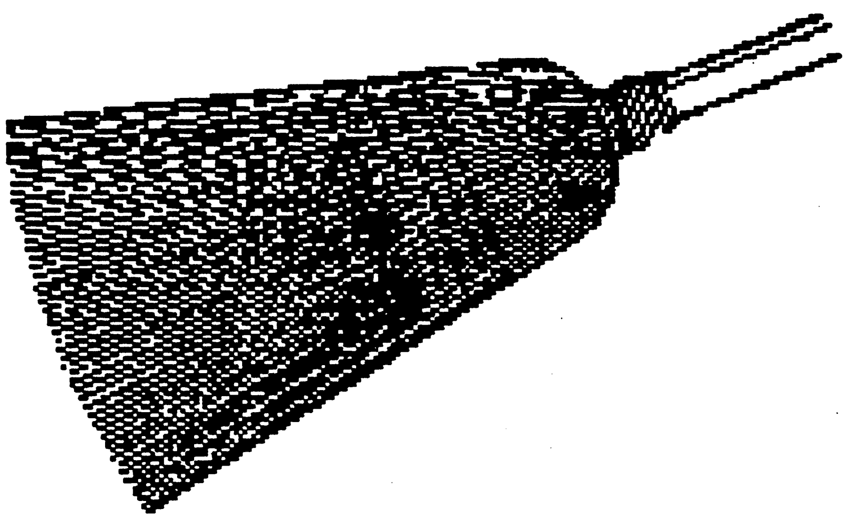
Broom Corn Brooms

Investigations Nos. TA-201-65 and NAFTA 302-1

Publication 2984 August 1996

U.S. International Trade Commission



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U.S. International Trade Commission

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Note.--Certain confidential business information may not be disclosed and is noted in the text and tables by asterisks (***).

GLOSSARY OF ABBREVIATIONS
(In alphabetical order)

Name/agency/phrase	Abbreviation
***	***
Andean Trade Preference Act	ATPA
Canadian Free Trade Agreement	CFTA
Caribbean Basin Economic Recovery Act	CBERA
Chickasaw Broom Company	Chickasaw Broom
Cost, insurance, and freight	c.i.f.
Crystal Lake Manufacturing.	Crystal Lake
Federal Register	FR
Free on board	f.o.b.
Generalized System of Preferences	GSP
***	***
Hamburg Broom Works	Hamburg Broom
Harmonized Tariff Schedule of the United States	HTS
Kellogg Brush Manufacturing	Kellogg
Libman Company	Libman
Monahan Company	Monahan
Most favored nation	MFN
National Broom Company	National Broom
National Broomcorn Company	National Broomcorn
Newton Broom Company	Newton Broom
North American Free Trade Agreement	NAFTA
O'Cedar/Vining Broom Company	O'Cedar/Vining
Quickie Manufacturing Corporation	Quickie
Quinn Broom Works	Quinn Broom
Rubbermaid Cleaning Products	Rubbermaid
Selling, general, and administrative	SG&A
Transcript of the hearing on injury	TR
***	***
U.S. Department of Commerce	Commerce
U.S. International Trade Commission	Commission
Zephyr Manufacturing Company	Zephyr

PART I

DETERMINATION AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Report to the President on Investigations Nos. TA-201-65 and NAFTA-302-1

BROOM CORN BROOMS[1]

Investigation No. TA-201-65

Determinations and findings with respect to injury

On the basis of the information in the investigation--

Chairman Rohr and Commissioners Newquist, Nuzum, and Bragg--

(1) determine that broom corn brooms are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing an article like or directly competitive with the imported article; and

(2) find, pursuant to section 311(a) of the North American Free-Trade Agreement (NAFTA) Implementation Act, that imports of broom corn brooms produced in Mexico account for a substantial share of total imports of such brooms and contribute importantly to the serious injury caused by imports; but find that imports of broom corn brooms produced in Canada do not account for a substantial share of total imports and thus do not contribute importantly to the serious injury caused by imports.

Commissioners Crawford and Watson determine that broom corn brooms are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat of serious injury to the domestic industry producing an article like or directly competitive with the imported article.

Findings and recommendations with respect to remedy

Chairman Rohr and Commissioner Newquist--

(1) recommend that the President increase the rate of duty, for a 4-year period, on each of the categories of imports of broom corn brooms that are the subject of

[1]Broom corn brooms are provided for in subheadings 9603.10.05, 9603.10.15, 9603.10.35, 9603.10.40, 9603.10.50, and 9603.10.60 of the Harmonized Tariff Schedule of the United States (HTS).

this investigation to a rate equal to the column 1 general rate of duty plus 12 percent ad valorem in the first year, 9 percent ad valorem in the second year, 6 percent ad valorem in the third year, and 3 percent ad valorem in the fourth year;

(2) having found that imports the product of Mexico account for a substantial share of total imports and have contributed importantly to the serious injury, recommend that Mexico not be excluded from this relief action; but having made a negative finding with respect to imports the product of Canada, recommend that such imports be excluded from any relief action;

(3) recommend that the President, for the duration of the relief action, suspend duty-free treatment on the subject articles entered from Caribbean Basin and Andean countries and apply the column 1 general rate plus the additional ad valorem rates of duty described above to imports from such countries; and

(4) recommend that this import relief action not apply to imports the product of Israel.

They find that this remedy will address the serious injury that they have found to exist and will be the most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition. This remedy recommendation incorporates their separate recommendation with regard to NAFTA-302-1, discussed below.

Commissioners Nuzum and Bragg--

(1) recommend that the President impose a rate of duty, in lieu of the current column 1 general rate of duty or preferential rate of duty in effect under NAFTA, the Caribbean Basin Economic Recovery Act, or the Andean Trade Preference Act, as the case may be, on imports of broom corn brooms other than whisk brooms, as follows--

40 percent in the first year of relief;
32 percent in the second year of relief;
24 percent in the third year of relief; and
16 percent in the fourth year of relief.

Where a higher rate of duty would otherwise apply to imports from any country, in any year, that higher rate would take effect.

(2) recommend that this import relief action not apply to imports produced in Israel or Canada.

They find that this remedy will address the serious injury that they have found to exist and will be the most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition.

Investigation No. NAFTA-302-1

Determinations with respect to injury

On the basis of the information in the investigation--

Chairman Rohr and Commissioners Newquist, Crawford, Nuzum, and Bragg determine that, as a result of the reduction or elimination of a duty provided for under the NAFTA, broom corn brooms produced in Mexico are being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of serious injury to the domestic industry producing an article that is like, or directly competitive with, the imported article.

Commissioner Watson determines that broom corn brooms from Mexico are not, as a result of the reduction or elimination of a duty provided for under the NAFTA, being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of serious injury or threat of serious injury to the domestic industry producing an article that is like, or directly competitive with, the imported article.

Findings and recommendations with respect to remedy

Chairman Rohr and Commissioners Newquist and Bragg find and recommend that, in order to remedy serious injury, it is necessary for the President, for a 3-year period, to increase the rate of duty on imports of broom corn brooms produced in Mexico receiving tariff preferences under NAFTA to the column 1 general rate of duty currently imposed under the HTS on such brooms. This remedy recommendation is incorporated into Chairman Rohr's and Commissioner Newquist's various recommendations with regard to TA-201-65, discussed above. Commissioner Bragg excludes whisk brooms from this remedy recommendation.

Commissioner Crawford finds and recommends that, in order to remedy serious injury, it is necessary for the President, for a 2-year period, to increase the rate of duty on imports of broom corn brooms from Mexico receiving tariff preferences under NAFTA to the column 1 general rate of duty currently imposed under the HTS on such brooms.

Commissioner Nuzum finds and recommends that, in order to remedy serious injury, it is necessary for the President, for a 3-year period, to increase the rate of duty on imports of broom corn brooms, except whisk brooms, from Mexico receiving tariff preferences under NAFTA as follows--

(1) for the first 2 years, to the column 1 general rate of duty currently imposed under the HTS on such brooms; and

(2) for the third year, to a rate that is one-half the difference between the current column 1 general rate of duty and the rate of duty that is currently scheduled to be in effect at the end of the 3-year period.

Background

Following receipt of petitions filed on March 4, 1996, on behalf of the U.S. Cornbroom Task Force and its individual members, the Commission instituted investigations Nos. TA-201-65 and NAFTA-302-1. Notice of the institution of the Commission's investigations and of public hearings 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 March 18, 1996 (61 F.R. 11061). The hearings (May 30, 1996, for the injury phase and July 11, 1996, for the remedy phase) were held in Washington, DC, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS ON INJURY OF CHAIRMAN DAVID B. ROHR AND COMMISSIONERS DON E. NEWQUIST, JANET A. NUZUM, AND LYNN M. BRAGG

On the basis of the information before us, we have made affirmative injury determinations in investigation Nos. NAFTA-302-1 and TA-201-65. More specifically, we determine--

> **in investigation No. NAFTA-302-1,** that, as a result of the reduction or elimination of a duty provided for under the North American Free Trade Agreement (NAFTA), broom corn brooms from Mexico are being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of serious injury to the domestic broom corn broom industry; and
>
> **in investigation No. TA-201-65,** that broom corn brooms are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic broom corn brooms industry.

Findings with respect to Mexico and Canada. In connection with our determination in investigation No. TA-201-65, we find, pursuant to section 311(a) of the NAFTA Implementation Act, that imports of broom corn brooms from Mexico account for a substantial share of total imports of such brooms and contribute importantly to the serious injury or threat of serious injury caused by imports. However, we find that imports of broom corn brooms from Canada do *not* account for a substantial share of total imports and thus do *not* contribute importantly to the serious injury or threat of serious injury caused by imports.

Our findings and recommendations on remedy are set forth in the "additional views" that follow these views on injury.

Introduction

The Commission instituted these investigations effective March 4, 1996, following the receipt of petitions filed by the U.S. Cornbroom Task Force under section 302 of the North American Free-Trade Agreement (NAFTA) Implementation Act and section 202 of the Trade Act of 1974. Section 302 is part of the U.S. bilateral safeguard law that implements the bilateral safeguard provision in article 801 of the NAFTA, and section 202 is part of the "global" U.S. safeguard law that implements the safeguard provisions in article XIX of GATT 1994 and the WTO Agreement on Safeguards. Sections 302 and 202 set out the tests for determining whether an industry is eligible for relief under the respective U.S. safeguard laws. This is the first investigation that the Commission has conducted under section 302. While the injury tests in the two laws are similar in many ways, they differ in several important respects. The two petitions filed with the Commission represent separate causes of action, and the Commission accordingly made separate injury determinations and remedy recommendations in each investigation.

However, as provided for in section 307 of the NAFTA Implementation Act, the Commission conducted the investigations jointly. The Commission issued one notice, one questionnaire, held one injury hearing and one remedy hearing, and maintained one docket file for both investigations.

We addressed some of the issues raised in these investigations on a preliminary basis during the provisional relief phase of investigation No. NAFTA-302-1.[1] In its petition filed under the NAFTA Implementation Act, petitioner asserted that critical circumstances exist and requested that the Commission recommend that the President provide provisional relief pending completion of the investigative process. In making our critical circumstances determination on April 29, 1996, we addressed the issues of domestic industry, increased imports (from Mexico), serious injury or threat, and causation.[2] However, we make clear that our critical circumstances determination was based on the information available on April 29, and our injury determinations in these investigations are based on the information before us on July 2, 1996. While the information received since April 29 in large part confirms and expands upon the information available to us on April 29, the determinations made on July 2 were made wholly independent of the findings that we made in conjunction with our April 29 critical circumstances determination.

Because of similarities between the statutory criteria and the common record for the two investigations, we explain our determinations in the two investigations in one set of views. Our explanation follows the format traditionally followed by the Commission in section 202 investigations--that is, we explain our determination in terms of the three statutory criteria that must be satisfied in order to make an affirmative determination--

(1) the subject article is being imported into the United States *in increased quantities*;

(2) the domestic industry is *seriously injured or threatened with serious injury*; and

(3) such increased imports are a *substantial cause* of the serious injury or threat of serious injury.

However, as discussed below, in making determinations under section 302 of the NAFTA Implementation Act, we consider only imports from a NAFTA country, and also must find that

[1] *See* Views of Vice Chairman Nuzum and Commissioners Rohr, Newquist, and Bragg in *Broom Corn Brooms*, Inv. No. NAFTA-302-1 (Provisional Relief Phase), USITC Pub. 2963 (May 1996) at I-11 et seq.

[2] Each of us made an affirmative injury finding, but only three of us (Commissioners Newquist, Nuzum, and Bragg) found that a delay in taking action would cause damage that would be difficult to repair. The final Commission vote on provisional relief was 3-3, and in the absence of a majority Commission vote, the Commission made a negative determination. For a different view on the significance of a tie vote in a provisional relief determination, *see* Additional views of Commissioner Newquist in *Broom Corn Brooms*, Inv. No. NAFTA-302-1 (Provisional Relief Phase), USITC Pub. 2963 (May 1996) at I-29-30.

the increase in imports from a NAFTA country is as a result of the reduction or elimination of a duty under the NAFTA. Other differences between the statutes are noted as appropriate in the discussion below.

Domestic industry

Under both sections 202 and 302 the Commission is required to determine whether increased imports are a substantial cause of serious injury or the threat thereof "to the domestic industry producing an article that is like or directly competitive with the imported article."[3] Section 302(c) of the NAFTA Implementation Act makes applicable to section 302(b) determinations the definition of domestic industry and factors to be considered that are set out in section 202(c) of the Trade Act.

Section 202(c)(6)(A)(i) defines the term domestic industry to mean:

> with respect to an article, the producers as a whole of the like or directly competitive article or those producers whose collective production of the like or directly competitive article constitutes a major proportion of the total domestic production of such article.[4]

The statute provides instruction in three areas in identifying the domestic industry: that the Commission (1) shall, in the case of a domestic producer that also imports, treat as part of the domestic industry only its domestic production, to the extent that information is available; (2) may, in the case of a domestic producer that produces more than one article, treat as part of such domestic industry only that portion or subdivision of the producer which produces the like or directly competitive article; and (3) may also find there to be a "geographic" industry when certain conditions are present.[5]

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[3] In the view of Commissioner Newquist, if there is an industry producing an article that is "like" the imported article, it is usually unnecessary to consider whether there are also industries producing "directly competitive" articles, absent specific allegations that producers of directly competitive articles are also injured.

[4] Section 202(c)(6)(A)(i). This definition was added by the Uruguay Round Agreements Act and is based on that in paragraph 1(c) of Article 4 of the Safeguards Agreement. The Statement of Administrative Action notes that this definition "codifies existing ITC practice, which is consistent with the meaning given to the term in the safeguards agreement." Statement of Administrative Action, submitted with the implementing bill on Sept. 27, 1994, published in H. Doc. 103-316, vol. I (103d Cong. 2d Sess.) at 961. The language "or those producers whose collective production of the like or directly competitive article constitutes *a major proportion* of the total. . ." (emphasis added) codifies the expectation that the Commission, as a practical matter, will not always obtain 100 percent participation in its fact gathering process.

[5] Sections 202(c)(4)(A)-(C). In determining whether there are one or more domestic industries corresponding to producers of a like or directly competitive product, the Commission traditionally has followed a "product-line" approach, taking into account such factors as the physical properties of the article,

(continued...)

We find that broom corn brooms represent a distinct product line and that the domestic industry consists of domestic producers of broom corn brooms.[6] Domestic broom corn brooms are "like" the imported broom corn brooms. Domestic and imported broom corn brooms are made of the same materials (for example, virtually all of the broom corn used in making domestic broom corn brooms and most of the broom corn used in making imported broom corn brooms is grown in Mexico),[7] and the imported and domestic products are generally regarded as interchangeable.[8] Broom corn brooms are further distinguishable from other types of brooms, in that they are made from different materials (broom corn) than other types of brooms (e.g., plastic brooms).

Production processes are generally different for broom corn and other brooms. About 84 percent of broom corn brooms produced in the United States in 1995 were produced using the wire-wound process, and nearly 16 percent were produced using the nailed-machine method.[9] The wire-wound method is very labor intensive, and requires skilled craftsmen; it requires months or even years of experience for a worker to become proficient in this process.[10] On the other hand, slightly more than 80 percent of plastic brooms manufactured in the United States in 1995 were produced using the staple-set process, with most of the remainder produced using the nailed-machine method.[11] The staple-set process is almost totally automated.[12]

(...continued)
customs treatment, where and how it is made (e.g., in a separate facility), uses, and marketing channels. *See, e.g., Fresh Winter Tomatoes*, Inv. No. TA-201-64 (Provisional Relief Phase), USITC Pub. 2881 (April 1995) at I-7. The Commission traditionally has looked for clear dividing lines among possible products, and has disregarded minor variations. *See, e.g., Stainless Steel Table Flatware*, Inv. No. TA-201-49, USITC Pub. 1536 (June 1984) at 3-4.

[6] In its posthearing brief on injury, petitioner stated that the domestic industry producing the like product in these investigations consists of the facilities producing broom corn brooms. Importers (the Mexican National Cornbroom Association), on the other hand, asserted in their posthearing brief on injury that, applying the Commission's "product-line" analysis, there is no separate industry producing broom corn brooms, but rather a single industry producing a single product--brooms. They further asserted that broomcorn and plastic brooms have exactly the same uses, are made by the same companies, are made using the same production processes, are made by the same employees, and are sold through the same marketing channels.

[7] Report at II-4, 5.

[8] We do not draw any distinctions among the three types of broom corn brooms: whisk, upright, and push brooms. All three types are imported into the United States. All three involve the same raw materials and production processes and are produced by the same group of producers. Although the uses tend to be different, all are distributed through the same marketing channels.

[9] Report at II-7.

[10] Report at II-4, 7.

[11] Report at II-8.

[12] Report at II-8.

Firms that produce both broom corn brooms and plastic brooms were able to supply the Commission with separate financial, employment, production, and other data for their respective broom lines, further indicating that the firms producing both types of brooms recognize broom corn brooms and plastic brooms as distinct products. Broom corn brooms and plastic brooms are generally considered interchangeable in the marketplace, but there is evidence that broom corn brooms have sweeping and handling characteristics that are perceived by customers to be superior in some applications.[13] While broom corn brooms and plastic brooms tend to be sold through the same marketing channels,[14] and are often sold side-by-side,[15] they are labeled as corn brooms and plastic brooms and are often purchased by customers for different uses.[16]

Thus, for the foregoing reasons, we conclude that the domestic industry for the purpose of these investigations consists of the facilities producing broom corn brooms.

Increased imports

The first criterion under both sections 202 and 302 requires that we find that imports are in "increased quantities." Under section 202 of the Trade Act, imports have increased when the increase is "either actual or relative to domestic production."[17] Because section 202 is a global safeguard law, the Commission considers imports from all sources in determining whether imports have increased. In investigations under section 202, the Commission traditionally has considered import trends over the most recent 5-year period, but has considered longer and shorter periods when it found it appropriate to do so. There is no minimal amount that imports must have increased. A simple increase is sufficient.

Section 302 investigation. The increased imports requirement in section 302 of the NAFTA Implementation Act differs from the section 202 standard in three respects: (1) the Commission must find that imports of an article from a NAFTA country have increased, (2) the increase must be in "absolute" terms, and (3) the increased imports must be "as a result of the reduction or elimination of a duty provided for under the Agreement." Because section 302(b) also requires that the Commission find that the increased imports are as a result of the reduction or elimination of a duty under the NAFTA, we find it appropriate that we focus on changes in the level of imports that have occurred since duty reductions or eliminations were implemented under NAFTA on January 1, 1994.

Imports of broom corn brooms from Mexico have increased, and this increase is as a result of a reduction or elimination in duties under NAFTA. Imports from Mexico were 157,605 dozen,

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[13] Report at II-8, 9.

[14] Report at II-16 and petitioner's brief on provisional relief at 34-35.

[15] Report at II-9.

[16] *Id.*

[17] Section 202(c)(1)(C).

104,067 dozen, and 123,528 dozen in 1991, 1992, and 1993, respectively, and surged to 195,770 dozen and 388,286 dozen in 1994 and 1995, respectively.[18] Thus, imports from Mexico in 1995 were more than triple the 1992 and 1993 levels. We further find that this increase is as a result of the reduction or elimination of a duty under NAFTA. Prior to 1994, most broom corn brooms from Mexico entered the United States at a rate of duty of 32 percent ad valorem or higher, but since January 1, 1994, when NAFTA entered into force, virtually all broom corn brooms from Mexico have entered free of duty.[19] As the above numbers show, imports from Mexico increased by over 50 percent in 1994, the first year of NAFTA. Imports nearly doubled again in 1995, and in 1995 were more than triple the pre-NAFTA level.

Section 202 investigation. Imports from all sources during the period of investigation also increased, nearly doubling from 299,692 dozen in 1991 to 546,709 dozen in 1995.[20] The ratio of imports (from all sources) to production more than doubled, from 26.7 percent in 1991 to 57.7 percent in 1995.[21] Thus, by any of the relevant measures, imports have increased.

Serious injury or threat

The second criterion requires a finding that the domestic industry is seriously injured or threatened with serious injury. The factors and definitions relating to serious injury and threat of serious injury are set out in section 202(c) of the Trade Act. Section 302(c)(2) of the NAFTA Implementation Act makes these factors and definitions applicable to section 302 determinations. Section 202(c)(6) was amended by the Uruguay Round Agreements Act to include definitions of the terms "serious injury" and "threat". "Serious injury" is defined as "a significant overall impairment in the position of a domestic industry".[22] Threat of serious injury is defined as "serious injury that is clearly imminent."[23]

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[18] Report at II-17.

[19] In 1994 and 1995, the vast majority of imports of broom corn brooms from Mexico entered free of duty. None entered free of duty from Mexico during 1991-93.

[20] Report at II-17.

[21] *Id.*

[22] Section 202(c)(6)(C).

[23] Section 202(c)(6)(D). The statute also sets forth economic factors that the Commission is to consider in determining whether serious injury or threat exists. Section 202(c)(1) provides that the Commission is to consider "all economic factors which it considers relevant, including (but not limited to)" the following--

> (A) with respect to serious injury--
>
> (i) the significant idling of productive facilities in the domestic industry,
>
> (ii) the inability of a significant number of firms to carry out domestic production operations at a reasonable level of profit, and
>
> (iii) significant unemployment or underemployment within the domestic industry;
>
> (B) with respect to threat of serious injury--

(continued...)

We find that the domestic industry is seriously injured. Domestic production, which had been fairly steady at about 1.1 million dozen per year during the period 1991-93, declined in 1994 to 1,063,067 dozen in 1994 and then fell sharply to 948,267 dozen in 1995.[24] Capacity utilization was relatively steady during 1991-93 at a level between 70.9 and 73.3 percent. Capacity utilization was largely unchanged in 1994 as both capacity and production declined, but fell sharply in 1995 to 64.8 percent due to a sharp drop in production.[25] In 1995, at least two producers of broom corn brooms ceased production and several other firms reported significant reductions in production of broom corn brooms.[26] In 1996, at least two domestic plants were reported to be on the verge of closing because of reduced production levels.[27] Thus, there is a significant idling of productive facilities in the domestic industry.

The Commission received usable financial data from 13 firms on their operations producing broom corn brooms, and these firms account for most domestic production.[28] These data show that the industry as a whole operated at a loss in 1994 and 1995 (with an operating loss of $720,000 and $377,000, respectively, in those 2 years).[29] The operating losses reported in 1994 and 1995 were in contrast with the operating income--as high as $1.8 million in 1993--reported in the 3 prior years.[30] Although several of the 13 reporting firms showed operating losses and net losses during 1991-93, the majority of firms showed operating losses and net losses

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(...continued)

> (i) a decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, productivity, or employment (or increasing underemployment) in the domestic industry,
> (ii) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or are unable to maintain existing levels of expenditures for research and development,
> (iii) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets.

The statute further provides that the term "significant idling of productive facilities" includes the closing of plants or the underutilization of production capacity.

[24] Report at II-18.

[25] *Id.*

[26] Report at II-20.

[27] *Id.*

[28] Report at II-21.

[29] Report, table 10, at II-22.

[30] *Id.*

in 1994 and 1995.[31] Eight of 13 reporting firms showed operating losses in 1994, and seven of 13 showed operating losses in 1995.[32] Clearly, a significant number of firms are currently unable to operate at a reasonable level of profit.

Employment, hours worked, and total wages paid declined in 1995. The total number of production and related workers, which remained relatively constant in a range from 419 in 1994 to 431 in 1991, fell sharply to 382 production and related workers in 1995, a decline of almost 10 percent.[33] The number of hours worked, which was relatively constant during the period 1991-93, fell somewhat in 1994, and declined most significantly in 1995, at even a sharper rate than total employment. The number of hours worked averaged just over 875,000 hours in 1991-93, fell to 859,000 hours in 1994, and then fell by almost 15 percent in 1995 to 745,000 hours.[34] Because of the sharp reduction in workforce and hours worked in 1995, total wages paid in 1995 declined, even though hourly wages increased.[35] We conclude that the decline in the number of production and related workers in the industry and the decline in the number of hours worked indicate that there is significant unemployment and underemployment in the industry.

The Commission requested that U.S. producers furnish pricing data for three specific upright broom corn broom products, "lightweight," "house/parlor," and "heavy duty/janitor/warehouse," and received usable data from ten firms.[36] The weighted-average net f.o.b. price for sales to unrelated customers fell in 1994-95 for the first and third products, and rose marginally for the second product.[37] The decline in price for the first product (lightweight brooms) was the sharpest, at about 10 percent. This was also the highest volume product of the three for domestic producers. At the same time the industry reported that the cost of goods sold on a per broom basis increased.[38] This inability to recoup increased costs coupled with falling prices in high volume product lines contributed to the industry's deteriorating financial condition.

Data relating to other economic factors that the Commission generally considers confirm that the industry is seriously injured. Total domestic shipments, like domestic production, declined by 15.9 percent over the 5-year period for which the Commission collected data.[39]

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[31] *Id.*

[32] *Id.*

[33] Report, table 9, at II-20.

[34] *Id.*

[35] *Id.*

[36] Report at II-32, 33.

[37] Report, tables 21-23, at II-34 to 36.

[38] Report at II-24.

[39] Report, table 6, at II-19.

Inventories [40] and productivity have remained relatively unchanged.[41] Further, most firms responding to the Commission's questionnaire also reported other indications of financial difficulty such as rejection of loan applications or difficulty in obtaining a loan, lowering of credit rating, cancellation or rejection of expansion projects, and reduction in the size of capital investments.[42]

Based on all of the above information, the domestic broom corn broom industry is seriously injured.

Causation

The third criterion, which is common to both statutory provisions, requires a finding that the article is being imported in such increased quantities as to be a "substantial cause" of serious injury or threat. However, the data considered in examining causation are different--in a section 202 investigation, the Commission considers the impact of all imports, but in a section 302 investigation it considers only the impact of Mexican imports. Section 302(c) of the NAFTA Implementation Act makes applicable to section 302 determinations the definition of substantial cause and the factors to be considered with respect to causation that are set out in section 202(b)(1) and (c) of the Trade Act.

The term "substantial cause" is defined in section 202(b)(1)(B) to mean "a cause which is important and not less than any other cause."[43] Thus, the increased imports must be both an important cause of the serious injury or threat *and* a cause that is equal to or greater than any other cause. The latter requires a weighing of causes.

In determining whether increased imports are a substantial cause of serious injury or threat, the statute directs the Commission, as in the case of the serious injury criterion, to take into account all economic factors that it finds relevant, including but not limited to--

> . . . an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers.[44]

The statute directs that the Commission consider "the condition of the domestic industry over the course of the relevant business cycle," but it provides that the Commission "may not aggregate the causes of declining demand associated with a recession or economic downturn in

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[40] Report at II-20.

[41] Report, table 9, at II-20.

[42] Report, appendix D.

[43] Section 202(b)(1)(B).

[44] Section 202(c)(1)(C).

the United States economy into a single cause of serious injury or threat of injury".[45] Also, the statute directs that the Commission "examine factors other than imports" that may be a cause of serious injury or threat to the domestic industry and include such findings in its report.[46]

We examined a number of possible causes of serious injury along with increased imports, including the peso devaluation and competition from plastic brooms.[47] However, we conclude that the increase in imports, whether from Mexico alone or from all sources, is equal to or greater than any other cause of serious injury. As the data in the increased imports section above clearly show, imports from Mexico increased significantly in absolute terms, and imports from all sources also increased significantly in both actual terms and relative to domestic production. Imports also increased significantly as a share of domestic consumption. In terms of quantity, imports from Mexico increased from 11.0 percent of U.S. consumption in 1991 to 25.9 percent of U.S. consumption in 1995.[48] Imports from all sources increased from 20.9 percent of U.S. consumption in 1991 to 36.5 percent of U.S. consumption in 1995.[49] The surges in imports correlate with the reduction in duties that occurred on January 1, 1994, when duties on imports on broom corn brooms from Mexico effectively went from 32 percent ad valorem to zero.

