price depression or suppression, and of significant price underselling. 19 U.S.C. § 1677(7)(C)(ii). While evidence of effects consistent with price suppression or depression frequently is presented, such evidence is less often present with respect to underselling. That term is not defined by the law, but simple observation of price differences between imports and domestic products cannot provide a basis for inference of effects of dumping or subsidization (or of dumped or subsidized imports) on domestic products' prices without analysis (continued...)

issues is central to the analysis: the share of the domestic market held by the subject imports; the substitutability of the subject imports and the domestic like product; and, the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of the products. In light of the record evidence as a whole, the information presented on these issues provides a reasonable indication in this investigation that dumping of the subject imports had a significant adverse effect on prices and sales of the domestic like product.

For each of the like product categories, the market share of the subject imports during 1989 (and the rest of the period of investigation) was above *** percent of U.S. consumption by both volume and value, a not insignificant figure, and in the case of picks, imports dominate the market with *** percent by value of all sales. Although Respondent and the Coalition argue that domestic purchasers concerned with quality prefer the domestic product, Petitioner provided persuasive examples of competition between the imports and each of the domestic like products for many of the same customers, particularly in the large retail

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[19](...continued)
of various product features and sales terms that may differ across products and sales. See Pressure-Sensitive PVC Battery Covers from West Germany, USITC Pub. 2265, Inv. No. 731-TA-452 (Preliminary) (Mar. 1990) (Additional Views of Vice Chairman Cass) at note 58 and text associated therewith. See also Certain Granite from Italy and Spain, USITC Pub. 2110, Invs. Nos. 701-TA-289 and 731-TA-381 (Final) (Aug. 1988). The record here does not present information concerning these other differences. See Report at A-23. The remainder of this section, therefore, will address analysis of price suppression and depression.

segment of the market. The Commission Staff was not able to gather extensive evidence on different consumer perceptions of the imports, but it is reasonable in this preliminary investigation to view the evidence in the light most favorable to Petitioner and treat the imports as substitutable to a fairly high degree with the domestic like products. It should be plain that this issue would require considerable attention in any final investigation.

The remaining issue that requires consideration here in assessing the impact of the alleged unfairly traded imports on prices and sales of the domestic like product concerns the extent to which domestic demand for heavy forged hand tools is responsive to changes in the price of these products. When consumer demand for the product group in which the subject imports are included is highly responsive to changes in price, dumping has less impact on the prices and sales of the domestic like product because the lower prices accompanying dumping stimulate significantly increased domestic demand for the lower-priced product. Conversely, much greater effects will be felt by U.S. producers when consumers' <u>overall</u> purchases of these products are relatively unresponsive to price changes. In the latter case, if the imports and the domestic product are good substitutes for each other, consumers will simply switch their purchases from U.S.-made to lower-priced imported products, with resulting adverse effects on both prices and sales of the domestic product.

In this investigation, we have very little evidence that bears on the responsiveness of domestic demand for any of the product categories at issue. The scant evidence that we do have weighs in favor of Petitioner. Petitioner argues, without contradiction from Respondent or the Coalition, that consumer demand for heavy forged hand tools is determined by the specific need of the consumer for these tools both in the commercial context, in which the level of activities that employ these tools is dependent on the overall state of the economy, and in the homeowner context in which tools are purchased largely to perform routine maintenance, gardening or do-it-yourself construction. According to Petitioner, consumers do not increase or decrease their tool purchases solely in response to changes in the prices of these tools, but most consumers do choose one tool over another largely on the basis of price. Considering all of the issues discussed above together, the record as a whole contains a reasonable indication that the alleged LTFV sales under investigation had a significant adverse impact on prices and sales of the domestic like product. That conclusion takes account of each of the above factors respecting price competition, along with the apparent effect on import prices and sales. On that basis, it is reasonable to conclude that dumping of the subject merchandise from the PRC had a significant negative impact on the prices and sales of the domestic like products.

C. Investment and Employment

In this as in other Title VII investigations, it is not possible to measure the impact of the allegedly LTFV imports on the domestic industries based only on an analysis of industry financial and employment data compiled by the Commission for an arbitrarily set period. Examination of this data is helpful, however, in determining the materiality of the impact of imports, if the other portions of the analysis indicate that such impact may be significant. The record evidence in this preliminary investigation, while scant, does not conflict with my conclusion that there is a reasonable indication that the industries producing each of the like products at issue have experienced material injury by reason of imports from the PRC.

In this investigation the relevant producers were not able to provide financial and employment data for specific tools, or for the most part even for their heavy forged handtools as a group, but instead supplied the Commission with data for their overall establishment operations. Under 1677(4), the Commission in such instances is authorized to examine the narrowest group or range of products that includes a like product for which data are available. The following data therefore are germane to each of the like products at issue.

As noted in the Views of the Commission, employment in companies that produce heavy forged handtools rose *** percent from 1987 to 1988, and then fell *** percent in 1989. Total number of hours worked, wages and total compensation, however, rose significantly from 1987 to 1989. Net income rose from ***

in 1987 to *** in 1988, with some decline in 1989, while net return on total assets followed a similar pattern, peaking in 1988 at *** percent. Capital expenditures fell between 1987 and 1988 from $*** to $***, but rose slightly in 1989 to $***. Overall, these data are not inconsistent with a finding of a reasonable indication of material industry.

CONCLUSION

For the foregoing reasons, I determine that a reasonable indication exists that industries in the United States have been materially injured by reason of alleged LTFV sales of heavy forged hammers, bars, picks and axes imported from the Peoples Republic of China.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On April 4, 1990, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Woodings-Verona Tool Works, Inc., Verona, PA, alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from the People's Republic of China (hereafter "China") of heavy forged handtools[1] that are allegedly being, or are likely to be, sold in the United States at less than fair value (LTFV). Accordingly, effective April 4, 1990, the Commission instituted investigation No. 731-TA-457 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of this investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 11, 1990 (55 F.R. 13673).[2] The conference was held in Washington, DC, on April 25, 1990.[3] Effective May 2, 1990, the U.S. Department of Commerce initiated antidumping investigations to determine whether the subject imports are being sold or are likely to be sold in the United States at LTFV.[4] The Commission voted on this investigation on May 15, 1990.

Previous Investigations

There have been no other Commission investigations concerning heavy forged handtools from China. However, certain nonpowered handtools (i.e., chisels, punches, hammers, sledges, vises, c-clamps, and battery terminal clamp lifters) from Japan have been the subject of one previous antidumping

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[1] For purposes of this investigation, heavy forged handtools consist of hammers and sledge hammers (including but not limited to drilling hammers and woodsplitting mauls) with heads weighing over 1.5 kilograms (3.25 pounds) each, provided for in subheading 8205.20.60 of the Harmonized Tariff Schedule of the United States (HTS); bars (including crowbars, wrecking bars, digging bars, and tampers, but excluding bars measuring 18 inches and under in length), track tools, and wedges, provided for in subheading 8205.59.30 of the HTS; mattocks and picks, provided for in subheading 8201.30.00 of the HTS; and axes, bill hooks, and similar hewing tools, provided for in subheading 8201.40.60 of the HTS. Heavy forged handtools include heads for drilling hammers, sledges, axes, mauls, picks, and mattocks, which may or may not be painted, or which may or may not be finished, or which may or may not be imported with handles.

[2] A copy of the Commission's Federal Register notice is presented in app. A.

[3] A list of witnesses who appeared at the conference is presented in app. B.

[4] A copy of Commerce's notice is presented in app. C.

investigation. On December 2, 1975, the Commission unanimously determined that an industry in the United States was not injured or was not likely to be injured, and an industry was not prevented from being established, by reason of imports from Japan of certain nonpowered handtools, among which hammers and sledges (with or without handles) were included.[5] Moreover, the Commission conducted a general fact-finding investigation on nonpowered handtools in 1983.[6]

Nature and Extent of Alleged Sales at LTFV

Petitioner bases its estimate of LTFV sales on a comparison of the United States price (USP) of heavy forged handtools (with or without handles) with the foreign market value based on constructed value. In arriving at USP, petitioner relied on sales quotes and actual invoices of U.S. purchases from the China National Machinery Import and Export Corporation. The petitioner's alleged margins of LTFV sales, adjusted by the U.S. Department of Commerce for credit expenses, ranged from 21.6 percent to 75.0 percent for hammers and sledge hammers, 11.8 percent to 65.0 percent for bars and wedges, 42.0 to 72.3 percent for picks and mattocks, and 6.9 to 18.2 percent for axes and similar hewing tools.

The Product

Description and uses

The heavy forged handtools included in the scope of this investigation consist of a relatively large group of manually operated striking, hewing, digging, and bar tools. Included are certain hammers and sledge hammers (including but not limited to drilling hammers and woodsplitting mauls); bars of over 18 inches in length (including crowbars, wrecking bars, digging bars, and tampers); mattocks and picks; and axes, bill hooks, and similar hewing tools.

Heavy hammers and sledges are commonly referred to as striking tools. These hammers are distinguished from claw-type (carpenters') hammers or ball peen type (machinists') hammers by the weight of the tool head. Heavy hammer and sledge heads included in the scope of the investigation are over 3.25 pounds, and may weigh as much as 20 pounds. Woodsplitting mauls are heavy hammers that are used for driving stakes or wedges into wood.

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[5] Chisels, Punches, Hammers, Sledges, Vises, C-clamps, and Battery Terminal Lifters from Japan: Determination of No Injury or Likelihood Thereof in investigation No. AA1921-149..., USITC Publication 748, December 1975.

[6] At the request of the House Committee on Ways and Means, the Commission, on June 1, 1983, instituted investigation No. 332-163 for the purpose of assessing trends in international trade in nonpowered handtools and conditions of competition between domestic and foreign handtool producers, including producers of hammers and sledges. (See Trends in International Trade in Nonpowered Handtools, Report to the Committee on Ways and Means, U.S. House of Representatives on investigation No. 332-163..., USITC Publication 1485, Feb. 1984.)

The bar tools included in the scope of the investigation include crowbars, wrecking bars, digging bars, and tampers, but exclude bars measuring 18 inches and under in length. The principal product in this group is crowbars, which are relatively long steel bars that are usually flattened and slightly bent at one or both ends and are used as a lever.

Picks are produced in a number of styles and differ principally in the weight of the head, the angle and size of the prongs, and the shape of the pick points. They are generally used for digging in relatively hard soil. Mattocks are somewhat similar to picks but they have one end broad instead of pointed. Mattocks are used for digging in soil that is relatively soft.

Axes are generally grouped into the following categories: large axes and special-purpose axes. Large axes are intended primarily for chopping wood. They are manufactured with either two cutting edges (double bit) or a single cutting edge (single bit). The single-bit axe has a hammer face on the opposite side of the axe head which can be used for pounding. Special-purpose axes are designed to function as two tools. For example, the mattock axe is a single-bit axe with an adze-shaped grubbing blade on the back, and is designed for digging, prying, or chopping.

Manufacturing process

The method used most frequently in the production of the subject products is forging. This process involves shearing the basic raw material (fine grain special bar-quality steel) to a specific size and heating it in an electric, gas, coal, or oil-fired furnace to a temperature that renders the steel malleable. The raw material is then placed between forging hammers that have been fitted with impression dies and is shaped into the desired form by intermittent blows of the hammer. After the forging operation, numerous steps are undertaken before the manufacturing process is completed. These include the trimming of excess metal, heat treating to obtain a higher degree of strength, and grinding and polishing to obtain a finished appearance.

Generally, forging and finishing equipment used to produce heavy forged handtools is dedicated to specific product lines, with some exceptions. For example, equipment used to produce hammers with heads weighing 3.3 pounds or more may also be used to produce hammers weighing less than 3.3 pounds. Products other than heavy forged handtools are not usually produced on equipment used to produce heavy forged handtools.

