

# **CHROME-PLATED LUG NUTS FROM THE PEOPLE'S REPUBLIC OF CHINA AND TAIWAN**

Determinations of the Commission in  
Investigations Nos. 731-TA-474-475  
(Preliminary) Under the Tariff  
Act of 1930, Together With  
the Information Obtained in  
the Investigations

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Washington, DC 20436**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-474-475 (Preliminary)

CHROME-PLATED LUG NUTS FROM THE PEOPLE'S REPUBLIC OF CHINA AND TAIWAN

Determinations

On the basis of the record <sup>1</sup> developed in the subject investigations, the Commission determines,<sup>2</sup> 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 and Taiwan of chrome-plated lug nuts, provided for in subheading 7318.16.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On November 1, 1990, a petition was filed with the Commission and the Department of Commerce by Consolidated International Automotive, Inc., Los Angeles, CA, alleging that an industry in the United States is materially injured by reason of LTFV imports of chrome-plated lug nuts from the People's Republic of China and Taiwan. Accordingly, effective November 1, 1990, the Commission instituted preliminary antidumping investigations Nos. 731-TA-474-475 (Preliminary).

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

<sup>2</sup> Commission Rohr did not participate.

Notice of the institution of the Commission's investigations 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 November 6, 1990 (55 F.R. 46778). The conference was held in Washington, DC, on November 21, 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 these preliminary investigations, we unanimously<sup>1</sup> determine that there is a reasonable indication that an industry in the United States is materially injured<sup>2</sup> by reason of imports of chrome-plated lug nuts from the Peoples Republic of China (PRC) and Taiwan.<sup>3</sup>

The legal standard in preliminary antidumping investigations is set forth in section 733(a) of the Tariff Act of 1930, 19 U.S.C. § 1673b(a), which requires the Commission to determine, based on the best information available at the time of the preliminary determination, whether there is a reasonable indication of material injury to a domestic industry, or threat thereof, or of material retardation of establishment of such an industry, by reason of imports alleged to be sold at LTFV.

In American Lamb Co. v. United States,<sup>4</sup> the Federal Circuit noted that the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations, and that the "reasonable indication" standard requires more than a finding that there is a possibility of such injury. Further, the Commission may weigh the evidence in determining whether "(1) the

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<sup>1</sup> Commissioner Rohr did not participate in the investigations.

<sup>2</sup> Material retardation of the establishment of an industry is not an issue in these investigations and will not be discussed herein.

<sup>3</sup> Petitioner in these investigations, Consolidated International Automotive, Inc. (petitioner), is one of the largest U.S. manufacturers of chrome-plated lug nuts. Respondents in these investigations include the China National Machinery & Equipment Import & Export Corporation, Jiangsu Company, Ltd., (Jiangsu), an exporter of inter alia, chrome-plated lug nuts produced in the People's Republic of China (PRC), and the Coalition for Trade in Wheel Fasteners (Coalition), a group consisting of eight United States importers of chrome-plated lug nuts and two Taiwanese manufacturers of chrome-plated lug nuts.

<sup>4</sup> 785 F. 2d 994 (Fed. Cir. 1986).

record as a whole contains clear and convincing evidence that there is no material injury, threat of material injury, or material retardation; and (2) no likelihood exists that contrary evidence will arise in a final investigation."<sup>5</sup>

#### LIKE PRODUCT

To determine whether a "reasonable indication of material injury" exists, the Commission must first make factual determinations with respect to the "like product" and the "domestic industry." The term domestic 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..."<sup>6</sup> In turn, like product is defined 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..."<sup>7</sup> The Commission's decision regarding like product is essentially a factual determination. The Commission applies the standards "like" and "most similar in characteristics and uses" on a case-by-case basis.<sup>8</sup>

The Commission generally considers a number of factors in analyzing like product issues including: (1) physical characteristics, (2) end uses, (3) interchangeability, (4) channels of distribution, (5) common manufacturing facilities and production employees, (6) customer or producer perceptions, and,

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<sup>5</sup> 785 F.2d at 1001-04.

<sup>6</sup> 19 U.S.C. § 1677(4)(A).

<sup>7</sup> 19 U.S.C. § 1677(10).

<sup>8</sup> Asociacion Colombiana de Exportadores (ASOCOLFLORES), 693 F. Supp. 1165, 1169 (Ct Int'l Trade 1988) (like product issue essentially one to be based on the unique facts of each case).

where appropriate, (7) price.<sup>9</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a given investigation. The Commission looks for clear dividing lines between like products,<sup>10</sup> and has found minor distinctions to be an insufficient basis for finding separate like products.

The Department of Commerce has defined the imported product subject to these investigations as:

[O]ne piece and two-piece chrome-plated lug nuts. The subject merchandise is used for securing wheels to cars, vans, trucks, utility vehicles and trailers. Chrome-plated locknuts are not included in the subject product. Chrome-plated lug nuts are provided for in subheading 7318.16.090.00 of the Harmonized Tariff Schedule of the United States (HTS) (item 646.5600 of the Tariff Schedules of the United States Annotated).<sup>11</sup>

There are three significant like product issues in these investigations: (1) whether the Commission is precluded from expanding the like product definition beyond the scope of Commerce's initiation notice; (2) whether the like product should include chrome-plated and stainless steel capped lug nuts used on decorative wheels or only chrome-plated lug nuts; and (3) whether the like product should include chrome-plated lug nuts sold only in the aftermarket.

#### **1. Commission's authority to expand the like product definition**

Petitioner contends that the Commission cannot define the like product in a manner that encompasses products outside the scope of investigation established by Commerce or in the Commission's Federal Register institution

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<sup>9</sup> See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 (March 1988) at 6; ASOCOLFLORES, 693 F. Supp. at 1170 n.8.

<sup>10</sup> See, e.g., Operators for Jalousie and Awning Windows from El Salvador, Invs. Nos. 701-TA-272 and 731-TA-319 (Final), USITC Pub. 1934 (January 1987) at 4, n.4.

<sup>11</sup> 55 Fed. Reg. 46778 (November 6, 1990)

notice. Petitioner makes essentially two arguments to support this position. First, Petitioner maintains that the statute compels this conclusion by defining like product "in terms of the article under investigation."<sup>12</sup> Petitioner asserts that the intent of this provision is "to let the parties claiming injury to, within reason, establish the scope of the investigation."<sup>13</sup>

Nothing in Title VII requires the Commission to define a like product narrower than or co-extensive with Commerce's scope determination. Nor does the statute limit the Commission to the initial definition of like product set forth in its Federal Register institution notice. Title VII 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. . ."<sup>14</sup> The words "like . . . the article subject to an investigation" are ambiguous with regard to whether the like product in a given case covers a broader or narrower range of items than Commerce's scope determination. In addition, the fact that like product and scope determinations serve different purposes supports the notion that the Commission should be able to define like product as broader or narrower than Commerce's scope determination when appropriate.<sup>15</sup>

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<sup>12</sup> Post-Conference Brief on Behalf of Consolidated International Automotive, Inc. (Petitioner's Brief) at 4.

<sup>13</sup> Id.

<sup>14</sup> 19 U.S.C. § 1677(10).

<sup>15</sup> The Court of International Trade stated in *American NTN Bearing Mfg. Corp. v. United States*, 739 F. Supp. 1555, 1560 (CIT 1990),

[a]n ITC "like product" investigation is conducted for a different purpose than the "class or kind" investigation made by ITA. The latter agency determines the "class or kind" of merchandise that is allegedly being sold at LTFV, while the former determines whether a U.S. industry producing a "like product" is injured by reason of the dumped. . . import. Because the definition relied upon by ANBM appears in the "like product" discussion of the ITC

(continued...)

In fact, the Commission previously has defined like product to include items that are not within the scope of investigation established by Commerce.<sup>16</sup>

In its second argument, petitioner maintains that the like product definition must be read in pari materia with the product lines provision of 19 U.S.C. § 1677(4)(D). Petitioner asserts that the product line provision evidences a Congressional intent to grant the Commission discretion to subdivide the class of merchandise under investigation into multiple like products but not to define like product in a more expansive fashion.

The product line portion of the statute provides:

[t]he effect of subsidized or dumped imports shall be assessed in relation to the United States production of a like product if available data permit the separate identification of production in terms of such criteria as the production process or the producer's profits. If the domestic production of the like product has no separate identity in terms of such criteria, then the effect of the subsidized or dumped imports shall be assessed by the examination of the production of the narrowest group or range of products, which includes a like product, for which the necessary information can be provided.<sup>17</sup>

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<sup>15</sup>(...continued)

report, its relevance to ITA's scope determination can only be considered minimal.

<sup>16</sup> See e.g., Generic Cephalexin in Capsules from Canada, 731-TA-423 (Final), USITC Pub. No. 2211, 3-10 (scope of investigation limited to cephalexin in capsules, Commission defined like product to include bulk cephalexin as well); Shock Absorbers and Parts, Components and Subassemblies Thereof from Brazil, 731-TA-421 (Preliminary), USITC Pub. No. 2128, 8-16 (scope of investigation covered shocks and components but Commission defined like product to include MacPherson struts as well); Natural Bristle Paint Brushes from the People's Republic of China, 731-TA-244 (Final), USITC Pub. No. 1805, 5-7 (scope of investigation limited to natural bristle brushes but Commission defined like product to include brushes with synthetic fibers as well); 64K Dynamic Random Access Memory Components from Japan, 731-TA-270 (Final), USITC Pub. No. 1862, 5-8 (scope of investigation limited to 64K DRAMs but Commission defined like product as all DRAMs).

<sup>17</sup> 19 U.S.C. § 1677(4)(D).

We hold that the product line provision of 19 U.S.C. § 1677(4)(D), which allows the Commission to consider broader industry data in certain circumstances, does not constrain the definition of a like product. The product line provision addresses the situation in which the Commission has defined like product and corresponding industry but is unable to obtain sufficient data broken out according to this definition. Indeed, the legislative history of Title VII supports this conclusion:

In examining the impact of imports on the domestic producers comprising the domestic industry, the ITC should examine the relevant economic factors (such as profits, productivity, employment, cash flow, capacity utilization, etc.), as they relate to the production of only the like product, if available data permits a reasonably separate consideration of the factors with respect to production of only the like product. If this is not possible because, for example, of the accounting procedures in use or practical problems in distinguishing or separating the operations of product lines, then the impact of the imports should be examined by considering the relevant economic factors as they relate to the production of the narrowest group or range of products which includes the like product and for which available data permits separate consideration.<sup>18</sup>

Accordingly, we find that the Commission is not bound by Commerce's scope determination or by its Federal Register institution notice in defining the like product in these investigations.

## **2. Like product of stainless steel capped and chrome-plated lug nuts**

A fundamental like product issue in these investigations is whether to combine stainless steel capped lug nuts with chrome-plated lug nuts as one like product. Both types of lug nuts are exposed and visible on the same type of decorative custom wheels without hubcaps.<sup>19</sup> Petitioner argues that stainless

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<sup>18</sup> S. Rep. No. 249, 96th Cong., 1st Sess., 83-84, reprinted in U.S. Code Cong. and Admin. News 1979, 381, 469-470.

<sup>19</sup> Staff Report at A-5. The parties neither assert that zinc lug nuts hidden by hub caps should be included as a like product in these investigations, nor do the facts suggest that such lug nuts are like products. Id.

steel capped lug nuts should not be included in the definition of like product with chrome-plated lug nuts. Petitioner bases this argument on what it alleges are distinct physical characteristics, limited interchangeability, different channels of distribution and customer perceptions, dissimilar pricing, and lack of common manufacturing facilities for the two types of lug nuts.<sup>20</sup>

All respondents argue that the appropriate like product includes all "decorative" lug nuts - i.e., those chrome-plated, stainless steel capped and black anodized lug nuts not hidden by a hubcap and used on "decorative" aluminum, chrome, or stainless steel wheels. They assert that the "decorative" lug nut like product grouping is compelled by the indistinguishable physical appearances, interchangeability, overlapping channels of distribution, the absence and/or inability of customers to perceive differences in the lug nuts, similar price, and common manufacturing equipment and production facilities for all decorative lug nuts.<sup>21</sup>

We find that the evidence discussed below supports a finding in these preliminary investigations that the appropriate like product consists of chrome-plated and stainless steel capped lug nuts.

a. Physical characteristics

There is little physical difference between stainless steel capped and chrome-plated lug nuts. The major portion of both types of lug nuts uses the same type of steel. The difference is that stainless steel nuts have a stainless steel cap placed on the end of the nut, while chrome-plated nuts undergo a chrome plating. Stainless steel lug nuts also have slightly less luster than chrome-plated, but stainless steel nuts are polished to a relatively

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<sup>20</sup> Id. at A-4.