The surge in imports from Mexico and from all countries began in earnest in early 1994, months before the peso devaluation in December 1994. In fact, the surge in 1994 occurred in the face of a peso that increased in value relative to the U.S. dollar. While the devaluation of the peso in December 1994 undoubtedly contributed to the further surge that occurred in imports from Mexico and total imports in 1995, we believe that the stage for a large part of the 1995 surge was set well before the devaluation, as importers and Mexican producers geared up to produce increased quantities of brooms for export to the United States to take advantage of the anticipated duty reduction. Further, the impact of the devaluation is not as great as the change in the nominal value of the peso would suggest. The change in the real value of the peso was considerably less because the devaluation was accompanied by a large increase in inflation in

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45 Section 202(c)(2)(A).

46 Section 202(c)(2)(B).

47 Petitioner argues that increased imports of broom corn brooms from Mexico are a substantial cause of serious injury or threat of serious injury. Petitioner asserts that the data and trends for imports and domestic production of broom corn brooms "correlate exactly with the declining trend in the domestic industry performance." Petitioner's provisional relief brief at 22. Petitioner also argues that all of the increase in imports from Mexico in 1994 and 1995 was due to the NAFTA duty reductions, and the peso devaluation had no impact on the surge in imports in 1996. Petitioner's posthearing brief on injury at 5, 7. Importers, on the other hand, argue that any injury that may have been suffered by domestic producers of broom corn brooms "is the result not of imports of cornbrooms under the NAFTA, but of competition from plastic brooms." Importers' provisional relief brief at 17. Importers also argue that the devaluation of the Mexican peso contributed to the increase in imports from Mexico, rather than NAFTA tariff reductions. Importers' posthearing brief on injury at 15-19.

48 Report, table 20, at II-27.

49 *Id.*

Mexico. We also observe that the peso has stabilized and in fact recovered some of its loss in value against the dollar in the later months of 1995, while imports continued to increase.

We also do not view competition from plastic brooms as a more important cause of serious injury. Since 1992, plastic brooms and broom corn brooms have maintained a relatively constant share of the U.S. market, with plastic brooms accounting for about 57 to 59 percent of the overall broom market.[50] In fact, plastic brooms held a slightly smaller share of the overall U.S. broom market in 1995 than in 1992.[51] Consumption of broom corn brooms increased incrementally during 1991-1995, while plastic brooms accounted for nearly all of the growth in the overall broom market during that period.[52]

In view of the above, we conclude that increased imports of broom corn brooms are a substantial cause of the serious injury being suffered by the domestic broom corn broom industry.

Finding in section 202 investigation concerning NAFTA imports

Section 311(a) of the NAFTA Implementation Act provides that if the Commission makes an affirmative injury determination in an investigation under section 202 of the Trade Act, or if the Commission is equally divided, the Commission must also "find" whether--

> (1) imports of the article from a NAFTA country, considered individually, account for a substantial share of total imports; and
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> (2) imports of the article from a NAFTA country, considered individually or, in exceptional circumstances, imports from NAFTA countries considered collectively, contribute importantly to the serious injury, or threat thereof, caused by imports.

Section 311(b)(1) states that imports from a NAFTA country "normally" will not be considered to account for a substantial share of total imports if that country is not among "the top 5 suppliers of the article subject to the investigation, measured in terms of import share during the most recent 3-year period," and section 311(c) defines "contribute importantly" to mean "an important cause, but not necessarily the most important cause." In determining whether imports have contributed importantly to the serious injury or threat, the Commission is directed to consider "such factors as the change in the import share of the NAFTA country or countries, and the level and change in the level of imports from a NAFTA country or countries."[53] Imports from a NAFTA country or countries "normally" will not be considered to contribute importantly to the

[50] Report at II-13.

[51] *Id.*

[52] *Id.*

[53] Section 311(b)(2) of the NAFTA Implementation Act.

serious injury or threat "if the growth rate of imports from such country or countries during the period in which an injurious increase in imports occurred is appreciably lower than the growth rate of total imports from all sources over the same period."[54]

In the present case we find that imports of broom corn brooms from Mexico account for a substantial share of total imports of broom corn brooms and contribute importantly to the serious injury caused by imports. We make a negative finding under this provision with respect to imports from Canada. Mexico is the largest supplier of imported broom corn brooms and in 1995 accounted for 71 percent of the total volume of U.S. imports. Imports from Mexico clearly account for a substantial share of total imports. Imports from Mexico have accounted for an increasingly large share of total U.S. broom corn broom imports; this share rose from 36.6 percent in 1993, the year before NAFTA entered into force, to 44.0 percent in 1994 and further increased to 71.0 percent in 1995.[55] As stated above in the increased imports section of these views, imports from Mexico surged in 1994 and 1995, and in 1995 were more than double the 1991 level and more than triple the 1992 and 1993 levels. Imports from Mexico have grown at a faster pace than imports from all sources in recent years. For example, imports from Mexico between 1993 and 1995 increased by over 200 percent, whereas imports from all sources (including Mexico) increased by 61 percent; imports from Mexico increased by nearly 100 percent between 1994 and 1995, but total imports (including imports from Mexico) increased by 23 percent. Between 1994 and 1995, imports from sources other than Mexico actually declined by 30 percent.

Imports of broom corn brooms from Canada in recent years have been small or nil; there were no reported imports in either 1992 or 1995.[56] While Canada was the number five supplier of broom corn brooms in 1991, it has not been in the top five since then.[57] Accordingly, we have found that imports from Canada do not account for a substantial share of total imports and have not contributed importantly to the serious injury we have found.

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[54] *Id.*

[55] Percentages derived from data in the report, table 4, at II-17.

[56] Report at II-16.

[57] *Id.*

ADDITIONAL VIEWS ON REMEDY OF CHAIRMAN DAVID B. ROHR AND COMMISSIONERS DON E. NEWQUIST, JANET A. NUZUM, AND LYNN M. BRAGG

Introduction

Having made affirmative injury determinations in both investigations, we must address the issue of remedy. Because each investigation represents a separate cause of action and because the respective statutory provisions under which each investigation was conducted differ in terms of the remedy options available and the factors to consider, we have made separate remedy recommendations. In making our recommendations we took into account the level of injury that we found to exist, the various statutory factors to be considered, and the limitations in the respective statutory provisions on the relief that we may recommend. We were particularly mindful of the limitation in both statutory provisions that the remedy action recommended may not exceed the amount necessary to prevent or remedy serious injury. We also took into account the remedies requested by the petitioner--an increase (snapback) in the NAFTA preferential rate to the column 1 general rate of duty in the section 302 investigation, and application of the full column 1 general rate of duty to all imports in the section 202 investigation. The tariff remedy that we are recommending in the section 302 investigation is the maximum permitted by law under the NAFTA Implementation Act.[1] The remedies that we are recommending under section 202, which in general authorizes a broader range of remedy actions and a greater amount of relief than the NAFTA Implementation Act, incorporate the recommendation in the section 302 investigation.

I. INVESTIGATION NO. NAFTA-302-1

Chairman Rohr and Commissioners Newquist and Bragg find and recommend that, in order to remedy serious injury, it is necessary for the President, for a 3-year period, to increase the rate of duty on imports of broom corn brooms from Mexico receiving tariff preferences under NAFTA to the column 1 general rate of duty currently imposed under the HTS on such brooms.[2] Commissioner Bragg excludes whisk brooms from her remedy recommendation.

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[1] Commissioner Nuzum recommends, however, that the tariff increase be phased down in the third year to provide some transition for the industry to the duty-free status that will apply to most imports after the relief expires. Commissioners Nuzum and Bragg do not include whisk brooms in their recommendations. *See* Additional Views and Recommendations of Commissioner Nuzum, *infra.*

[2] Chairman Rohr and Commissioner Newquist note that their remedy here is incorporated into their remedy recommendation with regard to global safeguard relief described below.

Commissioner Nuzum finds and recommends that, in order to remedy serious injury, it is necessary for the President to increase the rate of duty on imports of broom corn brooms, except whisk brooms, from Mexico receiving tariff preferences under NAFTA as follows--

(1) for the first 2 years, to the column 1 general rate of duty currently imposed under the HTS on such brooms; and

(2) for the third year, to a rate that is one-half the difference between the current column 1 general rate of duty and the rate of duty that is currently scheduled to be in effect at the end of the 3-year period.

Section 303(b) of the NAFTA Implementation Act provides that when the Commission makes an affirmative injury determination under section 302(b) of the act, it is to find and recommend to the President the amount of import relief that is necessary to prevent or remedy the serious injury. The import relief that the Commission is authorized to recommend is limited to that which the President is authorized to provide under section 302(c) of the act--

> (2) In the case of imports of a Mexican article--
> (A) the suspension of any further reduction provided for under the United States Schedule to Annex 302.2 of the Agreement in the duty imposed on such article;
> (B) an increase in the rate of duty imposed on such article to a level that does not exceed the lesser of--
> (i) the column 1 general rate of duty imposed under the HTS on like articles at the time the import relief is provided, or
> (ii) the column 1 general rate of duty imposed under the HTS on like articles on the day before the date on which the Agreement enters into force. . . .

Under section 304(d) of the act, the period of relief is limited to 3 years.

We are recommending that the rate of duty be increased to the column 1 general rate of duty currently imposed under the HTS on the imports subject to the investigation for a 3-year period.[3] Except in the case of a Canadian article.[4] Because of reductions agreed to in the course of the Uruguay Round of trade negotiations, these rates are slightly lower than the rates that were in effect before the NAFTA entered into force on January 1, 1994.

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[3] As noted above, Commissioners Nuzum and Bragg exclude whisk brooms from their recommendations. In addition, Commissioner Nuzum recommends that relief be phased down in the third year.

Petitioner has presented an adjustment plan that firms in the industry would implement if relief is granted.[5] The plan targets a reduction in the cost of broom corn, the primary input material, and an increase in broom output through automation. At present, eight of the ten domestic producers represented by petitioner have committed funds totaling about $3 million for the period of relief to achieve these adjustment plans. Over $2 million of these funds are earmarked for capital expenditures on plant and equipment. These expenditures would include the purchase of new automatic broom corn broom winding machines[6] and a mechanical broom corn harvester. Nearly $300,000 is earmarked toward acceleration of ongoing research in the quest for a new hybrid of broom corn that could be grown and mechanically harvested in the United States.[7] Petitioner maintains that market stability provided through relief is necessary to allow these adjustment plans to be implemented and to adjust to import competition. Despite these financial expenditures, petitioner acknowledges that some smaller U.S. producers will likely utilize the relief period to transfer labor and capital to the production of other products.[8]

This plan will take time to implement, and even the maximum period of 3 years, while providing a breathing space, may not provide sufficient time for the industry to implement its plan and adjust. Funding needs to be secured, specialized equipment ordered and placed in production, and workers trained to operate and service the equipment. Efforts to develop a new hybrid of broom corn that can be mechanically harvested are also progressing and, if successful, should also enhance the industry's competitiveness vis-a-vis imported broom corn brooms. The effort to develop an acceptable new hybrid appears to be well along.

II. INVESTIGATION NO. TA-201-65

Introduction

When the Commission makes an affirmative injury determination under section 202(b) of the Trade Act, it is required, pursuant to section 202(e)(1), to "recommend the action that would address the serious injury, or threat thereof, to the domestic industry and be most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition." Thus, our recommendation must address both the injury and adjustment. Section

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[5] Posthearing brief on remedy at 4-11.

[6] The automated wire-wound broom machinery can produce 40-50 brooms per hour with one operator running up to four machines. This is more than ten times the rate of traditional hand wire-wound production.

[7] Presently broom corn hybrids that grow to uniform heights for mechanical harvesting have been developed but are not commercially viable. Dr. D. G. White of the University of Illinois, in his letter to Chairman Rohr, dated July 16, 1996, assessing the hybrid research thus far stated, "In general, I have no reservation that dwarf varieties and hybrids that are machine harvestable can be produced in the next three to four years. My concern, at this point, is if we can, by backcross breeding, produce varieties and/or hybrids with enough resistance to disease...that will allow broomcorn to be grown in Illinois."

[8] Posthearing brief on remedy at 10-11.

201(b)(1) states that a "positive adjustment to import competition" has occurred when the industry (i) is able to compete successfully with imports after the import relief action terminates, or (ii) the domestic industry experiences an orderly transfer of resources to other productive pursuits, and dislocated workers in the industry experience an orderly transition to productive pursuits. Section 201(b)(2) further states that such an adjustment may be considered to have been made "even though the industry is not of the same size and composition as the industry at the time the investigation was initiated."

The forms of relief that the Commission may recommend include an increase in or imposition of a duty, a tariff-rate quota, modification or imposition of a quantitative restriction (quota), one or more appropriate adjustment mechanisms, including the provision of trade adjustment assistance, or any combination of such actions.[9] The Commission is required to specify "the type, amount, and duration" of the relief recommended.[10] Also, the limitations specified in section 203(e) of the Trade Act that concern actions that the President may take are applicable to Commission recommendations.[11] In determining what action to recommend, the Commission must take into account the factors set out in section 202(e)(5). Also, the Commission must state whether and to what extent its findings and recommendations apply to such article when imported from beneficiary Caribbean Basin or Andean countries or from Israel.[12]

Finally, section 202(f)(2)(G) requires that the Commission include in its report a description of--

> (i) the short- and long-term effects that implementation of the action recommended under subsection (e) is likely to have on the petitioning domestic industry, on other domestic industries, and on consumers, and
> (ii) the short- and long-term effects of not taking the recommended action on the petitioning domestic industry, [on] workers and the communities where production facilities of such industry are located, and on other domestic industries.

Views of Chairman Rohr and Commissioner Newquist

To address the serious injury we have found to exist and facilitate the efforts of the domestic industry to make a positive adjustment to import competition, we recommend that the President--

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[9] Section 202(e)(2).

[10] Section 202(e)(3).

[11] Section 202(e)(3). For example, the action may not exceed 4 years in duration; may not exceed the amount necessary to prevent or remedy the serious injury; may not, in the case of a tariff, increase a rate of duty (or impose a rate) which is more than 50 percent ad valorem above the rate (if any) existing at the time of the action; and when provided in the form of a tariff or quota that has an effective period of more than 1 year, is to be phased down at "regular intervals" during the period that the relief is in effect.

[12] 19 U.S.C. 2703(e)(2): 19 U.S.C. 3203(d)(2); 19 U.S.C. 2112 note.

(1) increase the rate of duty, for a 4-year period, on each of the categories of imports of broom corn brooms that are the subject of this investigation to a rate equal to the column 1 general rate of duty plus 12 percent ad valorem in the first year, 9 percent ad valorem in second year, 6 percent ad valorem in the third year, and 3 percent ad valorem in the fourth year;

(2) include Mexico in this relief action, but exclude Canada;

(3) for the duration of the relief action, suspend duty-free treatment on the subject articles entered from Caribbean Basin and Andean countries and apply the column 1 general rate plus the additional ad valorem rates of duty described above to imports from such countries; and

(4) exclude imports from Israel from the relief action.[13]

The tariff increases we are recommending will address the serious injury to the domestic industry and will be the most effective, in our view, in facilitating the efforts of the industry to make positive adjustment to import competition. The relief action that we recommend in the section 202 investigation is greater in scope, amount, and duration than the action we recommend in the section 302 investigation. In the section 302 investigation we recommend the maximum amount and duration of relief permitted by law, but in the section 202 investigation we recommend significantly less than the maximum permitted by law.

Our recommendation covers all of the types of broom corn brooms subject to the investigation, including whisk brooms. There are imports and domestic productions of all of the types covered. Further, we are concerned that exclusion of any types could encourage creation of new products for the express purpose of circumventing the relief action, for example, an enlarged whisk broom with a handle that can accept a long pole and be sold and used after assembly as an upright broom.

To address serious injury and facilitate the adjustment process, we fashioned a remedy that will enable firms in the industry to recall displaced workers and operate at a higher level of profit and implement adjustment plans, or shift to alternative products as appropriate. In addition, this remedy may be easily administered by the U.S. Customs Service. It parallels existing tariff classifications and imposes the same tariff rates on each exporting country. Moreover, the remedy covers all broom corn brooms, thus reducing the likelihood of circumvention. Finally, and importantly, the remedy is straightforward and comprehensible, thus permitting domestic and foreign producers, and importers, to plan and structure their operations accordingly.

[13] Chairman Rohr and Commissioner Newquist note that this remedy recommendation incorporates their remedy recommendation in investigation No. NAFTA-301-1, described above.

In fashioning our remedy, we took into account the high level of interchangeability between domestic and imported broom corn brooms, the considerable amount of currently unused domestic production capacity, and assumed that U.S. producers will elect to restore most of this capacity to productive pursuits if relief is provided. We are of the view that a small increase in price for domestic broom corn brooms will not result in a large shift in demand to plastic brooms, and took this into account. We also took into account the adjustment plan and commitments submitted by petitioner and firms in the industry (described above in our views explaining our recommendation in the section 302 investigation).

Commission staff estimates that the tariff increase we are recommending will increase domestic production to a level approaching the level that existed in the early 1990's before the recent surge in imports. Commission staff estimates that it will, over the 4-year period, result in an average increase in domestic production of about 125,000 dozen broom corn brooms per year over the 1995 level, offsetting a substantial portion (about 80 percent) of the decline in production that has occurred since 1991-1993. It would raise capacity utilization to an average of about 73 percent and increase employment by an average of 50 workers. It would generate an average of $6.7 million per year of additional revenue for the industry before taxes and other costs. The benefits of the relief would be highest in the first year and would decline over the period of the investigation, consistent with the phasedown of the tariff.

The $25 million in additional revenues that the industry should be able to generate during the relief period will likely provide the industry with the ability to purchase the new equipment that firms have indicated they will acquire and also make the investments necessary to accelerate development of a hybrid broom corn plant that can be mechanically harvested. These investments should eventually reduce production and raw material costs and put the industry in a better position to compete with imports in the long run. The additional revenues should also help firms that do not plan to remain in the industry to make a more orderly transfer of their resources to other productive pursuits.

The action that we are recommending should have a small positive incremental effect on domestic industries that supply raw materials and equipment to the broom corn broom industry and should have no adverse effect on "downstream" industries, since finished brooms are not intermediate products. It should translate into a price increase of about 1.5 to 1.8 percent on broom corn brooms, and thus have only a minimal adverse effect on consumers.

In the absence of relief, we believe that much of the industry will be forced to shut down in the near term, resulting in the separation of much of the skilled workforce currently employed in broom making. Because the worker skills used in the making of broom corn brooms are highly specialized and not readily transferable, the separated workers will likely experience difficulties in obtaining alternative employment at similar pay levels. In addition, many of the domestic broom plants are in small towns where alternative employment opportunities are quite limited and where the closing of a plant will have a significant and disproportionate impact on the local economy.

We recommend that relief be provided for a 4-year period. As we indicated above in the discussion relating to our recommendation in the section 302 case, the industry adjustment process will take several years to complete. The equipment used in the industry is specialized and not of an off-the-shelf variety. The process of arranging financing for, ordering, and bringing on line new equipment is a multi-year process. It is reasonable to expect that it will take 4 years for the industry to complete the process of bringing such new equipment into full operation.

We are recommending that the relief action apply to imports entered duty-free under the Caribbean Basin Economic Recovery Act (CBERA) and the Andean Trade Preferences Act (ATPA). Imports entered under the preferences provided for in these acts have been large in recent years and have been rising, even though they declined in 1995 from 1994 levels in the face of the near doubling of imports from Mexico in 1995. Imports from CBERA and ATPA countries accounted for 52 percent of total U.S. imports of broom corn brooms in 1994, and a still-large 26 percent in 1995.[14] On the other hand, we are recommending that the President exclude Israel from the relief action; there were no reported imports of broom corn brooms from Israel during the period of investigation.

Views of Commissioners Nuzum and Bragg

Petitioner's Requested Relief :

In this investigation, petitioner has requested import relief in the form of an increase in the tariff on imports of broom corn brooms from all countries to a level not to exceed the current Most-Favored Nation (MFN) rate. This rate would be in effect for a period of four years and would be gradually phased down by small annual increments for all categories of broom corn brooms.

Petitioner states that the relief they have requested would eliminate the serious injury that imports have caused to the domestic industry by reestablishing market conditions that existed in 1993, prior to the elimination of duties on imports of broom corn brooms from Mexico. Petitioner uses 1993 as a benchmark for a healthy industry. In that year, domestic production and the value of U.S. producers' domestic shipments were near their highs for the 1991-95 period, and the domestic industry showed an operating profit of $1.8 million, as compared to operating losses of $720 thousand and $377 thousand in 1994 and 1995, respectively. Petitioner believes that a return to a level of profitability comparable to that experienced in 1993 would enable the industry to implement and fund its adjustment plan, and thus become a viable competitor by the time the import relief terminates.

Petitioner's proposed adjustment plan contains two components: (1) a major effort to reduce the cost of raw materials, and (2) new capital expenditures on plant and equipment. Eight of the ten domestic producers represented by petitioner have announced that they intend to

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[14] Percentages based on data in the report, table 4, at II-17.

commit funds totaling approximately $3 million towards implementation of the adjustment plan. Over $2 million would be allocated for capital expenditures on plant and equipment. An additional $376,000 would be devoted to acceleration of ongoing research towards development of a new hybrid of broom corn that could be grown and mechanically harvested in the United States and would be less expensive than imported hand-harvested broom corn. Members of the domestic industry also plan to purchase machinery capable of automatically producing wire wound broom corn brooms at a rate of up to 50 brooms per hour. With one operator running four machines, the output per hour of labor would be up to 10 times the output per hour under the manual method currently used. Petitioner maintains that the market stability that a 4-year period of relief would provide is necessary to allow this adjustment plan to be implemented.

Proposed Remedy:

We begin by noting that the current tariff structure for broom corn brooms is very complex -- containing six different HTS items, with further breakouts for a tariff-rate quota that applies only to imports from Mexico and a different tariff-rate quota that applies to other imports. Certain tariff categories apply duties on a per-unit basis; other categories apply ad valorem duty rates. Different ad valorem duty rates apply to different countries, depending on whether special tariff preferences apply, such as the Andean Trade Preference Act (ATPA), the Caribbean Basin Economic Recovery Act (CBERA), or the NAFTA.

In fashioning a remedy recommendation, we sought to identify a relatively simple, uniform remedy that would be both effective and easy to administer. Rather than adding layers of tariffs or quantitative restrictions on top of the existing complicated structure, we therefore identified a common approach that would apply as equally as possible to all appropriate imports.

The remedy that we are recommending applies to all broom corn broom other than whisk brooms. Imports of whisk brooms accounted for a very small portion of total broom corn broom imports over the investigation period, and did not contribute significantly to the serious injury experienced by the domestic industry.[15] The remedy also does not apply to imports from Canada, which we previously found not to account for a substantial share of total imports or to have contributed importantly to the serious injury to the domestic industry. Similarly, the remedy does not apply to Israel, which accounted for no imports of broom corn brooms over the investigation period. The remedy is applicable to CBERA and ATPA countries.

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[15] Based on official U.S. import statistics, whisk broom imports were falling at the same time that other broom imports were increasing and causing injury to the domestic industry. Specifically, imports of whisk brooms went from 66,333 dozen in 1991, to 57,426 dozen in 1992, to a peak of 86,947 dozen in 1993. The following two years, however, whisk broom imports decreased significantly -- to 70,834 dozen in 1994, and only 34,371 dozen in 1995. Moreover, whisk brooms accounted for only 6.3 percent of total broom corn broom imports during 1995.

The relief that we recommend would remain in effect for a period of four years. In the first year, import duties on all broom corn brooms, except whisk brooms, would be the greater of 40 percent ad valorem, or the rate of duty that would otherwise be in effect. In the second year, import duties on all broom corn brooms, except whisk brooms, would be the greater of 32 percent ad valorem, or the rate of duty that would otherwise be in effect. In the third year, import duties on all broom corn brooms, except whisk brooms, would be the greater of 24 percent ad valorem, or the rate of duty that would otherwise be in effect. In the fourth year, import duties on all broom corn brooms, except whisk brooms, would be the greater of 16 percent ad valorem, or the rate of duty that would otherwise be in effect. In each year of the remedy period, the MFN rate may in some instances be higher than the remedy rate that we have proposed, and would be the applicable rate of duty for imports subject to MFN rates.[16] A tabular presentation of these rates follows this discussion.

As required by section 202, the remedy that we propose is intended to address the serious injury to the domestic industry and be most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition.[17] The statute defines a "positive adjustment to import competition" to have occurred when:

> (A) the domestic industry--
>
> (i) is able to compete successfully with imports after actions taken under section 204 terminate, or
>
> (ii) the domestic industry experiences an orderly transfer of resources to other productive pursuits; and
>
> (B) dislocated workers in the industry experience an orderly transition to productive pursuits.[18]

Our recommended remedy should allow the domestic industry to increase its sales and profitability to levels similar to those that prevailed during 1992-93, prior to the surge in imports that began in 1994. With increased levels of profitability and sufficient time over the 4-year relief period, domestic producers should be able to become more competitive with imports by investing in the necessary capital and equipment, developing mechanically harvestable broom corn, and transferring workers and other resources out of the industry and into more productive pursuits where necessary.

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[16] Since the Commission is precluded from recommending reductions in the rates of duty applied to imports from countries receiving MFN rates, imports of broom corn brooms from those countries would receive the higher of the remedy rate, and the rate of duty that would otherwise be in effect. For example, in year four, when the remedy rate applicable to imports otherwise eligible for preferential tariff treatment would be 16 percent, and the over-quota MFN rate on brooms valued at over 96 cents per unit is 32 percent, imports of brooms from MFN countries in that category would receive a rate of 32 percent.

[17] 19 U.S.C. § 2252(e)(1).

[18] 19 U.S.C. § 2251(b)(1).

Under this proposed remedy, the domestic industry would receive greater relief than has been requested by petitioner in the first year of the remedy period, but the relief would be phased down more rapidly. We propose this front-loaded remedy for several reasons. First, in years one and two of the remedy period, the remedy rate exceeds, and is then approximately equal to the MFN rate of duty because during these years, much of the industry's restructuring would be initially undertaken. Producers that wish to remain in the industry would need to devote considerable financial resources to the development of the new hybrid variety of broom corn, and the purchase of machinery designed to automatically produce wire-wound broom corn brooms. At this critical stage of the restructuring process, domestic producers would be afforded a rate of duty sufficient to provide them with relief from a majority of broom corn broom imports, and they should be able to return to levels of profitability that would allow the restructuring program the greatest chance for success. The industry likely would not be able to make a positive adjustment to import competition if forced to continue to compete with the surge of low-priced imports that has occurred in recent years. Therefore, significant relief during the early part of the remedy period is necessary.

Second, we propose a more even-paced phase down in the duty rate in order to facilitate the industry's positive adjustment to import competition. After the first two years of capital investment and duty protection, the industry should be in a better position to compete successfully with imports. A steady reduction in the remedy rate during the last two years of the relief period would reintroduce import competition in a measured way to a revitalized industry, and allow individual producers to make any necessary competitive adjustments from year to year rather than all at once. The proposal by petitioner, in which duties on the majority of imports would fall from a level just below the MFN rate in year four of the relief period, to zero the following year, could also lead to another surge in imports similar to the surge experienced when tariffs were eliminated or reduced under the North American Free Trade Agreement. Under such a scenario, the industry might again experience difficulties similar to those that it is currently experiencing. Moreover, under petitioner's proposal, it is reasonable to expect that more producers would remain in the industry during the relief period because of the favorable tariff treatment on imported broom corn brooms, and may not engage in the necessary restructuring or may only begin to undertake the appropriate restructuring late in the remedy period. This could lead to a precipitous exit from the domestic industry at the end of the remedy period if duty-free imports again show a rapid increase, and the orderly transition from the market, as envisioned by the statute, would not be accomplished.

Finally, included in the definition of a positive adjustment to import competition is the provision for the domestic industry to experience an orderly transfer of resources to other productive pursuits, and for dislocated workers in the industry to experience an orderly transition to other productive pursuits.[19] Given the different levels of sales and profitability among firms in

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[19] Thus, "positive adjustment" can involve an improvement in the industry's competitive position (e.g., through modernization of plant and equipment, etc.) or an orderly downsizing (and, perhaps, a complete (continued...)

the domestic industry, it is likely--and has been indicated by members of the domestic industry--that some domestic producers will not be financially able to undertake the proper restructuring over the remedy period, and may not be able to become competitive with imports. As a result, the industry may contain fewer producers, and those producers that remain may employ fewer workers at the end of the remedy period.[20] A steady phase down in the remedy over the proposed four-year period would facilitate the orderly departure of those firms not able to invest the capital necessary to become competitive with imports, as well as the orderly transition of workers dislocated by the adjustment process.