Substitution between the domestically produced and imported products

There do not appear to be any distinct differences between the heavy forged handtools produced in the United States and those manufactured in China. The principal characteristics, functions, uses, and manufacturing processes of the tools produced in both countries are essentially the same. According to the petitioner, there are no discernible differences in quality between heavy forged handtools produced in the United States and those manufactured in China.[7] However, a representative of a U.S. importer stated that importers are faced with justifying the quality of those from China.[8]

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[7] Transcript of the conference, p. 27.
[8] Transcript of the conference, pp. 93-94.

Reportedly, imported handtools from China come under constant criticism and there is uncertainty on the part of certain retailers as to their ability to meet U.S. standards, whereas domestically made handtools are automatically accepted as being better quality products.[9]

U.S. tariff treatment

Heavy forged handtools are provided for in the following subheadings of the Harmonized Tariff Schedule of the United States (HTS):[10] (1) 8201.30.00 (covering mattocks, picks, hoes, and rakes, and parts thereof); (2) 8201.40.60 (axes, bill hooks, and similar hewing tools, and parts thereof, excluding machetes and parts thereof); (3) 8205.20.60 (hammers and sledge hammers, and parts thereof, with heads over 1.5 kilograms each); and (4) 8205.59.30 (crowbars, track tools and wedges, and parts thereof). Hoes and rakes that are provided for in subheading 8201.30.00 are not considered to be heavy forged handtools and are not included in the scope of the investigation. Heavy forged handtools were previously provided for in items 648.53, 648.67, 651.23, and 651.25 of the former Tariff Schedules of the United States. The column 1-general rates of duty under these HTS subheadings for products of countries entitled to most-favored-nation status (including China) are 2.9 percent ad valorem (8201.30.00), 6.2 percent ad valorem (8201.40.60), 2.1 percent ad valorem (8205.20.60), and 0.4 cents per kilogram (8205.59.30).[11]

The U.S. Market

U.S. producers

Woodings-Verona Tool Works, Inc. (the petitioner) manufactures nearly all its heavy forged handtools at two locations, Falls City, NE and Columbiana, OH (a small amount is manufactured in Verona, PA). The firm's Nebraska facility primarily produces striking and digging tools (i.e., sledge hammers, picks and mattocks, and woodsplitting mauls). Crowbars, wrecking bars, and other heavy bar products are principally produced at the firm's Ohio plant. Woodings-Verona also has a production plant in Verona, PA, at which it produces rail anchors, tent pins, and hammers with heads under 3.3 pounds.

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[9] Ibid.

[10] The HTS replaced the previous Tariff Schedules of the United States effective January 1, 1989. Chs. 1 through 97 are based upon the internationally-adopted Harmonized Commodity Description and Coding System through the six-digit level of product description, with additional U.S. product subdivisions at the eight-digit level.

[11] The rates of duty in col. 1-general of the HTS are MFN rates and, in general, represent the final stage of the reductions granted in the Tokyo Round of the Multilateral Trade Negotiations. Col.-1 general rates are applicable to imported products from all countries except those countries and areas enumerated in general note 3(b) to the HTS, whose products are dutied at the rates set forth in col. 2. Particular goods from enumerated countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the special rates of duty subcolumn of col. 1.

Woodings-Verona was purchased by its management in 1986 after its previous owner, the Budd Co., decided to exit the heavy forged handtool industry.

Mann Edge Tool Co., the largest domestic producer of axes (it sells its axes under the brand name Collins Axe), is *** in terms of total heavy forged handtool production.[12] Although primarily an axe producer, Mann Edge also produces other heavy forged handtools, such as hammers, mauls, sledges, and a minimum line of bar products. Picks and mattocks * * *. Some bar products are also purchased by the firm for the same purpose. Mann Edge produces its own handles (made of hickory) used in its heavy forged handtools. Other U.S. producers, with the exception of Council Tool Co., buy their handles from unrelated handle manufacturers.[13]

As shown in table 1, there are a number of other U.S. producers of heavy forged handtools. Based on limited information provided in questionnaire responses, these firms produce or have the capacity to produce a limited variety of heavy forged handtools covered by the investigation. These firms also produce forged handtools not included in the scope of the investigation. Vaughn & Bushnell, for example, manufactures hammers with heads over and under 3.3 pounds, as well as hatchets with heads under 3.3 pounds and bars measuring 18 inches and under. Council Tool Co. produces all of the heavy forged handtools covered by the investigation except mattocks and picks. The firm also produces shrubbing tools, fire-fighting tools, and specialty tools.

When asked in the questionnaire whether, since January 1, 1987, their firm experienced any negative or positive changes in the character of its operations relating to the production of heavy forged handtools, only one firm responded in the affirmative. In its questionnaire response, Warren Tool Corp. indicated * * *.

The tabulation that follows shows the types of products produced by firms that responded to the Commission questionnaire.

Firm	Striking tools	Bar tools	Digging tools	Hewing tools
Council Tool.....	Yes	Yes	No	Yes
Mann Edge.....	Yes	Yes	No	Yes
Vaughn & Bushnell....	Yes	No	No	No
Warren Tool.....	Yes	Yes	Yes	No
Warwood Tool.....	Yes	Yes	Yes	No
Woodings-Verona.....	Yes	Yes	Yes	Yes

U.S. importers

In connection with the investigation, the Commission sent questionnaires to 82 firms importing product under HTS subheadings 8205.20.60, 8205.59.30, 8201.30.00, or 8201.40.60. Forty-three firms responded to the questionnaire. Of these, 14 firms were able to provide usable data and 29 firms indicated that they did not import the subject products during the investigation period.

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[12] Mann Edge also has * * *.

[13] * * * owns a controlling interest in a firm which is a primary supplier of handles to Woodings-Verona.

Table 1
Heavy forged handtools: U.S. producers, plant locations, shares of reported U.S. production, and position on petition

Firm	Plant location	Share of reported U.S. production in 1989	Position on petition
		Percent	
Barco Industries, Inc.....	Reading, PA	1/	***
CooperTools.....	Raleigh, NC	1/	***
Council Tool Co., Inc.....	Lake Waccamaw, NC	***	***
Dasco Pro.....	Rockford, IL	1/	***
Estwing Mfg. Co.....	Rockford, IL	1/	***
Leetonia Tool Co.....	Leetonia, OH	1/	***
Mann Edge Tool Company.....	Lewistown, PA	***	***
Snow & Nealley Co. 2/.....	Hampden, ME	1/	***
Vaughn & Bushnell Mfg. Co.....	Hebron, IL	3/	***
Warwood Tool Co.....	Wheeling, WV	1/	***
Warren Tool Corp.....	Fayetteville, AR 4/	None	***
Woodings-Verona Tool Works, Inc.....	Columbiana, OH, Falls City, NE	***	Supports

1/ Not reported.
2/ Firm was not sent a questionnaire. * * *.
3/ * * *.
4/ Closed Mar. 31, 1987.

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

Importers which account for a major share of heavy forged handtools imported from China include * * *; * * *; * * *; and * * *. In addition to heavy forged handtools, these importers market a range of hardware products, mostly through wholesalers/distributors and directly to home-center chains and general mass merchandisers.

Several U.S. producers (Barco Industries, Council Tool, Mann Edge, and Woodings-Verona) also import heavy forged handtools from China, reporting that they do so in order to remain price competitive in certain markets.

Apparent consumption

As compiled from data submitted in Commission questionnaires,[14] apparent consumption of heavy forged handtools rose from *** units, valued at $***, in 1987 to *** units, valued at $***, in 1989, an increase of *** percent (table 2). Apparent consumption in terms of quantity increased from 1987 to 1989 for all types of heavy forged handtools. In terms of value, apparent consumption increased over the same period for all types except * * *.

Table 2
Heavy forged handtools: U.S. producers' domestic shipments, imports, and apparent consumption, by type, 1987-89

Item	1987	1988	1989
	Quantity (1,000 units)		
Hammers, sledge hammers, and mauls: 1/			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	424	699	714
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Bars, 2/ track tools, and wedges:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	340	459	339
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Mattocks and picks:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	501	709	619
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***

Continued on next page.

[14] See discussion in the section on "U.S. imports."

Table 2--Continued
Heavy forged handtools: U.S. producers' domestic shipments, imports, and apparent consumption, by type, 1987-89

Item	1987	1988	1989
	Quantity (1,000 units)		
Axes, bill hooks, and similar hewing tools: 3/			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	372	297	484
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Total:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	1,637	2,164	2,156
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
	Value (1,000 dollars)		
Hammers, sledge hammers, and mauls: 1/			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	1,064	1,664	1,731
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Bars, 2/ track tools, and wedges:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	773	1,106	729
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Mattocks and picks:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	973	1,361	1,404
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***
Axes, bill hooks, and similar hewing tools: 3/			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	629	531	1,196
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***

Continued on next page.

Table 2--Continued
Heavy forged handtools: U.S. producers' domestic shipments, imports, and apparent consumption, by type, 1987-89

Item	1987	1988	1989
	Value (1,000 dollars)		
Total:			
U.S. producers' domestic shipments...	***	***	***
Imports--			
China.....	3,439	4,662	5,060
All other sources.....	***	***	***
Total.....	***	***	***
Apparent consumption.....	***	***	***

1/ Products for which data are reported all have heads weighing over 1.5 kilograms (3.25 pounds) each.
2/ Bars for which data are reported are all over 18 inches in length.
3/ Excluding machetes.

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

Consideration of Alleged Material Injury

Commission questionnaires were sent to 17 firms believed to produce the heavy forged handtools subject to the investigation. Six firms responded by indicating that they did not produce the handtools that are the subject of the investigation.[15] [16] Two firms (CooperTools and Estwing Mfg. Co.) did not respond to the questionnaire but did send letters to the Commission stating their 1989 domestic production and value of shipments. Three firms (Council Tool, Mann Edge, and Woodings-Verona) were able to provide much of the information requested in the questionnaire; Woodings-Verona and Mann Edge are the industry's two major current producers. Four additional firms (Barco, Vaughn & Bushnell, Warren Tool, and Warwood) provided limited responses to the questionnaire. The information that follows is based on the responses of those seven firms that were able to provide some usable data.

[15] The six firms and the nature of their production, if any, are as follows: Baltimore Tool Works, Inc., Baltimore, MD (cold chisels, pin punches, star drills); Channellock, Inc., Meadville, PA (mechanics' hammers); Great Neck Saw Manufacturers, Inc., Mineola, NY (saws, tape measures, squares, screwdrivers); K-D Tools, Lancaster, PA (automotive specialty tools such as oil wrenches); Marion Tool Corp., Marion, IN (light handtools such as 1-pound hammers, camp axes, trowels); and Stanley Tools, New Britain, CT (* * *).

[16] Snow & Nealley Co., a firm which was not sent a questionnaire, stated in a letter to the Commission dated May 4, 1990, that * * *. (A copy of the letter is presented in app. D.)

U.S. producers' capacity, production, and capacity utilization

U.S. producers' total reported heavy forged handtool capacity declined by *** percent from 1987 to 1988 and remained unchanged from 1988 to 1989 (table 3). * * *. Total production of heavy forged handtools * * *. U.S. producers' capacity utilization for all heavy forged handtools increased from *** percent in 1987 to *** percent in 1988, then fell slightly to *** percent in 1989.

Striking tools.--Hammers, sledge hammers, and mauls accounted for about *** percent of U.S. producers' total heavy forged handtool capacity in 1988-89. U.S. producers' reported production of striking tools increased from *** units in 1987 to *** units in 1988 and 1989. Capacity utilization increased from *** percent in 1987 to *** percent in 1988, and then decreased slightly in 1989.