<sup>21</sup> Coalition Brief at 5-8; Jiangsu Brief at 3-7.

bright finish. None of the parties have asserted that the design, shape, or sizes of the two types of decorative lug nuts are distinct. Both are manufactured in similar dimensions, using the same thread diameters. In fact, petitioner's catalogue reveals that it sells both stainless steel and chrome-plated lug nuts in the same shape and dimension.

b. Interchangeability

All parties acknowledge that all lug nuts of the same size and shape are interchangeable to perform the function of fastening a wheel to a motor vehicle. Several U.S. producers stated that stainless steel capped lug nuts are substitutes for chrome-plated lug nuts.<sup>22</sup> Most U.S. OEMs do not use chrome-plated lug nuts because chrome-plated lug nuts, unlike stainless steel lug nuts, can chip and rust.<sup>23</sup>

c. Channels of Distribution

There is evidence of an overlap in the channels of distribution between chrome-plated and stainless steel lug nuts. Both are sold to OEMs for use on cars produced in the United States. Prior to 1984, petitioner sold chrome-plated lug nuts to American Motors and to a supplier of Ford Motor Company.<sup>24</sup> One of the members of the Coalition is a supplier of chrome-plated lug nuts to American Honda, an OEM manufacturer in the United States. Other U.S. producers of stainless steel and chrome-plated lug nuts supply U.S. and Japanese OEMs manufacturing in the United States.<sup>25</sup> In addition, both chrome-plated and

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<sup>22</sup> Producer questionnaire responses.

<sup>23</sup> Report at A-22.

<sup>24</sup> Transcript of Proceedings in the Preliminary Conference, November 21, 1990 ("Tr."), at 45.

<sup>25</sup> Several U.S. producers of chrome-plated lug nuts reported that they sell chrome-plated lug nuts to OEMs. One such producer indicated that the lug nuts  
(continued...)



stainless steel lug nuts are sold in the aftermarket through automotive accessory shops and other retailers.<sup>26</sup>

However, there is evidence that a significant majority of chrome-plated lug nuts are sold in the aftermarket to wholesalers/distributors who then sell the lug nuts to tire stores, chain automotive stores, and to jobbers.<sup>27</sup> Both petitioner and certain U.S. members of the Coalition sell their chrome-plated lug nuts in such an aftermarket. The majority of stainless steel capped lug nuts are sold directly to OEMs.<sup>28</sup> Moreover, many automotive part retailers sell only chrome-plated, not stainless steel lug nuts.<sup>29</sup>

d. Customer Perceptions of the Product

There is evidence that many end users do not perceive differences between chrome-plated and stainless steel capped lug nuts. The record reveals that automobile dealers frequently purchase decorative wheels to upgrade the vehicles they are selling and that these dealers use either type of lug nut to secure the wheel.<sup>30</sup> In addition, decorative wheels are sold to end users in packages including either type of lug nut. This evidence suggests that there is not a significant amount of "perceived" difference between chrome-plated and stainless steel lug nuts. However, retail automobile parts businesses sell primarily chrome-plated, not stainless steel lug nuts to car owners replacing decorative

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<sup>25</sup>(...continued)

which it sells to an OEM are not unique to the OEM market and could also be sold to wholesalers and distributors. Report at 21.

<sup>26</sup> Tr. at 121.

<sup>27</sup> Report at A-8.

<sup>28</sup> Id. at A-5.

<sup>29</sup> Tr. at 32. Discussions of staff with automotive part retailers in the Washington, D.C. area.

<sup>30</sup> Tr. at 80.

lug nuts. This evidence suggests that at least some end users perceive chrome-plated lug nuts to be distinct from other types of decorative lug nuts.

e. Common Manufacturing Facilities and Production Employees

There is considerable evidence that stainless steel lug nuts can be produced on the same basic equipment which is used to make two-piece chrome-plated lug nuts.<sup>31</sup> All U.S. producers of stainless steel lug nuts also produce chrome-plated lug nuts.<sup>32</sup> Certain of these producers manufacture both chrome-plated and stainless steel lug nuts using the same equipment with minimal equipment modifications and downtime in shifting production between the two types of lug nuts.<sup>33</sup> However, most U.S. producers of chrome-plated lug nuts do not also produce stainless steel capped lug nuts.<sup>34</sup>

f. Price

The evidence suggests that there is not a significant difference in price between stainless steel and chrome-plated lug nuts.<sup>35</sup> The domestic price of the most commonly sold chrome-plated lug nuts ranges from 18 to 22 cents at the distributor level, with case hardened lug nuts selling for approximately 2 to 4 cents more.<sup>36</sup> The price of comparably designed stainless steel lug nuts ranges from 21 to 24 cents at the distributor level.<sup>37</sup> During 1987-89, the average unit values of stainless steel capped nuts were similar to those of chrome-plated lug

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<sup>31</sup> Tr. at 60-61, 80, 122-125.

<sup>32</sup> Report at A-5.

<sup>33</sup> Producer questionnaires.

<sup>34</sup> Report at A-5.

<sup>35</sup> Id.

<sup>36</sup> Tr. at 81.

<sup>37</sup> Id.

nuts.<sup>38</sup> Even if stainless steel nuts are priced higher, price does not appear to be major factor in the choice of whether to use stainless steel or chrome-plated lug nuts. The evidence indicates that quality, rust prevention, safety and attractive packaging are often determinative factors in the decision of either OEMs or wholesalers/retailers to purchase lug nuts.

In sum, given the factors described above indicating the similarity of physical appearance, interchangeability, use, overlapping channels of distribution, similarity of equipment and manufacturing processes used, and similarity of price, we find that there is one like product consisting of both stainless steel and chrome-plated lug nuts.<sup>39</sup>

### **3. Like product of chrome-plated lug nuts in the aftermarket**

Petitioner asserts that because there are allegedly different channels of distribution and prices for chrome-plated lug nuts sold to OEMs in the aftermarket, such differences justify a separate like product for aftermarket chrome-plated lug nuts. For many of the reasons discussed above in the sections on channels of distribution and interchangeability, we believe that there is no basis for petitioner's claim that the like product should be limited to chrome-plated lug nuts in the aftermarket.

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<sup>38</sup> Report, Appendix C. However, petitioner claims that it paid 32 cents each in its only purchase of stainless steel nuts which it made in 1989. Tr. at 19.

<sup>39</sup> We do not include black anodized lug nuts used on decorative wheels in the like product definition. These black lug nuts are made of different material - aluminum - than the chrome-plated and stainless steel nuts, and have a different color appearance, thus limiting their interchangeability. While black lug nut prices and distribution channels are similar to chrome-plated and stainless steel nuts, they are manufactured using different processes. Finally, we note that black lug nuts represent a very small percentage of the overall decorative lug nut market. Report at A-5.

Moreover, the Commission has been reluctant to define a like product based only on different channels of distribution.<sup>40</sup> A Commission determination explicitly rejecting this analysis has been upheld by the Court of International Trade.<sup>41</sup> Chrome-plated lug nuts historically have been distributed by the petitioner to both the OEM and aftermarket. Thus, the channels of distribution are not separate.

There is evidence in the record to support petitioner's assertion that OEM prices for chrome-plated lug nuts are higher than aftermarket prices.<sup>42</sup> Nevertheless, these differences in price between identical products used for identical purposes does not create a "sharp dividing line" between such products sufficient to create a separate like product.<sup>43</sup>

Given the practically identical nature of the chrome-plated lug nuts in both the OEM market and the aftermarket,<sup>44</sup> complete similarity of production processes, and the evidence of overlap in the distribution channels of chrome-

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<sup>40</sup> See e.g., Generic Cephalexin Capsules from Canada, 731-TA-423 (Final), USITC Pub. No. 2211, at 6 (rejecting like product argument based on different channels of distribution); 12 Volt Motorcycle Batteries from Taiwan (Preliminary), USITC Pub. No. 1654 (1985) (finding one like product even though there were alleged different channels of distribution).

<sup>41</sup> Yuasa-General Battery Corp. v. U.S., 661 F. Supp. 1214, 1217 (Ct. Int. Trade 1987).

<sup>42</sup> Producer questionnaires.

<sup>43</sup> The Commission has not found price to be a controlling factor, in and of itself, creating a sharp dividing line between products. ASOCOFLORES, 693 F. Supp. 1165, 1170 n.8 (Ct. Int'l Trade 1988).

<sup>44</sup> Petitioner argues that "there are differences in the nature of the merchandise sold in the two markets in that the long shank chrome-plated lug nut is sold only in the aftermarket, and never to OEMs." Petitioner's Brief at 11. However, the testimony at the preliminary conference of petitioner's president in response to a question from staff regarding the shank type chrome-plated nut indicated that "the chrome-plated nut for OEM would be very similar in appearance to the aftermarket chrome-plated lug nut. The differences would be in the price and in the channels of distribution." Tr. at 38.

plated lug nuts, we find that there is no separate like product for chrome-plated lug nuts in the aftermarket.

#### DOMESTIC INDUSTRY

Based on our holdings regarding the like product, we find that the "domestic industry" consists of those companies which produce chrome-plated and stainless steel capped lug nuts.

#### RELATED PARTIES

The related parties provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the 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 producers from the domestic industry "in appropriate circumstances." Application of the related parties provision is within the Commission's discretion based upon the facts presented in each case.<sup>45</sup>

The Commission generally applies a two-step analysis in determining whether to exclude a domestic producer from the domestic industry under the related parties provision. The Commission considers first whether the company qualifies as a related party under section 771(4)(B), and second whether in view of the producer's related status there are "appropriate circumstances" for excluding the company in question from the definition of the domestic industry.<sup>46</sup> The related parties provision may be employed to avoid any distortion in the aggregate data bearing on the condition of the domestic industry that might

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<sup>45</sup> *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (CIT)(1987).

<sup>46</sup> See, e.g., *Digital Readout Systems and Subassemblies Thereof from Japan*, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (1989) at 15.

result from including related parties whose operations are shielded from the effects of the subject imports.<sup>47</sup>

The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include:

- (1) the percentage of domestic production attributable to related producers;
- (2) the reason why importing producers choose to import the articles under investigation (viz., whether they import in order to benefit from the unfair trade practice or in order simply to be able to compete in the domestic market); and
- (3) the competitive position of the related domestic producer vis-a-vis other domestic producers.<sup>48</sup>

The Commission has also considered whether the primary interests of the related producers lie in domestic production or in importation.<sup>49</sup>

Petitioner acknowledges that it is a "related party" because of its affiliation with Auto Tech, a domestic importer of chrome-plated lug nuts from Taiwan. However, petitioner argues its data as a U.S. producer should not be excluded because Auto Tech's sales of imported chrome-plated lug nuts only constituted an average of 6 percent of its lug nut sales over the past three years. Petitioner also asserts that it caused Auto Tech to purchase these lug nuts in order to compete with Taiwanese lug nuts being sold for prices lower

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<sup>47</sup> Granular Polytetrafluoroethylene Resin from Italy and Japan, Invs. Nos. 731-TA-385 and 386 (Preliminary), USITC Pub. 2043 (1987) at 9.

<sup>48</sup> See, e.g., Thermostatically Controlled Appliance Plugs and Internal Probe Thermostats Therefor from Canada, Japan, Malaysia and Taiwan, Invs. Nos. 701-TA-292, 731-TA-400, 402-404 (Final), USITC Pub. 2152 (1989); Granular Polytetrafluoroethylene Resin from Italy and Japan, Invs. No. 731-TA-385-386 (Final), USITC Pub. 2112 (1988); Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

<sup>49</sup> See, e.g., Rock Salt from Canada, Inv. No. 731-TA-239, USITC Pub. 1798 (1986) at 12.

than petitioner could make comparable lug nuts. Respondents argue that petitioner should be excluded because its imports have shielded it from the effects of respondents' imports.<sup>50</sup>

There is little doubt that the primary aspect of petitioner's business is manufacturing chrome-plated lug nuts in the United States, not importing. In 1989, petitioner accounted for a significant percentage of the U.S. domestic production of chrome-plated lug nuts.<sup>51</sup> Given this fact, exclusion of petitioner from the domestic industry would seriously skew the data.

Moreover, there is no evidence on the record that petitioner has benefitted extensively from importation by its affiliate Auto Tech. These imports only accounted for 6 percent of its total lug nut sales. Petitioner's president testified that petitioner "did not benefit at all" from the imports because it had not been able to sell many of the imported lug nuts because of poor quality and delivery, and that there had been extensive administrative problems in dealing with the imports.<sup>52</sup>

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<sup>50</sup> Respondents also point to a facsimile dated December 14, 1989 from petitioner's president to a representative of a Taiwanese member of the Coalition in which he suggests that petitioner will stop producing chrome-plated lug nuts in the future and purchase all of its needs from the Taiwanese company. Respondents' exhibit 1 to the Preliminary Conference. Respondents assert that this facsimile indicates petitioner's "intention to shield itself completely from imports by sourcing from Taiwan" and constitute an "appropriate circumstance under the law for the exclusion of [petitioner] from the domestic industry." Petitioner claims that nothing ever came of the facsimile and that he has stopped importing chrome-plated lug nuts as of April 1990.

<sup>51</sup> Report at A-7.

<sup>52</sup> Tr. at 43-44. Finally, while the facsimile cited by respondents indicates that petitioner may have at one time considered eliminating its domestic U.S. production of chrome-plated lug nuts, petitioner now claims that it has stopped importing and decided to "fight" the imports. While we do not wish to suggest approval of petitioner's intent from the facsimile to "capture the entire market" and restrict a major chrome-plated lug nuts producer from

(continued...)