In conclusion, we believe that this remedy recommendation will have a positive impact on sales revenues and profitability in the domestic broom corn broom industry, and will allow a majority of domestic producers to make the capital investments necessary to successfully implement their restructuring plan and become competitive with imports. Based in part on the excess capacity in the domestic industry and the potential for an increase in supply with increased automation, we do not believe that this remedy will lead to a significant increase in prices that consumers pay for broom corn brooms in the United States. We also do not believe that any other industries in the United States will be significantly affected either by implementing or not implementing this remedy recommendation as we do not expect prices to increase significantly, and the broom corn broom industry does not supply any downstream industries. We do, however, believe that not implementing some form of relief in this industry will likely lead a considerable number of domestic producers to significantly scale back production or exit the industry altogether, which would adversely affect the skilled workers producing broom corn brooms, and the communities where they are located.

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[19](...continued)
phaseout) of the industry. Section 201(b)(2) further states that such an adjustment may be considered to have been made "even though the industry is not of the same size and composition as the industry at the time the investigation was initiated." 19 U.S.C. §2251(b)(2).

[20] Commissioner Nuzum also recommends that the President provide adjustment assistance to firms under the Trade Adjustment Assistance (TAA) program, such as accelerated TAA benefits for workers, and support for research and development of new hybrid broom corn. She recommends that available authorities and programs under the Secretaries of Commerce, Labor, and Agriculture be examined with an eye to ascertaining whether any benefits may be provided to the broom corn broom industry.

REMEDY RECOMMENDATION OF COMMISSIONERS NUZUM AND BRAGG

INV. NO. TA-201-65
BROOM CORN BROOMS IMPORT RELIEF

<table>
<tr><th rowspan="2">Country</th><th rowspan="2">Tariff item: BROOM CORN BROOMS, other than whisk brooms</th><th rowspan="2">Current Rate</th><th colspan="4">Proposed Rate</th><th rowspan="2">Post-remedy Rate</th></tr>
<tr><th>Yr 1</th><th>Yr 2</th><th>Yr 3</th><th>Yr 4</th></tr>
<tr><td rowspan="3">Countries eligible for special tariff preference* (e.g., ATPA, CBERA)</td><td>9603.10.40</td><td>0%</td><td rowspan="13">40%</td><td rowspan="13">32%</td><td rowspan="8">24%</td><td rowspan="8">16%</td><td>0%</td></tr>
<tr><td>9603.10.50</td><td>0%</td><td>0%</td></tr>
<tr><td>9603.10.60</td><td>0%</td><td>0%</td></tr>
<tr><td rowspan="4">Mexico</td><td>9603.10.40</td><td>0%</td><td>0%</td></tr>
<tr><td>9603.10.50</td><td>0%</td><td>0%</td></tr>
<tr><td>9603.10.60 (up to 100,000 doz.)</td><td>0%</td><td>0%</td></tr>
<tr><td>9603.10.60 (over 100,000 doz.)</td><td>22.4%</td><td>16%</td></tr>
<tr><td rowspan="3">Countries eligible for column 1 tariff treatment</td><td>9603.10.40</td><td>8%</td><td>8%</td></tr>
<tr><td>9603.10.50</td><td>32¢</td><td>32¢</td><td>32¢</td><td>32¢</td></tr>
<tr><td>9603.10.60</td><td>32%</td><td>32%</td><td>32%</td><td>32%</td></tr>
<tr><td rowspan="3">Countries eligible for column 2 tariff treatment</td><td>9603.10.40</td><td>20%</td><td>24%</td><td>20%</td><td>20%</td></tr>
<tr><td>9603.10.50</td><td>32¢</td><td>32¢</td><td>32¢</td><td>32¢</td></tr>
<tr><td>9603.10.60</td><td>32%</td><td>24%</td><td>20%</td><td>32%</td></tr>
</table>

* Imports from Canada and Israel are not affected by this remedy recommendation.

Note: Where, however, a higher rate of duty would otherwise apply to imports from any country in any year, that higher rate would take effect.

ADDITIONAL VIEWS OF COMMISSIONER JANET A. NUZUM ON INJURY AND REMEDY IN INVESTIGATION NO. NAFTA-302-1

I. INTRODUCTION

In both the 302 and 202 investigations, I join the majority of my colleagues in making affirmative injury determinations. With respect to a remedy recommendation in the NAFTA proceeding, however, my recommendation differs from that of my colleagues by proposing staged-down relief during the third year.[1] With respect to the global safeguard proceeding, Commissioner Bragg and I jointly propose a 4-year tariff remedy that both addresses the industry's serious injury and facilitates adjustment through a fairly uniform, degressive tariff structure. A common feature of both of my remedy recommendations is the degressive structure, which provides an orderly transition from higher tariffs to the largely duty-free environment the domestic industry would face when any relief measures terminate.

The two investigations involve different statutory authorities, different import coverages, different standards for determining causation of injury, and different options for relief. Nevertheless, they both focus on "serious injury" to the same domestic industry (broom corn brooms), whose primary competition in the U.S. market comes from Mexican broom corn brooms. Hence, many of the issues relevant to our two determinations overlap. I concur in various sections of the joint views set forth elsewhere in this report; my remedy recommendation in the 202 investigation is discussed jointly with Commissioner Bragg. These views present my observations and analysis which led me to recommend a 302 remedy somewhat different from that of my colleagues.

II. INJURY ANALYSIS AND AFFIRMATIVE DETERMINATION IN NAFTA 302-1 PROCEEDING

A. Changes in tariff treatment of broom corn brooms pursuant to NAFTA

On January 1, 1994, as a result of the NAFTA, tariffs on Mexican broom corn brooms other than whisk brooms were reduced from either 8 percent (HTS 9603.10.40), 32 percent (HTS 9603.10.50), or $.32 per unit (HTS 9603.10.60 up to 100,000 dozen) to zero. A tariff rate of 22.4 percent remained in effect for imports of broom corn brooms other than whisk brooms entering under HTS 9603.10.60 above a level of 100,000 dozen. In 1994, 81 percent of Mexican broom corn brooms entered the United States duty-free. In 1995, 83.3 percent of Mexican broom corn brooms entered the United States duty-free.

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[1] My remedy recommendation is thus more modest than the uniform 3-year tariff increase recommended by Chairman Rohr, Commissioner Newquist and Commissioner Bragg, but stronger than the uniform 2-year tariff increase recommended by Commissioner Crawford.

B. Increased imports of broom corn brooms from Mexico[2]

One of the requirements for relief under Section 302 is that the relevant article is being imported in "increased quantities." Our record in this proceeding spans the five-year period from 1991 through 1995. Data on import volumes show that, prior to the NAFTA-related tariff changes, U.S. imports of Mexican broom corn brooms declined significantly from 1991 to 1992, and then partially recovered in 1993 to less-than-1991 levels.[3] During the first year of NAFTA implementation (1994), however, U.S. imports of Mexican broom corn brooms increased in volume by a dramatic 58.5 percent, reaching 195,770 dozen. The next year (1995), imports from Mexico continued to escalate, reaching 388,286 dozen -- a near-doubling from 1994 levels. Taken together, therefore, imports of broom corn brooms from Mexico increased by more than 200 percent following the reduction of tariffs under the NAFTA.

C. The effect of the reduction and elimination of duties under NAFTA

As mentioned above, imports of broom corn brooms from Mexico were not increasing to any significant degree during the period preceding the NAFTA tariff cuts. During each of the two years after the NAFTA tariff cut, however, imports of these Mexican articles surged. The close correlation between the timing of the NAFTA tariff cuts and the timing of the dramatic increases in imports suggest that these increases are "as a result of the reduction and elimination of duties provided for under the NAFTA." The record indicates no factor other than the tariff reductions that would account for such a significant increase in 1994. U.S. consumption of broom corn brooms was up a modest 5.6 percent in 1994, hardly enough to explain the surge in import volumes. Neither currency fluctuations, nor fluctuation in other costs, nor any changes in the product itself explains why imports of Mexican broom corn brooms suddenly surged into the U.S. market in 1994. On the other hand, on January 1, 1994, an immediate reduction of tariffs from near 32 percent to largely zero provided a significant incentive for importers to market increased quantities of Mexican broom corn brooms in the United States.

In 1995, imports of broom corn brooms from Mexico continued to increase. Although depreciation of the Mexican peso in late 1994-early 1995 likely also contributed to that rise, that does not eliminate the fact that significant increases in imports first occurred as a result of NAFTA tariff reductions in 1994.

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[2] Except as noted, information on imports and domestic performance cited in these views are presented in the Report in Table C-1 at C-3.

[3] In 1991, U.S. imports of broom corn brooms from Mexico totaled 157,605 dozen. The volume of these imports declined 34 percent in 1992, reaching a level of 104,067 dozen. Imports rebounded partially in 1993 rising to 123,528 dozen, still below the 1991 level.

D. Imports of the Mexican article alone constitute a substantial cause of serious injury

While imports from Mexico more than tripled in volume during 1993-95, U.S. consumption of broom corn brooms rose only 4.4 percent. Mexican broom corn brooms thus expanded their share of the U.S. market from 8.6 percent in 1993 to 25.9 percent in 1995 -- a tripling also of market share. U.S. producers meanwhile saw their share of the U.S. market fall from 76.5 percent in 1993 to 63.5 percent in 1995. This loss of market share translated into loss of capacity, idling of remaining capacity, reductions in workers and hours worked, and erosion of financial performance.

U.S. capacity to produce broom corn brooms increased in 1993, immediately prior to the NAFTA, and declined in 1994, immediately following the NAFTA.[4] Generally during 1991-95, capacity followed a downward trend, reflecting rationalization in the industry.[5] Several firms reported plant shutdowns late in the period examined (both late 1995 and early 1996). The Commission's capacity data, which are based on yearly averages, will not fully reflect these most recent shutdowns.

U.S. production of broom corn brooms declined at a faster rate generally than did capacity, which resulted in declining capacity utilization during the period. Production and capacity utilization declines were particularly marked after 1993, however. Production declined 2.6 percent from 1991 to 1992, then rose 0.2 percent in 1993. In 1994, production registered a 3.1 percent decline, and, in 1995, a 10.8 percent drop. Capacity utilization rose from 70.9 percent in 1991 to 73.3 percent in 1992, then declined to 72.4 percent in 1993. In 1994, nearly equal declines in capacity and production resulted in only a further slight decline in capacity utilization, to 72.3 percent. In 1995, however, capacity utilization fell to 64.8 percent. Overall, 3 percent of 1993 plant capacity was shut down by 1995 and one- third of remaining capacity sat idle, while imports of broom corn broom from Mexico more than tripled.

U.S. employment in the broom corn broom industry was fairly stable during 1991-93, but registered successive lows in both 1994 and 1995. The number of workers reported declined from 431 in 1991 to 420 in 1992, then recovered to 428 in 1993. Employment in 1994 declined to 419, and 1995 employment fell to 382. Almost 11 percent of the 1993 workforce had lost those jobs by 1995. Hours worked declined at an even faster rate, suggesting that those workers who remained employed worked fewer hours.[6]

From 1991 to 1993, Mexican broom corn brooms lost market share, and the volume of U.S. producers' shipments remained steady at 1.1 million dozen each year during this period. Over the course of 1994 and 1995, however, Mexican broom corn brooms tripled their U.S.

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[4] Capacity fell by 4.2 percent from 1991 to 1992, then increased by 0.5 percent in 1993. In 1994, capacity declined again, by 3.8 percent, and remained steady in 1995.

[5] See Report at II-11-II-12.

[6] Hours worked declined by 14.9 percent from 1993 to 1995.

market share, and U.S. producers experienced a sharp decline in shipments. Shipment volumes in 1994 were again near 1.1 million dozen (1,071,269 dozen) but 1995 shipments fell to 951,989 -- an 11.1 percent drop in one year.

Domestic industry revenues increased from $28.7 million in 1991 to $32.5 million in 1992 to $34.3 million in 1993 -- percentage increases of 13.4 and 5.6 percent respectively. By concentrating on higher-valued products,[7] the industry again increased revenues in 1994, although by only 1.7 percent to $34.9 million. Revenues in 1995 showed the only decline, to $33.8 million or below the 1993 (pre-NAFTA) level.

The industry overall showed modest operating profits during 1991-93, followed by operating losses in both 1994 and 1995. Available data show operating profits of 0.3 percent in 1991, 2.4 percent in 1992, and 5.2 percent in 1993; and operating losses of 2.1 percent in 1994 and 1.1 percent in 1995. Eight of 13 responding firms incurred an operating loss in 1994, and 7 of 13 firms incurred a loss in 1995.[8] This indicates that a significant number of producers in the industry did not operate at a reasonable level of profit once the NAFTA tariff cuts took effect.

The Commission collected prices for three types of upright broom corn brooms from both U.S. producers and U.S. importers.[9] An examination of these data indicates that prices for U.S. lightweight brooms weakened markedly in 1995 after rising incrementally during 1993-94. Prices for U.S. house or parlor brooms, in contrast, were flat during 1993 and into mid-94 after which they show a slight rise through the end of 1995. Prices for U.S. janitor or warehouse brooms were essentially flat throughout all of 1993-95. Prices of comparable Mexican brooms in each category significantly undersold the domestic products. Prices for Mexican brooms in all three categories also show a slight decline from pre-1994 levels to 1994-95 levels. This suggests that importers passed on a small portion of the tariff reductions to purchasers through lower prices, but retained most of the benefit for themselves.

U.S. producers of broom corn brooms faced competition from other import sources (such as Panama, Honduras, Colombia and Hungary) and from other products (such as plastic brooms), as well as from imports from Mexico. I do not find, however, that any other factor was more important than the imports from Mexico in causing serious injury to the domestic industry. Among possible alternative causes of serious injury, I considered declines or other changes in demand, competition from other imports, and competition from other products.

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[7] <u>See</u> Report at II-23.

[8] Report at Table 10 at II-22.

[9] The pricing data discussed in this section are presented in the Report at II-32 - II-36.

Imports of broom corn brooms from other sources declined in volume from 1993 to 1995.[10] By 1995, Mexico alone supplied more than twice the volume of broom corn brooms to the U.S. market as all other import sources combined. Imports from sources other than Mexico, even cumulated, did not by themselves cause the losses of capacity, jobs and profits in the U.S. broom corn broom industry. Plastic brooms also did not displace broom corn brooms in the U.S. market during the period 1993-95. Consumption of plastic brooms expanded,[11] but not at the expense of broom corn brooms. Rather, consumption of broom corn brooms also expanded, particularly from 1993 to 1994.[12]

In summary, imports of broom corn brooms from Mexico increased substantially in volume and declined in price following the reduction of tariffs under the NAFTA. These low-priced imports took market share from U.S. broom corn broom producers, resulting in declines in U.S. production, shipments, employment and profits. The industry experienced significant idling of capacity and significant unemployment and underemployment. A majority of producers did not operate at reasonable levels of profit. No factor other than imports from Mexico was a more important cause of serious injury. The statutory standard for an affirmative injury determination is therefore met.

III. REMEDY RECOMMENDATION

The remedy options under section 302 of the NAFTA Implementation Act are somewhat circumscribed. The type of remedy is limited to tariff relief. The extent of any tariff increase, furthermore, is limited to the lesser of pre-NAFTA tariffs or current MFN tariffs. For this product, the current MFN rates are lower and therefore constitute the maximum allowable relief. The duration of any remedy is limited to three years.

A. Exclusion of whisk brooms

The HTS identifies 6 different subheadings for imports of broom corn brooms. Three of these categories are for one type of broom -- whisk brooms: HTS 9603.10.05, 9603.10.15 and 9603.10.35. In light of the separate tariff categories established for whisk brooms, I examined closely the import volume trends in these particular categories, to see whether these trends were consistent with overall import trends. To the contrary, the data on import trends for whisk brooms did not exhibit the same increases as for broom corn brooms in general.[13] These products

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[10] Imports from countries other than Mexico decreased from 213,624 dozen in 1993 to 158,423 dozen in 1995.

[11] U.S. consumption of plastic brooms increased 12.9 percent during 1993-95. Report at Table C-2 at C-4.

[12] U.S. consumption of broom corn brooms increased 3.9 percent during 1993-95.

[13] Official U.S. import statistics show that U.S. imports of whiskbroom from Mexico totaled 8,932 dozen in 1991; 13,317 dozen in 1992; 8,897 dozen in 1993; 3,151 dozen in 1994; and 12,588 dozen in 1995. Clearly these products did not account for the increase observed for broom corn brooms as a whole. In 1995, whisk (continued...)

represent a very small portion of broom corn broom imports (3 percent in 1995), and do not appear to have contributed significantly to the injury experienced by the domestic industry. I therefore do not recommend any change in tariff rates on imports of whisk brooms from Mexico.

B. Tariff increases for three years

In deciding on the size of the appropriate tariff relief, I looked to the extent and amount of injury caused by the imports from Mexico. The increase in imports from Mexico resulting from the NAFTA tariff reductions occurred after Jan. 1, 1994. Overall in 1994 and 1995, the industry experienced a decline in capacity utilization of 7.6 percentage points, a decline in sales volume of 12.6 percent, a decline in revenues of 1.5 percent and a loss of 46 jobs.

Imposition of current MFN rates to imports from Mexico would likely reverse these declines but not fully restore the industry to the levels of operation achieved in 1993. Nevertheless, restoration of MFN rates is the maximum relief allowable in this case. I therefore recommend that the President grant the maximum relief (MFN tariff rates) with regard to imports of broom corn brooms, other than whisk brooms. With respect to the duration of this relief, I recommend that this level remain in effect for two years. Although a third year of relief at the maximum level is legally permissible, I believe that a transitional stage of relief during the last year would better prepare the industry for the conditions that would exist post-relief. Hence, I recommend that tariff rates during the third year of any relief be set halfway below the MFN rates (which would apply in the second year of relief) and the rates that are currently scheduled to be in effect in the year 2000 (the first full year after remedy would expire). Mexican products will largely be duty-free at that time.[14]

My remedy recommendation thus provides the maximum allowable relief for two of three years, and a mid-level transition during the third and final year. Petitioners have stated that the effect of the immediate elimination of duties on Mexican broom corn brooms pursuant to the NAFTA implementation was a shock to the industry. Staging down import relief is the best protection against a repeat of that shock when safeguard relief terminates.

C. Relationship of 302 remedy recommendation with 202 remedy recommendation

The above 302 remedy recommendation is made independently of my separate recommendation in Inv. No. TA-201-65. Should, however, the President decide to take action under section 201 of the Trade Act of 1974, that provides greater import relief to the industry

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[13](...continued)
brooms accounted for only 3 percent of total broom corn broom imports from Mexico. These products did not, therefore, account for a significant portion of total imports of broom corn brooms from Mexico.

[14] Zero rates of duty will apply after the relief expires to all Mexican cornbrooms except imports valued at over $.96 per unit in excess of 100,000 dozen.

than my remedy recommendation in this 302 investigation, I recommend that the President deny relief under section 302.

SUMMARY OF REMEDY RECOMMENDATION OF COMMISSIONER NUZUM INV. NO. NAFTA-302-1

Tariff item: BROOMS, other than whisk brooms	Current Rate	Proposed Rate			Post-remedy Rate
		Yr 1	Yr 2	Yr 3	
9603.10.40	0%	8%	8%	4%	0%
9603.10.50	0%	32¢	32¢	16¢	0%
9603.10.60 (up to 100,000 doz.)	0%	32%	32%	16%	0%
9603.10.60 (over 100,000 doz.)	22.4%	32%	32%	24%	16%

VIEWS OF COMMISSIONER CAROL T. CRAWFORD

I. Summary

These two investigations present the Commission with the task of applying two statutory frameworks to the identical set of facts. My analysis of the facts and the statutory requirements under Section 302 of the NAFTA Implementation Act[1]and Section 201[2] of the Trade Act of 1974 result in different determinations for the two investigations. I make an affirmative determination under Section 302 and a negative determination under Section 201. The discussion below sets forth the basis for my determinations and my recommendations for relief to the President.

Determinations

The two statutes pose different questions for the Commission to consider. Section 302 of the NAFTA Implementation Act directs the Commission to determine whether, as a result of the elimination or reduction of duties due to NAFTA Mexican broom corn brooms were imported into the United States in such increased quantities, so that imports of the Mexican broom corn brooms, alone, constitute a substantial cause of serious injury or threat to the domestic industry.[3] Thus, Section 302 requires the Commission to evaluate the effect of the elimination or reduction of the duties. Such an evaluation requires a comparison of the current condition of the domestic industry (i.e. when the duties have been eliminated or reduced) with the condition of the industry that would have existed had the duties not been eliminated or reduced. In sum, the statute requires an evaluation of whether any injury to the domestic industry "as a result of" the elimination or reduction of the duties constitutes "serious injury." Thus, to evaluate the effect of the reduction or elimination of duties on the domestic industry we must ask: *but for* the elimination or reduction of the duties due to NAFTA on Mexican imports *what would have been* the condition of the domestic industry? If the answer to this question is the domestic industry would have been in significantly better condition, the Commission should make an affirmative determination. I conclude that, while the condition of the industry today is healthy, it would have been significantly healthier but for the elimination or reduction of duties on Mexican broom corn brooms, and that the difference in the industry's health constitutes serious injury under the statute. I therefore make an affirmative determination.

Section 201 on the other hand requires a bifurcated analysis that begins with an analysis of the industry's condition in the abstract, based upon statutory financial indicators. If the Commission determines that an article is being imported in increased quantities, the statute requires an analysis of the health of the domestic industry producing an article like or directly competitive with the imported article to determine if it is suffering serious injury or the threat

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[1] 19 U.S.C. 3352(b).

[2] 19 U.S.C. 2251 et. seq. (1974).

[3] Section 302(b).

thereof. If so, the Commission then determines whether the imported article is a substantial cause of that serious injury or threat thereof.[4] If the Commission answers no to any one of these questions, it must make a negative determination. Having examined the condition of the domestic industry, I conclude that it is healthy, is not suffering serious injury, and is not threatened with serious injury. Therefore, under the bifurcated analysis required by Section 201, I make a negative determination.

I address each investigation separately, but first address the issue of domestic industry which is crucial to both investigations.

II. Domestic Industry

Before reaching a determination under Section 302 or Section 201, it is necessary to identify the domestic industry producing an article like or directly competitive with the Mexican broom corn brooms.[5] Neither statute defines the terms "like, or directly competitive", however, the legislative history of the Trade Act of 1974 offers the following guidance:

> The words "like" and "directly competitive", as used previously and in this bill, are not to be regarded as synonymous or explanatory of each other, but rather to distinguish between "like" articles and articles which, although not "like" are nevertheless "directly competitive." In such context, "like" articles are those which are substantially identical in inherent or intrinsic characteristics (i.e., material from which made, appearance, quality, texture, etc.) And "directly competitive" are those which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor.[6]

In these investigations, Petitioners argue that there is a separate domestic industry that produces broom corn brooms and a second domestic industry producing other brooms, which are primarily plastic brooms. Respondents argue that there is one domestic broom industry, which accounts for the production of all brooms.

While broom corn brooms use natural fibers, other brooms use synthetic fibers that are in many instances assembled in an identical fashion as broom corn brooms. Petitioners contend that broom corn brooms have superior quality traits. However, the record is inconclusive as to whether any such quality differences actually exist. Plastic brooms and corn brooms are highly interchangeable. They are used for exactly the same purposes, to sweep floors, patios, walkways

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[4] Section 202(b)(1)(A).

[5] Section 302(b) and Section 202(b)(1)(A)..

[6]H.R. Rep. No. 571, 93 Cong., 1st Sess. 45 (1973): <u>see also</u> S. Rep. 1298, 93 Cong., 2d Sess.121-122 (1974). Section 302(c) makes the definition of domestic industry set forth in Section 202(c) applicable to the NAFTA Implementation Act..

and other surfaces of dirt and other debris. Consumers purchase the different kinds of brooms to do the same tasks. The two kinds of brooms are sold through the same channels of distribution.[7] In many instances the domestic producers, using the same equipment and facilities, produce both plastic and broom corn brooms.[8] Large producers, which manufacture both corn brooms and plastic brooms, account for 75 percent of all domestic corn broom shipments.[9] While the record does reveal a number of small regional producers of corn brooms, the existence of these producers alone does not justify a finding that a separate industry exists manufacturing broom corn brooms. For these reasons, I find there is one domestic industry producing an article like or directly competitive with the imported broom corn brooms, and that industry is the broom industry.

III. Section 302 of the NAFTA Implementation Act: an Affirmative Determination

Section 302 of the NAFTA Implementation Act requires that the Commission:

> shall promptly initiate an investigation to determine whether, as a result of the reduction or elimination of a duty provided for under the Agreement (i.e. NAFTA), a Canadian article or a Mexican article, as the case may be, is being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of -
>
> (1) serious injury; or
> (2) except in the case of a Canadian article, a threat of serious injury; to the domestic industry producing as article that is like, or directly competitive with the imported article.

The language of the statute requires that the Commission determine, *but for* the elimination of the duties due to NAFTA on Mexican imports, *what would have been* the condition of the domestic industry. This analysis is similar to the analysis I apply under Title VII of the Tariff Act of 1930, that is, a comparison of the current conditions in the industry to industry conditions that would have existed without the elimination or reduction of duties on Mexican imports of broom corn brooms. Whether the industry is seriously injured can be seen by comparing conditions of the industry when the duties were eliminated or reduced with what the condition of the industry would have been had the duties not been reduced or eliminated.[10] Thus, under Section 302 the domestic industry may show signs of serious injury if it would have been in

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[7] P.R. at II-8 and II-9.

[8] *Id.*

[9] P.R. at II-11-II-12.

[10] See Section 202(c)(6)(ii)(C) for applicable definition of "serious injury".

significantly better condition *"but for"* the elimination or reduction of the duties.[11] For the reasons discussed below, I find that the domestic industry is seriously injured by imports of Mexican broom corn brooms.

Increased Quantities of Imports

In January of 1994 the implementation of NAFTA resulted in the elimination of duties on broom corn brooms imported from Mexico. Imports from Mexico increased dramatically, rising from 123,528 dozen in 1993 to 195,770 dozen in 1994. This increase in imports continued into 1995 as imports grew to 388,286 dozen.[12]

Elimination or Reduction of the Duties

An evaluation of the effects of the elimination or reduction of the duties requires a comparison of the current condition of the industry after the elimination or reduction of the duties with what the condition of the industry would have been had the duties not been eliminated or reduced. Such a comparison requires an analysis of what the demand and supply conditions in the market would have been had the duties not been eliminated or reduced.

A relatively low demand elasticity suggests that overall demand for brooms will not greatly fluctuate in reaction to small price changes. Demand, however, for brooms from specific sources may shift depending on relative prices. In 1995 sales of Mexican brooms represented 8.7% (by value) of the U.S. market for brooms.[13] If duties on Mexican brooms had not been eliminated or reduced, then prices for those Mexican brooms would have been significantly higher[14] and some demand would have shifted away from Mexican brooms.

To determine the effect of the duty elimination on the domestic industry requires determining how much of the shift in demand would have been captured by domestic producers. Evidence in this investigation indicates that there is a high degree of substitutability for all brooms, and even a higher degree between Mexican corn brooms and domestic corn brooms. The

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[11] Consideration of what would have been the condition of the domestic industry represents the important difference between my analysis under Section 302 and my analysis under Section 201. The bifurcated analysis under Section 201 does not allow consideration of what would have been the condition of the domestic industry if NAFTA had not eliminated (or reduced) duties on Mexican broom corn brooms. Section 201 looks only at the condition of the domestic industry today in the abstract. Section 302 allows consideration, even in the case of a healthy industry, of sales and revenues of which the industry was deprived, by examining how much better the industry would have been doing absent the tariff elimination or reduction. In my view, the statute intends for this loss to be considered injury, as it does in Title VII.

[12] P.R. Table 3 at II-14.

[13] P.R. at Table C-3.

[14] Prices for imported Mexican broom corn brooms are estimated to have increased between 5.5% and 32.1% had the duties not been eliminated. See Final Remedy Memorandum EC-T-041 at 11.

U.S. industry had a low capacity utilization rate, so it could have increased its production to capture any increase in demand. Thus U.S. producers were well positioned to capture any shift in demand due to an increase in the prices of Mexican brooms. Imports from countries other than Mexico represented 15.4% (by value) of the domestic market[15] and would also have captured some smaller portion of the demand shift from Mexican to less expensive brooms.