Bar and track tools.--Crowbars, wrecking bars, track tools, wedges, and other bar tools accounted for *** percent of U.S. producers' total heavy forged handtool capacity in 1988-89. Reported production of these tools increased by *** percent from 1987 to 1988 and dropped by *** percent from 1988 to 1989. In terms of the distribution in production, Woodings-Verona, one of four firms that reported production of bar and track tools, accounted for *** percent of the total in 1987, *** percent in 1988, and *** percent in 1989. U.S. producers' capacity utilization for bar and track tools increased from *** percent in 1987 to *** percent in 1988, and remained about the same in 1989.

Table 3
Heavy forged handtools: U.S. producers' capacity, production, and capacity utilization, by type, 1987-89 1/

Item	1987	1988	1989
	Average capacity (1,000 units)		
Hammers, sledge hammers, and mauls 2/..	***	***	***
Bars, 3/ track tools, and wedges.....	***	***	***
Mattocks and picks.....	***	***	***
Axes, bill hooks, and similar hewing tools 4/.....	***	***	***
Total.....	***	***	***
	Production (1,000 units)		
Hammers, sledge hammers, and mauls 2/..	***	***	***
Bars, 3/ track tools, and wedges.....	***	***	***
Mattocks and picks.....	***	***	***
Axes, bill hooks, and similar hewing tools 4/.....	***	***	***
Total.....	***	***	***

Continued on next page.

Table 3--Continued
Heavy forged handtools: U.S. producers' capacity, production, and capacity utilization, by type, 1987-89 1/

Item	1987	1988	1989
	Capacity utilization (percent) 5/		
Hammers, sledge hammers, and mauls 2/..	***	***	***
Bars, 3/ track tools, and wedges.....	***	***	***
Mattocks and picks.....	***	***	***
Axes, bill hooks, and similar hewing tools 4/.....	***	***	***
Average.....	***	***	***

1/ The data reported in the table were compiled from responses of 6 firms in 1987 and 5 firms in 1988 and 1989; these firms accounted for the bulk of total U.S. producers' reported shipments in 1989. * * * provided capacity data in all periods for hammers, bars, and mattocks but was unable to provide production data. * * *, which reported *** units average capacity for 1987, * * *.
2/ Products for which data are reported all have heads weighing over 1.5 kilograms (3.3 pounds) each.
3/ Bars for which data are reported are all over 18 inches in length.
4/ Excluding machetes.
5/ Calculated from data provided by firms supplying both capacity and production data.

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

Digging tools.--Three firms (Woodings-Verona, Warwood, and Warren Tool) reported capacity dedicated to the production of mattocks and picks. Warwood * * *, and Warren, which produced *** pieces in 1987, had no production in 1988-89. Woodings-Verona therefore accounted for most of the reported capacity and production during the investigation period. Woodings-Verona accounted for *** percent of reported capacity in 1987 and *** percent during the remaining period covered by the investigation, *** percent of reported production in 1987, and * * * in 1988 and 1989.

Hewing tools.--Of the six firms that reported capacity and production data, only three (Woodings-Verona, Mann Edge, and Council Tool) allocate any portion of their respective production facilities to the production of hewing tools.[17] U.S. producers' capacity to produce axes, bill hooks, and other hewing tools totalled *** units annually from 1987 to 1989. The *** units represented *** percent of U.S. producers' total heavy forged handtool capacity in 1989. Production of hewing tools, nearly all of which consisted of axes, decreased from *** units in 1987 and 1988 to *** units in 1989 (table 3). Capacity utilization rose only slightly from 1987 to 1988 and decreased from *** percent in 1988 to *** percent in 1989.

[17] A fourth firm (Snow & Nealley Co.), which was not sent a questionnaire, indicated in a letter to the Commission that * * *.

U.S. producers' domestic shipments and channels of distribution

U.S. producers' reported domestic shipments of all heavy forged handtools increased in quantity by *** percent from 1987 to 1988, and decreased by *** percent from 1988 to 1989 (table 4). Such shipments increased from *** units, valued at $***, in 1987 to *** units, valued at $***, in 1989.[18] The average unit value of U.S. producers' domestic shipments of heavy forged handtools declined by *** percent from 1987 to 1988 but then increased by *** percent from 1988 to 1989.

Table 4
Heavy forged handtools: U.S. producers' domestic shipments, by type, 1987-89

Item	1987	1988	1989
*	*	*	*	*	*	*

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

Data presented in table 5 show that sledge hammers, crowbars, axes, and mauls were the most significant products in terms of their contribution to total domestic sales. Sledge hammers were by far the most important, accounting for *** percent of the value of U.S. producers' total domestic shipments of heavy forged handtools in 1989. Next in importance were crowbars, which accounted for nearly *** percent.

Table 5
Heavy forged handtools: U.S. producers' domestic shipments, by type and by product, 1987-89

(In thousands of dollars)

Item	1987	1988	1989
*	*	*	*	*	*	*

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

[18] Values reported include tools shipped with handles, which, in 1989, were 97 percent of all hammers, sledge hammers, and mauls, *** percent of all mattocks and picks, and 91 percent of all axes and other hewing tools.

Wholesalers/distributors, particularly hardware wholesaler/distributors, were the single largest group of customers for U.S. producers' shipments of heavy forged handtools in 1989. As a group, this class of customer accounted for *** percent (by value) of U.S. producers' domestic shipments in 1989 (table 6). Direct sales to large home-center chains, such as Channel, Home Depot, and Hechingers, and general mass merchandisers such as Wal-Mart and K-Mart together accounted for *** percent; industrial customers (i.e., railroad, construction, etc.) accounted for another *** percent; and the remaining *** percent was accounted for by original-equipment manufacturers and "other" markets.

Table 6
Heavy forged handtools: U.S. producers' domestic shipments, by type of customer, 1989

Customer	Striking tools	Bar and track tools	Digging tools	Hewing tools	Total
*	*	*	*	*	*	*

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

Striking tools.--U.S. producers' domestic shipments of hammers, sledge hammers, and mauls increased from *** units, valued at $***, in 1987 to *** units, valued at $***, in 1988. The quantity of such shipments remained unchanged at *** units in 1989 but increased in value by *** percent (to $***) over 1988. Wholesalers/distributors and home centers/mass merchandisers were the largest customers for U.S. producers' striking tool shipments in 1989, accounting for *** percent and *** percent, respectively, of all such shipments. As a share (by value) of U.S. producers' total shipments of heavy forged handtools, striking tools represented *** percent of such shipments in 1987, *** percent in 1988, and *** percent in 1989.

Although U.S. producers ship striking tools with and without handles attached, the vast majority (97.4 percent in 1989) of such tools are shipped with handles.

Bar and track tools.--U.S. producers' shipments of bars, track tools, and wedges increased from *** units, valued at $***, in 1987 to *** units, valued at $***, in 1989. As a share of U.S. producers' total shipments (by value) of heavy forged handtools, bar and track tool products accounted for *** percent in 1987, *** percent in 1988, and *** percent in 1989. U.S. producers' shipments in 1989 of bar and track tools were generally to industrial and wholesaler/distributor customers, accounting for *** percent and ***, respectively, of the total.

Digging tools.--U.S. producers' domestic shipments of mattocks and picks declined steadily, in both quantity and value, from 1987 to 1989. Such shipments decreased from *** units, valued at $***, in 1987 to *** units, valued at $***, in 1989. Domestic shipments of mattocks and picks in 1989 were mostly to * * *, which accounted for *** percent of total shipments; * * * customers, which accounted for *** percent of the total; and * * *, which accounted for *** percent. Only about *** percent of U.S. producers' domestic shipments of mattocks and picks were shipped with handles in 1989.

Hewing tools.--U.S. producers' domestic shipments of axes, bill hooks, and other hewing tools increased from *** units (*** of which were valued at $***) in 1987 to *** units (*** of which were valued at $***) in 1989. The value of U.S. producers' shipments in all periods is considerably understated because * * *. In terms of units shipped, Mann Edge accounted for *** percent of U.S. producers' shipments of hewing tools in 1987, *** percent in 1988, and *** percent of the total in 1989. From 1987 to 1989, handles were included with more than 91 percent of U.S. producers' shipments of hewing tools.

U.S. producers' exports

* * * was the only U.S. producer to report export shipments of heavy forged handtools during the period of investigation. Its exports of striking tools, bar and track tools, and hewing tools were to * * *. The firm's exports totalled *** units in 1987, *** units in 1988, and *** units in 1989. * * *.

U.S. producers' purchases

* * *, * * *, and * * * purchased striking and bar and track tools from other U.S. producers during the period of investigation. * * * was the only producer to report such purchases of digging tools, and * * * and * * * were the only two producers to report such purchases of hewing tools.

U.S. producers' domestic purchases of heavy forged handtools increased from 280,000 units, valued at $989,000, in 1987 to 393,000 units, valued at $1.5 million, in 1988 (table 7). Such purchases declined to 361,000 units (valued at $1.4 million) in 1989, a decrease of 8.1 percent from 1988. Hewing tools, primarily axes, accounted for *** percent of the quantity of U.S. producers' total domestic purchases in 1989, compared with *** percent of the total in 1988 and *** percent of total purchases in 1987.

In addition to buying heavy forged handtools from each other and from other domestic sources, four U.S. producers (Barco Industries, Council Tool, Mann Edge,[19] and Woodings-Verona) reported imports of heavy forged handtools. Barco imports * * *. Council Tool imports * * *. Mann Edge imports * * *. Woodings-Verona imports * * *. The quantity of U.S. producers' imports of heavy forged handtools from China as a share of the quantity of total U.S. imports from China (based on responses to the Commission's questionnaire) of such handtools was *** percent in 1987, *** percent in 1988, and *** percent in 1989 (table 8). Based on value, the share was *** percent in 1987, *** percent in 1988, and *** percent in 1989.

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[19] * * *.

Table 7
Heavy forged handtools: U.S. producers' domestic purchases, by type, 1987-89

Item	1987	1988	1989
	Quantity (1,000 units)		
Hammers, sledge hammers, and mauls 1/2/..	***	***	***
Bars, track tools, and wedges 2/3/.....	***	***	***
Mattocks and picks 4/.....	***	***	***
Axes, bill hooks, and similar hewing tools 5/6/.....	***	***	***
Total.....	280	393	361
	Value (1,000 dollars) 1/		
Hammers, sledge hammers, and mauls 1/2/..	***	***	***
Bars, track tools, and wedges 2/3/.....	***	***	***
Mattocks and picks 4/.....	***	***	***
Axes, bill hooks, and similar hewing tools 5/6/.....	***	***	***
Total.....	989	1,450	1,435
	Unit value 7/		
Hammers, sledge hammers, and mauls 1/2...	$***	$***	$***
Bars, track tools, and wedges 2/3/.....	***	***	***
Mattocks and picks 4/.....	***	***	***
Axes, bill hooks, and similar hewing tools 5/6/.....	***	***	***
Average.....	3.53	3.69	3.98

1/ Products for which data are reported all have heads weighing over 1.5 kilograms (3.3 pounds) each.
2/ Compiled from responses of 3 firms, which accounted for *** percent (by quantity) of total reported U.S. producers' shipments of all heavy forged handtools in 1989.
3/ Bars for which data are reported are all over 18 inches in length.
4/ Compiled from responses of 2 firms which accounted for *** percent (by quantity) of total U.S. producers' shipments of heavy forged handtools in 1989.
5/ Excluding machetes.
6/ Compiled from responses of 2 firms, 1 of which accounted for *** percent (by quantity) of U.S. producers' total heavy forged handtool shipments in 1989.
7/ Calculated from data provided by firms supplying both quantity and value data.