Based on the foregoing, we hold that the petitioner's data are not excluded from the domestic industry.

#### CONDITION OF THE DOMESTIC INDUSTRY<sup>53</sup>

In a preliminary investigation, we consider whether there is a "reasonable indication" that the domestic industry is materially injured by reason of the subject imports.<sup>54</sup> In applying the "reasonable indication" of material injury standard, the Commission weighs the evidence before it 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."<sup>55</sup> The Commission should consider all relevant factors and conditions of trade in making its

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<sup>52</sup>(...continued)

selling to anyone but petitioner, we believe that the facsimile does not constitute a basis to find an "appropriate circumstance." There is nothing in the language of Title VII which prevents a domestic producer from attempting to stay alive economically by importing - indeed, the statute anticipates that such importing may be necessary to survive.

<sup>53</sup> Acting Chairman Brunsdale joins in this discussion of the condition of the domestic industry. However, she does not reach a separate legal conclusion regarding the presence or absence of material injury based on this information. While she does not believe an independent determination is either required by the statute or useful, she finds 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).

<sup>54</sup> 19 U.S.C. §§ 1673b(a).

<sup>55</sup> American Lamb, 785 F.2d at 1001.



determination.<sup>56</sup> Commission determinations are not precedent, and rest on the record of each investigation.<sup>57</sup>

"Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."<sup>58</sup> The statute sets forth specific factors for the Commission to consider in assessing material injury, including apparent domestic consumption, U.S. production, capacity and capacity utilization, shipments, market share, inventories, employment, and financial performance, among others.<sup>59</sup> No one factor is determinative,<sup>60</sup> and the Commission may consider other economic factors relevant to analyzing the industry in question, as long as it identifies such factors and explains their relevance.<sup>61</sup>

The evidence in the record focuses primarily on domestic production of chrome-plated lug nuts, not on stainless steel capped lug nuts. We find that the data regarding chrome-plated lug nuts and the limited data involving stainless steel lug nuts obtained by the Commission provide a reasonable indication that the industry is suffering material injury.

Production of chrome-plated lug nuts fell 15 percent in quantity terms between 1987 and 1989, and declined 31 percent in the interim periods (between

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<sup>56</sup> 19 U.S.C. § 1677(7)(C)(iii) (Supp. 1989).

<sup>57</sup> *Citrosuco Paulista v. United States*, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade (1988)).

<sup>58</sup> 19 U.S.C. § 1677(7)(A).

<sup>59</sup> The Commission must consider (I) the volume of imports, (II) the effect of imports on prices in the United States for like products, and (III) the impact of imports on domestic producers of like products. 19 U.S.C. § 1677(7)(B). The Commission must explain its analysis of volume, price effect, and impact of imports. *Id.*

<sup>60</sup> 19 U.S.C. § 1677(7)(E)(ii).

<sup>61</sup> 19 U.S.C. § 1677(7)(B).

January - September 1989 and January - September 1990).<sup>62</sup> While capacity increased slightly during the investigation period, capacity utilization decreased during 1987-89, and fell 23 percent between the interim periods.<sup>63</sup>

Domestic shipments declined by 14 percent in quantity and 3 percent in value during 1987-89, then dropped by 21 percent and 15 percent respectively between the interim periods.<sup>64</sup> However, the unit value of domestic shipments increased by 13 percent during 1987-89, and by 8 percent between the interim periods.<sup>65</sup> U.S. producers' end-of-period inventories swelled by 36 percent during 1987-89, but declined by 32 percent between the interim periods.<sup>66</sup> The number of production and related workers producing chrome-plated lug nuts fell between 1987 and 1989, and showed a 16 percent decrease in the interim comparison.<sup>67</sup> Wages paid and total compensation also declined in 1987-1989 and declined 14 percent between the interim periods.<sup>68</sup> However, hourly wages paid increased in 1987-89 and again by 13 percent in the interim period.<sup>69</sup> Productivity rose between 1987 and 1989, before falling 11 percent between the interim periods.<sup>70</sup>

The limited data collected from domestic producers of stainless steel capped nuts, when combined with the data on chrome-plated nuts, also provide a

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<sup>62</sup> Report at A-9, Table 3.

<sup>63</sup> Id. at A-9.

<sup>64</sup> Id. at A-9.

<sup>65</sup> Id.

<sup>66</sup> Id. at A-10.

<sup>67</sup> Id.

<sup>68</sup> Id.

<sup>69</sup> Id.

<sup>70</sup> Id.

reasonable indication that the domestic industry consisting of both types of lug nut producers is experiencing material injury.<sup>71</sup> In quantity terms, combined domestic shipments of both types of lug nuts increased 3 percent between 1987 and 1989, but fell 11 percent in the interim period of the investigations.<sup>72</sup> In value terms, domestic shipments rose 8 percent in 1987-89, before falling 8 percent in the interim periods. Further, we note that certain stainless steel capped lug nut producers claim that they are being injured by chrome-plated lug nuts from Taiwan and the PRC.<sup>73</sup>

The absence of significant data from producers of stainless steel capped nuts also warrants continuation of these investigations. The stainless steel lug nut industry represents considerably more than half of the total stainless steel/chrome-plated lug nut like product industry. For this significant portion of the like product industry, we presently do not have information regarding the financial condition, employment, wages, capacity utilization, inventories or other information vital to our determination of the condition of the domestic industry. Under the standard of American Lamb, there is a likelihood that such information from the stainless steel producers supporting a finding of material injury will arise in the final investigations.

In sum, we find that, under the American Lamb standard for preliminary determinations, there is a reasonable indication that the domestic industry is experiencing material injury.

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<sup>71</sup> During the final investigations, the Commission will seek more complete data on the entire domestic industry as we have defined it. With the benefit of these data, a comprehensive examination of the question of material injury and material injury by reason of LTFV imports will be conducted.

<sup>72</sup> Report at A-38, Table 4a.

<sup>73</sup> Id. at A-7.

**CUMULATION**

The Commission is required to assess cumulatively the volume and price effect of imports from two or more countries of like products subject to investigation if such imports compete with one another and with the like product of the domestic industry in the United States market.<sup>74</sup> The only cumulation issue presented by these investigations is whether the imports from Taiwan and the PRC compete with each other and the domestic like product. In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.<sup>75</sup>

While no single factor is determinative, and the list of factors is not exclusive, these factors provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.<sup>76</sup>

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<sup>74</sup> 19 U.S.C. § 1677(7)(C)(iv).

<sup>75</sup> See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278 through 280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

<sup>76</sup> See Wieland Werke, AG v. United States, 718 F.Supp. 50 (Ct. Int'l Trade 1989); Granges Metallverken AB v. United States, 716 F.Supp. 17 (Ct. Int'l Trade 1989).  
(continued...)

Respondents do not contest petitioner's assertion that cumulation is appropriate because imports of chrome-plated lug nuts from Taiwan and the PRC are both under investigation and compete with each other and the domestic chrome-plated lug nuts. Petitioner further notes that there is no dispute that the imported products and the domestic like products are marketed within a reasonably coincident period. We agree with petitioner and find it appropriate to cumulate imports of chrome-plated lug nuts from Taiwan and the PRC.

#### **MATERIAL INJURY BY REASON OF LTFV IMPORTS**

The Commission must determine whether there is a reasonable indication that an industry in the United States is materially injured by reason of the alleged LTFV imports that are subject to investigation.<sup>77</sup> In making this determination, the Commission may consider information demonstrating possible alternative causes of injury to the domestic industry.<sup>78</sup> However, the Commission may not weigh causes.<sup>79</sup> It is sufficient to support an affirmative determination that the imports under investigation contribute to the domestic industry's materially injured condition.<sup>80 81</sup>

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<sup>76</sup>(...continued)

Trade 1989); *Florex v. United States*, 705 F.Supp. 582 (Ct. Int'l Trade 1989).

<sup>77</sup> 19 U.S.C. § 1673b(a).

<sup>78</sup> See S. Rep. No. 249, 96th Cong., 1st Sess. 58 (1979).

<sup>79</sup> See id. at 57-58, 75; *Hercules, Inc. v. United States*, 673 F. Supp. 454, 481-82 (CIT 1987).

<sup>80</sup> See e.g. *Copperweld Corp. v. United States*, 682 F. Supp. 552 (CIT 1988).

<sup>81</sup> Acting 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-material-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 discussion of this issue, see *Certain Telephone Systems and Subassemblies Thereof from* (continued...)

In quantity terms, the share of total consumption of chrome-plated and stainless steel lug nuts accounted for by imports under investigation increased significantly during 1987-89. This trend continued to a lesser extent in the interim comparison. The market share increases were similar in value terms during 1987-89 and the interim periods.<sup>82 83</sup> The subject imports increased considerably in quantity in 1987-89 and to a lesser extent in the interim, even though apparent U.S. consumption remained essentially the same.<sup>84</sup> Inventories of imported chrome-plated lug nuts more than doubled from 1987 to 1989, and increased 70 percent in the interim periods.<sup>85</sup> We hold that this evidence of volume trends supports a finding that a reasonable indication of material injury by reason of alleged LTFV imports exists.<sup>86 87</sup>

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<sup>81</sup>(...continued)

Japan and Taiwan, Invs. Nos. 731-TA-426 and 428 (Final), USITC Pub. 2237 (November 1989) at 147-248 and particularly 228-48 (Dissenting Views of Vice Chairman Ronald A. Cass).

<sup>82</sup> Report at A-38, Table 16a.

<sup>83</sup> Acting Chairman Brunsdale notes that the subject imports accounted for a substantial share of total consumption of chrome-plated and stainless steel lug nuts. (*Id.*) This fact combined with the apparent substitutability between domestic and imported lug nuts (*Id.* at A-23), the inelastic demand for lug nuts noted by Commission Lodwick in note 87 *infra*, and the allegations that the dumping margins ranged from 73 to 91 percent on imports from Taiwan and are equal to 154 percent on imports from the PRC (Report at A-2) are the most important factors in her decision that there is a reasonable indication of material injury.

<sup>84</sup> *Id.* at A-20.

<sup>85</sup> *Id.* at A-17, Table 12.

<sup>86</sup> The pricing data for three selected products set forth in the Report at A-23-24 do not clearly demonstrate the presence of price underselling by the subject imports. However, we find that the limited pricing data available does not offer clear and convincing evidence refuting the existence of material injury by reason of LTFV imports. *American Lamb*, 785 F.2d at 1001. The final investigations should involve the attempt to obtain pricing data regarding such issues as the price premium for case-hardened nuts, actual examples of underselling of either chrome-plated or stainless steel lug nuts, and examples of lost sales or lost revenue..

As we have previously discussed, there is limited information regarding the impact of the subject imports on stainless steel capped lug nut production. For example, there is no information on underselling, price suppression, or other pricing information concerning stainless steel lug nuts. Nor is there evidence concerning lost sales or lost revenue by stainless steel producers due to the subject imports. Accordingly, given the requirements of American Lamb, we determine that there is a reasonable indication that the alleged LTFV imports have caused material injury to the domestic industry.<sup>88</sup>

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<sup>87</sup>(...continued)

<sup>87</sup> Commissioner Lodwick notes that the cumulated subject import penetration level is significant (Table 16a) and that the parties agree that the imports and domestic product are generally close substitutes (Report at A-22). Given that lug nut prices are small in comparison to the price of an automobile or even a decorative wheel, and that there are no substitutes for lug nuts, demand should not be sensitive to changes in prices. These conditions suggest that the alleged LTFV imports would have greater effects on both prices and output of the domestic industry, supporting the finding of a reasonable indication of material injury by reason of the alleged LTFV imports. Commissioner Lodwick will further explore the market characteristics, especially the marketing of both chrome and stainless steel lug nuts to both the OEM and the aftermarket, in the event of final investigations.

<sup>88</sup> Respondents argue that the domestic industry is simply suffering from a downturn in the general economy. With regard to the particular injury experienced by Petitioner, respondents argue that petitioner has created its own problems through production of low quality nuts and poor marketing. In the event of final investigations, we will examine the possibility that any such alternative causes are responsible for material injury to the entire domestic industry.





## INFORMATION OBTAINED IN THE INVESTIGATIONS

### Introduction

On November 1, 1990, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by Consolidated International Automotive, Inc. (CIA), Los Angeles, CA. The petitioner alleges that an industry in the United States is materially injured, or threatened with material injury, by reason of imports from the People's Republic of China (PRC) and Taiwan of chrome-plated lug nuts that are being sold at less than fair value (LTFV).<sup>1</sup> Accordingly, effective November 1, 1990, the Commission instituted investigations Nos. 731-TA-474-475 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) 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 imports of such merchandise.

The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition or, in this case, by December 17, 1990. Notice of the institution of the Commission's preliminary investigations, and of the 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 on November 6, 1990 (55 F.R. 46778).<sup>2</sup> Commerce published its notice of initiation in the Federal Register of November 29, 1990 (55 F.R. 49548). The Commission held a public conference on November 21, 1990, at which time all interested parties were allowed to present information and data for consideration by the Commission.<sup>3</sup> The Commission voted on these investigations on December 12, 1990.

