Certain Collated Steel Staples from China, Korea, and Taiwan

Investigation Nos. 701-TA-626 and 731-TA-1452-1454 (Preliminary)

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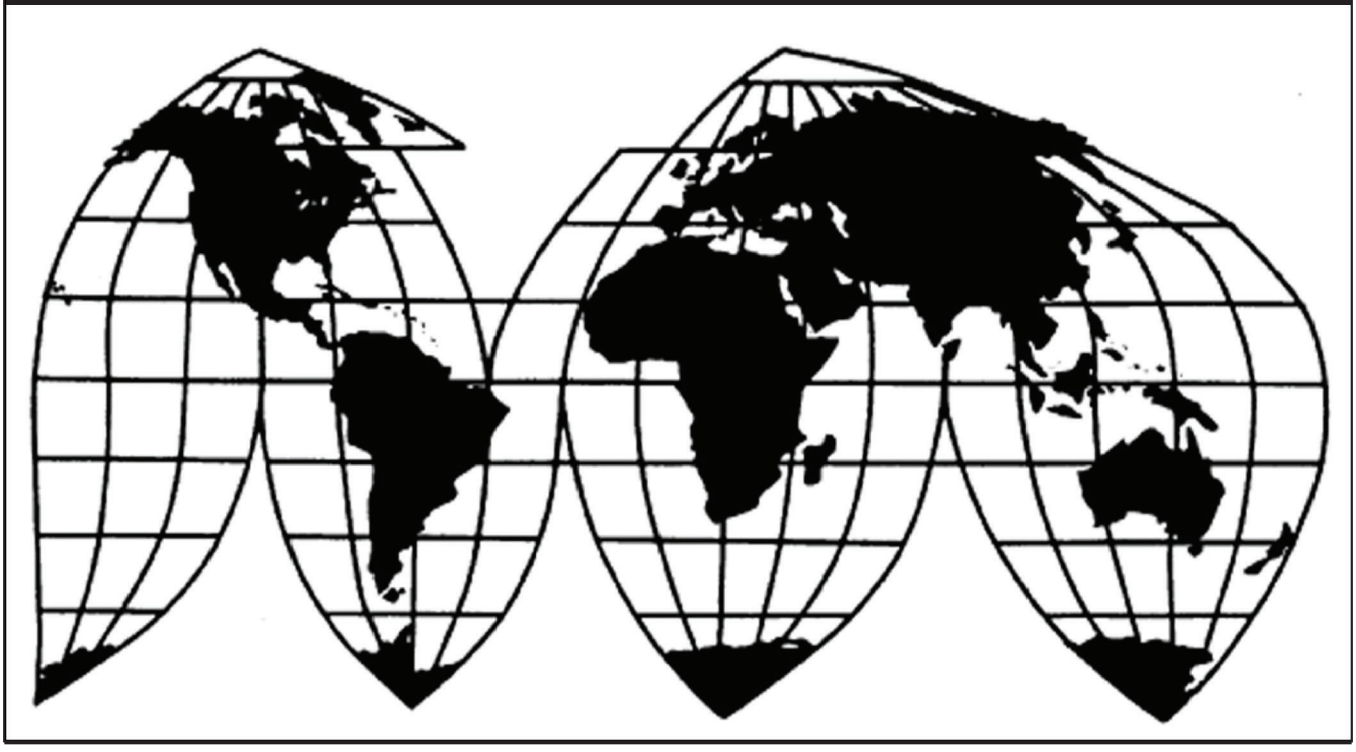
U.S. International Trade Commission



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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-626 and 731-TA-1452-1454 (Preliminary)

Certain Collated Steel Staples from China, Korea, and Taiwan

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain collated steel staples ("CCS staples") from China, provided for in subheading 8305.20.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value ("LTFV") and to be subsidized by the government of China.[2] [3] The Commission further determines that imports of CCS staples from Korea and Taiwan that are alleged to be sold in the United States at LTFV are negligible pursuant to section 771(24) of the Act, and its antidumping duty investigations with regard to CCS staples from Korea and Taiwan are thereby terminated pursuant to section 703(a)(1) of the Act.

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations with respect to imports of CCS staples from China. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the U.S. Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Any parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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

[2] *Certain Collated Steel Staples From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 84 FR 31840, July 3, 2019. *Certain Collated Steel Staples From the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 84 FR 31833, July 3, 2019.