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

Table 8
Heavy forged handtools: U.S. producers' import purchases from China, by firm and by type, 1987-89

Item	1987	1988	1989
*	*	*	*

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

U.S. producers' inventories

U.S. producers' yearend inventories of heavy forged handtools increased from 1987 to 1988 but decreased from 1988 to 1989, both in absolute terms and as a share of reported domestic shipments (table 9). Such yearend inventories increased from *** units in 1987 to *** units in 1988. U.S. producers reported inventories of *** units at yearend 1989, down *** percent from inventories at yearend 1988. U.S. producers reported lower inventories in 1989 compared with 1987 for two of the four product types covered. Similarly, the ratio of inventories to total domestic shipments decreased from 1987 to 1989 in all but one of the product types.

Table 9
Heavy forged handtools: U.S. producers' yearend inventories and inventories as a percentage of U.S. producers' reported domestic shipments, by type, as of Dec. 31, 1987-89

Item	1987	1988	1989
*	*	*	*

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

Employment, wages, and productivity

Five firms (Woodings-Verona, Mann Edge, Barco, Council, and Warwood) were able to provide some employment data on their overall establishments in which heavy forged handtools are produced. Only two of the five (Woodings-Verona and Council Tool) were able to supply employment data with respect to their heavy forged handtool operations.

The average number of all persons employed within establishments in which heavy forged handtools are produced rose by 7.2 percent from 1987 to 1988 and then declined by 4.9 percent from 1988 to 1989 (table 10). The number of production and related workers followed a similar trend, although the number of hours worked by such workers continued to increase, as did the wages and total compensation paid to such workers, in 1989.[20]

Table 10
Overall establishment employment: Average number employed, average number of production and related workers, hours worked, wages paid, and total compensation paid, 1987-89 1/

Item	1987	1988	1989
Average number of all persons employed	500	536	510
Production and related workers producing all products:			
Number employed	446	485	467
Hours worked (1,000 hours)	954	995	1,003
Wages paid (1,000 dollars)	6,812	7,447	7,661
Total compensation paid (1,000 dollars)	7,838	8,887	9,204

1/ Compiled from responses of 5 firms.

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

The total number of production and related workers producing heavy forged handtools increased by *** percent, to *** workers, from 1987 to 1988 and decreased to *** workers, or by *** percent, from 1988 to 1989 (table 11). The total number of hours worked and the wages and total compensation paid to

[20] Unions which represent production and related workers employed in the industry producing heavy forged handtools include: Boilermakers-Blacksmith National Pension Trust; United Steelworkers of America; and United Food & Commercial Workers (* * *).

Table 11
Heavy forged handtools: Average number of production and related workers, hours worked, wages paid, and total compensation paid, by type, 1987-89

Item	1987	1988	1989
*	*	*	*	*	*	*

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

production and related workers producing heavy forged handtools increased in both 1988 and 1989. The hours worked by production and related workers increased by *** percent from 1987 to 1989. Wages paid and total compensation paid to such workers increased by *** percent and *** percent, respectively, from 1987 to 1989. Productivity of production and related workers producing heavy forged handtools averaged about *** units per worker hour during the period of investigation (table 12). Unit labor costs averaged $*** per unit produced.

Table 12
Heavy forged handtools: Productivity and unit labor costs, by type, 1987-89

Item	1987	1988	1989
*	*	*	*	*	*	*

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

* * * and * * * each reported either indefinite or permanent reductions in the number of production and related workers producing heavy forged handtools during the investigation period. * * * placed a total of *** workers on indefinite layoff between September 1987 and September 1989, citing as a reason a lack of orders. * * * terminated *** workers in May 1989.

The employment trends for production and related workers employed in producing specific types of heavy forged handtools generally * * * from 1987 to 1988 and * * * in 1989. * * * employment trends for production and related workers producing mattocks and picks. Indicators for these workers * * *. Employment indicators for production and related workers producing bars, track tools, and wedges * * *.

Financial experience of U.S. producers

Five producers, three of which accounted for all but $*** of the total reported value of U.S. producers' domestic shipments of heavy forged handtools in 1989, supplied usable income-and-loss data on overall establishment operations. The firms are Barco Industries, Inc.; Council Tool Co.; Mann Edge Tool Co.; Woodings-Verona Tool Works, Inc.; and Warwood Tool Co. Woodings-Verona's Director of Strategic Planning stated that approximately *** percent of the company's sales are of heavy forged handtools.[21] Mann Edge could not segregate operations on heavy forged handtools but stated that less than *** percent of production was of other products.[22] Three producers (Barco, Council, and Warwood) provided data on overall establishment operations but also could not segregate heavy forged handtool operations. Barco estimates that *** percent of its production is of heavy forged handtools,[23] Council estimates *** percent,[24] and Warwood estimates *** percent.[25]

The overall income-and-loss data for Woodings-Verona, * * *, and data for the two plants that produce most of the company's heavy forged handtools are presented separately to demonstrate changes caused by an acquisition in 1986 and the effect of other company-specific items. Woodings-Verona comprises approximately * * *, and together with Mann Edge, comprises over *** percent of the U.S. producers' overall establishment sales.

The Commission staff requested the companies to provide income-and-loss data for overall establishment operations, operations on heavy forged handtools, and operations on groups of handtools (striking, hewing, digging and/or bar tools).[26] None of the reporting firms was able to provide separate data on either heavy forged handtools or the four product groups, stating that they cannot separate costs of production of heavy forged handtools from other products because their accounting systems are not designed to do so.

Overall establishment operations.--Net sales for overall establishment operations of the five reporting U.S. producers increased 18.9 percent from $41.8 million in 1987 to $49.7 million in 1988 (table 13). Net sales increased an additional 1.9 percent to $50.7 million in 1989. Operating income was $1.8 million in 1987, $2.4 million in 1988, and $2.0 million in 1989. Operating income margins as a percent of sales were 4.2 percent in 1987, 4.8 percent in 1988, and 3.9 percent in 1989. For the five producers

---

[21] Woodings-Verona also produces wheel wrenches, nail pullers, small bars, small hammers, level gauges, screwdrivers, rail anchors, and railroad tools other than track tools. The company also * * *.

[22] Mann Edge Tool Co. * * *.

[23] Barco also produces ball peen hammers, trowels, small striking tools, tools for automotive body and fender work, hatchets, and small axes. Barco * * *.

[24] Council also produces shrubbing tools, bars under 18 inches in length, fire-fighting tools, forgings, specialty tools, and hammers under 3.3 pounds.

[25] Warwood also produces railroad tools other than track tools, bars for the industrial market, and smaller wedges than those included in heavy forged handtools.

[26] The Commission staff also requested the companies to state if, in any final investigation concerning handtools, they would be able to provide separate financial data (income-and-loss, asset valuation, research and development expenses, or capital expenditures) by type of handtool, e.g., for hammers, for sledge hammers, for axes, etc. All five companies stated they would not be able to provide financial data by product type.

that provided data on overall establishment operations, heavy forged handtools accounted for approximately 62 percent of overall establishment net sales in 1989. Net sales, operating income, and operating income margins for overall establishment operations are presented in table 14 for each company.

The overall establishment income-and-loss experience of Woodings-Verona is presented separately in table 15. Woodings-Verona was acquired from the Budd Company as stated in the following note to its financial statements:

"* * *."

As a result of this purchase, * * *. * * *, Woodings-Verona's and the reporting U.S. producers' overall establishments operating income, operating income margin, net income before taxes, and net income before taxes as a percent to sales would be as shown in the following tabulation:

Item	1987	1988	1989
Woodings-Verona:			
Operating income (1,000 dollars).....	***	***	***
Operating income margin (percent).....	***	***	***
Net income before taxes (1,000 dollars)..	***	***	***
Net income before taxes as a share of net sales (percent).....	***	***	***
U.S. producers' overall establishment operations:			
Operating income (1,000 dollars).....	***	***	***
Operating income margin (percent).....	***	***	***
Net income before taxes (1,000 dollars)..	***	***	***
Net income before taxes as a share of net sales (percent).....	***	***	***

Table 13
Income-and-loss experience of U.S. producers on their overall establishment operations, accounting years 1987-89

Item	1987	1988	1989
	Value (1,000 dollars)		
Net sales.....	41,807	49,726	50,669
Cost of goods sold.....	34,613	41,276	42,326
Gross profit.....	7,194	8,450	8,343
General, selling, and administrative expenses...	5,441	6,077	6,381
Operating income.....	1,753	2,373	1,962
Interest expense.....	***	***	***
Other income or (expense), net.....	***	***	***
Net income or (loss) before income taxes.....	(10)	493	171

Continued on next page.

Table 13--Continued
Income-and-loss experience of U.S. producers on their overall establishment operations, accounting years 1987-89

Item	1987	1988	1989
Depreciation and amortization included above.....	1,484	1,370	1,058
Cash flow 1/.....	1,474	1,863	1,229
	Share of net sales (percent)		
Cost of goods sold.....	82.8	83.0	83.5
Gross profit.....	17.2	17.0	16.5
General, selling, and administrative expenses...	13.0	12.2	12.6
Operating income 2/.....	4.2	4.8	3.9
Net income or (loss) before income taxes 2/.....	3/	1.0	0.3
	Number of firms reporting		
Operating losses.....	0	1	0
Net losses.....	1	2	3
Data.....	5	5	5

1/ Cash flow is defined as net income or loss plus depreciation and amortization.
2/ For comparison purposes, the operating income margin for cutlery, handtools, and general hardware from the Robert Morris Associates Annual Statement Studies was 5.7 percent in 1987, 6.1 percent in 1988, and 7.0 percent in 1989. The margin for net income before taxes was 3.8 percent in 1987, 4.2 percent in 1988, and 5.4 percent in 1989. The studies represent approximately 130 companies with fiscal year ends ending from June 30, 1986, to Mar. 31, 1987 for 1987, from June 30, 1987 to Mar. 31, 1988 for 1988, and from June 30, 1988 to Mar. 31, 1989 for 1989.
3/ A loss of less than 0.05 percent.

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

Table 14
Income-and-loss experience of U.S. producers on their overall establishment operations, by firm, accounting years 1987-89

Item	1987	1988	1989
	Value (1,000 dollars)		
Net sales:			
Barco	***	***	***
Council	***	***	***
Mann Edge	***	***	***
Warwood	***	***	***
Woodings-Verona	***	***	***
Total	41,807	49,726	50,669
Operating income:			
Barco	***	***	***
Council	***	***	***
Mann Edge	***	***	***
Warwood	***	***	***
Woodings-Verona	***	***	***
Total	1,753	2,373	1,962
	Share of net sales (percent)		
Operating income:			
Barco	***	***	***
Council	***	***	***
Mann Edge	***	***	***
Warwood	***	***	***
Woodings-Verona	***	***	***
Average	4.2	4.8	3.9

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

Table 15
Income-and-loss experience of Woodings-Verona on its overall establishment operations, accounting years ended Sept. 30, 1987-89

Item	1987	1988	1989

* * * * * * *

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

A comparison of the financial indicators shown in the tabulation with the corresponding financial indicators in tables 13 and 15 indicates that * * *.

Woodings-Verona * * *.[27]

Woodings-Verona's financial condition * * *.[28]

Woodings-Verona also * * *.[29]

Operations on heavy forged handtools.--Woodings-Verona's income-and-loss data for the two plants (located in Columbiana, OH and Falls City, NE) that produce most of the company's heavy forged handtools are presented in table 16. However, *** percent of the sales for the two plants are for * * *. Approximately *** percent of the sales are for * * *. A third plant (located in Verona, PA), which produces rail anchors, hammers, tent pins, and some heavy forged handtools, * * *. Verona's heavy forged handtool production (approximately $*** in 1989) is * * *.

Table 16
Income-and-loss experience of Woodings-Verona's two plants producing mostly heavy forged handtools, accounting years ended Sept. 30, 1987-89

Item	1987	1988	1989
*	*	*	*	*	*	*

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

Investment in productive facilities.--The five producers that reported overall establishment income-and-loss data also provided data on their investment in productive facilities and on total assets. These data are presented in table 17.