### The Nature and Extent of Alleged Sales at LTFV

In comparing U.S. prices with foreign market values, the petitioner alleges that chrome-plated lug nuts from the PRC are being sold in the United States at an LTFV margin of 154 percent. The petitioner alleges that chrome-plated lug nuts from Taiwan are being sold in the United States at LTFV margins ranging from 73 to 91 percent. These margins were calculated by comparing the U.S. purchase price or the exporters' sales price (based on price quotes and sales invoices), less adjustments, with the foreign market values derived from constructed values, less adjustments.

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<sup>1</sup> For purposes of these investigations, the term "chrome-plated lug nuts" refers to chrome-plated lug nuts, either "one-piece" style or "two-piece" style, which are used for securing wheels onto cars, vans, trucks, utility vehicles, and trailers. Chrome-plated lock nuts are not included in the subject product. The subject lug nuts are primarily 3/4" to 1-1/8" hexagonal nuts, although the sizes may also be described in metric measurements. Most chrome-plated lug nuts are made from steel and, prior to plating, must have a polished surface. Such nuts are provided for in subheading 7318.16.00 of the Harmonized Tariff Schedule of the United States.

<sup>2</sup> Copies of cited Federal Register notices are presented in app. A.

<sup>3</sup> A list of witnesses who appeared at the conference is presented in app. B.

## The Product

### Description and uses

Chrome-plated lug nuts are decorative wheel nuts manufactured from steel with a chrome-plated finish. There are two basic styles of chrome-plated lug nuts: the one-piece nut and the two-piece nut (see fig. 1). The one-piece nut can have either a closed or open hexagonal-shaped head, and either a "shank/mag" or "conical nose/acorn" shaped seat. The two-piece nut features a stamped steel cap, attached to an open hexagonal-shaped head, and a shank/mag or conical nose/acorn-shaped seat.

There are no significant differences between the imported and domestically produced product, although there are differences in style emphasis among the U.S., Chinese, and Taiwan nuts. Most of the imported Taiwan lug nuts are two-piece style, most of the Chinese imports are one-piece style, and the U.S. nuts are evenly divided between one-piece and two-piece styles.

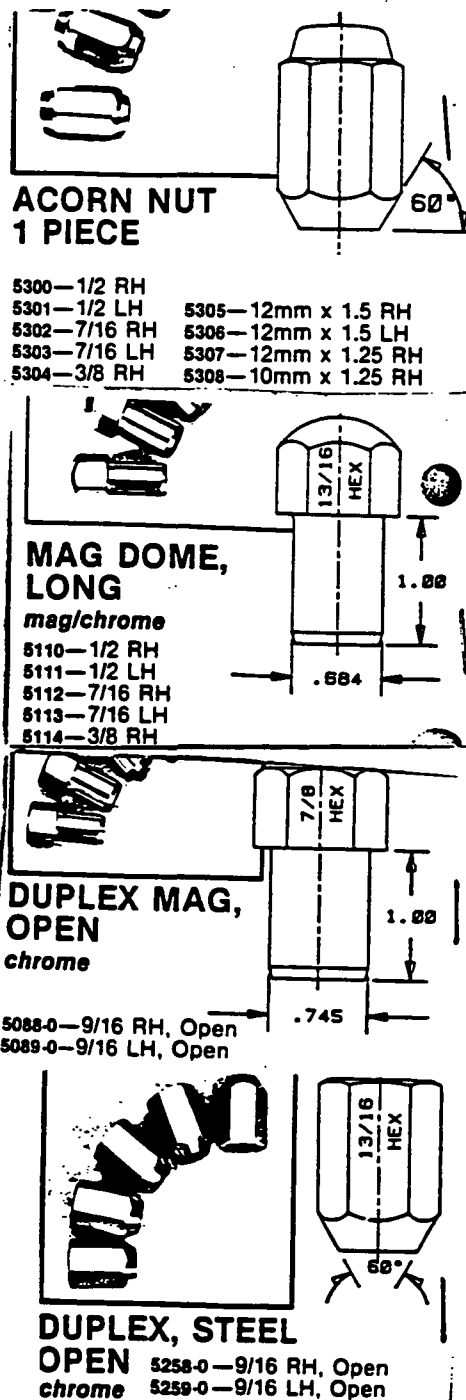
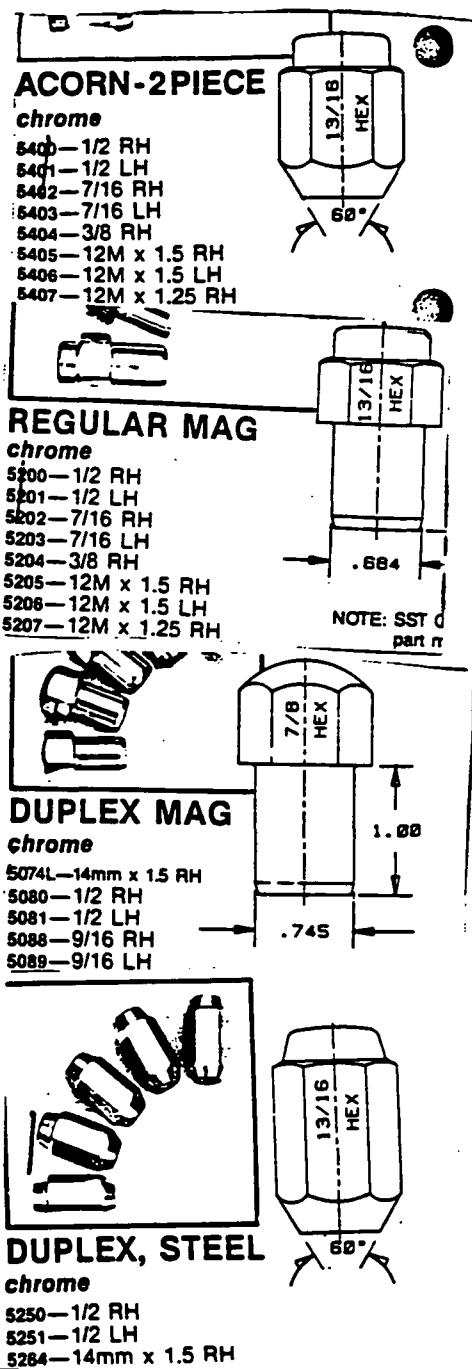
Chrome-plated lug nuts are available in two basic categories: for passenger cars and trucks or vans. There is some overlap in end uses between these categories. Within the two basic categories are many variations in size, in terms of the hex diameter, thread size, and length of the nut. Lug nuts may also be "case hardened" or heat treated for extra strength or hardness.

Again, there are no significant differences between the imported and domestically produced product, although there are slight differences in category emphasis among the U.S., Chinese, and Taiwan nuts. Ninety percent of the imported Taiwan nuts are for passenger cars, whereas \* \* \* percent of the imported nuts from the PRC are for passenger cars, and only 75 percent of the domestically produced nuts fall into the passenger car category. Whereas most of the Taiwan lug nuts are case hardened, most of the U.S.-produced nuts and virtually all of the Chinese nuts are not heat treated.

Chrome-plated lug nuts are used to secure wheels onto passenger cars, trucks, vans, utility vehicles, trailers, and mobile homes. They are mostly found on decorative chrome, steel, or aluminum wheels and are sold either in the aftermarket for custom wheels that consumers buy to "customize" their vehicles, or to original equipment manufacturers (OEMs) for use on new vehicles. Chrome-plated lug nuts are "exposed" or visible on the decorative wheel, which does not have a hubcap.

Depending on the size and type of wheel, the number of lug nuts per wheel ranges from 4 to 8, and the number of wheels per vehicle ranges from 4 to 18. Typically, there is one chrome-plated lock nut on each wheel as a theft-prevention device. Chrome-plated lock nuts are not subject to these investigations.

Figure 1:  
Chrome-plated lug nut assortment



Source: Sales brochure of CIA.

### Manufacturing process

The manufacturing process for chrome-plated lug nuts differs according to style of nut (one-piece or two-piece) and hardness, and, to some degree, by national origin. However, despite the variations in manufacturing process, all chrome-plated lug nuts perform the same end use.

Domestically produced one-piece nuts are manufactured using a 6-spindle automatic screw machine, fed by leaded, cold-finished, hexagonal steel bar stock (12L14). The screw machine performs the following metal-forming operations to form the metal lug nut: blanking, rough forming, shaving, tapping (threading), and cutting. Following the metal forming, the lug nuts are cleaned by a barrel machine containing caustic soap solution, which rids them of metal scraps and oil residue. Next, the lug nuts are polished using an automatic metal-grinding conveyer machine to smooth out the surface and provide better adhesion for the plating process. After polishing, the lug nuts are manually loaded onto dipping racks, and the racks are placed on automatic conveyers that dip them into vats containing various nickel and chromium solutions. The plating material is about 95 percent nickel and about 5 percent chromium. The chrome-plated lug nuts are then loaded into cardboard boxes for shipping.

The domestic-manufactured two-piece nuts are formed on an automatic progressive-heading machine, which has six stations performing blanking, rough forming, and piercing operations. The header is fed by cold-heading quality steel wire (1010). After the heading operations, the nuts are transferred to a bent-shank tapping machine for threading. They are then cleaned with a caustic soap solution. Meanwhile, the caps are manufactured on an automatic punch press from thin carbon steel strip, after which they are cleaned in a caustic soap solution. The caps and nuts are then assembled on a press and transferred to plating racks. From then on the manufacturing process is identical to that for the one-piece nut.

The domestically-produced case-hardened or heat-treated chrome-plated lug nuts are manufactured on screw machines using heat-treatable alloy steel bar stock. \* \* \*. They are then cleaned and loaded into a vacuum heat-treatment furnace for hardening, after which they are again cleaned in a caustic solution. The lug nuts are then sent through a tempering furnace, which improves the ductility of the steel. Next, the lug nuts are polished in vibratory tumblers and the heads are polished on an automatic metal-grinding conveyer machine. The nuts are then loaded onto racks for chrome plating, after which they are heat treated once again. Finally they are loaded into bubble packs for shipment.

The manufacturing process for the one-piece chrome-plated lug nut in the PRC involves the use of automatic lathes (instead of automatic screw machines as in the United States) to form the metal parts from steel. Instead of using one machine with six stations, the Chinese process uses six automatic lathes for metal forming. The remainder of the manufacturing process in the PRC is similar to the process used in the United States. The process for manufacturing two-piece lug nuts in Taiwan and in the PRC is very similar to the U.S. process, except that most Taiwan two-piece lug nuts are case hardened, whereas only one producer in the United States uses heat treatment, and then only for one-piece nuts.

### Substitute products

Both chrome-plated and stainless steel-capped lug nuts perform the same function and are used on decorative custom wheels without hubcaps. They are both exposed or visible on the wheel. Both have a shiny luster finish although the chrome-plated nuts have a more brilliant finish than the stainless steel nuts. Although there are a number of U.S. producers of chrome-plated lug nuts that do not manufacture stainless steel-capped lug nuts, all producers of the stainless steel nuts also produce chrome-plated nuts. While the channels of distribution overlap to some extent, stainless steel nuts are sold primarily to OEMs, whereas chrome-plated nuts are sold primarily to wholesalers and distributors. The manufacturing processes and prices of stainless steel nuts and chrome-plated nuts are similar.

The Commission was unable to obtain detailed data regarding the condition of the stainless steel nut industry. \* \* \*. Accordingly, the Commission's questionnaire requested information primarily on chrome-plated lug nuts. While talking to questionnaire respondents, the issue of stainless steel lug nuts as a potential like product was raised. The Commission staff then contacted all known producers of stainless steel nuts for data. Available data concerning U.S. domestic shipments and average unit values from one producer, accounting for \* \* \* of stainless steel lug nut production, are presented in appendix C. No importers of stainless steel lug nuts were discovered during these investigations.

Black anodized lug nuts or black chrome lug nuts are also used on decorative wheels. Black nuts are sold to both the OEM and aftermarket, but constitute a very small percentage \* \* \* of the OEM and aftermarket. Black nuts are manufactured using the same basic manufacturing process as other chrome-plated lug nuts, although the black chrome application process is different. Retail prices for black nuts are similar to chrome-plated nuts. Data for imports of black chrome nuts are included with data for all chrome-plated nuts. There are no known U.S. producers of black chrome nuts.

The zinc-plated standard wheel nut used on standard wheels with hubcaps by OEMs is also used to secure wheels onto vehicles. However, the zinc-plated standard nut is designed to be concealed beneath a hubcap on a standard steel wheel, which explains its dull appearance. Chrome-plated and stainless steel lug nuts are designed to be exposed on custom steel, aluminum, or chrome wheels. Zinc-plated and chrome-plated nuts are produced by different companies, are sold in different channels of distribution, have different prices, and are perceived by consumers to be two different products.