[3] Commissioner Jason E. Kearns did not participate in these investigations.

BACKGROUND

On June 6, 2019, Kyocera Senco Industrial Tools, Inc. ("Senco"), Cincinnati, Ohio, filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of CCS staples from China and LTFV imports of CCS staples from China, Korea, and Taiwan. Accordingly, effective June 6, 2019, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-626 and antidumping duty investigation Nos. 731-TA-1452-1454 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 14, 2019 (84 FR 27803). The conference was held in Washington, DC, on June 27, 2019, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain collated steel staples ("CCS staples") from China that are allegedly sold in the United States at less than fair value ("LTFV") and are allegedly subsidized by the government of China. We find that imports of CCS staples from Korea and Taiwan that are allegedly sold in the United States at LTFV are negligible and accordingly terminate the antidumping duty investigations on imports of CCS staples from Korea and Taiwan.[1]

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. Background

Parties to the Investigation. Kyocera Senco Industrial Tools ("Senco"), a U.S. producer of certain collated steel staples ("CCS staples"), filed the petitions in these investigations on June 6, 2019. Petitioner appeared at the staff conference and submitted a postconference brief. Another domestic producer, Acme Staple Company ("Acme"), also appeared at the staff conference, but did not submit a postconference brief.

Several respondent entities participated in these investigations. China Staple Enterprise Corporation ("China Staple Taiwan"), a producer of subject merchandise in Taiwan, appeared at the conference and submitted a postconference brief. The Taipei Economic and Cultural Representative Office in the United States ("TECRO") appeared at the conference and submitted a postconference written submission. PrimeSource Building Products, Inc. ("PrimeSource"), an importer of subject merchandise, submitted a letter after the conference.

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[1] Commissioner Kearns did not participate in these investigations.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[3] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

No producers or exporters of subject merchandise from China or Korea submitted briefs or appeared at the conference.

Data Coverage. U.S. industry data are based on the questionnaire responses of three producers that are believed to have accounted for more than *** percent of U.S. production of CCS staples in 2018.[4] U.S. import data are based on questionnaire responses from 22 U.S. importers, accounting for *** percent of U.S. imports from all sources in 2018 under HTS statistical reporting number 8305.20.0000, which also contains imports of out-of-scope merchandise, and *** percent of imports from China, *** percent of imports from Korea, *** percent of imports from Taiwan, and *** percent of imports from all other sources under this basket HTS number.[5] The Commission received usable responses to its questionnaires from five foreign producers of subject merchandise: three producers/exporters in China, accounting for approximately *** percent of production of subject merchandise from China in 2018, and two producers/exporters in Taiwan, accounting for approximately *** percent of production of subject merchandise from Taiwan in 2018.[6] The Commission did not receive a response from any Korean producers or exporters of subject merchandise.[7]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[8] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[9] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[10]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[11] No single factor is

[4] Confidential Report ("CR") at I-5, III-1; Public Report ("PR") at I-4, III-1.

[5] CR at IV-1; PR at IV-1.

[6] CR at VII-3, VII-11 to VII-12; PR at VII-3, VII-7 to VII-8.

[7] CR at VII-8; PR at VII-5.

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(4)(A).

[10] 19 U.S.C. § 1677(10).

[11] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability;

dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[12] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[13] Although the Commission must accept the determination by the Department of Commerce ("Commerce") as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[14] the Commission determines what domestic product is like the imported articles Commerce has identified.[15] The Commission may, where appropriate, include domestic articles in the domestic like product in addition to those described in the scope.[16]

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> The merchandise covered by the scope of these investigations is certain collated steel staples. Certain collated steel staples subject to these investigations are made from steel wire having a nominal diameter from 0.0355 inch to 0.0830 inch, inclusive, and have a nominal leg length from 0.25 inch to 3.0 inches, inclusive, and a nominal crown width from 0.187 inch to 1.125 inch, inclusive.
>
> Certain collated steel staples may be manufactured from any type of steel, and are included in the scope of the investigations regardless of whether they are uncoated or coated, and regardless of the type or number of coatings, including but not limited to coatings to inhibit corrosion.

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(3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[12] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[13] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[14] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[15] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[16] *See*, *e.g.*, *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington,* 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

Certain collated steel staples may be collated using any material or combination of materials, including but not limited to adhesive, glue, and adhesive film or adhesive or paper tape.