In sum, if prices for Mexican brooms had been higher, domestic producers would have captured some of their sales, increasing production and sales of U.S. brooms, *and* U.S. producers would have realized significantly higher revenues. Thus, I determine that as a result of the elimination or reduction of duties on Mexican broom corn brooms, Mexican imports are being imported into the United States in such quantities and under such conditions so that imports, alone, constitute a substantial cause of injury to the domestic industry.[16]

Remedy Recommendation

Section 304 of the NAFTA Implementation Act provides that the remedy for an affirmative determination under Section 302 is the lesser of MFN rate of duty, or a return to pre-NAFTA duties[17]. In this investigation, the MFN is the lesser rate. Section 304(d) provides that the period of relief may not exceed 3 years.

The domestic industry's Section 201 adjustment plan provides the Commission with useful information for consideration of remedy recommendations to the President[18] under both Sections 201 and 302. Petitioners assert that the domestic industry needs up to four years[19] to implement the two components of its adjustment plan. First, Petitioners assert time is needed for the development of a hybrid broom corn that can be harvested through mechanical means. Second, Petitioners ask for time to allow the domestic industry to purchase a machine that will allow for the mechanized assembly of broom corn brooms.

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[15] P.R. at Table C-3.

[16] Respondents argue that the effects of imports from Mexico on the domestic industry are the result of the dramatic devaluation of the peso in December 1994, and not the elimination or reduction of the duties on Mexican broom corn brooms. However, the dramatic peso devaluation did not occur until December 1994, nearly one year after the elimination and reduction of duties. During 1994, imports from Mexico increased significantly. Moreover, the real value of the peso depreciated 23.2 percent between the end of 1994 through the first quarter of 1996, while duties on most broom corn broom imports from Mexico were dropped from levels exceeding 30 percent to zero. While the effects of the exchange rate depreciation may have been significant, I find that the serious injury caused by the elimination or reduction of duties meets the statutory requirements for an affirmative determination.

[17] Section 304(c)(2)(B)(I).

[18] Section 202(B)(4).

[19] Petitioners' post- remedy hearing brief at 3.

New Hybrid Broom Corn

The Petitioners assert that hybrid broom corn that allows for mechanical harvesting can and will be developed in the next three to four years.[20] However, such a hybrid has been sought for over a decade without success.[21] Even if developed, the hybrid broom corn would likely face problems with disease in the Midwest growing region of the United States.[22] The record is too speculative as to this issue. I am not convinced that the domestic industry will develop a new hybrid broom corn in the next two, three, or four years. The mere promise of a hybrid broom corn does not provide a solid foundation to support a remedy recommendation to the President.

Mechanical Assembly Machine Purchase

The second component of Petitioners' adjustment plan urges time for the domestic industry to purchase machinery that produces a wire-wound broom automatically.[23] Unlike the promise of a hybrid broom corn, the machine that automatically produces a wire-wound broom corn broom is available for purchase today. The record indicates that broom corn producers have successfully used the automatic wire-wound machine in Australia. The machines are valued at $150,000 and when installed can significantly increase production and efficiency.[24] This component of the adjustment plan represents a specific, realistic, clearly identifiable action the domestic industry can take during a period of relief to adjust to the effect of Mexican imports and provides a solid foundation for a relief recommendation.

I therefore endorse the portion of Petitioners' plan that would allow time for the domestic industry to make the capital investment in automatic assembly machinery. I recommend that the President impose the MFN rate on Mexican brooms for that adjustment purpose for a period of two years. With reimposition of duties, domestic producers should be able to increase their production, sales, and revenues of brooms and thereby be able to generate the capital for such a major investment. In that period, domestic producers will have ample time to make the capital investment, install the machinery and train operators. Two years is a reasonable period of relief for the domestic industry to adjust to Mexican broom corn broom imports.

IV. Section 201 of the Trade Act of 1974: a Negative Determination

I determine that broom corn brooms are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the

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[20] Petitioners' post-remedy hearing brief at 8.

[21] Petitioners' post-remedy brief at attachment 3 entitled "Summary of Broomcorn Breeding Project."

[22] Petitioners' post-remedy brief at attachment 3 letter from Donald G. White to Chairman Rohr.

[23] Petitioners' post-remedy hearing brief at 8-10.

[24] P.R. at II-7.

domestic industry producing an article like, or directly competitive with imported broom corn brooms.

Section 201 of the Trade Act of 1974 directs the Commission to make an affirmative determination if it finds that:

(1) imports are being imported into the United States in such increased quantities;

(2) that the domestic industry is suffering from serious injury, or the threat thereof; and,

(3) the imports are a substantial cause of serious injury, or threat thereof.

In this investigation the record is clear that broom corn broom imports have increased. However, using the financial indicators set forth in the statute, the evidence does not support a finding that the domestic broom industry is suffering, or threatened with, serious injury. Having determined that the domestic industry is not suffering or threatened with serious injury, I do not reach the question of causation.

Domestic Industry

For the reasons stated above, I find that a single domestic broom industry exists, producing corn brooms, plastic brooms and other brooms that are like or directly competitive with imports of broom corn brooms.[25]

Increased Quantities of Imports

The first of the three statutory criteria that must be satisfied for an affirmative determination is that imports must enter the Untied States in "increased quantities." In this investigation the evidence demonstrates that there has been both an actual increase in imports of broom corn brooms and an increase relative to domestic production. Since 1993 actual quantities have increased each year: 337,151 dozens in 1993; 444,496 dozens in 1994; and 546,709 dozens in 1995.[26] This increase is reflected in the growth in market share (by quantity) for imported broom corn brooms over the same three years: from 23.5% in 1993 to 36.5% in 1995.[27] I conclude that the increase of imports of broom corn brooms satisfies the first criterion of the statute.

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[25] Unlike Section 302 where the Commission examines only imports from Mexico, under Section 201 the Commission examines all imports of broom corn brooms.

[26] P.R. at Table 3.

[27] P.R. at Table 20.

Serious Injury or Threat of Serious Injury

Section 201 next requires a determination of whether the domestic industry is suffering from serious injury or the threat of serious injury. Section 201 lists three economic factors that the Commission must consider and instructs the Commission to examine all other economic factors that it considers relevant, noting that the presence or absence of any enumerated factor is not necessarily dispositive.[28] The three economic factors the Commission must take into consideration include the following:

(1) The significant idling of productive facilities in the domestic industry.

Evidence suggests that the domestic industry has idled a significant percentage of its productive facilities. Capacity utilization is down from 77.0 percent in 1994 to 63.8 percent in 1995.[29]

(2) The inability of a significant number of firms to carry out domestic production operations at a reasonable level of profit.

Several domestic producers reported operating losses, while several other producers reported profits in 1995.[30] However, the entire domestic broom industry was operating at a *** million profit in 1995, which represents a gain from a 1994 profit level of *** million. [31]

(3) Significant unemployment or underemployment within the domestic industry.

There has been a decline in production workers in the domestic broom industry from 493 workers in 1994 to 466 workers in 1995.[32].

In addition to the three factors discussed above, the statute instructs the Commission to take into account all economic factors it considers relevant.[33] Other relevant economic factors that I have considered include the volume of brooms produced, the volume sold and the value of those brooms. All indicate that the domestic broom industry is not suffering from serious injury. Production increased from 1.78 million dozen in 1994 to 1.82 million dozen in 1995. Net sales

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[28] 19 U.S.C. 2252(c)(1)(A)

[29] P.R. Table C-3.

[30] P.R. Table 10.

[31] P.R. Table C-3.

[32] *Id.*

[33] Section 202(c)(1).

increased from *** dozen brooms in 1994 to *** dozen brooms in 1995. The value of domestic broom sales also grew from *** million in 1994 to *** million in 1995.[34]

The statute defines "serious injury" as "a significant overall impairment in the position of the domestic industry"[35]. I do not find that an industry that is operating at a high profit level, with increased production and increased sales at increased values, is suffering from serious injury.

Threat of Serious Injury

With respect to "threat of serious injury," the Commission is required to take into account all economic factors that it considers relevant, including but not limited to the following:

(1) A decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry.

I have examined each of these factors and determined that the mixed results do not support an affirmative threat determination. The domestic industry has incurred a slight loss in market share based on quantity from 53.6 percent in 1994 to 51.9 percent in 1995. As noted above, however, inventories have dropped from 74,652 dozen in 1994 to 64,281 dozen in 1995 and profits and production have increased in the most recent period. Wages and the number of production workers have not changed significantly in the most recent period.[36]

(2) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or are unable to maintain existing expenditures for research development.

Several domestic producers assert that their ability to generate capital for investment and growth has suffered since 1993. In addition, several domestic producers claim that they have been unable to maintain expenditures for research and development.[37] I am not convinced that these assertions justify an affirmative threat determination. Three of the largest domestic broom producers have made no assertions of an inability to raise capital. Without evidence that a substantial segment of the industry is finding it difficult to raise capital, I cannot conclude that this factor justifies an affirmative threat determination.

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[34] P..R. Table C-3.

[35] Section 201 (c)(6)(C).

[36] P.R. Table C-3.

[37] P.R. at Appendix D.

(3) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or imports of such article into, third country markets.

The record provides no reliable information on any restraints in third country markets that if lifted, might lead to increased imports into the United States. The statute does not permit speculation to justify an affirmative threat determination.

Therefore, for the reasons stated, I conclude that the domestic industry is not threatened with serious injury.

Additional Views on Remedy

Section 202 (e)(6) of the Trade Act of 1974 invites those members of the Commission who are not eligible to vote on the question of remedy to submit separate views regarding what action, if any, the President should take under section 203 of the Act. If the President agrees with the affirmative determination of the majority of my colleagues, I recommend he take no relief action in this investigation. Instead, I provide the President a recommendation for relief in the discussion above concerning the application of Section 302 of the NAFTA Implementation Act.

DISSENTING VIEWS OF COMMISSIONER PETER S. WATSON

The domestic broom corn broom industry filed petitions with the Commission to win protection from foreign competition. The Commission today recommends that the President give it what it wants -- a hike in tariffs from their already high levels, and a substantial delay in the establishment of free trade in broom corn brooms with Mexico.

In order to make these recommendations, the Commission first has to find that imports of foreign brooms are increasing so fast "as to be a substantial cause of serious injury to the domestic industry," and that imports of Mexican brooms alone are, as a result of NAFTA's reduction in trade barriers, "a substantial cause of serious injury."[1] I disagree with my colleagues on what the domestic industry is; I disagree with them on whether that industry is being seriously injured; and, I would disagree with them on what is causing that injury if I thought it existed. So I dissent.

Contentions of the Parties

This is one of those cases where the parties disagree about nearly every issue. The petitioners argue that there is such a thing as a domestic broom corn broom industry distinct from the broom industry generally.[2] They also argue that industry is besieged and in danger of being swept onto the ash heap of history.[3] They point to idled plants,[4] increased unemployment,[5] a loss of market share leading to lower production,[6] and balance sheets heavily smudged by red ink.[7] They claim that this perilous state was produced by a cascade of imports, particularly imports from Mexico.[8]

Respondents disagree. They argue that the domestic broom corn broom industry is but a part of a single broom industry.[9] That industry, say respondents, is being briskly whisked into the modern age by automation and the rapidly growing acceptance of plastic fiber as a substitute for

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[1] 19 USC §§ 2252(b)(1)(A), 3352(b).

[2] Pet. Preh. Br. at 26-38.

[3] Pet. Preh. Br. at 14-24.

[4] *Id.* at 14-16.

[5] *Id.* at 17-18.

[6] *Id.* at 18-19.

[7] *Id.* at 20.

[8] *Id.* at 25-26.

[9] Resp. Preh. Br. at 2-20.

broom corn.[10] They bristle at the petitioners' complaints about competition and contend that what the domestic industry really needs are companies willing to try to mop up the profits to be had by investing in the equipment and training needed to increase productivity and lower the cost of production.[11] The respondents accuse the petitioners of trying to sweep the success of such innovative American companies under the rug, and urge the Commission to peek beneath the petitioners' blanket charges to see an industry with an increasingly productive and well-paid workforce fully capable of standing upright against all competitors.[12] The respondents acknowledge that imports of broom corn brooms have increased,[13] but contend that increase is not nearly as important a source of the broom corn broommakers' woes as is the modernization of broom manufacturing.[14] It is certainly not, they say, the result of NAFTA's knocking a small hole in the high tariff wall built against Mexican imports.[15]

The Domestic Industry

The petitioners complain about the effect of imports of broom corn brooms on a domestic industry. The first puzzle the Commission must solve under Section 201 or Section 302 is how to define that industry.

Section 202(c)(6)(A)(i) defines "domestic industry" to mean:

> with respect to an article, the domestic producers as a whole of the like or directly competitive article or those producers whose collective production of the like or directly competitive article constitutes a major proportion of the total domestic production of such article.[16]

Congress did not define what "like or directly competitive" means in the statute. The legislative history of the original 1974 Act helps a little bit. There, the Ways and Means Committee stated:

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[10] *Id.* at 41-42.

[11] *Id.* at 35.

[12] Id. at 17.

[13] Relief under Section 201 requires, at a minimum, that imports be entering the United States in "increased quantities." They clearly have, whether one looks at the total broom market, or the narrower broom corn segment. *See* Rep. at Tables C-3, C-1.

Relief under Section 302 requires, at a minimum, that imports from Mexico be entering the United States in "increased quantities (in absolute terms)." They have, too. *See* Rep. at Tables C-3, C-1.

[14] Resp. Preh. Br. at 39-40.

[15] *Id.* at 20-22.

[16] 19 USC § 2252(c)(6)(A)(i).

> The words "like" and "directly competitive", as used previously and in this bill, are not to be regarded as synonymous or explanatory of each other, but rather to distinguish between "like" articles and articles which, although not "like," are nevertheless "directly competitive." In such context, "like" articles are those which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.), and "directly competitive" articles are those which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor.[17]

The Commission traditionally looks at such factors as the physical properties of a product, its Customs treatment, where and how it is made (e.g., in the same or separate facilities), its uses, and its marketing channels.[18]

The threshold question in this case is whether American brooms made from plastic fiber are "like or directly competitive" with imported broom corn brooms. If they are, then the domestic industry whose health we must measure is the entire American broom industry, and not just the part of it that makes broom corn brooms.

The petitioners urge us to find that only American broom corn brooms are "like or directly competitive" with imported broom corn brooms.[19] Their main point is that broom corn brooms have the distinctive physical characteristic of being made from broom corn.[20] This is certainly

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[17] H.R. Rep. No. 571, 93rd Cong., 1st Sess. 45 (1973); S. Rep. No. 1298, 93rd Cong., 2d Sess., at 121-122 (1974).

[18] *See Fresh Winter Tomatoes*, Inv. No. TA-201-64 (Provisional Relief Phase), USITC Pub. 2881 (April 1995) at I-7; *Certain Metal Castings*, Inv. No. TA-201-58, USITC Pub. 1849 (June 1986) at 7-8.

[19] Pet. Preh. Br. at 27.

[20] The petitioners also make four minor arguments for why only domestic broom corn brooms are like or directly competitive with imported broom corn brooms. First, they argue that broom corn brooms have different HTS classifications from plastic fiber brooms. Pet. Preh. Br. at 33. This proves too much -- whisk brooms also have different HTS classifications, as do brooms that have a customs value of 95 cents compared to brooms that have a customs value of 97 cents. Rep. at II-12. Second, they argue that it is only broom corn broom imports that are injuring an American industry. Pet. Preh. Br. at 28. This may be true, but does not logically tell one *what* American industry is being injured. The petitioners also argue that plastic fiber broommakers have not complained. Pet. Preh. Br. at 36. This is just false. *See* Rep. at II-12-15 (describing overlap of plastic and broom corn broom producers). Finally, the petitioners argue that the only facilities being affected are those producing broom corn brooms. Pet. Preh. Br. at 36. This is also doubtful, since the largest broommakers use the same factories to make both broom corn and plastic fiber brooms. Rep. at II-9-10.

true. But whisk brooms have a shape that distinguishes them from push brooms, and push brooms a shape that distinguishes them from upright brooms. Brooms that have yucca fiber cores are distinguishable from brooms that are pure broom corn brooms. The problem with identifying a distinctive *physical* characteristic and concluding that it must therefore be a distinguishing *legal* characteristic is endemic to the Commission's work -- we should always be conscious of the need to explain why a particular difference in physical characteristics should have legal significance.

To their credit, the petitioners suggest two reasons for imbuing broom corn content with such importance. The first is that broom corn brooms are produced in a distinct way.[21] Our investigation showed that most broom corn brooms are made by labor-intensive methods known in the trade as the hand-winding or nailed machine-made process.[22] Only 20 percent of plastic brooms are made with the nailed machine-made process, and none by hand-winding.[23] The rest are made on highly automated "staple-set" fiber machines.[24]

The difference in production is astonishing. A skilled hand-winding worker can make between 200 and 250 brooms a day.[25] An efficient nailing machine operator can make about 1440 brooms a day.[26] But a staple-set fiber machine can churn out up to 2400 brooms a day.[27] But does a difference in how two types of brooms are made mean that imports directly compete with only one and not the other?

Petitioners contend that it does, and rely on their second reason for the commercial importance of broom corn content. They point to what they call the consistent demand for broom corn brooms.[28] However, the statistics we compiled during the investigation show a consistently declining share of the overall broom market for broom corn brooms as the automated production of plastic fiber brooms expands, from just over fifty to just over forty percent.[29]

One possible explanation for this is petitioners'. Perhaps the expanding sales of plastic fiber brooms represent a previously untapped market for broom corn-like (but not as good as real broom corn) brooms.[30] But the respondents also have a plausible story. They say that there is a

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[21] Pet. Preh. Br. at 34-35.

[22] Rep. at II-5-8.

[23] *Id.* at II-9.

[24] *Id.*

[25] *Id.* at II-7-8.

[26] *Id.* at I-9.

[27] Tel. Conf. with Libman.

[28] Pet. Preh. Br. at 31.

[29] *Compare* Rep. at Table C-1 *with* Rep. at Table C-3.

[30] Pet. Preh. Br. at 37.

single broom industry in the midst of a consolidation.[31] Small producers, using old-fashioned technology, are gradually withdrawing from the market; while large producers are automating production, and taking larger shares of the market.[32] If the respondents are to be believed, the gradual shift to plastic fibers just reflects the fact that the most highly automated production requires the uniformity of feedstock that only plastic fiber can (at least for now) provide.[33] The persistence of broom corn broom production just reflects the inability of broom corn broommakers to put their highly refined, but increasingly outdated, skills to other uses and the steep cost of acquiring automated equipment.

To fit together the various pieces of this puzzle, I focus on the test set out in the language of the statute -- are plastic brooms directly competitive with broom corn brooms? In my view, the statute's command to us is to look at competition in the economic sense. In other words, would a small change in relative price cause a shift in production or consumption from one to the other?

I am compelled by the record to conclude that the answer is "yes". All brooms of whatever fiber are sold through the same channels -- wholesalers buy them together, retailers sell them together, and most purchasers regard them as interchangeable.[34] Moreover, the same largescale producers who are buying the automated machines for producing plastic fiber brooms are the ones currently using nailing machines to make both types of brooms using the same production lines and workers.[35] Finally, the prices of plastic fiber brooms and broom corn brooms do not differ that much, based on the limited evidence we have.[36]

I conclude from this that both plastic fiber and broom corn brooms are directly competitive with imported broom corn brooms, and that the domestic industry affected by the imports is the entire domestic broommaking industry.

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[31] Resp. Preh. Br. at 5-6.

[32] *Id.*

[33] *See* Pet. Preh. Br. at 34 (first step in hand-winding is cutting broomcorn to proper length); Resp. Preh. Br. at 11 (staple set process requires only that feedstock be inserted into machine).

[34] Rep. at II-7-8; Resp. Preh. Br. at 16 and Exh. B.

[35] Rep. at II-7-8.

[36] *See* Resp. Preh. Br. Exh. B (price lists of Premier and Rubbermaid). *Compare also* Pet. Posth. Br. at App. 1 Table 1 (listing the same plastic fiber broom as both a low and mid price model in comparison to broom corn brooms) *with* Resp. Posth. Br. at Exh. 1 (showing Libman's own descriptions of the brooms whose features were represented as similar).

Injury

Both Section 201 and 302 investgations require the Commission to decide whether imports are "a substantial cause of serious injury, or the threat thereof . . . ."[37] "Serious injury" is defined as "a significant overall impairment in the position of a domestic industry".[38] "Threat of serious injury" is defined as "serious injury that is clearly imminent".[39]

The statute is also clear about what factors we should look at to decide whether an industry is seriously injured or threatened with serious injury. The Commission is to consider "all economic factors which it considers relevant, including (but not limited to)" the following--

> (A) with respect to serious injury--
>
> > (i) the significant idling of productive facilities in the domestic industry,
> >
> > (ii) the inability of a significant number of firms to carry out domestic production operations at a reasonable level of profit, and
> >
> > (iii) significant unemployment or underemployment within the domestic industry;
>
> (B) with respect to threat of serious injury--
>
> > (i) a decline in sales or market share, a higher and growing inventory (whether maintained by domestic producers, importers, wholesalers, or retailers), and a downward trend in production, profits, wages, productivity, or employment (or increasing underemployment) in the domestic industry,
> >
> > (ii) the extent to which firms in the domestic industry are unable to generate adequate capital to finance the modernization of their domestic plants and equipment, or

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[37] 19 USC §§ 2252(b)(1)(A), 3352(b).

[38] 19 USC § 2252(c)(6)(C). This new definition is consistent with the 1974 legislative history which makes it clear that "serious" injury is intended to require a greater degree of injury than "material" injury. 1974 Finance Committee Report, *supra* note 4, at 212. Serious injury is also widely regarded as a state that an industry finds itself in, rather than a quantum of damage caused. We have therefore always read the statute as calling for a bifurcated analysis of both the industry's condition and the effect of the imports on it. The parties do not disagree.

[39] 19 USC § 2252(c)(6)(D).

> are unable to maintain existing levels of expenditures for research and development,
>
> (iii) the extent to which the United States market is the focal point for the diversion of exports of the article concerned by reason of restraints on exports of such article to, or on imports of such article into, third country markets.

As is typical in multifactor tests, the factors point both ways. There has been significant idling of productive capacity in the sense that five factories have closed in recent years.[40] At the same time, the domestic industry's capacity, and production have both increased in the last five years.[41] Capacity utilization declined in 1995 compared to previous years, but that seems to reflect new production capacity that hasn't gotten up to speed yet.[42] Similarly, the number of workers in the industry has declined about five percent in the last five years, but the total wages that they earn has increased ten percent in the same time.[43]

Gross profit has increased each year of the five year period we looked at, and operating income has more than tripled.[44] In addition, shipments, in terms of both quantity and value, have risen since 1991.[45] Net sales, unit values, and capital expenditures have all increased, in some cases sharply.[46]

I therefore find it impossible to say that this industry is seriously injured. Some parts of it -- especially small firms that make only broom corn brooms by hand, have been hit hard.[47] But larger firms, and those willing to invest in new equipment and train workers in how to use it, have not only continued to make money, but made more money each year.[48] This is an industry that is transforming itself, not one that is dying or being crippled without hope of rehabilitation.

The threat factors tell the same story. The domestic industry's market share (based on value) has declined slightly, from 80 percent to 75.9 percent in the last few years, but its sales,

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[40] Pet. Preh. Br. at Exh. 7.

[41] Rep. at Table C-3.

[42] Id.

[43] *See id.*

[44] *Id.*

[45] *Id.*

[46] *Id.*

[47] *See* Rep. at Table 11; Resp. Preh. Br. at 39-40 (and confidential questionnaires cited therein).

[48] Rep. at Table C-2.

production, profits, wages, and productivity have all simultaneously increased.[49] Even inventories, never very high, have declined slightly.[50] The industry has not only been able to generate more investment capital, but has actually spent it, with capital expenditures in 1995 *ten times* greater than in 1992, quadrupling in the last year alone.[51]

Because the existence of serious injury (or at least the threat of serious injury) is a requirement under both Section 201 and 302, I could safely stop here and rely on the health of the domestic broom industry to justify my negative determination. Nevertheless, I do want to discuss causation, lest it be thought that the definition of the relevant domestic industry is so decisively important. For, as the statistics show, the part of the domestic broom industry that makes broom corn brooms is in terrible shape. Its sales are down, its market share is down, its capacity utilization is down, its workforce has shrunk, and its profits have turned into losses.[52]

But I don't think that a surge in imports is the substantial cause of this problem.

Causation

Both Section 201 and Section 302 direct us to weigh causes. The law defines "substantial cause" to be "a cause which is important and not less than any other cause."[53] Section 302 requires as well that any increase in imports from a NAFTA signatory be caused by "the reduction or elimination of a duty" required by NAFTA.[54]

A. The Effect of NAFTA

Whatever one might conclude about the effect of imports on the broom corn segment of the domestic broom industry, I find it hard to believe petitioners' argument that it was NAFTA's reduction in duties that caused a surge in imports. American duties on Mexican broom corn brooms were either reduced or eliminated on January 1, 1994, the date NAFTA began.[55] U.S. imports of broom corn brooms, which were 123,528 dozen in 1993 did rise to 195,770 dozen in 1994 and 388,286 dozen in 1995.[56] Imports in 1994, while higher than those in the three prior

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[49] *Id.* at Table C-3.

[50] *Id.*

[51] *Id.* The final threat factor is whether the U.S. market has become the focal point of global competition because other nations have restrained imports. 19 USC § 2252(c)(1)(B)(iii). It has not.

[52] Rep. at Table C-1.

[53] 19 USC Section 2252(b)(1)(B).

[54] 19 USC Section 3352(b).

[55] Rep at II-9.

[56] *Id.* at Table C-1.

years, were not markedly higher than in 1991.[57] Mexican imports in fact accounted for a *smaller* share of total imports in 1994 than in 1991 (44 percent compared to 53 percent).[58]

The largest increases in imports of Mexican broom corn brooms came in 1995.[59] The peso had collapsed beginning in mid-December 1994 and reached its lowest point in January 1995.[60] The incredible surge in imports of Mexican brooms began in January 1995, at a level more than half-again as high as their previous record.[61] They stayed at very high levels, though with a decline as the year went on.[62] The correlation with the sharp drop of the peso, and its subsequent stabilization is to me at least, quite clear.[63] Inasmuch as Section 302 is unavailable as a source of relief for harm done by currency fluctuations, I would have made a negative determination on that basis alone.

B. The Effect of Increased Imports

In contrast to Section 302, Section 201 does not command us to look at the cause of a surge in imports. It commands us to look at their effect. It is undeniably true that imports of broom corn brooms have increased in the last few years. In the last two years, their share of the broom corn broom part of the market went from 10.6 to 18.8 percent.[64] Yet it was during these same two years that capacity in the plastic fiber broom market -- *domestic* capacity, I might add -- nearly doubled, from 667 thousand dozen to 1.2 million dozen.[65] The cost of labor per dozen brooms increased in the broom corn segment to $7.14; it actually declined in the plastic fiber segment, to only $2.45.[66] The cost of goods sold for a dozen plastic fiber brooms is only about $25; the cost of a dozen broom corn brooms is $37.33.[67] The increase in the value of subject imports is only $4.3 million in the last two years.[68] The increase in the value of plastic fiber brooms sold is nearly $14 million.[69]

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[57] *Id.*

[58] *See id.*

[59] *Id.*

[60] *See Broom Corn Brooms,* Inv. No. NAFTA 302-1 (Provisional Relief Phase), USITC Pub. 2963 at I-6, I-7 (May 1996).

[61] *Id.*

[62] *Id.*

[63] *Id.*

[64] Rep. at Table C-1.

[65] *Id.*

[66] *Id.*

[67] *Id.*

[68] *Id.*

[69] *Id.* at Table C-2.

The hand-wound, labor-intensive broom corn broommakers simply cannot survive forever in the face of such a cost disparity. As some broommakers continue to invest in the technology needed to automate their production, it will only get worse. It may be convenient to blame this on the increased presence of foreign imports in the domestic market but it would, I think, be wrong.

* * *

I could not help but be struck, during the course of this investigation, at the intricate skills required to make a broom essentially by hand. But even the most talented, the most dedicated broom maker cannot, in the end, possibly hope to compete with the machines that are now available. Domestic broom corn broom makers have for most of this century received the benefits of very high tariffs on foreign brooms. But broom corn is not even grown in this country any more.[70] The relief that the petitioners seek, a few more years of protection, would only delay the inevitable.

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[70] Almost all the broom corn made into brooms in this country is in fact imported from Mexico. Rep. at II-4.