### U.S. tariff treatment

Chrome-plated lug nuts are provided for in subheading 7318.16.00 of the Harmonized Tariff Schedule of the United States (HTS).<sup>4</sup> These products were previously provided for in item 646.56 of the former Tariff Schedules of the United States. The column 1-general rate of duty under this HTS subheading,

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<sup>4</sup> The HTS replaced the previous Tariff Schedules of the United States effective Jan. 1, 1989. Chapters 1 through 97 are based upon the internationally-adopted Harmonized Commodity Description and Coding System through the six-digit level of the product description, with additional U.S. product subdivisions at the eight-digit level.

for products of countries entitled to most-favored-nation status (MFN) (including the PRC and Taiwan), is 0.2 percent ad valorem.<sup>5</sup>

### The U.S. Industry

#### U.S. producers

There are six current producers of chrome-plated lug nuts and one former producer in the United States. Five firms supplied usable data for these investigations. The producers' names, the location of their facilities, their market shares, and positions on the petition are presented in table 1. Three of the producers are in the Midwest, supplying the OEM market; three are in California, supplying the aftermarket; and one is in New York, supplying both the aftermarket and the OEM market.

The petitioner, Consolidated International Automotive, Inc. (CIA), also imports chrome-plated lug nuts from the PRC. In 1989, the ratio of its imports of Chinese lug nuts to its total U.S. shipments of both domestic and imported chrome-plated lug nuts was \* \* \*. Its imports accounted for \* \* \* of total imports from the PRC in 1989. Its reported reason for importing lug nuts from the PRC was to round out its product line; it ceased imports in April 1990.

Two of the three Midwest firms, Horizon and Key Manufacturing, also produce stainless steel-capped lug nuts. Horizon has only produced stainless steel-capped nuts in the last 2 years. It claims injury to its stainless steel lug nut business due to offshore production of lug nuts.<sup>6</sup> Only one firm, Key Manufacturing, supplied data on its stainless steel operations, which are presented in appendix C. It accounts for \* \* \* of domestic shipments of stainless steel capped lug nuts.

McGard, Inc. produces heat-treated chrome-plated lug nuts and chrome-plated lock nuts for the aftermarket, specializing in racing applications. \* \* \*. The McGard lug nuts are completely interchangeable with CIA's and the imported Chinese and Taiwan lug nuts.

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<sup>5</sup> 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 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.

<sup>6</sup> \* \* \*.

Table 1

Chrome-plated lug nuts: U.S. producers, plant locations, estimated shares of domestic shipments in 1989, and position on petition, by firms

<u>Firm</u>	<u>Plant location</u>	<u>Share of shipments<sup>1</sup></u> <u>Percent</u>	<u>Position on petition</u>
A & A Screw Products	South Elmonte, CA	***	***
CIA	Los Angeles, CA	***	***
Franzco	Garden Grove, CA	***	***
Horizon Fabricating	Romulus, MI	***	***
Huron	Lexington, MI	***	***
Key Manufacturing Group	Royal Oak, MI	***	***
McGard	Orchard Park, NY	***	***
Total		***	

<sup>1</sup> Share of total reported 1989 domestic shipments in terms of units.

<sup>2</sup> \* \* \*.

<sup>3</sup> \* \* \*.

<sup>4</sup> \* \* \*.

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

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

#### U.S. importers

There are 15 known importers of chrome-plated lug nuts from the PRC and Taiwan (2 import from both countries, 6 import from the PRC only, and 7 import from Taiwan only). Fourteen firms supplied usable data for these investigations, accounting for \* \* \* of total imports of the subject product from the PRC and virtually 100 percent of total imports from Taiwan. Their names, the location of their facilities, the country of origin of their imports, and the share of total imports of Chinese and Taiwan lug nuts are presented in table 2.

One importer is in New York, and the other 14 are all concentrated in the southern California region. Sales of imports are made throughout the United States.

Table 2

Chrome-plated lug nuts: U.S. importers, location of operations, country of origin of imports, and share of imports from the PRC and Taiwan in 1989, by firms

<u>Item</u>	<u>Location of operations</u>	<u>Country of origin of imports</u>	<u>Share of imports<sup>1</sup> Percent</u>
American Accessories (Gorilla Automotive)	Los Angeles, CA	***	***
Auto Tech Industries <sup>2</sup>	Los Angeles, CA	***	***
Coyote Enterprises	Anaheim, CA	***	***
C.Y. International	San Gabriel, CA	***	***
Hi Tech Accessories	Corona, CA	***	***
Krossdale Accessories	Gardena, CA	***	***
Make Waves Instruments	Williamsville, NY	***	***
Mensa Auto Products			
The Wheel Doctor	Carson, CA	***	***
Rocket Industries	Pico Rivera, CA	***	***
San Chien Int'l Industrial, Inc.	Claremont, CA	***	***
Superior Industries	Van Nuys, CA	***	***
Trade Union Int'l	Ontario, CA	***	***
Westside Automotive	Bell, CA	***	***
Wheelmate Products	Santa Fe Springs, CA	***	***
White Knight Wheel Accessories	Chino, CA	***	***
Total			***

<sup>1</sup> Share of 1989 total reported imports from the PRC and Taiwan, in terms of units.

<sup>2</sup> Firm owned by petitioner. Both CIA and Auto Tech share common ownership and the same shipping and inventory facilities.

<sup>3</sup> \* \* \*.

<sup>4</sup> \* \* \*.

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

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

#### Channels of Distribution

Chrome-plated lug nuts are sold through various channels of distribution. The majority of both U.S.-produced and imported lug nuts are sold to wholesalers/distributors who then sell the lug nuts to tire stores, chain automotive stores, and jobbers. A smaller percentage are sold directly from the producer or importers to the tire or chain automotive stores. A still smaller amount of domestic or imported chrome-plated lug nuts are sold directly to OEMs.<sup>7</sup>

<sup>7</sup> In general, producers and importers that sell to the OEM market tend not to sell in the aftermarket (and vice versa).



Consideration of Alleged Material Injury  
to an Industry in the United States<sup>8</sup>

U.S. production, capacity, and capacity utilization

Capacity remained steady during 1987-89, and increased by about 3 percent from interim 1989 to interim 1990, as presented in table 3.

Table 3

Chrome-plated lug nuts: U.S. average-of-period capacity,<sup>1</sup> production, and capacity utilization, 1987-89, January-September 1989, and January-September 1990

Item	1987	1988	1989	January-September--	
				1989	1990
Capacity (1,000 nuts)....	***	30,173	30,173	22,725	23,377
Production (1,000 nuts) ..	21,313	17,773	18,187	15,357	10,525
Capacity utilization (percent).....	***	58.9	60.3	67.6	45.0

<sup>1</sup> Based on operating 24-50 hours per week, 48-52 weeks per year.

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

The increase in capacity in 1990 is attributable to \* \* \*.

Production decreased by 17 percent between 1987 and 1988, then increased by 2 percent between 1988 and 1989, for an overall decrease of about 15 percent from 1987 to 1989. Production decreased by 31 percent between the interim periods. \* \* \*.

Capacity utilization decreased by about \* \* \* percentage points between 1987 and 1988, then increased by about 1 percentage point between 1988 and 1989. Capacity utilization decreased by about 23 percentage points between the interim periods. \* \* \*.

U.S. producers' domestic shipments

The quantity of domestic shipments between 1987 and 1988 decreased by about 17 percent, and then increased by about 4 percent between 1988 and 1989, for an overall decrease of about 14 percent from 1987 to 1989 (table 4). The quantity of domestic shipments decreased by 21 percent between the interim periods. \* \* \*.

<sup>8</sup> The data presented in this section account for virtually 100 percent of total U.S. production of chrome-plated lug nuts.

Table 4

Chrome-plated lug nuts: Domestic shipments of U.S. producers, 1987-89, January-September 1989, and January-September 1990

\*            \*            \*            \*            \*            \*            \*

The value of domestic shipments decreased by 4 percent from 1987 to 1988, and then increased by about 1 percent between 1988 and 1989, for an overall decrease of 3 percent during 1987-89. The value of domestic shipments decreased by 15 percent between the interim periods. \* \* \*.

The unit value of domestic shipments increased by 16 percent from 1987 to 1988, and then decreased by 3 percent from 1988 to 1989, for an overall increase of 13 percent during 1987-89. The unit value of domestic shipments increased by 8 percent between the interim periods. The increase in unit value is attributable to \* \* \*.

There were no company transfers or export shipments by the U.S. industry during the period of investigation. A breakout of domestic shipments in 1989 by category and style is presented in the following tabulation:

<u>Category/style</u>	<u>Percent of domestic shipments</u>
Passenger car:	
Conical nose/acorn:	
One-piece.....	29.6
Two-piece.....	<u>29.9</u>
Total.....	59.5
Shank/mag:	
Open head.....	0.2
Closed head.....	15.5
Two-piece.....	<u>0.0</u>
Total.....	15.7
Truck/van:	
Conical nose/acorn:	
Open head.....	0.0
Closed head.....	<u>22.2</u>
Total.....	22.2
Shank/mag:	
Open head.....	0.0
Closed head.....	<u>2.1</u>
Total.....	2.1
Miscellaneous nuts.....	<u>0.4</u>
Total.....	100.0

#### U.S. producers' inventories

U.S. producers' end-of-period inventories increased by 36 percent during 1987-89, as presented in table 5. Inventories declined by 32 percent between the interim periods. The ratio of inventories to shipments increased by almost 7 percentage points from 1987 to 1989, and decreased by roughly 8 percentage points between the interim periods.

Table 5

Chrome-plated lug nuts: U.S. producers' inventories, as of December 31 of 1987-89, and September 30 of 1989-90

\* \* \* \* \*

### Employment and productivity

The number of production and related workers producing chrome-plated lug nuts decreased by \* \* \* percent during 1987-89, as presented in table 6. The number of workers also declined between the interim periods, by 16 percent. Hours worked decreased by \* \* \* percent during 1987-89, and then decreased by 6 percent between the interim periods. Wages paid and total compensation paid decreased by \* \* \* percent during 1987-89, and then declined by 13-14 percent between the interim periods. Hourly wages paid increased by \* \* \* percent between 1987 and 1989, and then increased by 13 percent from interim 1989 to interim 1990. Productivity increased by \* \* \* percent during 1987-89, and then declined by 11 percent between the interim periods. Unit labor costs remained steady during 1987-89, and then increased by 25 percent between the interim periods.

Table 6

Chrome-plated lug nuts: Average number of production and related workers, hours worked,<sup>1</sup> wages and total compensation<sup>2</sup> paid, hourly wages, labor productivity, and unit labor costs, 1987-89, January-September 1989, and January-September 1990

Item	1987	1988	1989	January-September--	
				1989	1990
Number of production and related workers (PRWs)....	***	***	50	49	41
Hours worked by PRWs (thousands).....	***	***	103	78	73
Wages paid to PRWs (1,000 dollars).....	***	***	710	587	510
Total compensation paid to PRWs (1,000 dollars).....	***	***	747	615	527
Hourly wages paid to PRWs...	***	***	\$7.25	\$7.53	\$7.22
Productivity (nuts per hour).....	***	***	176.6	161.7	144.2
Unit labor costs (per nut).....	***	***	\$0.04	\$0.04	\$0.05

<sup>1</sup> Includes hours worked plus hours of paid leave time.

<sup>2</sup> Includes wages and contributions to Social Security and other employee benefits.

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

\* \* \* \* \*

### Financial experience of U.S. producers

Financial information was provided to the Commission by two producers, the petitioner, CIA, and Franzco, on their chrome-plated lug nut operations in addition to overall operations. These data, representing \* \* \* percent of 1989 shipments of chrome-plated lug nuts, are presented in this section. Financial data for the remaining firms (see table 1), accounting for the remainder (\* \* \* percent) of 1989 U.S. shipments, were not provided.

Overall establishment operations.--Income and loss data on the U.S. producers' overall establishment operations are presented in table 7. In addition to the product under investigation, CIA indicated in its questionnaire response that it also produces washers, inserts, and lock nuts. As a percentage of establishment net sales, its chrome-plated lug nuts represented \* \* \*. The respective percentages for Franzco were \* \* \*.

Table 7

Income and loss experience of U.S. producers on the overall operations of their establishments within which chrome-plated lug nuts are produced, accounting years 1987-89, January-September 1989, and January-September 1990

\* \* \* \* \*

Chrome-plated lug nuts.--Income and loss data for the U.S. producers' chrome-plated lug nut operations are presented in table 8. Financial ratio analysis of \* \* \* is presented on its overall establishment operations in the latter part of the financial section.

In cases such as this where the major producer is a sole proprietorship, the Commission is interested in the total compensation paid to the owner(s) in the form of salaries, bonuses, rents, etc. Mr. Mark Plumer, as owner, CEO, and President of CIA, received \* \* \* compensation from CIA as detailed in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990<sup>1</sup></u>
Salary.....	***	***	***	***
* * * * *				

Table 8

Income and loss experience of U.S. producers on their chrome-plated lug nut operations, accounting years 1987-89, January-September 1989, and January-September 1990

\* \* \* \* \*

Investment in productive facilities.--The value of property, plant, and equipment and total assets for the U.S. producers are presented in table 9.