[27] * * *.
[28] * * *.
[29] * * *.

Table 17
Value of overall establishment property, plant, and equipment of U.S. producers of heavy forged handtools, as of the end of accounting years 1987-89

Item	1987	1988	1989
	Value (1,000 dollars)		
All products of establishments:			
Fixed assets:			
Original cost	13,797	14,385	15,164
Book value	8,029	7,646	7,506
Total assets 1/	28,196	31,665	29,099
	Return on book value of fixed assets (percent)		
All products of establishments:			
Operating return 2/	21.8	31.0	26.1
Net return 3/	(0.1)	6.4	2.3
	Return on total assets (percent)		
All products of establishments:			
Operating return 2/	6.2	7.5	6.7
Net return 3/	4/	1.6	0.6

1/ Defined as book value of fixed assets plus current and noncurrent assets.
2/ Defined as operating income or loss divided by asset value.
3/ Defined as net income or loss divided by asset value.
4/ A loss of less than 0.05 percent.

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

Capital expenditures.--The five producers that reported overall establishment income-and-loss data also provided data on capital expenditures for their operations. These data are presented in table 18.

Table 18
Overall establishment capital expenditures by U.S. producers of heavy forged handtools, accounting years 1987-89

(In thousands of dollars)

Item	1987	1988	1989
All products of establishments	***	655	809

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

Research and development expenses.--One company (* * *) reported estimated research and development expenses of $*** each year for overall establishment operations.

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of heavy forged handtools from China on their firms' growth, investment, ability to raise capital, or development and production efforts (including efforts to develop a derivative or improved version of their products). Their responses are shown in appendix E.

Consideration of the Question of Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors[30]--
>
> > (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
> >
> > (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

[30] Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[31]

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

Information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury." Item I, regarding subsidies, and item IX, regarding agricultural products, are not relevant in this case. Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), (VIII) and (IX) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

U.S. importers' inventories of heavy forged handtools from China

Reported U.S. inventories of China-produced heavy forged handtools * * * from yearend 1987 to yearend 1988 and decreased 10.7 percent from yearend 1988 to yearend 1989 (table 19). Inventories as a ratio to imports were substantial in all periods and for all products.

Table 19
Heavy forged handtools: U.S. importers' inventories of imports from China, by type, as of Dec. 31 of 1987-89 1/

Item	December 31 of-- 1987	1988	1989
	Quantity (1,000 units)		
Hammers, sledge hammers, mauls 2/	384	552	541
Bars, 3/ track tools, and wedges	***	466	369
Mattocks and picks	275	402	325
Axes, bill hooks, and similar hewing tools 4/	397	357	347
Total	***	1,771	1,582
	Ratio (percent) to imports 5/		
Hammers, sledge hammers, mauls 2/	90.6	79.0	75.8
Bars, 3/ track tools, and wedges	***	100.9	108.9

Continued on next page.

Table 19--Continued
Heavy forged handtools: U.S. importers' inventories of imports from China, by type, as of Dec. 31 of 1987-89 1/

Item	December 31 of-- 1987	1988	1989
Mattocks and picks.....	55.6	57.4	44.5
Axes, bill hooks, and similar hewing tools 4/....	105.9	120.2	71.7
Total.....	***	82.3	71.1

1/ The data reported in the table were compiled from responses of 11 firms that accounted for 98.5 percent of total reported U.S. imports from China in 1989.
2/ Products for which data are reported all have heads weighing over 1.5 kilograms (3.3 pounds) each.
3/ Bars for which data are reported are all over 18 inches in length.
4/ Excluding machetes.
5/ Yearend inventories as a ratio to imports during the previous year, calculated from data provided by firms supplying both inventory and import data.

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

U.S. importers' current orders for heavy forged handtools

The Commission's questionnaire requested importers to specify whether they imported, or arranged for the importation of, heavy forged handtools from China subsequent to December 31, 1989. Responding importers indicated that 760,000 units were on order for 1990. Arrival dates for such orders reportedly extend through November 1990.

The heavy forged handtool industry in China and its ability to generate exports

China began developing its heavy forged handtool industry in 1981 and has since evolved into a leading world exporter of such merchandise. Currently, there are an estimated 500 factories in China which are producing heavy forged handtools. Many of these factories are inefficient and are not capable of producing products of the quality necessary to penetrate markets in industrialized countries. These factories, in addition to serving local markets, generally target a large portion of their production output to third-world or less-developed countries, where quality is not an important factor. Heavy forged handtools produced for export to industrialized nations are produced in modern and efficient factories utilizing the latest in manufacturing technology. These factories, located in about 8 or 10 provinces throughout

China, gear their production to major export markets.[32] As a nonmarket economy, decisions with regard to domestic production targets and product distribution are usually controlled by agencies of the state; export marketing is conducted by the China National Machinery Import & Export Corp.

The Commission requested counsel for the China National Machinery Import & Export Corp. to provide information on the heavy forged handtool industry in China. The information requested included data on production, capacity, capacity utilization, home-market shipments, inventories, exports to the United States, exports to other major markets, and total exports, for 1987-89 with projections to 1990. Similar data were requested by the Commission from the U.S. Embassy in Beijing.

Counsel for the China National Machinery Import & Export Corp. provided some data with respect to operations of the Tianjin Branch of the China National Machinery Import & Export Corp. The Commission staff requested Counsel to verify the number of factories represented in the data and further requested that similar data concerning factories in other provinces be submitted. No new information has been received from Counsel. The information that was submitted is summarized in appendix F.

There is no evidence of the existence of any dumping findings or antidumping remedies in GATT-member countries on heavy forged handtools from China.

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury

U.S. imports

Two sets of import data are reported herein. The first set consists of import data (quantity and value) as reported by 16 U.S. importers (including 4 U.S. producers that import) in response to the Commission's questionnaire. The second set consists of import data (value only) reported in official statistics of the U.S. Department of Commerce. Each of the two sets of data has certain inherent limitations. With regard to the questionnaire data, the coverage is less than complete because not all U.S. importers responded to the Commission's questionnaire. Importers accounting for approximately 63.4 percent of the value of 1989 imports from China as reported by Commerce, and importers accounting for approximately *** percent of the value of 1989 imports from all other countries as reported by Commerce, provided data in response to the questionnaire. With regard to the official statistics on heavy forged handtools, there are three types of problems. First, in all years, import data for bars, track tools, and wedges include an undetermined amount of imports of products that are not subject to the scope of the investigation (i.e., bars of 18 inches and under in length). Second, in 1989, import data for picks and mattocks include hoes and rakes, which are not subject to the scope of the investigation (when the HTS replaced the TSUS as of January 1, 1989, hoes and rakes became grouped in the same category as picks and mattocks). And third, the units of quantity differ

[32] Based on staff conversations with * * *.

from one category to another or are nonexistent (i.e., they are reported in dozens for hammers, sledge hammers, and mauls, in kilograms for bars, track tools, and wedges, and do not exist for mattocks and picks or for axes, bill hooks, and similar hewing tools)--accordingly, only the value of official statistics is reported herein.

U.S. imports based on questionnaire responses.--Based on responses to the Commission's questionnaire, total U.S. imports of heavy forged handtools (with or without handles) from China increased by 32.2 percent in quantity and by 35.6 percent in value in 1988, and decreased by 0.4 percent in quantity but increased by 8.5 percent in value in 1989 (table 20). In terms of quantity, reported U.S. imports from China of hammers, sledge hammers, and mauls experienced the largest increase (68.4 percent) between 1987 and 1989. Imports of bars, track tools, and wedges increased by 35.0 percent in 1988, but then decreased in 1989 to a level slightly below that of 1987. The import quantity of mattocks and picks, and axes, bill hooks, and similar hewing tools increased irregularly between 1987 and 1989. In terms of value, reported U.S. imports from China of axes, bill hooks, and similar hewing tools experienced the largest increase (90.1 percent) between 1987 and 1989. The value trends for the other product categories were identical to the quantity trends, except that imports of mattocks and picks increased in value in both 1988 and 1989. The unit value of imports from China increased from $2.10 in 1987 to $2.15 in 1988, or by 2.4 percent, and to $2.35 in 1989, or by 9.3 percent in that year.

Table 20
Heavy forged handtools: U.S. imports from China and from all other sources, by type, 1987-89, 1/ based on responses to the Commission's questionnaire

Item	1987	1988	1989
	Quantity (1,000 units)		
Hammers, sledge hammers, and mauls: 2/			
China	424	699	714
All other	102	***	***
Total	526	***	***
Bars, 3/ track tools, and wedges:			
China	340	459	339
All other	***	-	-
Total	***	459	339
Mattocks and picks:			
China	501	709	619
All other	78	***	***
Total	579	***	***
Axes, bill hooks, and similar hewing tools: 4/			
China	372	297	484
All other	-	-	***
Total	372	297	***

Continued on next page.

Table 20--Continued
Heavy forged handtools: U.S. imports from China and from all other sources, by type, 1987-89, 1/ based on responses to the Commission's questionnaire

Item	1987	1988	1989
Total:			
China	1,637	2,164	2,156
All other	***	***	***
Total	***	***	***
	Value (1,000 dollars)		
Hammers, sledge hammers, and mauls: 2/			
China	1,064	1,664	1,731
All other	330	***	***
Total	1,394	***	***
Bars, 3/ track tools, and wedges:			
China	773	1,106	729
All other	***	-	-
Total	***	1,106	729
Mattocks and picks:			
China	973	1,361	1,404
All other	216	***	***
Total	1,189	***	***
Axes, bill hooks, and similar hewing tools: 4/			
China	629	531	1,196
All other	-	-	***
Total	629	531	***
Total:			
China	3,439	4,662	5,060
All other	***	***	***
Total	***	***	***
	Unit value 5/		
Hammers, sledge hammers, and mauls: 2/			
China	$2.51	$2.38	$2.42
All other	3.24	***	***
Total	2.65	***	***
Bars, 3/ track tools, and wedges:			
China	2.27	2.41	2.15
All other	***	6/	6/
Total	***	2.41	2.15
Mattocks and picks:			
China	1.94	1.92	2.27
All other	2.77	***	***
Total	2.05	***	***

Continued on next page.

Table 20--Continued
Heavy forged handtools: U.S. imports from China and from all other sources, by type, 1987-89, 1/ based on responses to the Commission's questionnaire

Item	1987	1988	1989
Axes, bill hooks, and similar hewing tools: 4/			
China	1.69	1.79	2.47
All other	6/	6/	***
Total	1.69	1.79	***
Total:			
China	2.10	2.15	2.35
All other	***	***	***
Total	***	***	***

1/ The data reported in the table were compiled from responses of 16 U.S. importers that accounted for 63.4 percent of the value of U.S. imports from China in 1989, as reported by the Department of Commerce.
2/ Products for which data are reported all have heads weighing over 1.5 kilograms (3.3 pounds) each.
3/ Bars for which data are reported are all over 18 inches in length.
4/ Excluding machetes.
5/ Computed from data provided by firms supplying both quantity and value data.
6/ Not applicable.

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

As shown in the tabulation below, sledge hammers, axes, mattocks, and picks accounted for nearly 75 percent of the value of U.S. importers' total domestic shipments of heavy forged handtools between 1987 and 1989.