PART II

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

These investigations result from petitions filed on behalf of the U.S. Cornbroom Task Force and its individual members, Washington, DC, alleging that broom corn brooms are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.[1] Additionally, the petitioner has alleged that, as a result of the reduction or elimination of a duty provided for under the NAFTA, a Mexican article[2] is being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of serious injury, or a threat of serious injury, to the domestic industry producing an article like or directly competitive with the imported article. Further, the petitioner alleged the existence of critical circumstances and requested that, pursuant to section 302(d) of the NAFTA Implementation Act, provisional relief be provided in order to avoid circumstances in which a delay in taking action would cause such harm that it would significantly impair the effectiveness of final import relief. On May 3, 1996, the Commission advised the President that it had made a negative determination with respect to provisional relief. Information relating to the schedule of the investigations is provided below.

Date	*Action*
March 4, 1996	Petitions filed with the Commission; institution of invs. No. TA-201-65 and NAFTA-302-1 (61 FR 11061, Mar. 18, 1996)[3]
April 12	Briefs of parties on provisional relief submitted
April 29	Vote on provisional relief
May 3	Commission's determinations,[4] findings, and recommendations on provisional relief transmitted to the President
May 30	Hearing on injury[5]
July 2	Vote on injury
July 11	Hearing on remedy
July 26	Vote on remedy
August 1, 1996	Commission's findings and recommendations sent to the President

PREVIOUS AND RELATED INVESTIGATIONS

In accordance with Executive Order 11377 of October 23, 1967, the Commission was directed to provide annual reports of its judgment as to the estimated domestic consumption of broom corn brooms.

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[1] For purposes of these investigations, broom corn brooms are brooms made wholly or in part of broom corn (including broom heads), as covered by subheadings 9603.10.05, 9603.10.15, 9603.10.35, 9603.10.40, 9603.10.50, and 9603.10.60 of the HTS.

[2] Id.

[3] A copy of the cited *Federal Register* notice is presented in appendix A.

[4] 61 FR 24952, May 17, 1996.

[5] A list of witnesses appearing at the hearings is presented in appendix B.

These reports to the President were provided on an annual basis (including a biennial judgment concerning other brooms considered to be competitive with corn brooms) through the 1986 calendar year when they were discontinued when the President revoked the Executive Order.[6] From 1979 forward, the Commission conducted the annual reviews under the aegis of investigation No. 332-97 (Certain Brooms: U.S. Producers' Shipments, Imports for Consumption, Exports, and Apparent Consumption, Calendar Year . . .).[7] Prior to 1979, the reports were transmitted to the President via letter.

THE PRODUCT

In these investigations, petitioners and respondents are at odds as to the appropriate domestic product that is "like" or "directly competitive with" imported broom corn brooms. Petitioners contend that the only product the Commission should examine is broom corn brooms, while respondents contend that the "like and directly competitive" product should include plastic brooms as well.[8]

Description, End Uses, and Production Process

Broom corn brooms are cleaning tools of stiff fiber, made from broom corn, textile products, handles composed of wood or other materials, wire, and steel products and packaged in corrugated cardboard and plastic packaging. There are three primary types of brooms; upright, push, and whisk. Upright brooms generally have a length ranging from 50 inches to 60 inches and are intended for use in sweeping and cleaning surfaces by an individual from an upright position. Push brooms are mounted or set in a head, usually of wood, with the handles offset at an angle. These brooms are used for cleaning large areas, such as school or hospital hallways. Whisk brooms are generally smaller, ranging up to 12 inches in length. Whisk brooms are primarily used for smaller cleanups or hard to reach surface areas.

Virtually all of the broom corn used in the production of brooms is harvested by hand. Due to the labor intensive nature of the harvesting process and the lower wage rates in Mexico, virtually all of the broom corn used by U.S. producers is imported from Mexico.[9] After harvest, the Mexican processors sort, clean, and bundle the harvested broom corn. The broom corn is weighed and sold under three classifications: "insides," "stems," and "hurl." Insides and stems are the less desirable grades, cost less than hurl, and are used in the inner construction of the broom corn head. Hurl, which is finer and cleaner broom corn, represents the outer layer of the broom head bristles and provides superior sweeping performance than insides or stems. Broom corn bundles are also sold by length, depending on the size of the broom being produced.

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[6] 52 FR 34617, Sept. 14, 1987.

[7] USITC Publication Nos. 878, 967, 1049, 1140, 1232, 1373, 1518, 1675, and 1835.

[8] Data with regard to plastic brooms were collected in Commission questionnaires in the "other" broom category. While "other" brooms can include the small amount of brooms made of vegetable fiber other than broom corn, the producers who provided data in that category advise that all of their data concern plastic brooms. For the most part, plastic broom producers tend to be the larger, nationally oriented producers (e.g., Kellogg, Libman, O'Cedar/Vining, Quickie, and Rubbermaid) of brooms and other cleaning products owing to the capital intensive nature of plastic broom production.

[9] During the 1960s, broom corn was grown in the Midwest; production subsequently shifted to the western United States and then to Mexico in search of lower wage rates related to its harvest.

With few exceptions,[10] nearly all U.S. producers of broom corn brooms purchase their broom corn feed stock from two domestic dealers, National Broomcorn[11] of San Antonio, TX, and Monohan of Arcola, IL. Typical inventory for broom corn is 60-90 days; however, some producers are currently holding inventories of up to 6 months due to ongoing drought conditions in the growing areas of Mexico.[12] These dealers provide financing, inventory services, and product knowledge of the foreign crop. They purchase broom corn from various growing regions of Mexico based on the U.S. customers' needs, including bristle length, quantity, and delivery time, and, in a number of instances, inventory the product until needed. By purchasing broom corn through dealers rather than directly from Mexican processors, U.S. producers avoid the risks of currency and price fluctuations and inventory costs, and obtain the best crop for their needs. Both Monahan and National Broomcorn also sell other vegetable fibers, handles, and broom and mop components, but do not produce brooms.[13]

Mexican broom corn grows in 4-5 different regions (primarily in the States of Nuevo Leon, Coahuila, and Sinoloa) with varying harvest periods. Most Mexican broom corn is harvested in May or June, but a smaller fall crop, weather permitting, could be planted for an October/November harvest in certain regions. Mexican crop yields fluctuate depending on weather and the quality of seed used. As an agriculture commodity, prices for broom corn fluctuate based on market supply and demand considerations. Typically, broom corn prices decline during harvest periods, unless the forthcoming crop is of poor quality or low yield (table 1 and figure 1).[14] During 1995, broom corn prices declined steadily from $*** to $*** per pound on a harvest of *** short tons, nearly 35 percent greater than the previous year's crop. Prices during January-May of 1996 have steadily increased from $*** to $*** per pound, reflecting concerns of the drought in Mexico.[15]

Mexican broom corn also serves as a feed stock for the broom corn broom industries in both Honduras and Panama, with ***.[16] Most of the Colombian feed stock is locally grown for the *** who produces for export.[17]

The actual production of broom corn brooms is also very labor intensive, requiring skilled craftsmen in both the winding and stitching of the product. The manufacture of the sweeping portion of the broom is achieved primarily through two processes. The most commonly used process is the "wire-wound cornbroom,"[18] a process that require months or even years of experience for workers to become

[10] ***.

[11] National Broomcorn is a subsidiary of AMEX International of Fort Worth, TX.

[12] ***.

[13] ***.

[14] ***.

[15] ***.

[16] ***.

[17] ***.

[18] In the Commission's report on the provisional relief phase of Inv. No. NAFTA 302-1 (USITC Pub. 2963 at pages I-4 and I-5), it was incorrectly stated that the most commonly used production process was the nailed machine-made process and that wire-wound cornbrooms accounted for only a small percent of the broom corn brooms made. Those statements were made based on interviews with ***. The numbers in this report dealing with the various production processes are based on interviews with each producer who provided data.

Table 1
Broom corn: U.S. list prices, June 1992-May 1996

* * * * * * * *

Figure 1: Mexican broom corn production and U.S. list prices, June 1992-May 1996

* * * * * * * *

proficient.[19] [20] An experienced worker can produce 18 to 20 dozen brooms via this process over an eight hour shift.[21] The wire-wound method involves the hand-winding of tufts of broom corn by workers at individual work stations[22] using a simple winding machine operated by a foot pedal. The worker inserts a handle into the machine and affixes the wire by nailing. Then broom corn "insides" are secured around the rotating handle by wire fed from the machine. Offsetting broom corn stems are then wound onto the handles producing a "shoulder effect" on the broom head. Then hurl is secured to the handle and all three layers of broom corn are tightly wound, trimmed at the top, and nailed by the worker. The wound brooms are then stacked and sent to a drying room. During the winding phase, broom corn is kept moist to prevent splitting and cracking of the bristles. Following drying, brooms are sent to sewing stations where a different worker inserts the broom head into a sewing machine and feeds the appropriate color and length of stitching. Broom corn brooms are typically stitched with 2-5 rows of polypropylene yarn. The heavier the broom, the more rows of stitching. Loose stitching is trimmed and the end trimmed uniformly by a worker using a cutting machine. Brooms are packaged with a plastic sheath over the bristles, then boxed in dozens or half dozens. Unlike handles for plastic brooms, broom corn broom handles are not detachable. Of the firms responding to the producer questionnaire with regard to their broom corn broom production, only one[23] had no production using the wire-wound process. Nearly 84 percent of the broom corn brooms produced in the United States in 1995 were produced using the wire-wound process.[24]

The second process of manufacture for broom corn brooms is the "nailed machine-made" process in which the broom fibers, after being cut, are sewn together, generally by machine. A worker places the pre-cut amount of broom corn or plastic, as the case may be, on the machine. The machine then moves the broom corn or plastic to a position where a metal or plastic band (11 to 12 inches long) is wrapped around the blunt end of the broom corn fiber bundle. In the next stage of the automated process, a wooden handle is compressed into the completed broom corn fiber bundle and nails are shot through, attaching the broom head

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19 ***.

20 ***.

21 ***.

22 In many instances, workers are paid on a "piece-work" basis.

23 ***.

24 Figures calculated using production numbers in table 5 and based on interviews with all companies providing useable data in producer questionnaires.

and handle.[25] Once these steps in the nailed-machine process have taken place, the broom is removed from the basic production machine, sent to a station for stitching, and then to a station where a plastic "shoulder" is slipped over the handle and stapled to the broom head. Approximately 120 dozen brooms can be produced over the course of an eight hour shift using this method.[26] Nearly 16 percent of the broom corn brooms produced in the United States in 1995 were produced using the nailed-machine method, with four firms (***, ***, ***, and ***) accounting for 95 percent of broom production using this process.[27]

There have been few major technological changes in the manufacture of broom corn brooms in recent years. A broom corn seed variety has been developed at the University of Illinois that will grow broom corn suitable for mechanical harvesting, thereby making that process less expensive than the present "by-hand" method of harvesting broom corn. This effort has been funded by U.S. broom producers.[28] Efforts are continuing to develop a new variety that will yield broom corn with pale green or wheat-colored bristles because the current purple color of the new broom corn variety is considered a potential drawback to public acceptance. Additionally, problems relative to the hybrid's susceptibility to the diseases anthracnose, zonate leaf spot, and bacterial stripe must be solved before it becomes commercially viable. Researchers estimate that a disease-resistant, mechanically harvestable broom corn hybrid could be developed and commercially viable with a research grant of $120,000 a year for 4 years.[29]

According to petitioners, another technological development they believe holds promise is the recent development, by Australian manufacturers, of robotic technology that has been applied in a machine that will produce a wire-wound broom automatically, with one person capable of running 3 to 4 machines at a time.[30] Australian sales representatives are currently in the United States meeting with various broom corn broom producers; however, one drawback of this piece of equipment is the price tag of $150,000 each.[31]

Like or Directly Competitive Product Issues

In addition to broom corn, brooms may also be made from plastic and other synthetic fibers and other vegetable materials.[32] [33] The more capital intensive, highly automated manufacturing process to make plastic

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[25] Most of the machines used by U.S. producers employing this process are manufactured by Dal Maschio, S.R.L. of Italy and cost in excess of $100,000.

[26] ***.

[27] Id.

[28] Petitioners' posthearing brief, app. 2, p. 4. ***.

[29] Id.

[30] Id., app. 2, p. 8.

[31] Id.

[32] The vegetable fibers most widely used are those known as "tampico" hemp, obtained from plants of a cactus family which grows in Mexico. "Bassine" and "palmyra" are tough, strong, long-wearing fibers obtained from palm trees which grow in Ceylon and India. African "bass," obtained from the feather-leaf palm found in Central Africa, is adapted for use in street and barn brooms; "bahia," a tapered fiber which grows in northern Brazil, has very long-lasting wearing qualities. "Palmetto," the only natural plant fiber produced commercially in the United States, comes from the palmetto tree of Florida and is valued for its extreme elasticity, durability, and water-resistant qualities. Natural fibers for brooms were challenged by technological advances that led to the development of synthetic fibers in the first half of the twentieth century.

For the broom industry, synthetic fibers provided (1) availability, (2) resistance to deterioration, (3) versatility (continued...)

brooms differs generally from the processes used for broom corn brooms with the brooms being manufactured on a "staple-set" fiber machine. The "staple-set" fiber machine process is almost totally automated. A camshaft provides a pattern to drill and fill holes with nine-inch fibers (usually of polypropylene) into a wooden or plastic block that will become the head of the broom. Each hole in the block allows for 15 to 16 strands of synthetic fiber. The strands are picked, inserted, bent, and stapled to the block. The completed plastic broom head will consist of about 75 to 100 strands of synthetic fiber. Handles for plastic brooms are of wood or metal and are fastened by means of a screw into the finished broom head. Over the 1991-95 period, ***. [34] In addition to the staple-set process, plastic brooms are also made using the nailed-machine made method. In 1995, slightly more than 80 percent of the plastic brooms manufactured in the United States were produced using the staple-set process with nearly all of the balance being produced using the nailed-machine method.[35] [36] With the exception of ***, producers manufacturing both broom corn and plastic brooms reported producing them in the same facilities. In terms of machinery and workers, both types of brooms made via the nailed-machine method were made by the same workers using the same equipment. Brooms made by the wire-wound or staple-set processes are made by different workers using different production equipment. No plastic brooms were reported made by the wire-wound method and only *** broom corn brooms were made using the staple-set process.

When 1995 broom corn and plastic broom production are combined, 45 percent are produced using the wire-wound process, 18 percent using the nailed-machine process, and 37 percent via the staple-set process.[37]

Upright brooms made from plastic or synthetic fibers are the most acknowledged substitute for broom corn brooms. In their questionnaire responses, a majority of producers and importers listed plastic or polypropylene brooms as alternatives to broom corn brooms.[38] Brooms made of plastic heads and bristles have been readily available since the 1970's, with continuing changes in design, and provide similar functional characteristics as broom corn brooms.[39] Plastic brooms offer a variety of designs and colors, are lightweight, and are typically less expensive than comparable broom corn brooms. Petitioners and respondents disagree on the substitutability of broom corn and plastic brooms. Petitioners assert that the

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[32] (...continued)
in size and color, (4) a lighter-weight product, (5) greater resistance to abrasion, and (6) consistency with which the delivered product adhered to specifications.

[33] Also, a number of manual and motorized products may perform the basic task of moving dirt, debris, and dust for which broom corn brooms are intended. These substitute products include wide push brooms, sweepers, vacuums, and blowers. With the exception of wide push brooms and non-motorized sweepers, such alternative products provide more versatile applications and are priced considerably higher than broom corn brooms. Wide push brooms are traditionally used for large open spaces where the narrower broom head width of broom corn brooms is less efficient. Sweepers are typically designed for cleaning carpets and provide an inexpensive alternative to vacuums and other motorized cleaning products.

[34] ***.

[35] Figures calculated using production numbers in table 5 and based on interviews with all companies providing useable data in producer questionnaires.

[36] ***.

[37] Less than 0.1 percent of broom corn and plastic brooms were made using other processes.

[38] Importers *** and *** reported that plastic brooms have contributed to declining demand for broom corn brooms.

[39] Petitioners' provisional relief brief, Apr. 12, 1996, p. 27.

properties of plastic brooms fall short in simulating the sweeping and handling characteristics of broom corn brooms, limiting their substitutability.[40] Plastic brooms tend to build static electricity; have a limited absorbency ability, a sometimes adverse reaction to high temperatures, and bristles susceptible to permanent bending;[41] and may be less acceptable to consumers who prefer brooms made of biodegradable material. Petitioners testified that product differences in broom corn and plastic brooms appeal to different consumers, thereby denoting a separate market for plastic and broom corn brooms. Respondents highlight the fact that the product lines of many U.S. producers comprise a variety of broom corn and plastic brooms,[42] and that broom corn and plastic brooms are sold side by side in retail locations. With the exception of institutional applications,[43] broom corn and plastic brooms are essentially used in the same-end use applications, and are generally considered interchangeable in the marketplace.

U.S. Tariff Treatment

Tariff-rate quotas were established by legislation (Public Law 89-241) in 1965 covering selected broom corn brooms[44] and are still in effect. The below-quota category allows 61,655 dozen whisk brooms and 121,478 dozen other brooms (upright, push, etc.) to enter at a column 1 duty rate of 8 percent *ad valorem*. After the tariff-rate quota is reached in a given calendar year, the MFN rates of duty are 9.2 cents each for whisk brooms valued not over 96 cents each, and 24.8 percent *ad valorem* for whisk brooms over 96 cents each. Over-quota duty rates for other broom corn brooms are 32 cents each for those not over 96 cents each and 32 percent *ad valorem* for those brooms over 96 cents each.

All brooms are eligible for duty-free entry if imported from beneficiary countries under the CBERA, if imported under the free-trade agreement with Israel,[45] or if imported under the ATPA.

Whisk brooms wholly or in part of broom corn (HTS subheadings 9603.10.05 through 9603.10.35) and other brooms wholly or in part of broom corn valued not over 96 cents each (subheadings 9603.10.40 and 9603.10.50) when imported from Mexico under the NAFTA, became free of duty on January 1, 1994.

Other brooms wholly or in part of broom corn and valued over 96 cents each (subheading 9603.10.60) when imported from Mexico under the NAFTA became subject to two rates of duty on January 1, 1994. The first 100,000 dozen originating in Mexico and imported in a calendar year under subheadings 9603.10.60/9906.96.01 became free of duty. Such imports in excess of 100,000 dozen classified under subheadings 9603.10.60/9906.96.02 became subject to a duty rate of 22.4 percent ad valorem for calendar years 1994 through 1999, 16 percent ad valorem for calendar years 2000 through 2004, and free of duty thereafter.

Similar whisk brooms and other brooms imported from Canada under the CFTA and the NAFTA have been and will continue to be subject to various rates of duty through 1997. They will all become free of duty on January 1, 1998.

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[40] Id., pp. 27-28.

[41] TR., p. 69.

[42] TR., p. 158.

[43] Institutional buyers such as schools and cleaning services predominantly purchase "janitor/warehouse" broom corn brooms.

[44] Brooms valued at not over 96 cents each (HTS 9603.10.05, 9603.10.15, 9603.10.40, and 9603.10.50).

[45] United States-Israel Free Trade Area Implementation Act.

Under the implementing legislation for NAFTA, the Administration is required to monitor U.S. imports of broom corn brooms from Mexico. The Statement of Administrative Action of the NAFTA Implementation Act states:

> "If the elimination of tariffs under the Agreement results in increased imports of Mexican brooms and causes or threatens to cause serious injury to U.S. producers of such brooms, the Executive Branch is required to take action consistent with the Agreement and U.S. law to rectify the situation. Moreover, the Executive Branch is required to consult with the Congress concerning any developments with respect to imports of Mexican brooms to ensure the continuing health and survival of the U.S. broom corn broom industry."

The 1996 tariff treatment of broom corn brooms is presented in table 2.

Table 2
Broom corn brooms: 1996 U.S. tariff treatment for brooms made, wholly or in part, of broom corn

HTS No.	Column 1	Mexico	Canada
Whisk brooms:			
9603.10.05 (valued not over 96 cents)[1]	8%	Free	1.6%[3]
9603.10.15 (valued not over 96 cents)[2]	9.2 cents	Free	2.4 cents[3]
9603.10.35 (valued over 96 cents)	24.8%	Free	6.4%[3]
Other brooms:			
9603.10.40 (valued not over 96 cents)[4]	8%	Free	1.6%
9603.10.50 (valued not over 96 cents)[5]	32 cents	Free	6.4 cents[3]
9603.10.60 (valued over 96 cents)[6]	32%	Free	6.4%[3]

[1] Under quota of 61,655 dozen.
[2] Over quota of 61,655 dozen.
[3] Whisk brooms and other brooms *in part* of broom corn from Canada are subject to a duty rate of 2 percent.
[4] Under quota of 121,478 dozen.
[5] Over quota of 121,478 dozen.
[6] 22.4 percent over 100,000 dozen.

Source: HTS.

THE U.S. MARKET

U.S. Producers

The U.S. Cornbroom Task Force, the petitioner in this proceeding, is comprised of 10 firms: National Broom, Stockton CA; Chickasaw Broom, Memphis, TN; Newton Broom, Newton, IL; Quinn Broom, Greenup, IL; Libman, Arcola, IL; O'Cedar/Vining, Springfield, OH; Hamburg Broom, Hamburg, PA; Crystal Lake, Autaugaville, AL; Zephyr, Sedalia, MO; and the National Industries for the Blind (now operating as Signature Works), Hazelhurst, MS. Of those companies, Libman, Crystal Lake,[46] and O'Cedar/Vining market a full range of cleaning supply products (broom corn brooms, plastic brooms, mops, cleaning brushes, etc.) on a national basis using their own brand name for the most part. The others market their products on a regional basis, sometimes under a private label or for sale to the national producers, with broom corn brooms being their major product line. Other large, nonpetitioner producers Rubbermaid, Quickie,[47] and Kellogg[48] also produce a full range of cleaning supply products and market them on a national basis. Together, the larger, nationally oriented producers account for more than 75 percent of U.S. producers' shipments.

Although the petition identified just over 100 producers, many of those identified, such as the various state Industries for the Blind, produce in very limited amounts for local, craft, and specialty markets.[49] Twenty of the producers receiving Commission questionnaires[50] have advised that they did not produce broom corn brooms during 1991-95. Additionally, some of the individual firms receiving questionnaires were the subjects of merger or acquisition during the period in question and, hence, their data were provided by what is now their parent company.[51]

As previously noted, there are six major producers of broom corn and/or plastic brooms. For the corporate players, O'Cedar/Vining, Rubbermaid, and Kellogg, the 1990s have been a period of change somewhat reflecting the "consolidation of stick goods and small wares manufacturers."[52]

In 1993, Vining became O'Cedar/Vining when it was the successful bidder for the O'Cedar brand name. Prior to that time, ***.[53] ***.[54] In order to finalize the acquisition of the O'Cedar brand, Vining sold out to the new holding company, ***, which then acquired the funds to purchase Vining and the O'Cedar brand name and put them together.[55] O'Cedar/Vining markets its products on a national basis using both print and television advertising. Broom corn brooms held a ***.[56]

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[46] ***.

[47] Quickie opposes the petition. ***.

[48] ***.

[49] Producers in this group account for nearly all of those who did not respond to the Commission's producer questionnaire.

[50] The Commission mailed questionnaires to all known producers of broom corn, plastic, and other types of brooms.

[51] ***.

[52] *HFD-The Weekly Home Furnishings Newspaper*, July 11, 1994.

[53] ***.

[54] ***.

[55] ***.

[56] ***.

In July 1994, Rubbermaid acquired Empire Brushes, which consisted of plastic broom facilities in Greenville and Robersonville, NC, and broom corn broom facilities in Sparks, NV. In addition, Empire had earlier acquired National Brush of Aurora, IL, a manufacturer of plastic brooms, and the W.E. Kautenberg Co. of Freeport, IL, which Rubbermaid did not purchase, which also produced plastic brooms. Both of those operations were subsequently closed, with the equipment from National Brush ***. ***.[57] Rubbermaid has one of the strongest brand names in the housewares industry; however, its role in stickware was more limited than in some other categories prior to its acquisition of Empire.[58] In 1995, ***.

Kellogg of Easthampton, MA, produces plastic brooms and other stickware and purchases the broom corn brooms it markets. In 1993, Kellogg was acquired by EKCO Group, Inc. and now operates as part of EKCO Cleaning. ***.[59] Kellogg brooms are marketed under the brand name EKCO, with ***.[60]

The three other large producers, Crystal Lake, Libman, and Quickie, are family-owned manufacturers. Crystal Lake of Autaugaville, AL, produces broom corn brooms and ***.[61]

Libman produces a full-range of stickware products in its Arcola, IL, facility including broom corn and plastic brooms, mops, squeegees, and brush products. Libman markets its products on a national basis under its own brand name and uses both print and television advertising.[62] In 1995, Libman's ratio of broom corn to plastic broom shipments was ***.

Quickie, headquartered in Cinnaminson, NJ, produces ***.[63] Like the other large producers, Quickie participates in the national market under its own brand name and, in recent years, has started using nationwide print and television advertising to increase brand recognition.[64] Quickie's broom corn to plastic broom shipment ratio stood at ***.

U.S. Importers

During the period of investigation, five countries accounted for the major portion of broom corn brooms entering the U.S. market. Imports of broom corn brooms from Mexico came primarily through importers located in Texas. ***.[65] [66] Imports of Honduran and Colombian product came almost exclusively through Miami, FL (***) and imports of Panamanian and Hungarian product were brought into the United States primarily by ***. In addition to these importers, three U.S. producers, ***.[67] The primary sources for imports of plastic brooms are Brazil , Italy, and Venezuela, which accounted for more than 70 percent of the quantity and value of such imports in 1995.

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[57] ***.

[58] *HFD-The Weekly Home Furnishings Newspaper*, July 11, 1994.

[59] ***.

[60] ***.

[61] ***.

[62] *HFD-The Weekly Home Furnishings Newspaper*, Aug. 23, 1993.

[63] ***.

[64] *HFD-The Weekly Home Furnishings Newspaper*, Aug. 23, 1993.

[65] ***.

[66] ***.

[67] ***.

Apparent U.S. Consumption

Apparent consumption for broom corn brooms, plastic brooms, and all brooms is presented in table 3 and figure 2. With the exception of 1992, apparent consumption of broom corn brooms remained between 1.4 and 1.5 million dozen brooms during 1991-95, with 1995 consumption 4.7 percent above the 1991 level.[68] Over the same period the U.S. portion of consumption dropped, with the exception of 1992, from 79.1 percent of the market to 63.5 percent, while the import share rose from 20.9 percent in 1991 to 36.5 percent in 1995. Imports from Mexico accounted for most of that increase as the Mexican share of the market rose from 11.0 percent in 1991 to 25.9 percent in 1995.

Apparent consumption for plastic brooms rose 46.5 percent from 1991 to 1995, with most of that increase occurring from 1991 to 1992 when imports jumped 74.2 percent, taking consumption from nearly 1.4 million dozen to nearly 2.0 million dozen in that one year. Thereafter, consumption irregularly increased to just over 2.0 million dozen plastic brooms in 1995.

Consumption of all brooms increased by 25.2 percent from 1991 to 1995, with most of that increase coming from 1991 to 1992 driven by the sharp increase in plastic broom imports. 1991 was the only year broom corn brooms held a majority share of the market. In 1992, plastic brooms accounted for a 59.4 share of the total market, then dropped irregularly to a 57.5 percent share in 1995.

[68] As part of its broom corn broom reports done under Executive Order 11377, the Commission was directed, on a biennial basis, to present information concerning brooms considered competitive with broom corn brooms. Based on those reports, broom corn brooms accounted for 60 percent of total broom consumption during calendar years 1978 and 1980, 55 percent during calendar year 1982, and 50 percent during calendar year 1984.