Table 9

Value of property, plant, and equipment of U.S. producers of chrome-plated lug nuts, as of the end of accounting years 1987, 1988, and 1989, September 30, 1989, and September 30, 1990

\* \* \* \* \*

The majority of the property, plant, and equipment (PP&E) reported  
\* \* \*.

Capital expenditures.--The capital expenditures (all machinery and equipment) reported by the U.S. producers are presented in table 10.

Table 10

Capital expenditures of U.S. producers of chrome-plated lug nuts, 1987-89, January-September 1989, and January-September 1990

\* \* \* \* \*

Research and development expenses.--CIA's R&D expenses are presented in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Jan-Sept--</u> <u>1989</u>	<u>1990</u>
All products of establish- ment.....	***	***	***	***	***
Chrome-plated lug nuts.....	***	***	***	***	***

\* \* \*.

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of chrome-plated lug nuts from the subject countries on their existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix D.

Financial condition of CIA.--The balance sheets of CIA for the last 4 years are presented in table 11. \* \* \*.

\* \* \* \* \*

Table 11

Assets, liabilities, and shareholders' equity of CIA's U.S. establishment operations, as of October 31, 1987-90

\* \* \* \* \*

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Current ratio</u> .....	***	***	***	***

The current ratio is computed by dividing total current assets by total current liabilities. This ratio is a rough indicator of a firm's ability to

service its current obligations with current assets. Generally, the higher the current ratio, the greater the "cushion" between current obligations and a firm's ability to pay them. However, the composition and quality of current assets is a critical factor in the analysis of an individual firm's liquidity. \* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Quick ratio</u> .....	***	***	***	***

The quick ratio is computed by dividing the sum of cash, cash equivalents, and trade receivables by total current liabilities. This ratio is also known as the "acid test" ratio and is a more conservative measure of liquidity. The ratio expresses the degree to which a company's current liabilities are covered by the most liquid current assets. Generally, any value of less than 1 to 1 implies a reciprocal "dependency" on inventory, other current assets, or cash to liquidate short-term debt. \* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Receivable turnover</u> .....	***	***	***	***
Days.....	***	***	***	***

The receivable turnover is computed by dividing net sales by net trade receivables. This ratio measures the number of times trade receivables turn over during the year. The higher the turnover of receivables, the shorter the time between sale and cash collection. \* \* \*.

The days' sales in receivables are computed by dividing 365 by the receivable turnover. This figure expresses the average time in days that receivables are outstanding. Generally, the greater number of days outstanding, the greater the probability of delinquencies in accounts receivable. \* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Inventory turnover</u> .....	***	***	***	***
Days.....	***	***	***	***

The inventory turnover is computed by dividing the annual cost of sales by the yearend inventory. This ratio measures the number of times inventory is turned over during the year. Low values for the inventory turnover rate may indicate sluggish sales or too much inventory on hand, with resultant increases in inventory carrying costs. \* \* \*.

The division of the inventory ratio into 365 days yields the average length of time units are in inventory. \* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>Total debt (liabilities)</u> <u>to equity</u> .....	***	***	***	***

This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It expresses the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk assumed by creditors. A lower ratio generally indicates greater long-term financial safety. A firm with a low debt/worth ratio usually has greater flexibility to borrow in the future. A more highly leveraged company has a more limited debt capacity. \* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990<sup>1</sup></u>
<u>Net income before tax</u>				
<u>return on equity.....</u>	***	***	***	***

<sup>1</sup> Based on annualized 9 months income.

\* \* \*.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990<sup>1</sup></u>
<u>Net income before tax</u>				
<u>return on total assets.</u>	***	***	***	***

<sup>1</sup> Based on annualized 9 months income.

This ratio indicates management's effectiveness at using company assets to generate net income. \* \* \*.

In summary, the financial ratios \* \* \*.

#### 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<sup>9</sup>--

(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,

(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,

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<sup>9</sup> 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."

(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.<sup>10</sup>

The available 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 to an industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. The other threat factors are not applicable to these investigations.

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<sup>10</sup> 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."



U.S. importers' inventories

According to the data received from importers of Chinese lug nuts, end-of-period inventories more than doubled from 1987 to 1989, and then increased by 62 percent between the interim periods, as shown in table 12. As a ratio to imports, inventories decreased by 11 percentage points during 1987-89. The ratio of inventories to imports increased by 12 percentage points during the interim periods.

End-of-period inventories of Taiwan lug nuts increased by 75 percent during 1987-89, and then increased by 78 percent during the interim periods. As a ratio to imports, inventories decreased by 8 percentage points during 1987-89, and then increased by 8 percentage points between the interim periods.

Table 12

Chrome-plated lug nuts: Importers' inventories of Taiwan- and Chinese-produced material, as of December 31, 1987-89, and as of September 30, 1989-1990<sup>1</sup>

\* \* \* \* \*

Ability of foreign producers to generate exports and the availability of export markets other than the United States

Information supplied by counsel for the China National Machinery & Equipment Import & Export Corporation, Jiangsu Company Ltd. (CNMEC), is presented in table 13. CNMEC's data accounts for \* \* \* percent of Chinese production and exports to the United States. Data regarding additional Chinese producers or exporters are unavailable.<sup>11</sup>

Table 13

Chrome-plated lug nuts: Chinese capacity, production, and exports, 1987-89, January-September 1989, January-September 1990, and projected 1990-91

\* \* \* \* \*

Production is projected to increase \* \* \* from 1989 to 1990 and it is projected to remain constant from 1990 to 1991. Exports to the United States followed the same trend as production. \* \* \*. Estimated capacity utilization increased \* \* \* during 1987-89, and then decreased \* \* \* during the interim periods. \* \* \*.

There is a discrepancy between reported imports and reported exports from the PRC during 1987-89. CNMEC reported \* \* \*. There is no discrepancy between reported exports and imports during 1990 that cannot be accounted for by shipment lag time.

Information on the industry in Taiwan was supplied by counsel for San Shing Hardware Works Company, Ltd. and San Chien Electric Industrial Works, Ltd., and is presented in table 14.

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<sup>11</sup> The Commission has not yet received a reply to the telegram sent to the American Embassy in the PRC requesting such data.

Table 14

Chrome-plated lug nuts: Taiwan capacity, production, and exports, 1987-89, January-September 1989, January-September 1990, and projected 1990-91

\* \* \* \* \*

\* \* \*. Data regarding any additional Taiwan producers or exporters are unavailable.<sup>12</sup>

Taiwan's capacity increased by 50 percent from 1989 to 1990, and capacity is projected to increase by 11 percent from 1990 to 1991. Production increased by more than 100 percent during 1989-90, and is also projected to increase by 11 percent during 1990-91. Exports to the United States followed the same trend as production. \* \* \*. Capacity utilization increased by 26 percentage points during 1989-90, and is projected to remain the same in 1991. Inventory holdings were negligible.

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

##### Imports<sup>13</sup>

U.S. imports for consumption, total and from selected sources, are shown in table 15. The quantity of total imports decreased by 5 percent during 1987-88, and then increased by 21 percent between 1988 and 1989, for an overall increase of 16 percent during 1987-89, and then increased by another 15 percent between the interim periods. The value of total imports followed a similar trend. The average unit value of total imports increased by 13 percent during 1987-89. The average unit value decreased by 8 percent during the interim periods.

The quantity of imports from the PRC increased \* \* \* during 1987-89. The quantity of imports decreased \* \* \* between the interim periods. The value of imports followed a similar trend. The average unit value of Chinese imports increased \* \* \* during 1987-89. The average unit value remained the same during the interim periods.

The quantity of imports from Taiwan more than doubled during 1987-89. The quantity of imports increased by 41 percent between the interim periods. The value of imports followed a similar trend. The average unit value of imports from Taiwan increased by 45 percent during 1987-89. The average unit value decreased by 14 percent during the interim periods.

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<sup>12</sup> The Commission has not yet received a reply to the telegram sent to the American Institute requesting such data. The discrepancies between reported imports and reported exports indicate that there are more Taiwan producers/exporters not identified as yet. U.S. importers' reported imports exceeded reported exports from Taiwan in all periods, as can be seen by comparing table 15 with table 14.

<sup>13</sup> Data presented in this section are believed to account for 70 percent of imports from the PRC and virtually 100 percent of imports from Taiwan.

Table 15

Chrome-plated lug nuts: U.S. imports for consumption, by selected sources, 1987-89, January-September 1989, and January-September 1990

Source	1987	1988	1989	January-September-- 1989	1990
Quantity (1,000 nuts)					
PRC <sup>1</sup> .....	***	***	***	***	***
Taiwan.....	4,808	5,137	12,489	8,712	12,244
Subtotal.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Total.....	26,013	24,845	30,059	22,507	25,964
Value, c.i.f. duty-paid (1,000 dollars)					
PRC <sup>2</sup> .....	***	***	***	***	***
Taiwan.....	779	872	2,925	1,998	2,427
Subtotal.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Total.....	4,693	4,495	6,135	4,625	4,907
Average unit value, c.i.f. duty paid					
PRC.....	\$***	\$***	\$***	\$***	\$***
Taiwan.....	.16	.17	.23	.23	.20
Average.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Average.....	.18	.18	.21	.21	.19
Percent of total quantity					
PRC.....	***	***	***	***	***
Taiwan.....	18.5	20.7	41.5	38.7	47.2
Subtotal.....	***	***	***	***	***
Japan.....	***	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Imports for 1987-89 and January-September 1989 are derived from reported exports from CNMEC as the best information available on imports from the PRC. Data for January-September 1990 are from questionnaire responses, as the largest importer that did not respond to the questionnaire, did not import chrome-plated lug nuts in that period.

<sup>2</sup> Derived by applying the average unit price reported by U.S. importers to the reported quantity of Chinese exports to the United States, 1987-89 and January-September 1989.

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

A breakout of shipments of imports during 1989 by category, style, and country is presented in the following tabulation:

Category/style	Shipments of imports (percent)	
	PRC	Taiwan
Passenger car:		
Conical nose/acorn:		
One-piece.....	***	.5
Two-piece.....	***	<u>80.2</u>
Total.....	***	80.7
Shank/mag:		
Open head.....	***	.0
Closed head.....	***	.2
Two-piece.....	***	<u>17.2</u>
Total.....	***	17.4
Truck/van:		
Conical nose/acorn:		
Open head.....	***	.0
Closed head.....	***	<u>2.1</u>
Total.....	***	2.1
Shank/mag:		
Open head.....	***	.0
Closed head.....	***	<u>.3</u>
Total.....	***	.3
Miscellaneous nuts.....	***	<u>.3</u>
Total.....	***	100.0

#### Apparent U.S. consumption and market penetration

As shown in table 16, overall U.S. consumption of chrome-plated lug nuts in terms of quantity decreased by 10 percent during 1987-88 and increased by 14 percent from 1988 to 1989, for an overall increase of 2 percent during 1987-89. The quantity of U.S. apparent consumption increased by 1 percent during the interim periods.

Table 16

Chrome-plated lug nuts: Apparent U.S. consumption and ratios of imports to consumption, 1987-89, January-September 1989, and January-September 1990

\*            \*            \*            \*            \*            \*

The value of U.S. apparent consumption decreased by 4 percent from 1987 to 1988 and then increased by 18 percent from 1988 to 1989, for an overall increase of 13 percent during 1987-89. Apparent consumption decreased by 4 percent between the interim periods.

The ratio of imports from the PRC and Taiwan to apparent consumption increased in terms of both quantity and value during 1987-89, by \* \* \* percentage points respectively. The ratio increased by \* \* \* percentage points in terms of quantity and \* \* \* percentage points in terms of value between the interim periods. The U.S. industry's share of apparent consumption declined steadily throughout the investigation period. Data concerning apparent consumption of certain lug nuts, including stainless steel and chrome-plated lug nuts combined, is presented in appendix C.

Prices and marketing considerations

Demand for chrome-plated lug nuts depends upon wheel and automobile sales and may be influenced by the condition of the overall economy. For example, the petition states that demand for chrome-plated lug nuts has been counter-cyclical in the past, tending to increase during recession periods as owners upgrade their existing cars rather than buy new vehicles.<sup>14</sup> On the other hand, industry experts at the conference stated that sales of chrome-plated lug nuts declined in the past year or so, as the economy has slowed.<sup>15</sup> However, data collected in these investigations show that consumption was relatively flat in the interim period of 1990, following an increase from 1988 to 1989.