	U.S. importers' domestic shipments of selected heavy forged handtools as a share (percent) of the value of total domestic shipments--				
Year	Sledge hammers	Axes	Mattocks	Picks	Total
1987	25.4	19.2	15.8	11.7	72.0
1988	26.9	18.5	15.4	13.5	74.2
1989	23.5	25.6	13.8	11.0	73.9

Based on questionnaire responses, important channels of distribution for imported heavy forged handtools include wholesalers and distributors and home centers and mass merchandisers. The value of U.S. importers' domestic shipments to wholesaler/distributor customers in 1989 was $*** compared with $*** for home center/mass merchandiser customers, as shown in the following tabulation:

Product	U.S. importers' domestic shipments to major customers for imported heavy forged handtools (1989)-- Wholesalers/ distributors	Home centers/ mass merchandisers	Other	Total
	1,000 dollars			
Striking tools....	2,335	***	363	***
Bar and track tools.....	***	***	***	***
Digging tools.....	1,665	1,011	170	2,846
Hewing tools.....	1,109	1,594	***	***
Total.....	***	***	***	***

U.S. imports based on official statistics.--Based on official statistics of the U.S. Department of Commerce, the value of total U.S. imports of heavy forged handtools (with or without handles) from China increased by 74.5 percent in 1988 and by 5.1 percent in 1989 (table 21). U.S. imports from China of bars, track tools, and wedges experienced the largest increase (150.5 percent) between 1987 and 1989. Imports of hammers, sledge hammers, and mauls from China increased by 117.4 percent between 1987 and 1989, and imports of axes, bill hooks, and similar hewing tools increased by 29.7 percent. Imports of mattocks and picks from China increased by 147.3 percent in 1988 and decreased by 19.1 percent in 1989. Official statistics indicate that U.S. imports of heavy forged handtools from countries other than China are substantial.

Table 21
Heavy forged handtools: U.S. imports for consumption, by selected sources, 1987-89, based on official U.S. import statistics

(Landed, duty-paid value, in thousands of dollars)

Item	China	Japan	Taiwan	Mexico	Other	Total
Hammers, sledge hammers, and mauls:						
1987.....	1,149	1,006	629	196	335	3,316
1988.....	2,150	126	53	273	577	3,179
1989.....	2,498	182	285	999	339	4,303
Bars, track tools, and wedges:						
1987.....	673	201	2,144	757	326	4,101
1988.....	1,694	257	940	1,114	270	4,275
1989.....	1,686	76	1,247	758	313	4,080

Continued on next page.

Table 21--Continued
Heavy forged handtools: U.S. imports for consumption, by selected sources, 1987-89, based on official U.S. import statistics

(Landed, duty-paid value, in thousands of dollars)

Item	China	Japan	Taiwan	Mexico	Other	Total
Mattocks and picks:						
1987	736	255	223	134	680	2,028
1988	1,820	89	293	68	532	2,802
1989 1/	1,473	178	4,916	853	3,379	10,799
Axes, bill hooks, and similar hewing tools:						
1987	1,793	591	1,884	79	385	4,732
1988	1,929	177	949	80	518	3,653
1989	2,326	189	746	18	508	3,787
Total:						
1987	4,351	2,053	4,880	1,166	1,726	14,177
1988	7,593	649	2,235	1,535	1,897	13,909
1989 1/	7,983	625	7,194	2,628	4,539	22,969

1/ Includes hoes and rakes.

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

Market penetration of imports

If apparent U.S. consumption is calculated using U.S. import data obtained in response to the Commission's questionnaire, the quantity of U.S. imports of heavy forged handtools from China as a share of consumption was *** percent in 1987, *** percent in 1988, and *** percent in 1989 (table 22). As a share of apparent consumption by value, imports from China accounted for *** percent in 1987, *** percent in 1988, and *** percent in 1989.

Table 22
Heavy forged handtools: Apparent U.S. consumption and ratios of imports to apparent consumption, 1987-89, based on data received in response to the Commission's questionnaire

Item	Apparent U.S. consumption	Ratio (percent) of imports to consumption-- For China	For all other	Total

* * * * * * *

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

If apparent U.S. consumption is calculated using official import statistics, U.S. imports of heavy forged handtools from China as a share of the value of consumption were *** percent in 1987, *** percent in 1988, and *** percent in 1989 (table 23).

Table 23
Heavy forged handtools: Apparent U.S. consumption and ratios of imports to apparent consumption, 1987-89, based on official U.S. import statistics and on U.S. producer data received in response to the Commission's questionnaire

Item	Apparent U.S. consumption	Ratio (percent) of imports to consumption-- For China	For all other	Total
*	*	*	*	*	*	*

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

Prices

Market characteristics.--U.S. producers and the importers of the Chinese heavy forged handtools usually price and sell the striking (e.g., sledge hammers) and hewing (e.g., axes) handtools to wholesalers and retailers with the handles attached (although most imports enter the United States without handles).[33] The subject domestic and imported Chinese digging (e.g., picks/mattocks) tools are typically priced and sold to wholesalers and retailers without the handles; handles, usually of wood, are sometimes sold with the pick/mattock, but are not attached. Forged metal handles are an integral part of the domestic and imported Chinese bar tools (e.g., wrecking bars).

Although some of the imported Chinese heavy forged striking and hewing handtools are imported with the handles attached, the majority are imported without handles. For these latter imports, U.S. importers typically produce or purchase the handles and attach them to the imported forged tool heads before selling the tools to wholesalers and retailers. Importers reported that the value of the U.S.-produced handles attached to the imported Chinese heavy forged striking and hewing handtools ranges from *** to more than *** percent of the

[33] The handles are generally made of wood, with U.S.-produced handles made of hickory and the imported Chinese handles made of oak or banana wood. Hickory is reportedly a better wood than oak or banana wood for the handles. A small share of handles are also made of fiberglass.

net U.S. f.o.b. selling price of these products. Accordingly, U.S. selling prices of many of the imported Chinese heavy forged striking and hewing handtools contain a significant share of value added in the United States.

Questionnaire price data.--The Commission requested net U.S. f.o.b. and delivered selling prices for sales to wholesalers and retailers of four heavy forged handtools from U.S. producers and from U.S. importers of the subject products.[34] The price data were requested for the largest sale and for total sales of the products specified, by quarters, during January 1987-March 1990. The products for which pricing data were obtained are described here.

Product 1. 8-Pound Sledge Hammer--8-pound head, manufactured from fine grain special bar-quality steel, forged, trimmed, heat-treated, ground, shot-blasted (wheelabrated), polished, and painted, with wooden handle.

Product 2. 3-1/2-Pound Single-Edge Michigan Axe--3-1/2-pound head, manufactured from fine grain special bar-quality steel, forged, trimmed, upset, ground, heat-treated, shot-blasted, polished, painted, and sharpened, with wooden handle.

Product 3. 5-Pound Pick/Mattock--5-pound head, manufactured from fine grain special bar-quality steel, eye forged, pick and mattock blades forged, ground, heat-treated, shot-blasted, and painted, without handle.

Product 4. 24-Inch Wrecking Bar--manufactured from fine grain special bar-quality steel, forged, trimmed, bent (both ends), shot-blasted, ground, and painted.

Two U.S. producers, Woodings-Verona and Council Tool Co., and 10 U.S. importers of the subject heavy forged handtools reported the requested price data, but not necessarily for every product or period. The total reported sales quantity of the U.S.-produced heavy forged handtools for which pricing data were reported accounted for *** percent of reported domestic shipments of all U.S.-produced heavy forged striking tools, *** percent of U.S.-produced heavy forged hewing tools, *** percent of U.S.-produced heavy forged digging tools, and about *** percent of U.S.-produced heavy forged bar tools during January 1987-December 1989. The total reported sales quantity of the imported Chinese heavy forged handtools for which pricing data were reported accounted for 11 percent of reported imports of all Chinese heavy forged striking tools, 28 percent of reported imports of heavy forged hewing tools, 16 percent of

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[34] The products were suggested by petitioners as representative of a significant share of the heavy forged handtools imported into the United States from China, with the wholesale and retail market segments accounting for most of the competition with the imported Chinese handtools. Other market segments, such as government purchases (Federal, State, and local) and railroad company purchases, reportedly involve competition only among U.S. producers based on Buy-American requirements or preferences. Woodings-Verona reported that selling prices to these latter markets are higher than prices to wholesalers and retailers. Somewhat higher costs in meeting public sector purchaser procedures and higher quality standards of railroad companies account, at least in part, for these higher prices. (Telephone conversations with officials of Woodings-Verona on Apr. 4-6, 1990.)

reported imports of heavy forged digging tools, and 8 percent of reported imports of heavy forged bar tools during January 1987-March 1990.

Price trends.--Price trends of the domestically produced and imported Chinese heavy forged handtools were based on net U.S. f.o.b. selling prices to wholesalers and to retailers developed from producer and importer questionnaire responses. Price trends for the imported Chinese heavy forged striking and hewing handtools are shown separately for those tools imported and sold with the Chinese handles and those imported Chinese tools sold with wooden handles produced and attached in the United States. Price trends for the U.S.-produced products are shown in table 24 and price trends for the imported Chinese products are shown in tables 25 and 26.

U.S. producers reported quarterly net U.S. f.o.b. selling prices of their U.S.-produced product 1 (8-pound sledge hammer), product 2 (3-1/2-pound single-edge Michigan axe), and product 4 (24-inch wrecking bar) to wholesalers and to retailers. Prices of these products fluctuated but generally increased during January 1987-March 1990 (table 24). U.S. producers reported only limited price data for the domestically-produced product 3 (5-pound pick/mattock) sold to wholesalers, which did not allow meaningful price trends to be developed. On sales to wholesalers, quarterly prices of products 1 and 2 rose by about *** and *** percent, respectively, during January 1987-March 1990, while prices of product 4 rose by about *** percent. On sales to retailers, quarterly prices of product 1 rose by about *** percent during this period and prices of product 4 rose by almost *** percent. On the other hand, quarterly prices of the domestic product 2 sold to retailers fluctuated but remained below its January-March 1987 value during the rest of the period and ended in January-March 1990 about *** percent below its initial-period level.

Table 24
Price indexes and net f.o.b. selling prices of U.S.-produced heavy forged handtools, by specified product, by type of customer, and by quarter, January 1987-March 1990

* * * * * * *

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

U.S. importers reported quarterly net U.S. f.o.b. selling price data for products 1-4 sold to wholesalers and to retailers during January 1987-March 1990. Only a limited amount of pricing data were reported for the sledge hammer and axe products 1 and 2 from the China imported with wooden handles (mostly of oak); the majority of the reported pricing data for these two imported products included wooden handles, mostly hickory, produced and attached in the United States. Table 25 shows the net U.S. f.o.b. selling prices of products 1 and 2 imported from China with the wooden handles attached, product 3 sold without any handles, and product 4. Table 26 shows the net U.S. f.o.b. selling prices of products 1 and 2 imported from China but sold with the wooden handles produced and attached in the United States.

Table 25
Price indexes and net U.S. f.o.b. selling prices of completed heavy forged handtools imported from China, 1/ by type of customer, by specified product, and by quarter, January 1987-March 1990 2/

* * * * * * *

1/ Pricing data for imported Chinese handtool products 1 and 2 shown in this table include only those products imported with wooden handles, mostly oak, already attached. The imported Chinese product 3 is sold to U.S. customers without handles and the imported product 4 is sold as a single forged unit which includes the handle.
2/ The prices shown are averages of the net U.S. f.o.b. selling prices of the responding U.S. importers' largest quarterly sale weighted by each importer's total sales quantity in that quarter. The quantities shown represent reported total sales of the specified products sold to wholesalers and to retailers by the responding U.S. importers during each of the quarters.

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

Note: January-March 1987=100, unless otherwise specified.

Table 26
Price indexes and net U.S. f.o.b. selling prices of heavy forged handtools imported from China but with wooden handles produced and attached in the United States, 1/ by specified product, by type of customer, and by quarter, January 1987-March 1990 2/

* * * * * * *

1/ Pricing data for the imported Chinese handtools shown in this table include only those products 1 and 2 imported WITHOUT handles, but sold with wooden handles produced and attached in the United States.
2/ The prices shown are averages of the net U.S. f.o.b. selling prices of the responding U.S. importers' largest quarterly sale weighted by each importer's total sales quantity in that quarter. The quantities shown represent reported total sales of the responding U.S. importers of the specified products sold to wholesalers and to retailers during each of the quarters.