Certain collated steel staples are generally made to American Society for Testing and Materials (ASTM) specification ASTM F1667–18a, but can also be made to other specifications.

Excluded from the scope of these investigations are any carton-closing staples covered by the scope of the existing antidumping duty order on Carton-Closing Staples from the People's Republic of China. *See Carton-Closing Staples From the People's Republic of China: Antidumping Duty Order,* 83 FR 20792 (May 8, 2018).

Certain collated steel staples subject to these investigations are currently classifiable under subheading 8305.20.0000 of the Harmonized Tariff Schedule of the United States (HTSUS).

While the HTSUS subheading and ASTM specification are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.[17]

A CCS staple is a type of fastener made from steel wire generally produced from low-carbon steel. CCS staples are also produced from stainless steel and other forms of alloy steel, whether coated or uncoated. The principal use of a CCS staple is to fasten two or more pieces of material, such as wood or other solid building materials, and it is typically used in structural applications such as furniture and building construction. Collated staples used in office or desktop staplers, typically to fasten paper, are outside the scope of the investigations.[18] Carton-closing staples, used to secure the flaps of corrugated and solid paperboard cartons and boxes, are specifically excluded from the scope.[19]

A. Arguments of the Parties

Petitioner's *Argument*. Senco argues that the Commission should define a single domestic like product that is coextensive with the scope. It states that all CCS staples have the same basic physical characteristics and are typically used in structural applications, are produced to industry specifications, and are interchangeable within type, size, and finish.[20] Senco asserts that CCS staples are distributed through national and regional distributors, retailers, and to end users,[21] and it contends that customers and producers perceive CCS

[17] *Certain Collated Steel Staples From the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 84 Fed. Reg. 31833, 31839 (July 3, 2019); *Certain Collated Steel Staples From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 84 Fed. Reg. 31840, 31843-31844 (July 3, 2019).

[18] *See* Petition, Volume 1, at 11.

[19] *See* Petition, Volume 1, at 11.

[20] Petition, Volume 1, at 9-13; Senco's Postconference Brief, Response to Staff Questions, at 23-26.

[21] Senco's Postconference Brief, Response to Staff Questions, at 26.

staples as part of a single product spectrum that is different from other types of staples.[22] Accordingly, Senco states that there is a spectrum of prices for in-scope CCS staples.[23] *Respondents*' *Argument*. No respondent party contests Senco's proposed definition of the domestic like product.[24]

B. Analysis

Based on the record, we define a single domestic like product consisting of CCS staples, coextensive with the scope of the investigations.

Physical Characteristics and Uses. A CCS staple is a fastener made from steel wire consisting of two same-size legs connected by a crown located opposite staple-point ends. Although most CCS staples are produced from low-carbon steel, CCS staples also are produced from stainless steel and other forms of alloy steel, whether coated or uncoated.[25] CCS staples are typically used to make strong wood-to-wood joints for structural applications in furniture, cabinetry, and manufactured housing.[26] To account for the necessary strength and holding power required by these applications, CCS staples are made from a thicker steel wire than most other forms of staples.[27] CSS staples are often classified by their diameter into gauges, ranging between 15 and 19 gauge, with 15-17 gauge considered heavy wire and 18-19 gauge considered medium wire.[28]

By contrast, thinner gauge staples lack the strength and holding power for those applications and are generally used for non-structural applications.[29] Collated staples for office staplers are made from thin wire (23-26 gauge) for their intended use of fastening sheets of paper, while carton-closing staples used to secure the flaps of paperboard cartons and boxes are subject to a different ASTM standard (D1974) than CCS staples.[30]

Manufacturing Facilities, Production Processes and Employees. CCS staples are produced from steel wire whether coated or uncoated. Some producers of CSS staples use purchased steel wire as their starting raw material, whereas other producers utilize their own facilities to produce wire for CCS staples, using steel wire rod as their starting material. During the manufacturing process for CSS staples, steel wire rod is drawn into wire, annealed, pickled, coated or left uncoated, and formed into staples.[31] CCS staples can be produced starting with either single or multiple strands of wire. Senco uses both production methods in its plant. Acme uses a single-wire machine, and has rarely used its multiple wire "band line"