Table 3

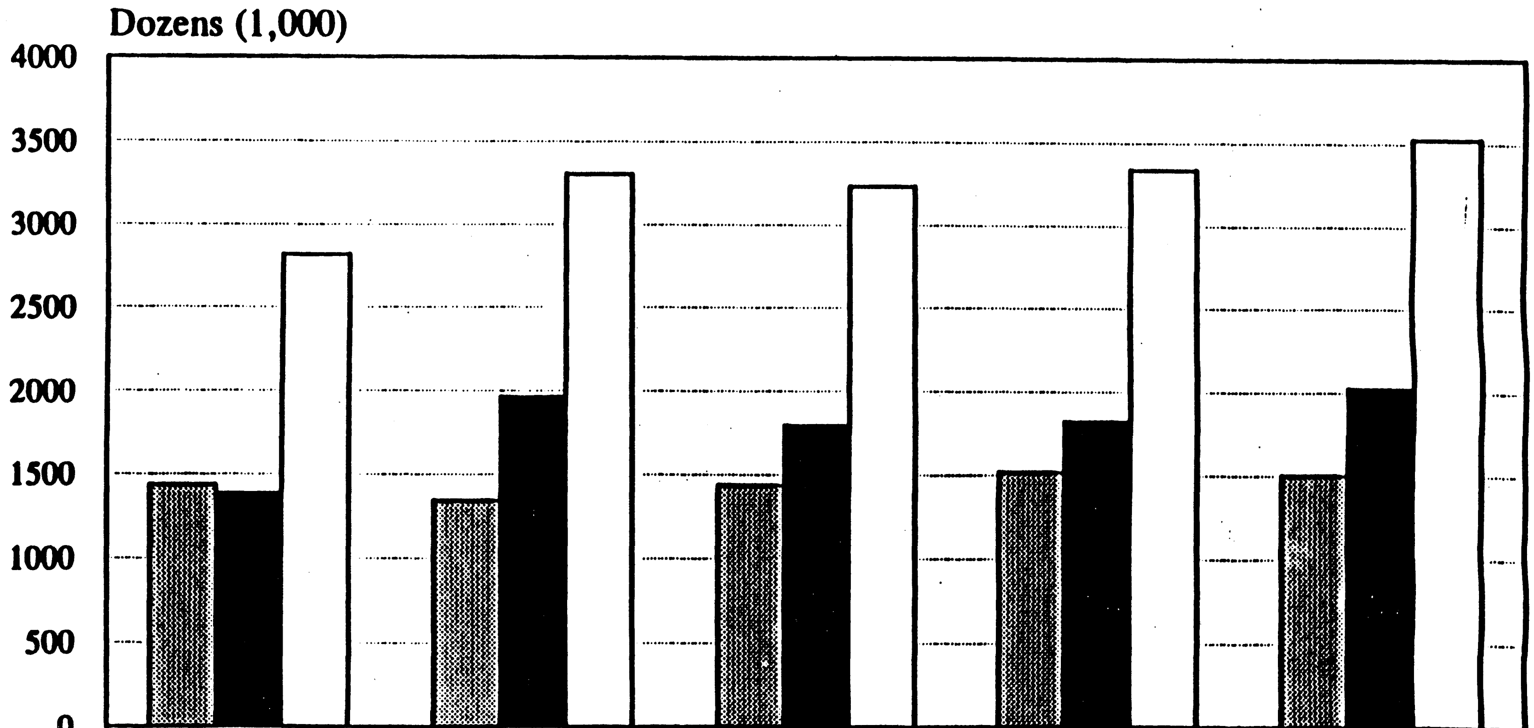
Broom corn brooms, plastic brooms, and all brooms: U.S. producers' shipments, U.S. imports, by sources, and apparent U.S. consumption, 1991-95

(Dozens)

Item	1991	1992	1993	1994	1995
Broom corn brooms:					
U.S. producers' shipments	1,132,125	1,087,100	1,097,977	1,071,269	951,989
U.S. imports from:					
Mexico	157,605	104,067	123,528	195,770	388,286
Panama	43,714	38,952	51,611	107,921	62,306
Honduras	30,174	71,289	70,927	66,817	45,914
Colombia	0	4,465	10,439	13,544	24,981
Hungary	28,920	26,880	43,980	34,208	9,000
All other	39,278	7,771	36,667	26,236	16,222
Total	299,692	253,423	337,151	444,496	546,709
Apparent consumption	1,431,817	1,340,523	1,435,128	1,515,765	1,498,698
Plastic brooms:					
U.S. producers' shipments	605,676	606,067	635,616	716,897	877,844
U.S. imports from:					
Italy	333,222	442,868	305,229	351,471	361,835
Brazil	198,179	546,509	488,956	436,439	340,264
Mexico	27,355	41,428	34,715	51,085	145,347
Venezuela	119,570	84,075	125,444	105,566	120,177
All other	99,284	239,426	205,175	159,167	180,457
Total	777,610	1,354,306	1,159,518	1,103,727	1,148,080
Apparent consumption	1,383,286	1,960,373	1,795,134	1,820,624	2,025,924
All brooms:					
U.S. producers' shipments	1,737,801	1,693,167	1,733,593	1,788,166	1,829,833
U.S. imports from:					
Mexico	184,960	145,494	158,242	246,855	533,633
Italy	336,050	442,868	305,229	351,471	362,435
Brazil	198,179	546,509	488,956	436,439	342,904
Venezuela	119,570	84,075	125,444	105,566	120,177
Panama	47,121	44,767	55,063	114,542	93,849
Honduras	30,174	77,179	76,642	81,508	51,682
Colombia	312	4,465	10,439	18,709	24,981
Hungary	34,920	29,880	43,980	34,625	9,000
All other	126,016	232,492	232,675	158,509	156,129
Total	1,077,301	1,607,729	1,496,670	1,548,223	1,694,789
Apparent consumption	2,815,102	3,300,896	3,230,263	3,336,389	3,524,622

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Figure 2: Broom corn brooms, plastic brooms, and all brooms: Apparent U.S. consumption, 1991-95



	1991	1992	1993	1994	1995
Broom corn brooms	1432	1341	1435	1516	1499
Plastic brooms	1383	1960	1795	1821	2026
All brooms	2815	3301	3230	3336	3525

Broom corn brooms Plastic brooms All brooms

Source: Table 3

Channels of Distribution

The U.S. broom corn broom market consist of sales to either retailers or institutional buyers. U.S. producers and importers of broom corn brooms sell the majority of their product directly or indirectly through distributors to retailers. Direct sales are predominantly to mass merchandisers, club/warehouse chains, hardware stores, and grocery outlets. Broom corn broom sales through distributors are typically to smaller grocery, hardware, and general merchandise retailers. Most retailers typically sell a full line of brooms, including plastic, and other cleaning products. According to questionnaire responses, over 85 percent of U.S. producers' reported that broom corn broom shipments during 1995 were to retailers, including mass merchandisers, and distributors. Remaining shipments were sales directly to institutional buyers such as school districts and janitorial service companies, whose purchases are largely "janitor/warehouse" broom corn brooms.[69]

THE QUESTION OF INCREASED IMPORTS

Commerce statistics for imports of broom corn brooms during the period 1991 through 1995 are presented in table 4. Five countries, Mexico, Panama, Honduras, Colombia, and Hungary, accounted for 85 to 90 percent of imports each year during 1991-95. Imports from Mexico led the way each year during the period. Periodic data show that, after a drop during 1992, total imports from all countries increased from 1993 to 1995, both in terms of quantity and value. Imports from Mexico drove the aggregate trends while other countries experienced more fluctuations over the period. Of the five primary importing countries, only Mexico and Colombia showed increases in the quantity and value of imports from 1994 to 1995. The increases in imports from Mexico during 1995 more than offset the decline in imports experienced by Panama, Honduras, and Hungary.

Broom corn broom imports from Canada were 19,615 dozen in 1991, zero in 1992, 7,220 dozen in 1993, 16,534 dozen in 1994, and zero in 1995. Canadian import-to-consumption ratios were 1.4 percent in 1991, 0.5 percent in 1993, and 1.1 percent in 1994.[70] With the exception of 1991 when its imports ranked fifth on the import list, imports from Canada have not been among the top five for broom corn brooms.

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[69] Several U.S. producers indicated that plastic brooms are not marketed to institutional buyers. (Interviews, May 23-29, 1996.)

[70] Section 311(a) of the NAFTA Implementation Act provides that if the Commission makes an affirmative injury determination in an investigation under section 202 of the Trade Act, or if the Commission is equally divided, the Commission must also find whether--

> (1) imports of the article from a NAFTA country, considered individually, account for a substantial share of total imports; and
>
> (2) imports of the article from a NAFTA country, considered individually or, in exceptional circumstances, imports from NAFTA countries considered collectively, contribute importantly to the serious injury, or threat thereof, caused by imports.

Table 4
Broom corn brooms: U.S. imports for consumption, by sources, 1991-95

Source	1991	1992	1993	1994	1995
	Quantity (*dozens*)				
U.S. imports from:					
Mexico	157,605	104,067	123,528	195,770	388,286
Panama	43,714	38,952	51,611	107,921	62,306
Honduras	30,174	71,289	70,927	66,817	45,914
Colombia	0	4,465	10,439	13,544	24,981
Hungary	28,920	26,880	43,980	34,208	9,000
All other	39,278	7,771	36,667	26,236	16,222
Total	299,692	253,423	337,151	444,496	546,709
	Value (*1,000 dollars*)				
U.S. imports from:					
Mexico	3,129	2,173	2,356	4,070	6,695
Panama	542	491	727	1,728	1,155
Honduras	404	1,073	1,663	1,652	1,216
Colombia	0	55	149	274	460
Hungary	232	200	329	197	62
All other	216	101	228	153	192
Total	4,523	4,094	5,452	8,073	9,780
	Unit value (*dollars per dozen*)				
U.S. imports from:					
Mexico	$19.85	$20.88	$19.07	$20.79	$17.24
Panama	12.39	12.61	14.09	16.01	18.54
Honduras	13.38	15.05	23.45	24.72	26.49
Colombia	-	12.40	14.27	20.23	18.40
Hungary	8.04	7.45	7.48	5.77	6.87
All other	5.50	12.95	6.21	5.83	11.81
Total	15.09	16.15	16.17	18.16	17.89
	Ratio to U.S. production (*percent based on quantity*)				
U.S. imports from:					
Mexico	14.0	9.5	11.3	18.4	40.9
Panama	3.9	3.7	4.7	10.2	6.6
Honduras	2.7	6.5	6.5	6.3	5.8
Colombia	-	0.4	1.0	1.3	2.6
Hungary	2.6	2.5	4.0	3.2	0.9
All other	3.5	0.7	3.3	2.5	1.7
Total	26.7	23.2	30.7	41.8	57.7

Source: Compiled from official statistics of Commerce.

Unit values of imports from Mexico fluctuated from 1991 to 1995, falling by 13.2 percent overall during the period examined. Unit values for Panamanian, Honduran, and Colombian[71] imports showed overall increases of 49.6, 97.9, and 48.4 percent, respectively, over the same period, while the unit value of Hungarian imports dropped by 14.5 percent. Unit values for all imports rose by 18.6 percent over the period of investigation.

With the exception of 1992, imports of broom corn brooms as a share of U.S. production steadily increased from 1991 to 1995, with imports from Mexico driving the upward trend. By 1995, the level of imports from Mexico represented 40.9 percent of estimated U.S. production, with total imports representing 57.7 percent of U.S. production.

THE QUESTION OF SERIOUS INJURY[72]

U.S. Production, Capacity, and Capacity Utilization

Data on U.S. broom corn broom production, capacity, and capacity utilization, as reported by U.S. producers in response to Commission questionnaires, are presented in table 5. Twenty-two firms, accounting for at least 90 percent of 1995 production, provided usable trade data. ***.[73]

Table 5
Broom corn brooms: U.S. production, capacity, and capacity utilization, 1991-95

Item	1991	1992	1993	1994	1995
Capacity (dozens)	1,457,236	1,395,886	1,402,593	1,348,810	1,349,475
Production (dozens)	1,123,134	1,094,006	1,096,656	1,063,067	948,267
Capacity utilization (percent)	70.9	73.3	72.4	72.3	64.8

Source: Compiled from data submitted in response to Commission questionnaires.

Note.--Capacity utilization calculated using data from those firms providing both capacity and production information.

U.S. Producers' Shipments

Data reflecting U.S. producers' shipments of broom corn brooms are presented in table 6 and data on shipments by broom type are presented in table 7. Although U.S. shipments, on a quantity basis, dropped 15.9 percent from 1991 to 1995, unit values increased by 34.3 percent over the same period. Upright brooms accounted for over 90 percent of shipments from 1991 to 1995, followed by whisk brooms, push brooms, and other broom corn brooms.

[71] 1992 to 1995 for Colombian imports.

[72] Summary data on broom corn brooms, "other" brooms, and the two categories combined are presented in appendix C.

[73] ***.

Table 6
Broom corn brooms: U.S. producers' shipments, 1991-95

Item	1991	1992	1993	1994	1995
	Quantity (dozens)				
Commercial shipments	1,132,125	1,087,100	1,097,977	1,071,269	951,989
Internal shipments	0	0	0	0	0
Export shipments	1,000	1,000	1,000	0	0
Total	1,133,125	1,088,100	1,098,977	1,071,269	951,989
	Value ($1,000)				
Commercial shipments	37,429	41,423	45,822	45,304	42,271
Internal shipments	0	0	0	0	0
Export shipments	20	21	24	0	0
Total	37,449	41,444	45,846	45,304	42,271
	Unit value (per dozen)				
Commercial shipments	$33.06	$38.10	$41.73	$42.29	$44.40
Internal shipments	-----	-----	-----	-----	-----
Export shipments	$20.00	$21.00	$24.00	-----	-----
Average	$33.05	$38.09	$41.72	$42.29	$44.40

Source: Compiled from data submitted in response to Commission questionnaires.

Table 7
Broom corn brooms: Producers' U.S. shipments, by types, 1991-95

Item	1991	1992	1993	1994	1995
	Quantity (dozens)				
Whisk brooms	73,304	67,302	76,425	81,291	87,325
Upright brooms	956,883	913,282	887,722	859,919	763,204
Push brooms	9,458	8,081	8,577	9,806	8,221
Other broom corn brooms	5,086	5,292	5,487	5,746	5,755
Total	1,044,731	993,957	978,211	956,762	864,505
	Value ($1,000)				
Whisk brooms	797	800	984	1,129	1,295
Upright brooms	32,678	36,485	39,714	39,520	37,094
Push brooms	436	373	395	444	401
Other broom corn brooms	138	143	142	150	125
Total	34,049	37,801	41,235	41,243	38,915
	Unit value (per dozen)				
Whisk brooms	$10.87	$11.89	$12.88	$13.89	$14.83
Upright brooms	$34.15	$39.95	$44.74	$45.96	$48.60
Push brooms	$46.10	$46.16	$46.05	$45.28	$48.78
Other broom corn brooms	$27.13	$27.02	$25.88	$26.11	$21.72
Average	$32.59	$38.03	$42.15	$43.11	$45.01

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. Producers' Inventories

U.S. producers' inventory data are presented in table 8. The ratios of end-of-period inventories to production and U.S. shipments remained relatively stable from 1991 to 1995. A number of producers reported that they tend to produce to order rather than maintaining much in the way of inventories of finished brooms.

Table 8
Broom corn brooms: U.S. producers' end-of-period inventories, 1991-95

Item	1991	1992	1993	1994	1995
EOP inventories (dozens)	52,631	51,916	57,742	52,334	49,664
Ratio to production (percent)	4.8	4.9	5.4	5.0	5.4
Ratio to U.S. shipments (percent)	4.8	4.9	5.4	5.0	5.3

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. Employment, Wages, and Productivity

Data with regard to U.S. employment, wages, and productivity are presented in table 9. From 1991 to 1995, producers experienced a decline in the number of production workers and hours worked while wages paid, hourly wages, productivity, and unit labor costs increased. ***.[74] ***.[75]

Table 9
Average number of production and related workers producing broom corn brooms, hours worked, wages paid to such employees, and hourly wages, productivity, and unit production costs, 1991-95

Item	1991	1992	1993	1994	1995
PRWs (number)	431	420	428	419	382
Hours worked (1,000)	867	885	875	859	745
Wages paid ($1,000)	5,898	6,046	6,224	6,385	6,083
Hourly wages	$6.80	$6.83	$7.11	$7.43	$8.17
Productivity (dozens per hour)	1.1	1.1	1.1	1.1	1.1
Unit labor costs (per dozen)	$5.99	$6.02	$6.25	$6.74	$7.14

Source: Compiled from data submitted in response to Commission questionnaires.

74 ***.

75 ***.

Financial Experience of Domestic Producers

Introduction

Thirteen producers representing approximately 85.7 percent of 1995 U.S. production of broom corn brooms provided usable financial information on their operations producing broom corn brooms.[76]

Data for O'Cedar/Vining, accounting for *** percent of production in 1995, were verified by the Commission's staff. As a result of the verification, O'Cedar/Vining ***. In addition, O'Cedar/Vining provided data for the ***, capital expenditures, research and development, and the original cost and book value of property, plant, and equipment. It was also determined that pricing data were provided ***.

Operations on Broom Corn Brooms

Income-and-loss data for the U.S. producers on their broom corn broom operations are presented in table 10. Net sales, operating income, and the ratio of operating income to net sales as a percent, by firms, are presented in table 11. The reporting producers realized increasing operating income margins from 0.3 percent in 1991 to 2.5 percent in 1992 and 5.2 percent in 1993. The combined producers incurred operating losses of 2.1 percent in 1994 and 1.1 percent in 1995. Six firms reported operating losses in 1991, 5 in 1992 and 1993, 8 in 1994, and 7 in 1995.

[76] ***.

Table 10
Income-and-loss experience of U.S. producers on their operations producing broom corn brooms, fiscal years 1991-95[1]

Item	1991	1992	1993	1994	1995
	Value (1,000 dollars)				
Net sales	28,677	32,510	34,324	34,895	33,814
Cost of goods sold	24,199	26,947	27,383	28,147	26,663
Gross profit	4,478	5,563	6,941	6,748	7,151
SG&A expenses[1]	4,398	4,766	5,148	7,468	7,528
Operating income or (loss)	80	797	1,793	(720)	(377)
Interest expense	***	***	***	***	***
Other expense items	***	***	***	***	***
Other income items	***	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***	***
Depreciation and amortization	***	***	***	***	***
Cash flow	***	***	***	***	***
	Ratio to net sales (percent)				
Cost of goods sold	84.4	82.9	79.8	80.7	78.9
Gross profit	15.6	17.1	20.2	19.3	21.1
SG&A expenses[1]	15.3	14.7	15.0	21.4	22.3
Operating income	0.3	2.5	5.2	(2.1)	(1.1)
	Number of firms reporting				
Operating losses	6	5	5	8	7
Net losses	6	6	6	10	7
Data	13	13	13	13	13

[1] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 11
Income-and-loss experience of U.S. producers on their operations producing broom corn brooms, by firms, fiscal years 1991-95

*   *   *   *   *   *   *   *

Variance Analysis

The variance analysis, table 12, for *** of the *** U.S. producers of broom corn brooms provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. The information for the variance analysis is derived from table 13. Export sales were minor and there were no intercompany transfers. The variance analysis may not be a meaningful indication of the changes in pricing, costs, and volume on profitability because of the effects of changes in product mix during the period of investigation. For instance, ***.

Table 12
Variance for broom corn brooms, fiscal years 1991-95[1]

*   *   *   *   *   *   *   *

Table 13
Income-and-loss for firms included in the variance analysis for broom corn brooms, fiscal years 1991-95[1]

Item	1991	1992	1993	1994	1995
	Quantity (*dozens*)				
Net sales	***	***	***	***	***
	Value (*1,000 dollars*)				
Net sales	***	***	***	***	***
Cost of goods sold	***	***	***	***	***
Gross profit	***	***	***	***	***
SG&A	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
	Ratio to net sales (*percent*)				
Cost of goods sold	***	***	***	***	***
Gross profit	***	***	***	***	***
SG&A	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
	Value (*dollars per dozen*)[2]				
Net sales	$34.30	$38.43	$42.28	$44.90	$47.65
Cost of goods sold	28.92	31.82	33.57	36.03	37.33
Gross profit	5.38	6.61	8.71	8.86	10.32
SG&A	5.23	5.60	6.38	9.75	10.76
Operating income or (loss)	0.15	1.01	2.32	(0.89)	(0.45)

[1] The producers that provided both quantity and value data are ***.
[2] Values per dozen may be influenced by changes in product mix, for instance, ***.

Note--Data in this table and the related variance analysis table are only for firms providing both quantity and value information.

Source: Compiled from data submitted in response to Commission questionnaires.

Investment in Productive Facilities, Capital Expenditures, and Research and Development Expenses

The U.S. producers' value of property, plant, and equipment are presented in table 14. Capital expenditures and research and development expenses are presented in table 15.

Table 14
Value of fixed assets of U.S. producers of broom corn brooms, as of fiscal years ending 1991-95

*   *   *   *   *   *   *   *

Table 15
Capital expenditures and research and development expenses of U.S. producers of broom corn brooms, fiscal years 1991-95

*   *   *   *   *   *   *   *

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of broom corn brooms from any country on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix D.

THE QUESTION OF THREAT OF SERIOUS INJURY[77]

The Industry in Colombia

One producer, ***, provided information concerning its broom corn broom operations (table 16). ***.[78] ***.[79] ***.[80]

Table 16
Data for Colombian producers of broom corn brooms: 1991-95 and projected 1996-97

*   *   *   *   *   *   *   *

The Industry in Honduras

*** provided information on its broom corn broom operations (table 17). ***.[81] [82]

[77] State Department cables were sent requesting information on the broom corn broom industries in Panama and Hungary. No useable information was received relative to the industries in those countries.

[78] ***.

[79] ***.

[80] ***.

[81] ***.

[82] ***.

Table 17
Data for Honduran producers of broom corn brooms: 1991-95 and projected 1996-97

* * * * * * * *

The Industry in Mexico

Two producers, *** and ***, provided information with regard to their broom corn broom operations. That data appears in table 18. Together, the two companies estimate that their production accounted for *** percent of total Mexican production in 1995. For 1995, their reported exports to the United States were equivalent to *** percent of official import numbers as reported by Commerce. In the case of both companies, ***. During 1991-93, ***. In their questionnaire responses, the two companies estimated that they, collectively, accounted for ***. ***.[83]

Table 18
Data for Mexican producers of broom corn brooms: 1991-95 and projected 1996-97

* * * * * * * *

U.S. Importers' Inventories

Inventories held by importers responding to Commission questionnaires are presented in table 19. The low levels of inventories relative to total imports reflect the shipments-based-on-purchase-orders nature of this industry. 1993 inventories were primarily of ***.

Table 19
Broom corn brooms: U.S. importers' reported yearend inventories, 1991-95

* * * * * * * *

THE QUESTION OF THE CAUSAL RELATIONSHIP BETWEEN THE ALLEGED SERIOUS INJURY AND IMPORTS

Market Penetration of Imports

As shown in table 20, imports from Mexico increased their share of the U.S. market from 11.0 percent in 1991 to 25.9 percent in 1995, nearly doubling from 1994 to 1995. Imports from the four other primary sources of broom corn brooms upped their market share from 7.2 percent in 1991 to 14.7 percent in 1994; however, their share of the market dropped to 9.6 percent in 1995.

[83] *REPORTA,* June 1993, pp. 18-20.

Table 20
Broom corn brooms: Apparent U.S. consumption and market shares, 1991-95

Item	1991	1992	1993	1994	1995
	Quantity (dozens)				
Apparent consumption	1,431,817	1,340,523	1,435,128	1,515,765	1,498,698
	Value ($1,000)				
Apparent consumption	41,952	45,517	51,274	53,377	52,051
	Share of quantity (percent)				
U.S. producers' shipments	79.1	81.1	76.5	70.7	63.5
U.S. imports from--					
Mexico	11.0	7.8	8.6	12.9	25.9
Panama	3.1	2.9	3.6	7.1	4.2
Honduras	2.1	5.3	4.9	4.4	3.1
Colombia	0.0	0.3	0.7	0.9	1.7
Hungary	2.0	2.0	3.1	2.3	0.6
All other sources	2.7	0.6	2.6	1.7	1.1
Total imports	20.9	18.9	23.5	29.3	36.5
	Share of value (percent)				
U.S. producers' shipments	89.2	91.0	89.4	84.9	81.2
U.S. imports from--					
Mexico	7.5	4.8	4.6	7.6	12.9
Panama	1.3	1.1	1.4	3.2	2.2
Honduras	1.0	2.4	3.2	3.1	2.3
Colombia	0.0	0.1	0.3	0.5	0.9
Hungary	0.6	0.4	0.6	0.4	0.1
All other sources	0.5	0.2	0.4	0.3	0.4
Total imports	10.8	9.0	10.6	15.1	18.8

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

Prices and Related Data

Transportation Factors

Transportation charges (excluding inland U.S. costs) for broom corn brooms imported from Colombia, Honduras, Hungary, Mexico, and Panama are estimated to be 6.7, 4.5, 12.4, 3.6, and 12.8 percent, respectively. This estimate is derived from official import data and represents the transportation and other charges on imports valued on a c.i.f. basis compared to customs value.

According to U.S. producers, inland U.S. transportation costs ranged from *** to *** percent of the total delivered cost for broom corn brooms. Responding importers estimated a range of *** to *** percent of total delivered costs, with *** percent most frequently cited.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Colombian peso depreciated steadily from January-March 1991 through January-March 1996, ending the period down 43.2 percent. Conversely, the real value of the Colombian peso appreciated 19.3 percent during the same period (figure 3).[84]

The nominal value of the Honduran lempira depreciated 49.8 percent according to the International Monetary Fund during January-March 1991 through January-March 1996 (figure 4). When adjusted for movements in producer price indices in the two countries, the real value of the Honduran lempira appreciated by 6.0 percent during the same period.[85]

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Hungarian forint depreciated steadily between January-March 1991 and January-March 1996, ending the period down 51.3 percent. When adjusted for movements in consumer price indices in both countries the real value of the Hungarian forint depreciated 36.8 percent during January-March 1991 through July-September 1995 (figure 5).[86] [87]

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Mexican peso depreciated 17.6 percent in relation to the U.S. dollar during the period January-March 1991 through October-December 1994 (figure 6).[88] Following the currency devaluation in December 1994, the peso depreciated 10.3 percent during the next five quarters.[89] Overall, the nominal value of the peso depreciated 60.6 percent during January-March 1991 through January-March 1996. During 1991-94, the real value of the peso appreciated 4.7 percent; it thereafter depreciated 23.2 percent. Overall, the real value of the Mexican peso depreciated 18.5 percent during the period examined.

Quarterly data reported by the International Monetary Fund indicate that the real value of the Panamanian balboa depreciated 3.8 percent between January-March 1991 and January-March 1995 (figure 7).[90]

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[84] International Monetary Fund, *International Financial Statistics*, May 1996, pp. 182-186.

[85] Id., pp. 300-301.

[86] Data for the consumer price index for Oct. 1995-Mar. 1996 were unavailable.

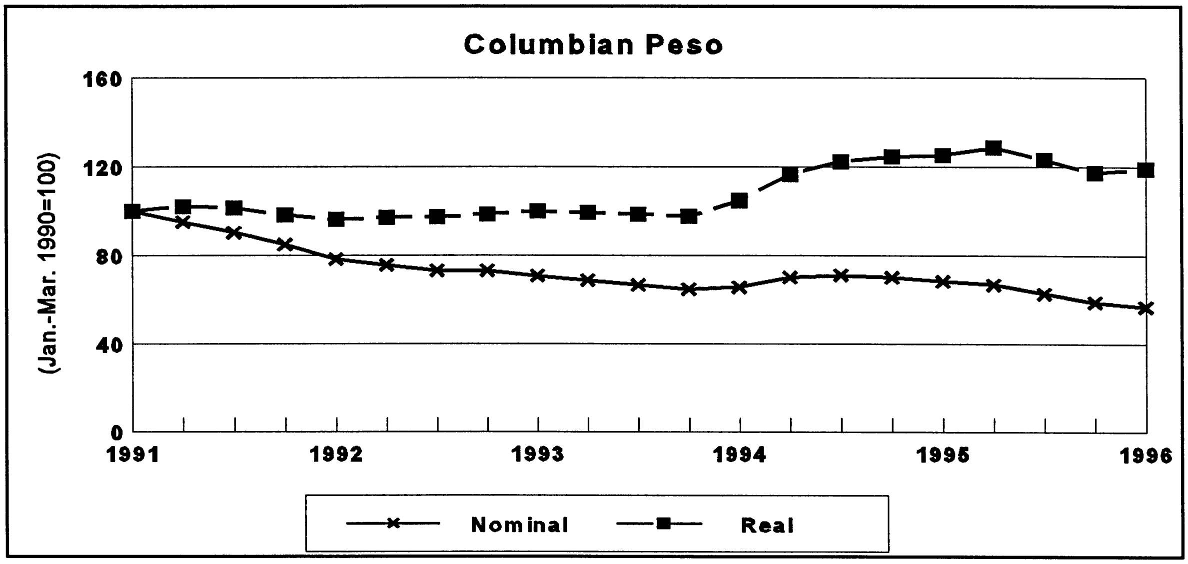
[87] International Monetary Fund, *International Financial Statistics*, May 1996, pp. 290-291.

[88] Id., pp. 394-397.

[89] In Dec. 1994, facing dwindling foreign currency reserves and a weakening peso, the Government of Mexico widened the peso's trading range by 15.2 percent. Subsequent speculative pressure in international currency markets forced the Mexican Government to freely float its currency. The peso depreciated from 3.5 pesos to the U.S. dollar on Dec. 20, 1994, to 5.7 pesos to the dollar (38 percent) at its lowest point in Jan. 1995. (*The Year In Trade 1994*, USITC Publication 2894, July 1995, p. 86.)