The petition stated that most chrome-plated lug nuts are sold in the aftermarket. According to CIA, original equipment manufacturers (OEMs) tend to use either stainless steel or the standard zinc-plated open-end lug nuts, rather than chrome-plated ones.<sup>16</sup> It appears that only a small amount of chrome-plated lug nuts are sold in the U.S. OEM market. \* \* \* U.S. producers, \* \* \* reported that they sell chrome-plated lug nuts to OEMs.<sup>17</sup> \* \* \* sells chrome-plated lug nuts to \* \* \* but sells only stainless steel lug nuts to \* \* \*. \* \* \* reported that the chrome-plated lug nuts that go to \* \* \* are not specific to the OEM market and could also be sold to wholesalers/distributors. \* \* \* reported that it sells a small amount of chrome-plated lug nuts to \* \* \* for use on <sup>18</sup> \* \* \*. These lug nuts are specifically made for the \* \* \* and could not be used on other cars. \* \* \*. \* \* \* all stated that U.S. OEMs switched from chrome-plated lug nuts to stainless steel lug nuts several years ago, mainly because the chrome-plated lug nuts tended to chip and then rust.<sup>19</sup>

Chrome-plated lug nuts are sold both in bulk or packaged form. Bulk sales are generally made to wholesalers/distributors while the pre-packaged lug nuts are mainly sold directly to chain stores, mass merchandisers, and tire stores. The percentage of bulk sales vis-a-vis sales of packaged lug nuts varies from firm to firm. CIA reported that bulk sales account for approximately \* \* \* percent of its total sales of lug nuts.<sup>20</sup> Of the 14 responding importers, 7 reported that at least 90 percent of their sales were of packaged lug nuts, while the remaining 7 stated that the vast majority (i.e. at least 80 percent) of sales were of bulk lug nuts. Two importers commented that sales have been shifting increasingly towards packaged lug

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<sup>14</sup> Petition, p. 2.

<sup>15</sup> Reasons given for a slowing in the growth of demand for chrome-plated lug nuts include an increasing number of new automobiles that have alloy wheels (but not chrome-plated lug nuts) when they leave the factory and a lack of consumer spending (transcript, pp. 53 and 111).

<sup>16</sup> Transcript, p. 21.

<sup>17</sup> One importer, \* \* \* reported that it sells a very small amount (i.e., about \* \* \* percent) of its chrome-plated lug nuts to OEMs.

<sup>18</sup> \* \* \*.

<sup>19</sup> The chrome-plating is often chipped when the lug nut is secured with a wrench.

<sup>20</sup> \* \* \*.

nuts. As a result, they believe that advertising and attractive packaging are becoming important in purchasing decisions.

Chrome-plated lug nuts are sold on a spot basis and are usually priced on a per-lug nut basis. Most producers and importers reported that they issue price lists; however, discounts are usually given to these prices. CIA's discounts vary depending on \* \* \*. The discount for orders \* \* \*. For orders \* \* \*. Importers had similar discounting policies, with discounts ranging from \* \* \* to \* \* \* percent and generally varying depending on \* \* \*.

Chrome-plated lug nuts are usually sold on an f.o.b. U.S. point of shipment basis; however, freight is sometimes paid by the supplier if the sale is very large. Transportation costs tend to account for approximately 1-5 percent of the total delivered cost of a lug nut.<sup>21</sup> Leadtimes for delivery from the U.S. point of shipment vary from supplier to supplier. Producers reported that deliveries are usually made within 7 to 14 days.<sup>22</sup> Leadtime for delivery of imported chrome-plated lug nuts also varied, ranging from 2 to 15 days.

Producers and importers agree that the quality of chrome-plated lug nuts imported from the PRC and Taiwan is generally comparable to that of the domestic product. One importer and one purchaser stated that there were some quality problems with the Chinese product. The problems cited included missing threads, excessive rust, and a poor finish and plating job.<sup>23</sup>

The Commission requested producers and importers to provide data for their largest quarterly bulk sales of chrome-plated lug nuts made to wholesalers/distributors during the period January 1987 to September 1990. Usable pricing data were received from two producers and six importers. Pricing data reported by U.S. producers represented approximately \* \* \* percent of total domestic shipments in 1989. Pricing data for imports from the PRC and Taiwan represented approximately \* \* \* percent of total U.S. shipments of imports during 1989.<sup>24</sup> The three products for which pricing data were requested are as follows:<sup>25</sup>

Product 1: Chrome-plated, two-piece, conical (standard acorn style) lug nut, for passenger cars

Product 2: Chrome-plated, one-piece, conical (standard acorn style) lug nut, for passenger cars

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<sup>21</sup> Some suppliers felt that transportation costs were an important consideration in a customer's purchasing decision, while others felt that it was not.

<sup>22</sup> \* \* \*.

<sup>23</sup> Transcript, p. 51.

<sup>24</sup> The percentage of imports in 1990 represented in the pricing tables decreased to \* \* \* for the PRC and \* \* \* for Taiwan.

<sup>25</sup> Although chrome-plated lug nuts come in a variety of sizes, these three represent the majority of sales of both the imported and domestic product.

Product 3: Chrome-plated, shank (regular mag) lug nut, for passenger cars

Price trends and comparisons.--Prices for domestic chrome-plated lug nuts generally increased during the period January-March 1987 to July-September 1990, as did prices for chrome-plated lug nuts imported from the PRC and Taiwan (tables 17-19).

Product 1.--Prices for domestic product 1 \* \* \* generally increased during the period of investigation, rising \* \* \* percent from January-March 1987 to July-September 1990. No importers reported prices for two-piece chrome-plated lug nuts from the PRC. Weighted-average prices for product 1 imported from Taiwan increased \* \* \* percent from January-March 1987 to July-September 1990. All prices reported by Taiwan importers for product 1 were for case-hardened, chrome-plated lug nuts. These lug nuts are approximately \* \* \* more expensive than the non case-hardened lug nuts sold by CIA and Franzco. Direct comparisons between U.S. and Taiwan prices for product 1 cannot be made due to the difference in these products.

Product 2.--Prices reported by U.S. producers for product 2 (one-piece, acorn-style, chrome-plated lug nuts) increased \* \* \* percent from January-March 1987 to the same quarter of 1989. These prices then declined irregularly (by about \* \* \* percent) from the first quarter of 1989 through the third quarter of 1990. U.S. producers' prices for product 2 had an overall increase of \* \* \* percent. No importers reported prices for product 2 imported from Taiwan. Weighted-average prices for product 2 imported from the PRC increased \* \* \* percent from January-March 1987 to the same quarter of 1989. These prices then declined 10.0 percent from the first quarter of 1989 to the second quarter of 1990. The overall price increase for product 2 imported from the PRC was \* \* \* percent. In all of the 15 quarters where comparisons were possible, the Chinese product was priced between \* \* \* and \* \* \* percent below domestic products.<sup>26</sup>

Table 17

Weighted-average f.o.b. prices and margins of under/(over) selling for product 1, as reported by U.S. producers and importers for bulk sales to wholesalers/distributors, by quarters, January 1987-September 1990

\* \* \* \* \*

Table 18

Weighted-average f.o.b. prices and margins of under/(over) selling for product 2, as reported by U.S. producers and importers for bulk sales to wholesalers/distributors, by quarters, January 1987-September 1990

\* \* \* \* \*

Table 19

Weighted-average f.o.b. prices and margins of under/(over) selling for product 3, as reported by U.S. producers and importers for bulk sales to wholesalers/distributors, by quarters, January 1987-September 1990

\* \* \* \* \*

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<sup>26</sup> \* \* \* .

Product 3--Prices reported by U.S. producers for product 3 (chrome-plated shank lug nut) increased about \* \* \* percent from January-March 1987 to October-December 1988. Prices then decreased irregularly by \* \* \* percent throughout the remainder of the period. Overall, domestic prices for product 3 increased \* \* \* percent. Weighted-average prices for product 3 imported from the PRC decreased \* \* \* percent from January-March 1988 to July-September 1990. Weighted-average prices for product 3 imported from Taiwan increased irregularly, rising \* \* \* percent during the period January-March 1987 to July-September 1990.

In 8 of the 11 quarters where comparisons were possible, the Chinese product was priced below the domestic product, with margins ranging from \* \* \* percent. In the remaining 3 quarters, the price of the Chinese product was between \* \* \* percent above that of the domestic product.

The Taiwan product was priced below the domestic product in 6 of the 15 quarters where comparisons were possible, with margins ranging from \* \* \* percent. In the remaining 10 quarters, the Taiwan product was priced between \* \* \* percent higher than the domestic product.<sup>27</sup>

#### Lost sales and lost revenues

No U.S. producers reported lost sales or lost revenues allegations. \* \* \*. Staff contacted nine of these purchasers and a summary of the information obtained follows.

The majority of purchasers (i.e., six of nine) contacted reported that they have bought imported chrome-plated lug nuts during the period of investigation. The remaining three stated that they have only bought from CIA.<sup>28</sup> Virtually all purchasers reported that the prices of domestic and imported chrome-plated lug nuts are similar. Although a couple of firms stated that prices have increased slightly, most reported that they have stayed the same. Quality does not appear to be a determining factor in a purchasing decision, as these purchasers stated that the quality of the imported and domestic products are comparable. Price and delivery were listed as the two major factors considered in a purchasing decision. For example, two purchasers stated that they have had problems with delivery from \* \* \* and that has caused them to purchase the \* \* \* product.

#### Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January-March 1987 through July-September 1990 the nominal value of the Taiwan dollar fluctuated, appreciating overall 28.7 percent relative to the U.S. dollar (table 20).<sup>29 30</sup> Adjusted for movements in producer price indexes

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<sup>27</sup> The Taiwan product tended to oversell the domestic product in the earlier part of the period of investigation and undersell it in the latter part.

<sup>28</sup> \* \* \*.

<sup>29</sup> International Financial Statistics, November 1990.



in the United States and Taiwan, the real value of the Taiwan currency appreciated 6.7 percent overall between January-March 1987 and the third quarter of 1990.

Table 20

Exchange rates:<sup>1</sup> Indexes of nominal and real exchange rates of the Taiwan dollar and indexes of producer prices in the United States and Taiwan,<sup>2</sup> by quarters, January 1987-September 1990

Period	U.S. producer price index	Taiwan producer price index	Nominal exchange rate index	Real exchange rate index <sup>3</sup>
1987:				
Jan.-Mar.....	100.0	100.0	100.0	100.0
Apr.-June.....	101.6	99.2	107.9	105.3
Jul.-Sept.....	102.8	98.4	114.7	109.8
Oct.-Dec.....	103.3	97.4	118.3	111.5
1988:				
Jan.-Mar.....	103.9	95.6	122.2	112.5
Apr.-June.....	105.5	96.8	122.0	112.0
Jul.-Sept.....	107.1	98.2	121.7	111.6
Oct.-Dec.....	107.6	98.1	123.2	112.4
1989:				
Jan.-Mar.....	109.9	98.3	126.4	113.0
Apr.-June.....	111.9	98.0	133.1	116.5
Jul.-Sept.....	111.5	96.1	135.8	117.2
Oct.-Dec.....	111.9	95.2	134.6	114.6
1990:				
Jan.-Mar.....	113.5	94.5	133.5	111.2
Apr.-June.....	113.2	95.2	129.9	109.3
Jul.-Sept. <sup>4</sup> .....	115.3	95.6	128.7	106.7

<sup>1</sup> Exchange rates expressed in U.S. dollars per Taiwan dollar.

<sup>2</sup> Producer price indexes--intended to measure final product prices--are based on period-average quarterly indexes presented in line 63 of the International Financial Statistics.

<sup>3</sup> The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and Taiwan.

<sup>4</sup> Derived from Taiwan exchange rate and price data reported for July only.

Note.--Jan.-Mar. 1987 = 100.

Source: International Monetary Fund, International Financial Statistics, November 1990.

<sup>30</sup> (...continued)

<sup>30</sup> The value of the currency of the PRC is determined by the Government of China rather than the free market. Therefore, accurate analysis of the Chinese exchange rate cannot be presented.



APPENDIX A  
FEDERAL REGISTER NOTICES

# INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-474 and 731-TA-475 (Preliminary)]

## Chrome-Plated Lug Nuts From the People's Republic of China and Taiwan

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

**ACTION:** Institution of preliminary antidumping investigations 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 investigations Nos. 731-TA-474 and 731-TA-475 (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 and Taiwan of chrome-plated lug nuts,<sup>1</sup> provided for in subheading 7318.16.00.00 of the Harmonized Tariff Schedule 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 December 17, 1990.

For further information concerning the conduct of these investigations 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:** November 1, 1990.

**FOR FURTHER INFORMATION CONTACT:** Olympia DeRosa Hand (202-252-1182), Office of Investigations, U.S. International Trade Commission, 500 E 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.**—These investigations are being instituted in response to a petition filed on November 1, 1990, by Consolidated International Automotive, Inc., Los Angeles, CA.

**Participation in the investigations.**—Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to 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 these investigations 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 investigations must be served on all other parties to the investigations (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 these preliminary investigations 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 these investigations for 9:30 a.m. on November 21, 1990, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Olympia Hand (202-252-1182) not later than November 16, 1990, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations 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 November 26, 1990, a written brief containing information and arguments pertinent to the subject matter of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). If briefs contain business proprietary information, a nonbusiness proprietary version is due November 27, 1990. 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 written brief, and may also file additional written comments on such information no later than November 29, 1990. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs. A nonbusiness proprietary version of such additional comments is due November 30, 1990.