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

As shown in table 25, the reported quarterly net f.o.b. selling prices of the imported Chinese products 2-4 sold to wholesalers fluctuated but generally fell during January 1987-March 1990, with price declines ranging from about 15 percent for each of products 2 and 3 to 6 percent for product 4. Limited price data reported for product 1 imported with a wooden handle did not allow meaningful price trends to be developed. On sales to retailers, quarterly prices of the Chinese product 2 imported with a wooden handle fell by about 6 percent during January 1987-December 1989, before plummeting another 24 percent during January-March 1990 to end the period about 29 percent below its initial-period level. On the other hand, quarterly selling prices of imported products 3 and 4 sold to retailers increased by about 3 and 15 percent, respectively, during January 1987-March 1990.

The reported quarterly selling prices of products 1 and 2 imported from China without handles, but sold with handles produced and attached in the United States, generally fell during January 1987-March 1990 (table 26). Although quarterly prices of imported product 1 sold to wholesalers remained above their initial-period level during much of the period, prices fell during January-March 1990 to end the period at about the same price level as in the beginning of the period. On the other hand, quarterly prices of imported product 2 sold to wholesalers and prices of both imported products 1 and 2 sold to retailers remained below their initial-period levels and ended the period in January-March 1990 at levels ranging from 3 to almost 9 percent below their initial-period values.

Price comparisons.--Quarterly price comparisons between the U.S.-produced and subject imported heavy forged handtools sold to wholesalers and retailers were based on net delivered selling prices developed from the largest quarterly sales reported by U.S. producers and importers in their questionnaire responses. Quarterly price comparisons involving heavy forged handtool products 1 and 2 imported from China with handles and product 4 imported from China are shown in table 27, and price comparisons involving products 1 and 2 imported from China but sold in the U.S. market with handles produced and attached in the United States are shown in table 28.

Quarterly price comparisons between the domestic and imported Chinese heavy forged handtool products in tables 27 and 28 tended to show that over the period of investigation margins of underselling by most of the imported products increased or margins of overselling decreased and turned to underselling. In addition, quarterly price comparisons involving axe product 2, imported with or without handles, showed a greater degree of underselling by the imported products than price comparisons involving sledge hammer product 1 (imported with or without handles) and wrecking bar product 4. This held for sales to both wholesalers and retailers.[35] Any differences in

[35] Price comparisons involving the axe product imported with handles attached (table 27) generally showed greater margins of underselling than this product sold with U.S.-produced handles attached (table 28). Reportedly higher quality handles produced in the United States account for some of this difference in margins of underselling. Price comparisons involving product 2 in table 27 are based on much lower sales quantities of the imported product than in table 28.

Table 27
Net U.S. delivered selling prices of completed heavy forged handtools produced in the United States and imported from China and margins of under/(over) selling, 1/ by type of customer, by specified product, 2/ and by quarter, January 1987-March 1990 3/

* * * * * * *

1/ Pricing data for the imported Chinese handtools shown in this table include only those products 1 and 2 imported with handles already attached; imported product 4 is sold as a single forged unit which includes the handle.
2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producers' prices.
3/ The prices shown are averages of the net U.S. delivered selling prices of the responding U.S. producers' and importers' largest quarterly sales to wholesalers and to retailers weighted by each responding firms' total sales quantity by type of customer in that quarter for each specified product.

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

Note: Although not shown in the above table, a single net delivered price comparison involving product 2 sold to retailers was possible between the domestic and imported Chinese products. During January-March 1990, imported product 2 was priced almost *** percent below the domestic product.

quality of the domestic and imported products may be more pronounced for the axe than the sledge hammer and wrecking bar.[36]

Price comparisons involving only imported Chinese products.--The reported price data resulted in 41 quarterly price comparisons between domestic and imported Chinese products 1-4 sold to wholesalers and retailers (table 27). Based on sales to wholesalers, 4 price comparisons involved product 1 (imported with a wooden handle), 10 involved product 2 (imported with a wooden handle), and 13 involved product 4. Based on sales to retailers, 1 price comparison involved product 2 (imported with a wooden handle) and 13 involved product 4.

All 4 of the price comparisons involving product 1 sold to wholesalers showed the imported product to be priced higher than the domestic product, with margins averaging *** percent, and 12 of the 13 price comparisons involving product 4 sold to wholesalers showed the imported product to be

[36] Testimony by the respondents at the conference indicated that they had difficulty in getting improved quality of the axes imported from China (transcript, pp. 92-93 and 108-109.)

Table 28
Net U.S. delivered selling prices of completed heavy forged handtools produced in the United States and heavy forged handtools imported from China but with wooden handles produced and attached in the United States and margins of under/(over) selling, 1/ by type of customer, by specified product, 2/ and by quarter, January 1987-March 1990 3/

* * * * * * *

1/ Pricing data for the Chinese handtools shown in this table include only those products 1 and 2 imported WITHOUT handles, but sold with wooden handles, mostly hickory, produced and attached in the United States.
2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the imported product. Price differences between the U.S. and imported products were calculated as ratios of the U.S. producers' prices.
3/ The prices shown are averages of the net U.S. delivered selling prices of the responding U.S. producers' and importers' largest quarterly sales to wholesalers and to retailers weighted by each responding firms' total sales quantity by type of customer in that quarter for each specified product.

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

priced higher than the domestic product, with margins averaging about *** percent. On the other hand, all 10 price comparisons involving product 2 sold to wholesalers showed prices of the imported product to be less than the domestic product, by margins averaging almost *** percent. Although trends in the price comparisons tended to fluctuate for products 2 and 4, the degree of underselling by the imported product 2 increased from *** percent in January-March 1987 to *** percent in January-March 1990, and overselling by the imported product 4 fell from *** percent in January-March 1987 to *** percent by October-December 1989, before turning to underselling during January-March 1990, with a margin of *** percent. Based on only four price comparisons involving product 1, no clear trend could be determined.

The single quarterly price comparison involving product 2 sold to retailers showed that the average net delivered price of the imported product was almost *** percent less than the price of the domestic product. Five of the 13 quarterly price comparisons involving product 4 sold to retailers showed the imported product to be priced less than the domestic product during January 1989-March 1990, with margins averaging about *** percent. Eight quarterly price comparisons involving product 4 sold to retailers showed the imported product to be priced higher than the domestic product during January 1987-December 1988, by margins averaging about *** percent. The earlier-period margins of overselling by the imported product 4 fell from almost *** percent during January-March 1987 to *** percent by October-December 1988, then turned to underselling to end the period in January-March 1990 with the imported product priced *** percent below the domestic product.

Price comparisons involving imported Chinese products with U.S.-produced handles.--The reported price data resulted in 52 quarterly price comparisons between domestic and imported Chinese products 1 and 2 (both imported products sold with wooden handles produced and attached in the United States) sold to wholesalers and retailers (table 28). Thirteen price comparisons were possible for each of the products 1 and 2 sold to wholesalers and each of the products sold to retailers.

Based on sales to wholesalers, 11 of the 13 quarterly price comparisons involving product 1 showed the imported product to be priced higher than the domestic product during January 1987-September 1989, with margins averaging almost *** percent. During October 1989-March 1990, two quarterly price comparisons involving product 1 showed the price of the imported product to average almost *** percent below the price of the domestic product. On the other hand, all 13 of the quarterly price comparisons involving product 2 sold to wholesalers showed that the imported product was priced less than the domestic product, with margins averaging about *** percent. Margins of underselling for product 2 increased from *** percent during January-March 1987 to *** percent during January-March 1990.

Based on sales to retailers, 8 of the 13 quarterly price comparisons involving product 1 showed the imported product to be priced higher than the domestic product during January 1987-December 1988, with margins averaging almost *** percent. But this turned to underselling by the imported product during January 1989-March 1990 as 5 quarterly price comparisons involving product 1 showed the imported product to be priced less than the domestic product, with margins averaging about *** percent. Eleven of the 13 the quarterly price comparisons involving product 2 sold to retailers showed that the imported product was priced less than the domestic product, with margins averaging about *** percent.

Transportation factors

Two U.S. producers and 10 U.S. importers responded to questions on transportation factors in the questionnaires. Both U.S. producers and importers sell from their U.S. manufacturing locations or ports of entry and from U.S. warehouses. Most of the U.S.-produced and imported heavy forged handtools are shipped by truck in the U.S. market.

In comparison to the responding U.S. producers, the importers generally reported selling a higher proportion of their imported heavy forged handtools to customers located less than 500 miles from their U.S. selling locations. The responding U.S. producers and importers reported that they generally arrange freight to their customers' locations. Reported U.S. inland freight costs ranged from *** to *** percent of the U.S. f.o.b. selling price, with both U.S. producers and importers frequently quoting delivered prices and absorbing at least some of the freight on large orders.

Exchange rates

Usable market exchange-rate data for the Chinese yuan are not available. The Chinese Government pegs the yuan to the value of the U.S. dollar and limits convertibility of the yuan with other currencies.

Lost sales

Woodings-Verona was the only U.S. producer reporting lost sales allegations involving competition from imported Chinese heavy forged handtools subject to this investigation.[37] Woodings-Verona provided information on lost sales allegations, citing *** purchasers. Conversations with those firms that Commission staff was able to contact are reported below.

* * * was cited by Woodings-Verona for a lost sale in * * * of $*** of * * *. * * * of * * * could not confirm the specific allegation, but reported that * * * had bought Chinese * * * during 1987-89. * * * stated that * * * bought all their * * * with handles, and that the domestic * * * handles were of better quality than the Chinese * * * handles. * * * reported that the Chinese * * * handles often did not match the * * * head, or were otherwise not finished properly. Because of these problems, * * * from China had a 25-percent return rate.

* * * estimated that * * * sells *** percent of its * * * to chain stores. * * * maintains that chain stores are very price competitive, and that this price competition influences the chain store supplier's choice between domestic and imported * * *. * * * reported that Chinese * * * sell for $*** to $*** less than domestic * * * (for example, a domestic * * * costs consumers $*** while the same Chinese * * * sells for $*** an * * *).

Woodings-Verona named * * * for a lost sale of $*** of heavy forged handtools in * * *. * * * of * * * reported that in 1988-89 they bought *** shipments of handtools worth approximately $***-$*** directly from China. These tools were mainly * * *. * * * did not buy any tools with Chinese handles. * * * maintained that the American hickory used to make the domestic wood handles is of far better quality than the Chinese wood. * * * stated that there are no significant differences between domestic and Chinese tool heads, although the domestic heads may be slightly better finished. In general, * * * has not returned a significant amount of Chinese or domestic tool heads, although they have refused one shipment of * * * heads from China.

Woodings-Verona named * * * for a lost sale of $*** of heavy forged hand tools in * * * and earlier. * * * of * * * reported that they buy handtools from China through other agents. He stated that the Chinese handtools are lower in price and quality relative to domestically produced handtools and are generally a better value for the money. * * * said that * * * uses the domestically produced product for the high end and the Chinese products for the low end of the product line. In general, * * * has not returned a significant amount of Chinese or domestic tool heads.

Woodings-Verona named * * * for a lost sale of $*** of heavy forged hand tools in * * * and earlier. * * * of * * * reported that he does not purchase handtools from China and that he has no knowledge of Chinese handtools price or quality.

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[37] Two other U.S. producers, Council Tool Company and Warwood Tool Company, indicated in their questionnaire response that they had lost sales of the subject heavy forged handtools to imported Chinese products, but were unable to provide any details.

Lost revenue

Woodings-Verona was the only U.S. producer reporting lost revenue allegations involving competition from imported Chinese heavy forged handtools subject to this investigation.[38] Woodings-Verona provided information on its lost revenue allegations, citing *** purchasers. Conversations with those firms that Commission staff was able to contact are reported below.