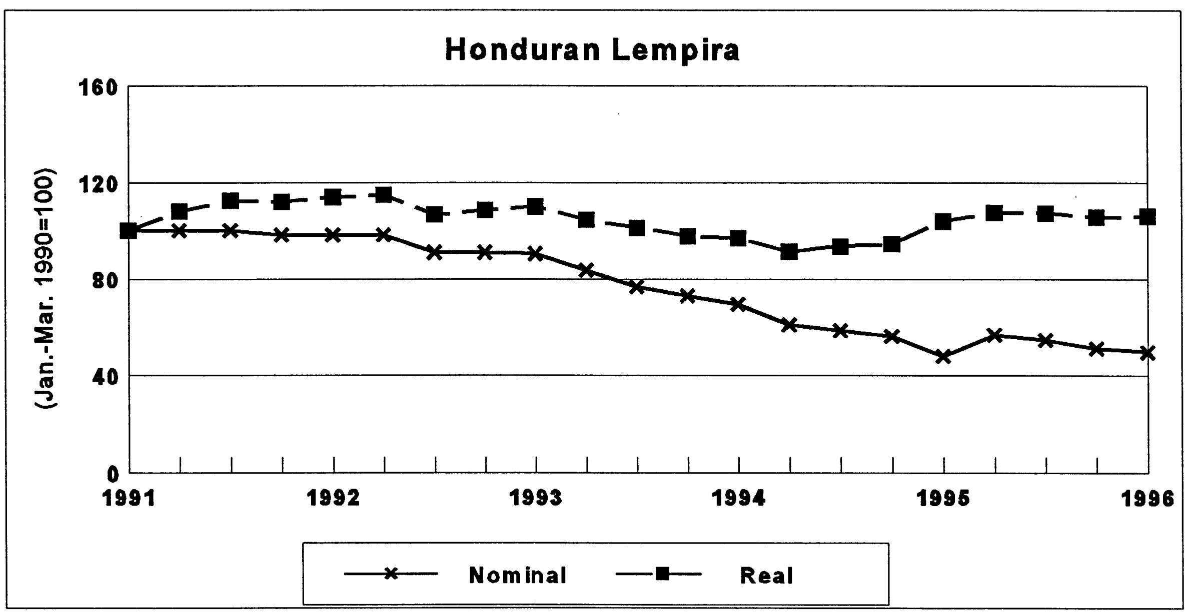
[90] The Panamanian balboa is pegged to the U.S. dollar; therefore nominal exchange rates are not discussed.

Figure 3
Exchange rates: Indices of nominal and real exchange rates between the U.S. dollar and Colombian peso, by quarters, Jan. 1991-Mar. 1996



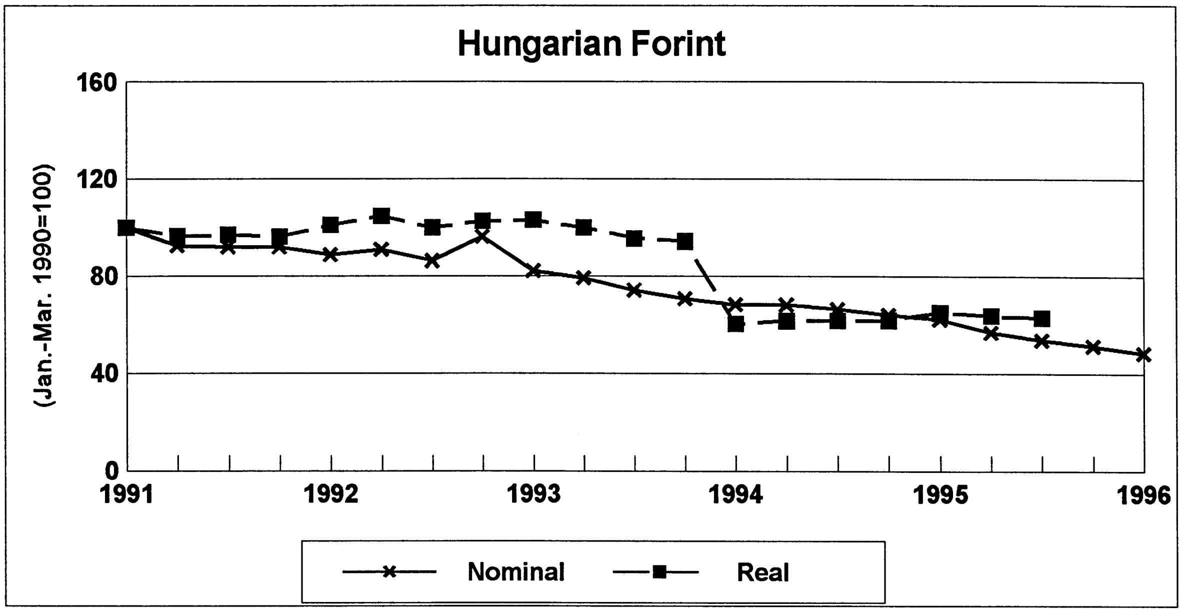
Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Figure 4
Exchange rates: Indices of nominal and real exchange rates between the U.S. dollar and Honduran lempira, by quarters, Jan. 1991-Mar. 1996



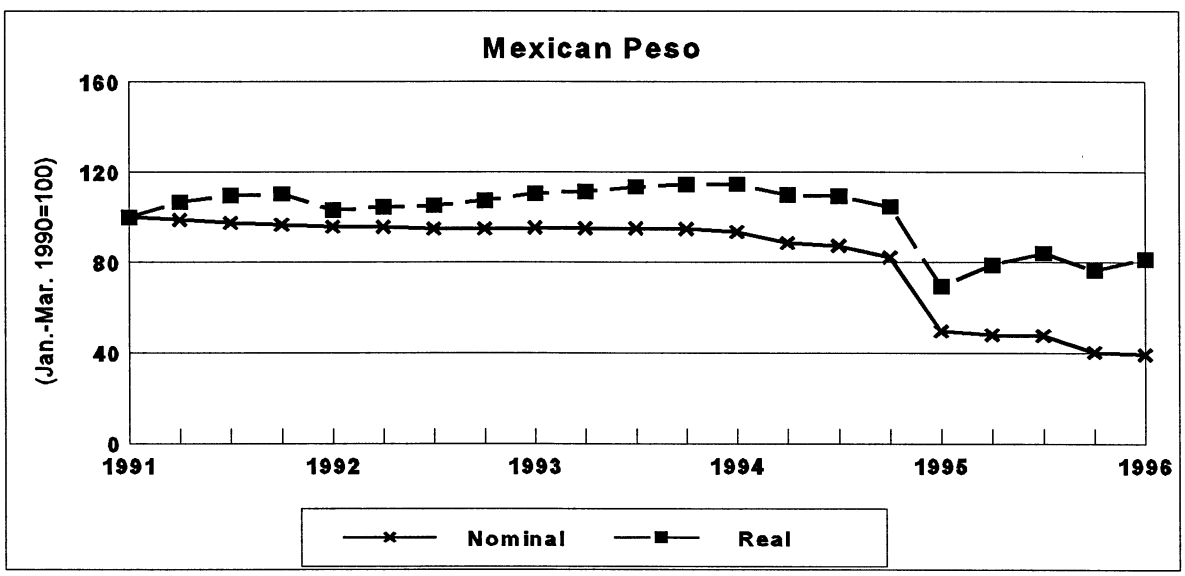
Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Figure 5
Exchange rates: Indices of nominal and real exchange rates between the U.S. dollar and Hungarian forint, by quarters, Jan. 1991-Mar. 1996



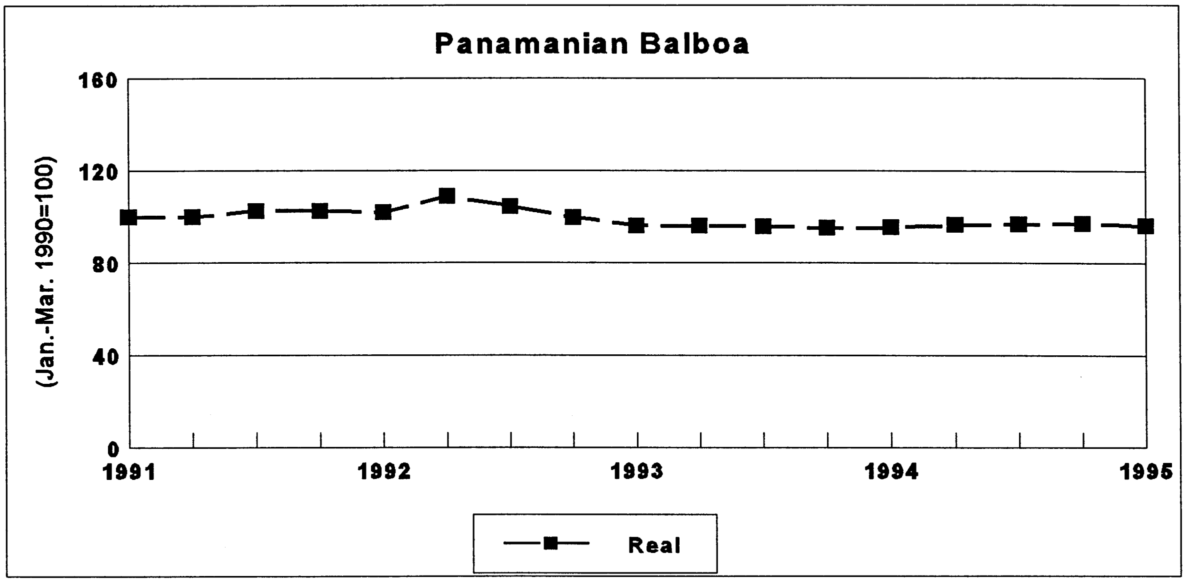
Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Figure 6
Exchange rates: Indices of nominal and real exchange rates between the U.S. dollar and Mexican peso, by quarters, Jan. 1991-Mar. 1996



Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Figure 7
Exchange rates: Index of real exchange rates between the U.S. dollar and Panamanian balboa, by quarters, Jan. 1991-Mar. 1996



Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Pricing Practices

Thirteen of 16 responding U.S. producers reported using set price lists for sales of their broom corn brooms. Three producers reported determining prices through a bid process or negotiations with customers. *** of *** importers reported using set price lists; the remaining importers negotiate prices transaction by transaction. Several U.S. producers reported offering volume discounts and promotional and advertising allowances to their broom corn broom customers in the form of credits or cash rebates. *** reported volume rebates of 2 to 3 percent, advertising allowances of 2 percent, and other promotional allowances of 2 to 5 percent of net sales. *** offers volume rebates of 1 to 5 percent and promotional allowances of 1 to 3 percent of net sales. Five responding U.S. producers reported offering no sales incentive programs. ***.[91] *** importers, *** and ***, reported offering promotional discounts on purchases of their imported broom corn brooms. *** also offers volume discounts and pick-up allowances. *** responding importers indicated offering no discounts.

According to questionnaire responses, net 30 days were typical sales terms for U.S. producers and importers, and prices were quoted on both a delivered and f.o.b. basis depending on quantity shipped.[92] Eleven of 13 producers reported that the majority of their broom corn broom sales were on a spot basis, and 5 of 6 importers reported selling predominantly on a spot basis. Sales contracts offered by U.S. producers are annual contracts with fixed price and no minimum purchase requirements.

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[91] ***.

[92] ***.

Price Data

The Commission requested U.S. producers and importers to report the total quantity shipped and the total net f.o.b. value shipped in each quarter for the specified broom corn broom products sold to all unrelated U.S. customers during 1991-95. The products for which pricing data were requested are as follows:

Product 1: Broom corn brooms, consisting wholly or partly of broom corn, 16-18 pounds per dozen ("lightweight"), handles attached or unattached.

Product 2: Broom corn brooms, consisting wholly or partly of broom corn, 20-25 pounds per dozen ("house/parlor"), handles attached or unattached.

Product 3: Broom corn brooms, consisting wholly or partly of broom corn, 26-36 pounds per dozen ("heavy duty," "janitor or warehouse"), handles attached or unattached.

Ten domestic producers and four importers provided useable pricing data for sales of the requested products in the U.S. market, although not necessarily for all products or all quarters over the period examined.[93] Pricing data weighted by total quantity sold are presented in tables 21-26 and figures 8-10.

U.S. producers' and importers' prices

U.S. producers' weighted-average prices for products 1 and 2 fluctuated unevenly, with no apparent trend, while prices for product 3 trended upward during the period examined. Prices for product 1 fluctuated between *** and *** per dozen during January 1991-December 1995. During January 1991-December 1993, prior to NAFTA, prices for product 1 increased 4.4 percent, from *** to *** per dozen on increasing volumes sold. During the remainder of the period examined, prices for product 1 fluctuated evenly between *** and *** per dozen. U.S. producers' prices for product 2 fluctuated between *** and *** per dozen, ending the period examined virtually unchanged. Prior to NAFTA, prices for product 2 declined 3.3 percent on increasing volumes. Prices during the subsequent eight quarters of the period examined increased unevenly (4.8 percent). Product 3 prices increased 1.7 percent, from *** and *** per dozen, during the period examined. Prices during January 1991-December 1993, prior to NAFTA, increased 3.6 percent. Prices during the first two years of NAFTA increased 2.6 percent, from *** to *** per dozen, on stable volumes.

U.S. importers' weighted-average prices for products 1-3 from Mexico trended downward during the period examined. Prices for product 1 declined 12.2 percent, from *** to *** per dozen, during the period examined.[94] Importers' prices for product 2 from Mexico were reported for 9 of the 20 quarters of the period, and ranged from *** to *** per dozen. No prices for imports from Mexico were reported for January-December 1991, July 1992-December 1993, and April-June 1994. Prices for product 3 imported from Mexico were reported only for October 1993-December 1995. These prices trended downward from *** to

[93] Prices for the specified broom corn broom products from Honduras were reported by ***.

[94] *** reported prices for product 1 during January 1991-June 1993 and October 1993-June 1994. These prices were unchanged at *** per dozen.

*** per dozen during October 1993-March 1995, then increased to *** per dozen during October-December 1995. Overall, prices declined 3.1 percent.

U.S. importers' weighted-average prices for products 1-3 from Honduras were reported for January 1993-December 1995,[95] trending upward during the period examined. Prices for product 1 increased steadily from *** to *** per dozen, or 4.1 percent during the period for which prices were reported. Importers' prices for product 2 from Honduras increased 9.0 percent, from *** to *** per dozen, during the same period. Reported product 3 prices for Honduran imports increased 2.1 percent, from *** to *** per dozen.

Price comparisons

Tables 21 through 26 and figures 8-10 show price margins of underselling during January 1991-December 1995 for the specified U.S.-produced broom corn brooms and imports from Mexico and Honduras. Price comparisons can be made for domestic and Mexican broom corn brooms in 38 of the 60 possible comparisons for products 1-3. In all 38 comparisons the Mexican product was priced below the domestic broom corn broom product. Margins of underselling ranged from 25.7 to 48.0 percent. Margins of underselling for product 1 ranged from 34.3 to 45.7 percent. Underselling margins ranged from 25.7 to 43.4 percent for product 2 and from 37.7 to 48.0 percent for product 3.

The Honduran product undersold the U.S. product in all 36 prices comparison of the 60 possible for products 1-3. Margins of underselling ranged between 22.5 and 58.9 percent. Product 1 margins of underselling ranged between 22.5 and 35.4 percent. Underselling margins ranged from 34.2 to 40.9 percent for product 2 and from 49.2 to 58.9 percent for product 3.

[95] No prices for imports from Honduras were reported for January 1991-December 1992.

Table 21
Product 1:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Mexico, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product Net f.o.b. price	U.S. product Quantity	Mexican product Net f.o.b. price	Mexican product Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.......	***	***	***	***	35.1
April-June............	***	***	***	***	34.7
July-September......	***	***	***	***	34.3
October-December..	***	***	***	***	35.4
1992:					
January-March......	***	***	***	***	36.1
April-June...........	***	***	***	***	35.8
July-September......	***	***	***	***	36.0
October-December..	***	***	***	***	37.3
1993:					
January-March.......	***	***	***	***	37.3
April-June............	***	***	***	***	36.8
July-September......	***	***	***	***	38.6
October-December..	***	***	***	***	37.8
1994:					
January-March......	***	***	***	***	36.3
April-June...........	***	***	***	***	35.7
July-September......	***	***	***	***	38.6
October-December..	***	***	***	***	45.7
1995:					
January-March.......	***	***	***	***	43.2
April-June............	***	***	***	***	34.3
July-September......	***	***	***	***	43.3
October-December..	***	***	***	***	39.7

[1] Broom corn brooms, consisting wholly or partly of broom corn, 16-18 pounds per dozen ("lightweight"), handles attached or unattached.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 22

Product 2:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Mexico, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product		Mexican product		
	Net f.o.b. price	Quantity	Net f.o.b. price	Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1992:					
January-March.....	***	***	***	***	26.8
April-June........	***	***	***	***	26.7
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1993:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1994:					
January-March.....	***	***	***	***	25.7
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	***	***	41.1
October-December..	***	***	***	***	43.4
1995:					
January-March.....	***	***	***	***	39.0
April-June........	***	***	***	***	38.1
July-September....	***	***	***	***	37.3
October-December..	***	***	***	***	42.5

[1] Broom corn brooms, consisting wholly or partly of broom corn, 20-25 pounds per dozen ("house/parlor"), handles attached or unattached.

[2] Data not reported.

[3] Margins not calculated.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 23

Product 3:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Mexico, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product		Mexican product		
	Net f.o.b. price	Quantity	Net f.o.b. price	Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1992:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1993:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	***	***	40.5
1994:					
January-March.....	***	***	***	***	37.8
April-June........	***	***	***	***	37.7
July-September....	***	***	***	***	45.1
October-December..	***	***	***	***	44.1
1995:					
January-March.....	***	***	***	***	48.0
April-June........	***	***	***	***	43.4
July-September....	***	***	***	***	42.5
October-December..	***	***	***	***	41.3

[1] Broom corn brooms, consisting wholly or partly of broom corn, 26-36 pounds per dozen ("heavy duty," "janitor/warehouse"), handles attached or unattached.

[2] Data not reported.

[3] Margins not calculated.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 24
Product 1:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Honduras, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product		Honduran product		
	Net f.o.b. price	Quantity	Net f.o.b. price	Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1992:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1993:					
January-March.....	***	***	***	***	35.1
April-June........	***	***	***	***	34.6
July-September....	***	***	***	***	34.6
October-December..	***	***	***	***	35.4
1994:					
January-March.....	***	***	***	***	32.7
April-June........	***	***	***	***	32.1
July-September....	***	***	***	***	33.1
October-December..	***	***	***	***	33.9
1995:					
January-March.....	***	***	***	***	33.6
April-June........	***	***	***	***	22.5
July-September....	***	***	***	***	31.3
October-December..	***	***	***	***	26.0

[1] Broom corn brooms, consisting wholly or partly of broom corn, 16-18 pounds per dozen ("lightweight"), handles attached or unattached.
[2] Data not reported.
[3] Margins not calculated.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 25

Product 2:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Honduras, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product		Honduran product		
	Net f.o.b. price	Quantity	Net f.o.b. price	Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1992:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1993:					
January-March.....	***	***	***	***	39.5
April-June........	***	***	***	***	40.0
July-September....	***	***	***	***	39.3
October-December..	***	***	***	***	40.9
1994:					
January-March.....	***	***	***	***	37.8
April-June........	***	***	***	***	35.2
July-September....	***	***	***	***	38.1
October-December..	***	***	***	***	39.8
1995:					
January-March.....	***	***	***	***	34.2
April-June........	***	***	***	***	35.9
July-September....	***	***	***	***	35.9
October-December..	***	***	***	***	37.5

[1] Broom corn brooms, consisting wholly or partly of broom corn, 20-25 pounds per dozen ("house/parlor"), handles attached or unattached.

[2] Data not reported.

[3] Margins not calculated.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 26

Product 3:[1] Weighted-average net f.o.b. prices and quantities for sales to unrelated U.S. customers reported by U.S. producers and importers from Honduras, and margins of under/(over)selling, by quarters, Jan. 1991-Dec. 1995

Period	U.S. product		Honduran product		
	Net f.o.b. price	Quantity	Net f.o.b. price	Quantity	Margin
	Per dozen	*Dozen*	*Per dozen*	*Dozen*	*Percent*
1991:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1992:					
January-March.....	***	***	(2)	(2)	(3)
April-June........	***	***	(2)	(2)	(3)
July-September....	***	***	(2)	(2)	(3)
October-December..	***	***	(2)	(2)	(3)
1993:					
January-March.....	***	***	***	***	58.3
April-June........	***	***	***	***	58.7
July-September....	***	***	***	***	58.5
October-December..	***	***	***	***	58.9
1994:					
January-March.....	***	***	***	***	50.8
April-June........	***	***	***	***	50.7
July-September....	***	***	***	***	53.6
October-December..	***	***	***	***	52.7
1995:					
January-March.....	***	***	***	***	50.5
April-June........	***	***	***	***	49.2
July-September....	***	***	***	***	49.5
October-December..	***	***	***	***	49.4

[1] Broom corn brooms, consisting wholly or partly of broom corn, 26-36 pounds per dozen ("heavy duty," "janitor/warehouse"), handles attached or unattached.

[2] Data not reported.

[3] Margins not calculated.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure 8
Product 1: Weighted-average net f.o.b. prices for sales to unrelated U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1991-Dec. 1995

* * * * * * * *

Figure 9
Product 2: Weighted-average net f.o.b. prices for sales to unrelated U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1991-Dec. 1995

* * * * * * * *

Figure 10
Product 3: Weighted-average net f.o.b. prices for sales to unrelated U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1991-Dec. 1995

* * * * * * * *

Factors Other Than Imports Affecting the Domestic Industry

During the course of these investigations, the respondent has argued that at least two factors are more important than imports in terms of their impact on U.S. producers. These factors are the December 1994 peso devaluation and the competition broom corn brooms are facing from increased sales of plastic brooms.

Concerning the former, respondent contends that the devaluation of the Mexican peso contributed to the rise in imports from Mexico, rather than NAFTA tariff reductions.[96] Respondent argues that broom corn broom imports from Mexico were influenced more by the peso devaluation than NAFTA tariff reductions. Employing a simple correlation analysis, respondent points to a higher correlation between movements in the U.S. dollar/peso exchange rate than NAFTA tariff reductions with respect to changes in broom corn broom import volumes from Mexico.[97] As noted earlier, following the currency devaluation in December 1994, the peso depreciated 10.3 percent during the next five quarters.[98] Over that same period the real value of the peso depreciated 23.2 percent.

Conversely, petitioners have maintained that tariff reductions under the NAFTA have contributed to rising broom corn imports from Mexico during 1991-95. Petitioners cite an increase in Mexican imports during 1994 following NAFTA's implementation and prior to the peso devaluation, and argue that subsequent increases in Mexican imports were the continuing effect of duty reductions the prior year and not

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[96] Respondents' posthearing brief, pp. 15-19.
[97] Id. p. 17, and TR, pp. 73-78 and 186.
[98] In Dec. 1994, facing dwindling foreign currency reserves and a weakening peso, the Government of Mexico widened the peso's trading range by 15.2 percent. Subsequent speculative pressure in international currency markets forced the Mexican Government to freely float its currency. The peso depreciated from 3.5 pesos to the U.S. dollar on Dec. 20, 1994, to 5.7 pesos to the dollar (38 percent) at its lowest point in Jan. 1995. (*The Year In Trade 1994*, USITC Publication 2894, July 1995, p. 86.)

the peso devaluation.[99] Moreover, petitioners contend that a surge in broom corn broom imports from Mexico during January-March 1996, while the Mexican peso appreciated, is further evidence of the influence of tariff reductions.[100]

Throughout the investigations, respondent has argued that "competition from plastic brooms and changing consumer tastes toward such brooms"[101] has been a more important factor with regard to any problems U.S. broom corn broom producers are experiencing than the increased imports from Mexico. Petitioner, on the other hand, has argued that plastic brooms are a discrete industry from broom corn brooms with their "own separate production processes, raw materials, capital-intensive cost structure, facilities and labor force," and are not a factor in the injury the U.S. broom corn broom producers are experiencing.[102]

As noted earlier, 1991 was the only year broom corn brooms held a majority share of the total broom market during the period of investigation. By 1992, plastic brooms accounted for a 59.4 percent share of the total market due primarily to a large increase in the number of imported brooms. Thereafter, the plastic broom share declined irregularly to a 57.5 percent share of the market in 1995. In absolute terms, consumption of broom corn brooms stayed at a relatively steady level from 1991 to 1995, while plastic brooms accounted for nearly all of the growth in the overall broom market during that period.

Adjustment Plan

Petitioners believe that if import relief is granted they can make "significant advances" in the reduction of their raw material costs and in the finished production process.[103] Insofar as the raw material costs, petitioners state that progress has been made in years of research to develop a broom corn plant capable of being mechanically harvested. Given a period of import relief, petitioners argue that U.S. producers can provide more funds to speed the pace of development, but that without such relief, further investment by U.S. producers for new hybrids of broom corn will not be possible.[104] Petitioners note that one of the critical phases of the development process will be completed this fall, when the first successful hybrids in terms of size, yield, and uniformity will be available for further testing.[105] As noted earlier in this report, University of Illinois researchers believe that a disease-resistant, mechanically harvestable broom corn hybrid could be developed and commercially viable with a research grant of $120,000 a year for four years.[106]

The respondent argues the development of a hybrid broom corn during the next four years is "factually not credible and economically irrelevant." [107] Respondent notes that the hybrid plant has been in development for the past 20 years and states that any claim by petitioners that they are three or four years from success should be viewed with skepticism.[108] Further, respondent argues that in light of broom corn

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[99] Petitioner's posthearing brief, pp. 6-8.
[100] Id.
[101] Respondent's posthearing brief, p. 15.
[102] Petitioner's posthearing brief, p. 3.
[103] Id., p.4.
[104] Id., p. 5.
[105] Id., p. 4.
[106] Id., p. 5.
[107] Respondent's posthearing brief, p. 19.
[108] Id., p. 20.

brooms "losing ground to plastic brooms," U.S. farmers will be unlikely to grow broom corn in any significant quantities "in the face of this inexorable shift in the marketplace."[109]

With respect to improvements that can be made in the finished production process during a period of import relief, petitioners cite the use of robotic technology developed by Australian manufacturers that will produce wire-wound brooms automatically.[110] These machines, which cost approximately $150,000 each, will produce 40 to 50 brooms per hour,[111] are adjustable for different broom lengths and weights, and can use all types of vegetable broom material.[112] Petitioners believe such machinery would "revolutionize" the U.S. industry and allow it to "remain competitive with low Mexican wages,"[113] but feel that a period of import relief is "an essential condition" for providing producers the certainty to invest in this machinery, and a sufficient time horizon to begin recouping the investment.[114] Respondent made no comment with regard to this aspect of petitioner's adjustment plan in its posthearing brief on injury, but did comment in its posthearing brief on remedy that the Australian machine has never been purchased by the broom industry, has never produced a commercially acceptable broom, is completely untested, and is not commercially viable.[115]

[109] Id.

[110] Petitioner's posthearing brief, p. 8.

[111] Current wire-wound production methods yield from 24 to 30 brooms an hour.

[112] According to the advertisement for the machinery, one operator would be capable of running 3 to 4 machines with inclusion of an automatic looper and stacker. Petitioner's posthearing brief, Attachment 1.

[113] Petitioner's posthearing brief, p. 8.

[114] Id., pp. 8-9.

[115] Respondents' posthearing brief, pp. 7-8.

APPENDIX A

***FEDERAL REGISTER* NOTICE**

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. TA-201-65 and NAFTA-302-1]

Broom Corn Brooms

AGENCY: International Trade Commission.

ACTION: Institution and scheduling of an investigation under section 202 of the Trade Act of 1974 (19 U.S.C. § 2252) (the Trade Act) and an investigation under section 302 of the North American Free Trade Agreement (NAFTA) Implementation Act (19 U.S.C. § 3352).

SUMMARY: Following receipt of petitions filed on March 4, 1996, on behalf of the U.S. Cornbroom Task Force and its individual members, Washington, DC, (petitioner) the United States International Trade Commission instituted investigation No. TA-201-65 under section 202(b) of the Trade Act, to determine whether an article[1] is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article; and investigation No. NAFTA-302-1 under section 302(b) of the NAFTA Implementation Act, to determine whether, as a result of the reduction or elimination of a duty provided for under the NAFTA, a Mexican article[2] is being imported into the United States in such increased quantities (in absolute terms) and under such conditions so that imports of the article, alone, constitute a substantial cause of serious injury, or a threat of serious injury, to the domestic industry producing an article like or directly competitive with the imported article.