<sup>1</sup> For purposes of this investigation, the term "chrome-plated lug nuts" refers to chrome-plated lug nuts, either closed-end or open-end ("one-piece" style) or open-end with caps and heads attached or separate ("two-piece" style), which are used for securing wheels onto cars, vans, trucks, utility vehicles and trailers. Chrome-plated locknuts are not included in the subject product. The subject lug nuts are primarily 3/4" to 1 1/2" hexagonal nuts, although the sizes may also be described in metric measurements. Most chrome-plated lug nuts are made from steel and, prior to plating, must have a polished surface. Chrome-plated lug nuts are provided for in subheading 7318.16.00.00 of the Harmonized Tariff Schedule of the United States (HTS) (item 846.5400 of the Tariff Schedules of the United States Annotated (TSUSA)).

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, 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: November 2, 1990.

Kenneth R. Mason,

Secretary.

[FR Doc. 90-26377 Filed 11-5-90; 8:45 am]

BILLING CODE 7020-02-M

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**International Trade Administration**

**[A-570-808]**

**Initiation of Antidumping Duty  
Investigation: Chrome-Plated Lug Nuts  
From the People's Republic of China**

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

**ACTION:** Notice.

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**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the Department), we are initiating an antidumping duty investigation to determine whether imports of chrome-plated lug nuts 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 imports of chrome-plated lug nuts from the PRC are materially injuring, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before December 17, 1990. If that determination is affirmative, we will make our preliminary determination on or before April 10, 1991.

**EFFECTIVE DATE:** November 29, 1990.

**FOR FURTHER INFORMATION CONTACT:**  
Kristal Eldredge, Gary Bettger, or Ross  
Cotjanle, Office of Countervailing

Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-0631, (202) 377-2239, or (202) 377-3534, respectively.

#### **SUPPLEMENTARY INFORMATION:**

##### **The Petition**

On November 1, 1990, we received a petition filed in proper form by Consolidated International Automotive, Inc. on behalf of the U.S. industry producing chrome-plated lug nuts. The petition was supplemented on November 14, 1990, November 15, 1990, and November 16, 1990. In compliance with the filing requirements of § 353.12 of the Department's regulations (19 CFR 353.12 (1990)), petitioner alleges that imports of chrome-plated lug nuts 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), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has stated that they have standing to file the petition because they were an interested party, as defined under section 771(9)(C) of the Act, and because they have filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), or (F) 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.

##### **United States Price and Foreign Market Value**

Petitioner's estimate of United States price (USP) is based on invoices from a company in the PRC for sales of one-piece chrome-plated lug nuts to the United States. These sales were made on a C.I.F. Los Angeles basis. From the C.I.F. price, petitioner deducted estimated freight and insurance.

Petitioner alleges that the PRC is a nonmarket economy country within the meaning of section 773(c) of the Act. Accordingly, petitioner based foreign market value (FMV) on constructed value (CV). CV was calculated using factors of production developed for the PRC. These factors were primarily valued based on a country at a stage of economic development comparable to the PRC and which is a significant producer of comparable merchandise (i.e., India). When values in India were not available, petitioner valued factors at world commodity prices. To calculate

an estimated CV for the subject merchandise, petitioner included raw materials (steel and chemicals), packing, electricity, labor, other operating costs, and depreciation costs. Petitioner added the statutory minimums of ten percent for SG&A and eight percent for profit, in accordance with section 773(e)(1)(B) of the Act.

Petitioner's methodology resulted in a margin of 154 percent for one-piece chrome-plated lug nuts. The Department determined in its review of the petition that petitioner had incorrectly calculated the alleged margin. The correct calculation results in an estimated dumping margin of 156.05 percent.

##### **Initiation of Investigation**

Under section 732(c) of the Act, the Department must determine, within 20 days after a position 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 have examined the petition on chrome-plated lug nuts 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 an antidumping duty investigation to determine whether imports of chrome-plated lug nuts from the PRC are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by April 10, 1991. In approximately thirty days, we intend to provide a questionnaire soliciting the information necessary to make that determination to the Embassy of the People's Republic of China.

##### **Scope of Investigation**

The merchandise covered by this investigation is one-piece and two-piece chrome-plated lug nuts. The subject merchandise is used for securing wheels to cars, vans, trucks, utility vehicles, and trailers. Chrome-plated locknuts are not subject to this investigation. Chrome-plated lug nuts are currently provided for under subheading 7318.16.00.00 of the Harmonized Tariff Schedule (HTS). The HTS item number is provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

##### **ITC Notification**

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 this determination. We will notify the ITC and make available to it all non-privileged and non-proprietary 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 Determination by ITC**

The ITC will determine by December 17, 1990, whether there is a reasonable indication that imports of chrome-plated lug nuts from the PRC are materially injuring, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act (19 CFR 353.13).

Dated: November 21, 1990.

Marjorie A. Chorlins,

Acting Assistant Secretary for Import Administration.

[FR Doc. 90-28001 Filed 11-28-90; 8:45 am]

BILLING CODE 3510-05-M

[A-583-810]

##### **Initiation of Antidumping Duty Investigation: Chrome-Plated Lug Nuts From Taiwan**

**AGENCY:** Import Administration, International Trade Administration, Department of 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 an antidumping duty investigation to determine whether imports of chrome-plated lug nuts from Taiwan 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 imports of chrome-plated lug nuts from Taiwan are materially injuring, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before December 17, 1990. If that determination is affirmative, we will

make our preliminary determination on or before April 10, 1991.

**EFFECTIVE DATES:** November 29, 1990.

**FOR FURTHER INFORMATION CONTACT:**

Kristal Eldredge, Gary Bettger, or Ross Cotjanle, Office of Countervailing Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-0631, (202) 377-2239, or (202) 377-3534, respectively.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On November 1, 1990, we received a petition filed in proper form by Consolidated International Automotive, Inc. on behalf of the U.S. industry producing chrome-plated lug nuts. The petition was supplemented on November 14, 1990, November 15, 1990, and November 16, 1990. In compliance with the filing requirements of § 353.12 of the Department's regulations (19 CFR 353.12 (1990)), petitioner alleges that imports of chrome-plated lug nuts from Taiwan 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), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioner has stated that they have standing to file the petition because they are an interested party, as defined under section 771(9)(C) of the Act, and because they have filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), or (F) 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 (19 CFR 353.14 (1990)).

**United States Price and Foreign Market Value**

Petitioner's estimate of the United States price (USP) is based on price quotes from a trading company in Taiwan offering to sell one-piece and two-piece chrome-plated lug nuts to the United States. These offers were made

on a C.I.F. Los Angeles basis. From the C.I.F. price, petitioner deducted estimated freight and insurance. For these deductions, petitioner differentiated between the one-piece and two-piece chrome-plated lug nuts.

Petitioner alleges that chrome-plated lug nuts are not sold in Taiwan or to markets other than the United States. Accordingly, petitioners based foreign market value (FMV) on constructed value (CV). CV was calculated using petitioner's 1989 production costs, adjusted for known differences in Taiwan. Petitioner added the statutory minimums of ten percent for SG&A and eight percent for profit, in accordance with section 773(e)(1)(B) of the Act.

Petitioner's methodology resulted in margins of 91 and 73 percent, for one-piece and two-piece chrome-plated lug nuts, respectively. The Department determined in its review of the petition that petitioner had incorrectly calculated the alleged margins. The correct calculation results in estimated dumping margins of 93.89 percent and 68.84 percent for one-piece and two-piece chrome-plated lug nuts, respectively.

**Initiation of Investigation**

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 have examined the petition on chrome-plated lug nuts from Taiwan 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 an antidumping duty investigation to determine whether imports of chrome-plated lug nuts from Taiwan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by April 10, 1991.

**Scope of Investigation**

The merchandise covered by this investigation is one-piece and two-piece chrome-plated lug nuts. The subject merchandise is used for securing wheels to cars, vans, trucks, utility vehicles, and trailers. Chrome-plated locknuts are not subject to this investigation. Chrome-plated locknuts are not subject to this investigation. Chrome-plated lug nuts are currently provided for under subheading 7318.16.00.00 of the Harmonized Tariff Schedule (HTS). The

HTS item number is provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

**ITC Notification**

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 this determination. We will notify the ITC and make available to it all non-privileged and non-proprietary 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 Determination by ITC**

The ITC will determine by December 17, 1990, whether there is a reasonable indication that imports of chrome-plated lug nuts from Taiwan are materially injuring, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act (19 CFR 353.13).

Dated: November 21, 1990.

Marjorie A. Charlins,  
Acting Assistant Secretary for Import  
Administration.

[FR Doc. 90-28002 Filed 11-28-90; 8:45 am]

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APPENDIX B  
LIST OF WITNESSES

LIST OF WITNESSES

Investigations Nos. 731-TA-474-475 (Preliminary)

CHROME-PLATED LUG NUTS FROM THE PRC AND TAIWAN

Those listed below appeared at the United States International Trade Commission conference held in connection with the subject investigations on November 21, 1990.

In support of the imposition of antidumping duties:

Frank, Bernstein, Conaway & Goldman  
Washington, DC  
on behalf of

Consolidated International Automotive, Inc., Los Angeles, CA

Mark Plumer, President

Joseph Suddreth, Executive Vice President

Preston Lutley, Products Manager,  
McGriff Wholesale Tire Corp., Cullman, AL

Marwin Bergan, Legislative director for Congressman Diamley

Stephen Creskoff--OF COUNSEL

In opposition to the imposition of antidumping duties:

Dorsey & Whitney  
Washington, DC  
on behalf of

The Coalition for Trade in Wheel Fasteners

Everett Fuller, President  
Coyote Enterprises, Inc., Anaheim, CA

Frank Monteleone, Director of Purchasing  
Superior Industries, Van Nuys, CA

K. S. Chen, President  
San Chien Electric Industrial Works, Ltd., Hsinchu, Taiwan

Larry Seewack, President  
Gorilla Automotive Products, Los Angeles, CA

Richard Stroud, President  
Hi Tech Accessories, Corona, CA

James Taylor, Jr.--OF COUNSEL

Reed Smith Shaw & McClay  
Washington, DC  
on behalf of

China National Machinery & Equipment Import & Export Corp.,  
Jiangsu Company, Ltd., (CMEC), PRC

Jian Chun Dai, President  
SUMEC International, Inc.

Hao Ji Jun, Project Manager  
CMEC Jiangsu

Virginia Green)  
James Kearney )--OF COUNSEL  
Jing Wang )



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## APPENDIX C

DATA ON STAINLESS STEEL-CAPPED LUG NUTS

Table 4a

Certain lug nuts: Domestic shipments of U.S. producers, 1987-89, January-September 1989, and January-September 1990

Item	1987	1988	1989	Jan. - Sept. -	
				1989	1990
Stainless steel:					
Quantity (1,000 nuts)..	***	***	***	***	***
Value (1,000 dollars)..	***	***	***	***	***
Unit value (per nut)...	\$***	\$***	\$***	\$***	\$***
Total lug nuts:					
Quantity (1,000 nuts)..	65,773	65,235	67,750	52,098	46,163
Value (1,000 dollars)..	17,049	17,836	18,477	14,250	13,114
Unit value (per nut)...	\$0.26	\$0.27	\$0.27	\$0.27	\$0.28

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

Table 16a

Certain lug nuts: Apparent U.S. consumption<sup>1</sup> and ratios of imports to consumption, 1987-89, January-September 1989, and January-September 1990

	Apparent	Ratio of imports to consumption--				
Period	U.S. con- sumption	For PRC	For Taiwan	Subtotal	For Japan	Total
	<u>Units</u>	<u>Percent</u>				
1987.....	91,786	11.2	5.2	13.4	11.9	25.3
1988.....	90,080	12.0	5.7	17.7	9.9	27.6
1989.....	97,809	11.7	12.8	24.5	6.3	30.8
Jan. -Sept. --						
1989.....	74,605	11.4	11.7	23.1	7.1	30.2
1990.....	72,127	11.4	17.0	28.4	7.6	36.0
	<u>1,000 dollars</u>	<u>Percent</u>				
1987.....	21,742	6.2	3.6	9.8	11.8	21.6
1988.....	22,331	6.8	3.9	10.7	9.5	20.2
1989.....	24,612	6.9	11.9	18.8	6.1	24.9
Jan. -Sept. --						
1989.....	18,875	6.8	10.6	17.4	7.2	24.6
1990.....	18,021	6.7	13.5	20.2	7.0	27.2

<sup>1</sup> U.S. domestic shipments of stainless steel nuts plus chrome-plated nuts, plus imports of chrome-plated nuts.

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

APPENDIX D

IMPACT OF IMPORTS ON U.S. PRODUCERS' GROWTH, INVESTMENT,  
ABILITY TO RAISE CAPITAL, AND EXISTING DEVELOPMENT  
AND PRODUCTION EFFORTS

Response of U.S. producers to the following questions:

1. Since January 1, 1987, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts as a result of imports of chrome-plated lug nuts from the People's Republic of China or chrome-plated lug nuts from Taiwan?

\* \* \* \* \*

2. Does your firm anticipate any negative impact of imports of chrome-plated lug nuts from the subject countries?

\* \* \* \* \*

3. Has the scale of capital investments undertaken been influenced by the presence of imports of the subject merchandise from the subject countries?

\* \* \* \* \*





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

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