* * * was named by Woodings-Verona in a lost revenue allegation worth $*** in * * *. * * * of * * * reported that they buy from * * * and * * *, but no longer buy from * * * or * * *. * * * acknowledged that * * * has bought Chinese tool heads during the last 3 years, but they have not bought Chinese handles because domestic hickory or ash is of better quality. * * * maintained that there are no differences between domestic and Chinese forged tool heads, and no difference in the percentage of tool heads returned. * * * reported that last year * * * bought *** and *** from China. * * * estimated that *** percent of their stock is domestic. * * * admitted that * * * did not accept any price increases during 1987-89, but did not force any reduction in price from domestic suppliers. * * * maintained that this was simply good business practice that was the result of the competition between the handtool dealers. * * * estimated that Chinese striking tools were priced ***-percent below domestic striking tools, and in the case of * * *, the Chinese had a ***-***-percent price advantage.

* * * was named by Woodings-Verona in a lost revenue allegation worth $*** * * *. Woodings-Verona states that * * * requires them to price all products no more than *** percent above the Chinese price. * * * of * * * reported that they buy Chinese handtools. * * * maintained that there are no differences between domestic and Chinese forged handtools, and no difference in the percentage of tool heads returned. * * * stated that Chinese handtools are purchased when they are priced *** percent below domestic handtools.

[38] Two other U.S. producers, Council Tool Company and Warwood Tool Company, indicated in their questionnaire response that they were forced to lower prices in competition with the subject heavy forged handtools imported from the China, but were unable to provide specific details.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION'S FEDERAL REGISTER NOTICE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-457 (Preliminary)]

Heavy Forged Handtools From the People's Republic of China

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-457 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(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 the People's Republic of China of heavy forged handtools,[1] provided for in subheadings 8201.30.00, 8201.40.60, 8205.20.60, and 8205.59.30 of the Harmonized Tariff Schedule of the United States (previously under items 648.53, 648.67, 651.23, and 651.25 of the former Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by May 21, 1990.

For general information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: April 4, 1990.

FOR FURTHER INFORMATION CONTACT: Woodley Timberlake (202-252-1188), Office of Investigations, U.S. International Trade Commission, 500 E

[1] For purposes of this investigation, the term "heavy forged handtools" covers handtools (with or without handles) of the following kinds: mattocks and picks, provided for in subheading 0201.30.00 of the Harmonized Tariff Schedule of the United States (HTS); axes, bill hooks and similar hewing tools, provided for in subheading 8201.40.60 of the HTS; hammers and sledge hammers, including drilling hammers and woodsplitting mauls, with heads over 1.5 kilograms (3.3 pounds) each, provided for in subheading 8205.20.60 of the HTS; and crowbars, track tools and wedges, including wrecking bars, digging bars and tampers but excluding bars measuring 40 centimeters (18 inches) and under in length, provided for in subheading 8205.59.30 of the HTS.

Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on April 4, 1990, by Woodings-Verona Tool Works, Inc., Verona, PA.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary of the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Public service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each public document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the public service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Limited disclosure of business proprietary information under a protective order and business proprietary information service list.—Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), the Secretary will make available business proprietary information gathered in this preliminary investigation to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on April 25, 1990, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Woodley Timberlake (202-252-1188) not later than April 23, 1990, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written submissions.—Any person may submit to the Commission on or before April 30, 1990, a written brief containing information and arguments pertinent to the subject matter of the investigation, as provided in section 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for business proprietary data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business proprietary treatment must conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their brief, and may also file additional written comments on such information no later than May 3, 1990. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs.

Authority: This investigation is being conducted under authority of the Tariff Act of 1990, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Issued: April 6, 1990.

Kenneth R. Mason,

Secretary.

[FR Doc. 90-8412 Filed 4-10-90; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF PARTICIPANTS IN THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-457 (Preliminary)

HEAVY FORGED HANDTOOLS FROM THE PEOPLE'S REPUBLIC OF CHINA

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on April 25, 1990, in courtroom C (Room 217) of the USITC Building, 500 E Street, SW., Washington, DC.

In support of the imposition of antidumping duties

Wiley, Rein & Fielding--Counsel
Washington, DC
on behalf of--

Woodings-Verona Tool Works, Inc.

H. Philip Kennedy, President
Robert Baiz, Director of Strategic Planning
Ken Scharding, Director of Manufacturing

Alan Price)
Charles Verrill) --OF COUNSEL

In opposition to the imposition of antidumping duties

Skadden, Arps, Slate, Meagher & Flom--Counsel
Washington, DC
on behalf of--

China National Machinery Import and Export Corp.

William Perry--OF COUNSEL

Dorsey & Whitney--Counsel
on behalf of--

Coalition of American Tool Distributors

Atlas Group
Kulkani, Inc.
Madison Mill, Inc.
Olympia Tools

Bob Cardillo, Senior Vice President, Atlas Group
Julian Scruggs, Madison Mill, Inc.

Jonathan H. Glazier)
Bruce Aitken) --OF COUNSEL

APPENDIX C

U.S. DEPARTMENT OF COMMERCE'S FEDERAL REGISTER NOTICE

International Trade Administration

[A-570-803]

Initiation of Antidumping Duty Investigations; Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, From the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce (the Department), we are initiating antidumping duty investigations to determine whether imports of heavy forged hand tools, finished or unfinished, with or without handles (HFHTs), from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether there is a reasonable indication that imports of HFHTs from the PRC materially injure, or threaten material injury to, a U.S. industry. If these investigations proceed normally, the ITC will make its preliminary determinations on or before May 21, 1990. If those determinations are affirmative, we will make preliminary determinations on or before September 11, 1990.

EFFECTIVE DATE: May 2, 1990.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp or V. Irene Darzenta, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-3965 or (202) 377-0186, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On April 4, 1990, we received a petition filed in proper form by Woodings-Verona Tool Works, Inc. In compliance with the filing requirements of § 353.12 of the Department's regulations (19 CFR 353.12 (1989)), petitioner alleges that imports of HFHTs from the PRC are being, or are likely to

be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the products that are subject to these investigations. If any interested party, as described under paragraph (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the Assistant Secretary for Import Administration.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's regulations.

United States Price and Foreign Market Value

Petitioner's estimate of United States Price (USP) for HFHTs is based on 1989 and 1990 sales invoices/quotes for each of the classes or kinds of merchandise, primarily from two branches of the China National Machinery Import & Export Corporation (CMC). *See* "Scope of Investigations" section of this notice for discussion of class or kind categories. According to petitioner, CMC is the major exporter of the subject merchandise to the United States. Petitioner deducted movement charges and credit expenses from the actual/quoted unit sales prices. Petitioner alleges that the unit price estimates do not include deductions for export brokerage, duty and movement charges within the PRC. Based on the information contained in the petition, it appears that sales of the subject merchandise to the United States are made on a purchase price basis since they are made prior to importation to unrelated purchasers in the United States. Therefore, we have disallowed U.S. credit expenses as a deduction to USP and have adjusted foreign market value (FMV) for these expenses.

Petitioner alleges that the PRC is a nonmarket economy country within the meaning of section 773(c) of the Act. Accordingly, petitioner based FMV on constructed value (CV). Constructed value was calculated using petitioner's factors of production valued in a market economy at a comparable level of economic development to the PRC (*i.e.*, India) for each class or kind of merchandise. According to petitioner, fine grain special bar quality steel is typically used to manufacture HFHTs. Petitioner, however, was unable to obtain price information on steel of this quality in India. As best information available, petitioner used the Japanese export price of medium quality steel bars to the PRC as representative of a relatively low, non-subsidized world market price. In its estimated calculation of CV, petitioner added amounts for factory overhead (inclusive of packing) based on its own experience. Petitioner also added the statutory minimums of ten percent for general, selling and administrative expenses, and eight percent for profit.

We compared USP to FMV based on information provided in the petition, adjusted for credit expenses as described above. Accordingly, we found margins ranging from 21.6–75.0 percent for hammers and sledges, 11.8–65.0 percent for bars and wedges, 42.0–72.3 percent for picks and mattocks, and 6.9–18.2 percent for axes and adzes.

Initiation of Investigations

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on HFHTs from the PRC and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating antidumping duty investigations to determine whether imports of HFHTs from the PRC are being, or are likely to be, sold in the United States at less than fair value. If our investigations proceed normally, we will make our preliminary determinations by September 11, 1990.

Scope of Investigations

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date are being classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

We have determined for purposes of these initiations that the products covered by these investigations constitute four separate "class or kind" categories; we will thus conduct four separate investigations of these products. The four separate "class or kind" categories are the following: (1) Hammers and sledges with heads over 1.5 kg (3.25 pounds) each (hammers and sledges); (2) bars over 18 inches in length, track tools and wedges (bars and wedges); (3) picks and mattocks; and (4) axes, adzes and similar hewing tools (axes and adzes).

HFHTs include heads for drilling hammers, sledges, axes, mauls, picks and mattocks, which may or may not be painted, which may or may not be finished, or which may or may not be imported with handles; assorted bar products and track tools including wrecking bars, digging bars and tampers; and steel woodsplitting wedges. HFHTs are manufactured through a hot forge operation in which steel is sheared to required length, heated to forging temperature and formed to final shape on forging equipment using dies specific to the desired product shape and size. Depending on the product, finishing operations may include shot blasting, grinding, polishing and painting, and the insertion of handles for handled products. HFHTs are currently provided for under the following HTS subheadings: 8205.20.60, 8205.59.30, 8201.30.00, and 8201.40.60.

These investigations do not include hammers and sledges with heads 1.5 kg (3.25 pounds) in weight and under, hoes and rakes, or bars 18 inches in length and under.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at these determinations. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Investigations, Import Administration.

Preliminary Determinations by ITC

The ITC will determine by May 21, 1990, whether there is a reasonable indication that imports of HFHTs from the PRC materially injure, or threaten material injury to, a U.S. industry. If any of its determinations are negative, the appropriate investigation(s) will be terminated; otherwise, these investigations will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: April 24, 1990.

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 90-10139 Filed 5-1-90; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX D

LETTERS FROM FIRMS EXPRESSING SUPPORT OF THE PETITION

* * * * * * *

APPENDIX E

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS FROM THE PEOPLE'S REPUBLIC OF CHINA ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND DEVELOPMENT AND PRODUCTION EFFORTS

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of heavy forged handtools from China on their firms' growth, investment, ability to raise capital, and development and production efforts (including efforts to develop a derivative or improved version of their products). Their responses are shown below:

Actual negative effects

Barco Industries, Inc.

* * *.

Council Tool Co.

* * *.

Mann Edge Tool Co.

* * *.

Warwood Tool Co.

* * *.

Woodings-Verona Tool Works, Inc.

* * *.

Anticipated negative effects

Barco Industries, Inc.

* * *.

Council Tool Co.

* * *.

Mann Edge Tool Co.

* * *.

Warwood Tool Co.

* * *.

Woodings-Verona Tool Works, Inc.

* * *.

Influence of imports on capital investment

Barco Industries, Inc.

* * *.

Council Tool Co.

* * *.

Mann Edge Tool Co.

* * *.

Warwood Tool Co.

* * *.

Woodings-Verona Tool Works, Inc.

* * *.

APPENDIX F

INFORMATION ON THE HEAVY FORGED HANDTOOL INDUSTRY IN THE PEOPLE'S REPUBLIC OF CHINA

Table F-1
Heavy forged handtools: Production capacity, production, shipments, and inventories of the Tianjin Branch of the China National Machinery Import & Export Corp., by type, 1987-89

(In thousands of units)

Item	1987	1988	1989	Projected--1990
*	*	*	*	*	*	*

Source: Submitted by Counsel for the China National Machinery Import & Export Corp.