Further, the petitioner, in its petition filed under section 302 of the NAFTA Implementation Act alleged that critical circumstances exist and requested, pursuant to section 302(a)(2) of that Act (19 U.S.C. § 3352(a)(2)), that provisional relief be provided pending completion of the full investigation and consideration by the President. Accordingly, if the Commission makes an affirmative injury determination under section 302(b) of that Act, it will also determine whether delay in taking action would cause damage to the industry that would be difficult to repair. If the second Commission determination is also in the affirmative, the Commission will find the amount or extent of provisional relief that is necessary to prevent or remedy the serious injury and forward its recommendation to the President.

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 206, subparts A, B, and D (19 CFR part 206).

EFFECTIVE DATE: March 4, 1996.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202-205-3191), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (http://www.usitc.gov or ftp:// usitc.gov).

SUPPLEMENTARY INFORMATION:

Participation in the investigations and service list.—Persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a 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.

Limited disclosure of confidential business information (CBI) under an administrative protective order (APO) and CBI service list.—The Commission intends to conduct these investigations jointly and maintain one information docket in these investigations. Except as provided below, the Secretary, pursuant to section 206.17(a) of the Commission's rules, will make CBI available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. Authorized applicants may have access to such information notwithstanding any prior action taken in connection with the phase of these investigations regarding provisional relief. A separate service list will be maintained by the Secretary for those parties authorized to receive CBI under the APO.

Hearings on injury and remedy.—The Commission has scheduled separate hearings in connection with the injury and remedy phases of these investigations. The hearing on injury will be held beginning at 9:30 a.m. on May 30, 1996, at the U.S. International Trade Commission Building. In the event that the Commission makes an affirmative injury determination or is equally divided on the question of injury in these investigations, a hearing on the question of remedy will be held beginning at 9:30 a.m. on July 11, 1996. Requests to appear at the hearings on injury and remedy should be filed in writing with the Secretary to the Commission on or before May 16, 1996 and July 3, 1996, respectively.

With regard to the hearings on injury and remedy, all persons desiring to appear at the hearings and make oral presentations should attend prehearing conferences to be held at 9:30 a.m. on May 21, 1996, and July 8, 1996, respectively, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the hearing are governed by sections 201.6(b)(2) and 201.13(f) of the Commission's rules.

Written submissions.—Inasmuch as the petitioner has alleged the existence of critical circumstances and has requested provisional relief, the Commission will, on April 8, 1996, release statistical data it has collected to that point in the investigations to enable parties to prepare briefs with respect to that issue. The deadline for briefs on provisional relief is April 12, 1996. The deadline for filing prehearing briefs on injury is May 23, 1996, and that for filing prehearing briefs on remedy, including any commitments pursuant to 19 U.S.C. § 2252(a)(6)(B), is July 8, 1996. The deadline for filing posthearing briefs on injury is June 6, 1996, and that for filing posthearing briefs on remedy is July 16, 1996.

In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the consideration of provisional relief on or before April 12, 1996, pertinent to the consideration of injury on or before June 6, 1996, and pertinent to the consideration of remedy on or before July 16, 1996. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain CBI must also conform with the requirements of section 201.6 of the rules.

In accordance with section 201.16(c) of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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[1] Broom corn brooms provided for in subheadings 9603.10.05, 9603.10.15, 9603.10.35, 9603.10.40, 9603.10.50, and 9603.10.60 of the Harmonized Tariff Schedule of the United States (HTS).

[2] *Id.*

Authority: These investigations are being conducted under the authority of section 202 of the Trade Act of 1974 and section 302 of the North American Free Trade Implementation Act. This notice is published pursuant to section 206.3 of the Commission's rules.

Issued: March 12, 1996.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 96-6351 Filed 3-15-96; 8:45 am]

BILLING CODE 7020-02-P

APPENDIX B

CALENDAR OF WITNESSES AT PUBLIC HEARINGS

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject	:	BROOM CORN BROOMS (INJURY)
Inv. Nos.	:	TA-201-65 and NAFTA-302-1
Date and Time	:	May 30, 1996 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room 101 of the United States International Trade Commission, 500 E Street, S.W., Washington, D.C.

IN SUPPORT OF THE PETITION:

David A. Brody
Washington, D.C.
on behalf of

U.S. Cornbroom Task Force ("Task Force")

John Claassen, President, National Broom Company, Stockton, California

William Libman, President, The Libman Company, Arcola, Illinois

Mark W. Love, Senior Vice President, Economic Consulting Services

Mark Quinn, President, Quinn Broom Works, Greenup, Illinois

Fred Leventhal, Chairman Emeritus, O'Cedar/Vining Household Products Company, Springfield, Ohio

John Lindstrom, President, Zephyr Manufacturing Company, Sedalia, Missouri

Everette Hatcher, Jr., Manager of Chickasaw Broom Company, Little Rock, Arkansas

David A. Brody--OF COUNSEL

IN OPPOSITION TO THE PETITION:

Canadian Embassy, Washington, D.C.

Robert G. Cairns, First Secretary (Commercial)

Manatt, Phelps and Phillips
Washington, D.C.
on behalf of

Mexican National Cornbroom
Association

Anthony Sala, Vice President-Finance
Quickie Manufacturing, Cinnaminson, New Jersey

Michelle Lamb, Product Manager,
Rubbermaid Commercial Products, Winchester, Virginia

Evelyn Sklar, Vice President,
A-1 Broom and Supply, Incorporated, Los Angeles, California

Scott Atkinson, President,
American Cleaning Supply, San Antonio, Texas

Robert Berkeley, Sales Manager,
Main Line Distributing, Santa Fe Springs, California

Donald Staehle, Treasurer,
Royal Broom and Mop Factory, New Orleans, Louisiana

Seth Kaplan, Director of Economic Research,
Trade Resources Company

Thomas P. Ondeck)
Irwin P. Altschuler)--OF COUNSEL
Claudia G. Salzberg)

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	:	BROOM CORN BROOMS (REMEDY)
Inv. Nos.	:	TA-201-65 and NAFTA-302-1
Date and Time	:	July 11, 1996 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main hearing room 101, 500 E Street, SW, Washington, D.C.

IN SUPPORT OF THE PETITION:

David A. Brody
Washington, D.C.
on behalf of

U.S. Cornbroom Task Force ("Task Force")

Mark A. Love, Senior Vice President, Economic Consulting Services

David A. Brody--OF COUNSEL

IN OPPOSITION OF THE PETITION:

Manatt, Phelps and Phillips
Washington, D.C.
on behalf of

Mexican National Cornbroom Association

Jorge Trevino Sada, President, Escobera La Reynera, S.A. de C.V.

Dr. Luis de la Calle, Trade Minister, Embassy of Mexico

Paul Zucker, Economist, Trade Resources Company

Irwin P. Altschuler)
Kathleen H. Hatfield)--OF COUNSEL

APPENDIX C

SUMMARY TABLES

Table C-1
Broom corn brooms: Summary data concerning the U.S. market, 1991-95

(Quantity=dozens, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per dozen; period changes=percent, except where noted)

Item	Reported data					Period changes				
	1991	1992	1993	1994	1995	1991-95	1991-92	1992-93	1993-94	1994-95
U.S. consumption quantity:										
Amount	1,431,817	1,340,523	1,435,128	1,515,765	1,498,698	4.7	-6.4	7.1	5.6	-1.1
Producers' share (1)	79.1	81.1	76.5	70.7	63.5	-15.5	2.0	-4.6	-5.8	-7.2
Share of imports from (1)--										
Mexico	11.0	7.8	8.6	12.9	25.9	14.9	-3.2	0.8	4.3	13.0
All other sources	9.9	11.1	14.9	16.4	10.6	0.6	1.2	3.7	1.5	-5.8
Total imports	20.9	18.9	23.5	29.3	36.5	15.5	-2.0	4.6	5.8	7.2
U.S. consumption value:										
Amount	41,952	45,517	51,274	53,377	52,051	24.1	8.5	12.6	4.1	-2.5
Producers' share (1)	89.2	91.0	89.4	84.9	81.2	-8.0	1.8	-1.6	-4.5	-3.7
Share of imports from (1)--										
Mexico	7.5	4.8	4.6	7.6	12.9	5.4	-2.7	-0.2	3.0	5.2
All other sources	3.3	4.2	6.0	7.5	5.9	2.6	0.9	1.8	1.5	-1.6
Total imports	10.8	9.0	10.6	15.1	18.8	8.0	-1.8	1.6	4.5	3.7
U.S. imports from--										
Mexico:										
Quantity	157,605	104,067	123,528	195,770	388,286	146.4	-34.0	18.7	58.5	98.3
Value	3,129	2,173	2,356	4,070	6,695	114.0	-30.6	8.4	72.8	64.5
Unit value	$19.85	$20.88	$19.07	$20.79	$17.24	-13.2	5.2	-8.7	9.0	-17.1
All other sources:										
Quantity	142,086	149,357	213,624	248,726	158,423	11.5	5.1	43.0	16.4	-36.3
Value	1,394	1,920	3,096	4,004	3,085	121.3	37.7	61.3	29.3	-23.0
Unit value	$9.81	$12.86	$14.49	$16.10	$19.47	98.5	31.0	12.7	11.1	21.0
Total imports:										
Quantity	299,692	253,423	337,151	444,496	546,709	82.4	-15.4	33.0	31.8	23.0
Value	4,523	4,094	5,452	8,073	9,780	116.2	-9.5	33.2	48.1	21.1
Unit value	$15.09	$16.15	$16.17	$18.16	$17.89	18.5	7.0	0.1	12.3	-1.5
U.S. producers' reported:										
Average capacity quantity	1,457,236	1,395,886	1,402,593	1,348,810	1,349,475	-7.4	-4.2	0.5	-3.8	0.0
Production quantity	1,123,134	1,094,006	1,096,656	1,063,067	948,267	-15.6	-2.6	0.2	-3.1	-10.8
Capacity utilization (1)	70.9	73.3	72.4	72.3	64.8	-6.0	2.5	-0.9	-0.1	-7.5
U.S. shipments:										
Quantity	1,132,125	1,087,100	1,097,977	1,071,269	951,989	-15.9	-4.0	1.0	-2.4	-11.1
Value	37,429	41,423	45,822	45,304	42,271	12.9	10.7	10.6	-1.1	-6.7
Unit value	$33.06	$38.10	$41.73	$42.29	$44.40	34.3	15.3	9.5	1.3	5.0
Export shipments:										
Quantity	1,000	1,000	1,000	0	0	-100.0	0.0	0.0	-100.0	(2)
Value	20	21	24	0	0	-100.0	5.0	14.3	-100.0	(2)
Unit value	$20.00	$21.00	$24.00	(2)	(2)	-100.0	5.0	14.3	-100.0	(2)
Ending inventory quantity	52,631	51,916	57,742	52,334	49,664	-5.6	-1.4	11.2	-9.4	-5.1
Inventories to total shipments (1)	4.8	4.9	5.3	5.0	5.3	0.6	0.1	0.5	-0.4	0.3
Production workers	431	420	428	419	382	-11.4	-2.6	1.9	-2.1	-8.8
Hours worked (1,000s)	867	885	875	859	745	-14.1	2.1	-1.1	-1.8	-13.3
Wages paid ($1,000)	5,898	6,046	6,224	6,385	6,083	3.1	2.5	2.9	2.6	-4.7
Hourly wages	$6.80	$6.83	$7.11	$7.43	$8.17	20.0	0.4	4.1	4.5	9.8
Productivity (dozens per hour)	1.1	1.1	1.1	1.1	1.1	0.7	-0.1	0.3	-3.1	3.7
Unit labor costs	$5.99	$6.02	$6.25	$6.74	$7.14	19.2	0.5	3.8	7.9	5.9
Net sales:										
Quantity	**	**	**	**	**	-14.4	2.1	-4.0	-4.4	-8.6
Value	28,677	32,510	34,324	34,895	33,814	17.9	13.4	5.6	1.7	-3.1
Unit value (3)	$34.30	$38.43	$42.28	$44.90	$47.65	38.9	12.0	10.0	6.2	6.1
Cost of goods sold (COGS)	24,199	26,948	27,383	28,147	26,662	10.2	11.4	1.6	2.8	-5.3
Gross profit or (loss)	4,478	5,562	6,941	6,748	7,152	59.7	24.2	24.8	-2.8	6.0
SG&A expenses	4,398	4,766	5,148	7,468	7,528	71.2	8.4	8.0	45.1	0.8
Operating income or (loss)	80	796	1,793	(720)	(376)	570.0	895.0	125.3	-140.2	47.8
Capital expenditures	**	**	**	**	**	883.3	0.0	450.0	-28.4	149.8
Unit COGS (3)	$28.92	$31.82	$33.57	$36.03	$37.33	29.1	10.0	5.5	7.3	3.6
Unit SG&A expenses (3)	$5.23	$5.60	$6.38	$9.75	$10.76	105.8	7.1	14.0	52.7	10.4
Unit operating income or (loss) (3	$0.15	$1.01	$2.32	($0.89)	($0.45)	397.3	573.4	130.6	-138.1	49.5
COGS/sales (1)	84.4	82.9	79.8	80.7	78.8	-5.5	-1.5	-3.1	0.9	-1.8
Operating income or (loss)/ sales (1)	0.3	2.4	5.2	(2.1)	(1.1)	-1.4	2.2	2.8	-7.3	1.0

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Unit values are computed for those firms providing both quantities and values.

Source: Consumption data based on staff estimates and official statistics of the U.S. Department of Commerce; producers' reported data compiled from data submitted in response to Commission questionnaires.

Table C-2
Other brooms: Summary data concerning the U.S. market, 1991-95

(Quantity=dozens, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per dozen; period changes=percent, except as noted)

Item	Reported data 1991	1992	1993	1994	1995	Period changes 1991-95	1991-92	1992-93	1993-94	1994-95
U.S. consumption quantity:										
Amount	1,383,286	1,960,373	1,795,134	1,820,624	2,025,924	46.5	41.7	-8.4	1.4	11.3
Producers' share (1)	43.8	30.9	35.4	39.4	43.3	-0.5	-12.9	4.5	4.0	4.0
Share of imports from (1)--										
Brazil	14.3	27.9	27.2	24.0	16.8	2.5	13.6	-0.6	-3.3	-7.2
Italy	24.1	22.6	17.0	19.3	17.9	-6.2	-1.5	-5.6	2.3	-1.4
Venezuela	8.6	4.3	7.0	5.8	5.9	-2.7	-4.4	2.7	-1.2	0.1
All other sources	9.2	14.3	13.4	11.5	16.1	6.9	5.2	-1.0	-1.8	4.5
Total imports	56.2	69.1	64.6	60.6	56.7	0.5	12.9	-4.5	-4.0	-4.0
U.S. consumption value:										
Amount	32,766	37,216	36,657	41,142	50,445	54.0	13.6	-1.5	12.2	22.6
Producers' share (1)	68.1	62.7	64.8	68.5	70.3	2.2	-5.4	2.0	3.7	1.8
Share of imports from (1)--										
Brazil	5.7	13.0	12.9	9.3	9.5	3.7	7.3	-0.1	-3.6	0.2
Italy	14.2	14.1	9.7	9.6	9.2	-5.0	-0.1	-4.3	-0.1	-0.4
Venezuela	2.5	2.1	2.2	1.9	1.9	-0.6	-0.5	0.2	-0.3	(2)
All other sources	9.4	8.1	10.3	10.6	9.1	-0.3	-1.3	2.2	0.3	-1.6
Total imports	31.9	37.3	35.2	31.5	29.7	-2.2	5.4	-2.0	-3.7	-1.8
U.S. imports from--										
Brazil:										
Quantity	198,179	546,509	488,956	436,439	340,264	71.7	175.8	-10.5	-10.7	-22.0
Value	1,878	4,842	4,734	3,823	4,780	154.4	157.8	-2.2	-19.3	25.0
Unit value	$9.48	$8.86	$9.68	$8.76	$14.05	48.2	-6.5	9.3	-9.5	60.4
Italy:										
Quantity	333,222	442,868	305,229	351,471	361,835	8.6	32.9	-31.1	15.1	2.9
Value	4,657	5,236	3,571	3,958	4,655	(3)	12.4	-31.8	10.9	17.6
Unit value	$13.97	$11.82	$11.70	$11.26	$12.86	-7.9	-15.4	-1.1	-3.7	14.2
Venezuela:										
Quantity	119,570	84,075	125,444	105,566	120,177	0.5	-29.7	49.2	-15.8	13.8
Value	828	766	811	794	950	14.7	-7.5	5.8	-2.1	19.6
Unit value	$6.92	$9.11	$6.46	$7.52	$7.90	14.1	31.6	-29.1	16.3	5.1
All other sources:										
Quantity	126,639	280,854	239,890	210,252	325,804	157.3	121.8	-14.6	-12.4	55.0
Value	3,073	3,020	3,791	4,374	4,574	48.9	-1.7	25.5	15.4	4.6
Unit value	$24.27	$10.75	$15.81	$20.80	$14.04	-42.1	-55.7	47.0	31.6	-32.5
Total imports:										
Quantity	777,610	1,354,306	1,159,518	1,103,727	1,148,080	47.6	74.2	-14.4	-4.8	4.0
Value	10,436	13,864	12,907	12,949	14,958	43.3	32.8	-6.9	0.3	15.5
Unit value	$13.42	$10.24	$11.13	$11.73	$13.03	-2.9	-23.7	8.7	5.4	11.1
U.S. producers' reported:										
Average capacity quantity	638,934	658,426	667,496	712,330	1,218,599	90.7	3.1	1.4	6.7	71.1
Production quantity	605,254	606,576	635,026	720,604	871,273	44.0	0.2	4.7	13.5	20.9
Capacity utilization (1)	76.6	76.4	80.2	85.9	62.6	-14.0	-0.3	3.9	5.7	-23.3
U.S. shipments:										
Quantity	605,676	606,067	635,616	716,897	877,844	44.9	0.1	4.9	12.8	22.5
Value	22,330	23,352	23,750	28,193	35,487	58.9	4.6	1.7	18.7	25.9
Unit value	$37.02	$38.78	$37.70	$39.52	$40.51	9.4	4.8	-2.8	4.8	2.5
Export shipments:										
Quantity	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Value	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Unit value	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Ending inventory quantity	17,659	18,799	18,677	22,318	14,617	-17.2	6.5	-0.6	19.5	-34.5
Inventories to total shipments (1)	2.9	3.1	2.9	3.1	1.7	-1.3	0.2	-0.2	0.2	-1.4
Production workers	62	63	66	73	84	35.5	1.6	4.8	10.6	15.1
Hours worked (1,000s)	168	169	180	196	229	36.3	0.6	6.5	8.9	16.8
Wages paid ($1,000)	1,285	1,311	1,426	1,582	1,867	45.3	2.0	8.8	11.0	18.0
Hourly wages	$7.65	$7.76	$7.92	$8.07	$8.15	6.6	1.4	2.1	1.9	1.0
Productivity (dozens per hour)	2.9	3.0	2.9	3.1	3.3	14.6	1.8	-0.2	5.5	7.0
Unit labor costs	$2.64	$2.63	$2.69	$2.60	$2.45	-7.0	-0.4	2.4	-3.4	-5.6
Net sales:										
Quantity	***	***	***	***	***	63.3	5.9	4.8	13.1	30.0
Value	***	***	***	***	***	72.2	3.8	(5)	15.5	43.6
Unit value	***	***	***	***	***	5.5	-2.0	-4.6	2.1	10.4
Cost of goods sold (COGS)	***	***	***	***	***	34.9	-3.0	-16.1	17.7	40.9
Gross profit or (loss)	***	***	***	***	***	180.3	23.6	36.7	12.5	47.4
SG&A expenses	***	***	***	***	***	90.3	4.7	3.2	10.1	60.0
Operating income or (loss)	***	***	***	***	***	326.0	54.3	73.6	14.1	39.4
Capital expenditures	***	***	***	***	***	514.8	-42.1	5.8	79.7	458.7
Unit COGS	***	***	***	***	***	-17.4	-8.4	-20.0	4.0	8.4
Unit SG&A expenses	***	***	***	***	***	16.6	-1.1	-1.6	-2.7	23.1
Unit operating income or (loss)	***	***	***	***	***	160.9	45.7	65.6	0.8	7.2
COGS/sales (1)	***	***	***	***	***	-16.1	-4.9	-11.2	1.1	-1.1
Operating income or (loss)/ sales (1)	***	***	***	***	***	14.4	4.8	10.7	-0.3	-0.7

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Decrease of less than 0.05 percentage point.
(3) Decrease of less than 0.05 percent.
(4) Not applicable.
(5) Increase of less than 0.05 percent.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Table C-3
All brooms: Summary data concerning the U.S. market, 1991-95

(Quantity=dozens, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per dozen; period changes=percent, except as noted)

	Reported data					Period changes				
Item	1991	1992	1993	1994	1995	1991-95	1991-92	1992-93	1993-94	1994-95
U.S. consumption quantity:										
Amount	2,815,102	3,300,896	3,230,263	3,336,389	3,524,622	25.2	17.3	-2.1	3.3	5.6
Producers' share (1)	61.7	51.3	53.7	53.6	51.9	-9.8	-10.4	2.4	-0.1	-1.7
Share of imports from (1)--										
Brazil	7.0	16.6	15.1	13.1	9.7	2.7	9.5	-1.4	-2.1	-3.4
Italy	11.9	13.4	9.4	10.5	10.3	-1.7	1.5	-4.0	1.1	-0.3
Mexico	6.6	4.4	4.9	7.4	15.1	8.6	-2.2	0.5	2.5	7.7
Venezuela	4.2	2.5	3.9	3.2	3.4	-0.8	-1.7	1.3	-0.7	0.2
All other sources	8.5	11.8	13.0	12.2	9.5	1.0	3.3	1.2	-0.7	-2.7
Total imports	38.3	48.7	46.3	46.4	48.1	9.8	10.4	-2.4	0.1	1.7
U.S. consumption value:										
Amount	74,718	82,732	87,932	94,519	102,496	37.2	10.7	6.3	7.5	8.4
Producers' share (1)	80.0	78.3	79.1	77.8	75.9	-4.1	-1.7	0.8	-1.4	-1.9
Share of imports from (1)--										
Brazil	2.5	5.9	5.4	4.0	4.7	2.2	3.3	-0.5	-1.3	0.6
Italy	6.3	6.3	4.1	4.2	4.5	-1.8	(2)	-2.3	0.1	0.4
Mexico	5.1	3.5	3.9	5.7	8.7	3.6	-1.6	0.4	1.8	3.0
Venezuela	1.1	0.9	0.9	0.8	0.9	-0.2	-0.2	-0.0	-0.1	0.1
All other sources	5.0	5.1	6.6	7.5	5.3	0.3	0.1	1.5	0.9	-2.2
Total imports	20.0	21.7	20.9	22.2	24.1	4.1	1.7	-0.8	1.4	1.9
U.S. imports from--										
Brazil:										
Quantity	198,179	546,509	488,956	436,439	342,904	73.0	175.8	-10.5	-10.7	-21.4
Value	1,878	4,842	4,734	3,823	4,806	155.8	157.8	-2.2	-19.3	25.7
Unit value	$9.48	$8.86	$9.68	$8.76	$14.01	47.9	-6.5	9.3	-9.5	60.0
Italy:										
Quantity	336,050	442,868	305,229	351,471	362,435	7.9	31.8	-31.1	15.1	3.1
Value	4,713	5,236	3,571	3,958	4,660	-1.1	11.1	-31.8	10.9	17.7
Unit value	$14.02	$11.82	$11.70	$11.26	$12.86	-8.3	-15.7	-1.1	-3.7	14.2
Mexico:										
Quantity	184,960	145,494	158,242	246,855	533,633	188.5	-21.3	8.8	56.0	116.2
Value	3,808	2,885	3,421	5,369	8,917	134.2	-24.2	18.6	56.9	66.1
Unit value	$20.59	$19.83	$21.62	$21.75	$16.71	-18.8	-3.7	9.0	0.6	-23.2
Venezuela:										
Quantity	119,570	84,075	125,444	105,566	120,177	0.5	-29.7	49.2	-15.8	13.8
Value	828	766	811	794	950	14.7	-7.5	5.8	-2.1	19.6
Unit value	$6.92	$9.11	$6.46	$7.52	$7.90	14.1	31.6	-29.1	16.3	5.1
All other sources:										
Quantity	238,543	388,783	418,799	407,893	335,640	40.7	63.0	7.7	-2.6	-17.7
Value	3,732	4,228	5,823	7,078	5,405	44.8	13.3	37.7	21.6	-23.6
Unit value	$15.64	$10.88	$13.90	$17.35	$16.10	2.9	-30.5	27.8	24.8	-7.2
Total imports:										
Quantity	1,077,301	1,607,729	1,496,670	1,548,223	1,694,789	57.3	49.2	-6.9	3.4	9.5
Value	14,959	17,957	18,360	21,022	24,738	65.4	20.0	2.2	14.5	17.7
Unit value	$13.89	$11.17	$12.27	$13.58	$14.60	5.1	-19.6	9.8	10.7	7.5
U.S. producers' reported:										
Average capacity quantity	2,096,170	2,054,312	2,070,089	2,061,140	2,568,074	22.5	-2.0	0.8	-0.4	24.6
Production quantity	1,728,388	1,700,582	1,731,682	1,783,671	1,819,540	5.3	-1.6	1.8	3.0	2.0
Capacity utilization (1)	72.6	74.3	75.0	77.0	63.8	-8.9	1.7	0.6	2.1	-13.2
U.S. shipments:										
Quantity	1,737,801	1,693,167	1,733,593	1,788,166	1,829,833	5.3	-2.6	2.4	3.1	2.3
Value	59,759	64,775	69,572	73,497	77,758	30.1	8.4	7.4	5.6	5.8
Unit value	$34.39	$38.26	$40.13	$41.10	$42.49	23.6	11.3	4.9	2.4	3.4
Export shipments:										
Quantity	1,000	1,000	1,000	0	0	-100.0	0.0	0.0	-100.0	(3)
Value	20	21	24	0	0	-100.0	5.0	14.3	-100.0	(3)
Unit value	$20.00	$21.00	$24.00	(3)	(3)	(3)	5.0	14.3	(3)	(3)
Ending inventory quantity	70,290	70,715	76,419	74,652	64,281	-8.5	0.6	8.1	-2.3	-13.9
Inventories to total shipments (1)	4.0	4.2	4.4	4.2	3.5	-0.5	0.1	0.2	-0.2	-0.7
Production workers	493	483	494	492	466	-5.5	-2.0	2.3	-0.4	-5.3
Hours worked (1,000s)	1,035	1,054	1,055	1,055	974	-5.9	1.8	0.1	0.0	-7.7
Wages paid ($1,000)	7,183	7,357	7,650	7,967	7,950	10.7	2.4	4.0	4.1	-0.2
Hourly wages	$6.94	$6.98	$7.25	$7.55	$8.16	17.6	0.6	3.9	4.1	8.1
Productivity (dozens per hour)	1.7	1.6	1.6	1.7	1.9	11.9	-3.4	1.7	3.0	10.5
Unit labor costs	$4.16	$4.33	$4.42	$4.47	$4.37	5.1	4.1	2.1	1.1	-2.2
Net sales:										
Quantity	***	***	***	***	***	11.8	3.4	-1.0	2.0	7.1
Value	***	***	***	***	***	38.1	9.8	3.6	6.4	14.1
Unit value (4)	***	***	***	***	***	24.4	6.7	4.6	4.3	6.9
Cost of goods sold (COGS)	***	***	***	***	***	18.6	6.4	-3.9	6.9	8.6
Gross profit or (loss)	***	***	***	***	***	119.2	23.9	30.7	5.1	28.8
SG&A expenses	***	***	***	***	***	78.5	7.0	6.2	32.4	18.6
Operating income or (loss)	***	***	***	***	***	285.0	92.8	85.8	-30.1	53.8
Capital expenditures	***	***	***	***	***	615.0	-30.7	179.9	-3.6	282.1
Unit COGS (4)	***	***	***	***	***	6.4	3.5	-3.4	4.7	1.7
Unit SG&A expenses (4)	***	***	***	***	***	62.5	4.0	8.0	30.3	11.1
Unit operating income or (loss) (4)	***	***	***	***	***	238.8	83.7	87.0	-31.3	43.5
COGS/sales (1)	***	***	***	***	***	-11.4	-2.5	-5.7	0.3	-3.5
Operating income or (loss)/ sales (1)	***	***	***	***	***	6.8	2.9	5.3	-4.1	2.7

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Increase of less than 0.05 percentage point.
(3) Not applicable.
(4) Unit values are computed for those firms providing both quantities and values.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

APPENDIX D

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

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

1. Since January 1, 1993, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of broom corn brooms from any country?

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2. Does your firm anticipate any negative impact of imports of broom corn brooms from any country?

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