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[22] Senco's Postconference Brief, Response to Staff Questions, at 27.
[23] Senco's Postconference Brief, Response to Staff Questions, at 28.
[24] *See* Transcript of Conference ("Conference Tr.") at 131 (Sim).
[25] CR at I-11; PR at I-9.
[26] CR at I-11; PR at I-9; Conference Tr. at 19-20 (Iker).
[27] CR at I-11; PR at I-9.
[28] CR at I-12; PR at I-9 to I-10; Conference Tr. at 19-20 (Iker), 94-95 (Iker); 95 (Boswinker).
[29] CR at I-11; PR at I-9; Conference Tr. at 20 (Iker).
[30] Senco's Postconference Brief, Response to Staff Questions, at 25-26.
[31] CR at I-15; PR at I-12.

equipment.[32] Senco (the largest domestic producer) does not produce out-of-scope lighter-weight office staples at its plant.[33]

Channels of Distribution. In 2018, *** percent of U.S. shipments by U.S. producers went to contractors/builders, while *** percent went to retailers, and *** percent went to distributors.[34] Senco states that out-of-scope carton-closing staples are marketed as different products within these channels, while out-of-scope office staples do not appear in these same channels.[35]

Interchangeability. The record indicates that CCS staples produced to industry specifications are generally interchangeable within type, size, and finish, but are not interchangeable with out-of-scope staples.[36]

Producer and Customer Perceptions. Senco states that customers and producers perceive CCS staples as part of a single product spectrum and as different from other types of staples.[37] According to a Senco witness, the range of medium and heavy CCS staples within the scope constitutes a clearly defined body of products that are dissimilar from heavier or lighter staples, and the differences between CCS staples and other staples are clear to people in the industry.[38]

Price. Senco states that there is a spectrum of prices for CCS staples within the scope, but dividing lines separate the prices of CCS staples from out-of-scope staples. It states that as a general matter, the heavier the staple, the higher the unit price, reflecting raw material costs, and that CCS staples accordingly tend to have a higher unit price than lighter out-of-scope office staples.[39]

Conclusion. The record indicates that different types of CCS staples share common physical characteristics and uses, while out-of-scope staples with different gauge sizes from CCS staples are suited for and used in different applications. While CCS staples are generally interchangeable with other CCS staples of the same type and size, they are not interchangeable with out-of-scope staples. Domestically produced CCS staples are shipped to contractors/builders, retailers, and distributors, while out-of-scope office staples are generally not marketed to the same channels (*e.g.,* contractors/builders). Producers of CCS staples use the same basic manufacturing process, but there are variations in terms of whether steel wire or steel wire rod is used as the starting point, and whether CCS staples are produced using single or multiple strands of wire. The record indicates that producers perceive CCS staples to be distinct from other kinds of staples. Based on the record, and in the absence of any

[32] *See* CR at I-16, III-5 n.10; PR at I-12, III-3 n.10; Conference Tr. at 18 (Iker), 28, 76, 94 (Gold).

[33] Conference Tr. at 63 (Iker); CR at I-3 to I-4; PR at I-3.

[34] CR/PR at Table II-1. A *** percentage of U.S. shipments by U.S. producers went to retailers than to contractors/builders in calendar years 2016 and 2017 and in January-March ("interim") 2019. *Id.*

[35] Conference Tr. at 18-19 (Iker); Senco's Postconference Brief at 17 and Response to Staff Questions at 26.

[36] Senco's Postconference Brief, Response to Staff Questions, at 26.

[37] Senco's Postconference Brief, Response to Staff Questions, at 27.

[38] Conference Tr. at 19-20 (Iker).

[39] Senco's Postconference Brief, Response to Staff Questions, at 28.

argument to the contrary, we define the domestic like product to be coextensive with the scope of the investigations.

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[40] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[41] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[42]

All three U.S. producers that provided usable questionnaire data, Senco, Acme, and Stanley Black & Decker ("SBD"), imported subject merchandise during January 2016-March 2019,[43] the period of investigation ("POI"), and hence are related parties under 19 U.S.C. § 1677(4)(B)(i). Senco argues that none of these three producers should be excluded from the

[40] 19 U.S.C. § 1677(4)(A).

[41] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[42] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); *see also Torrington Co. v. United States*, 790 F. Supp. at 1168.

[43] CR at III-10, PR at III-5.

domestic industry.[44] China Staple Taiwan takes no position on whether to exclude any related parties.[45]

Analysis. We examine below for each of the three related party producers whether appropriate circumstances exist to exclude it from the domestic industry.

Acme. Acme was the *** domestic producer of CCS staples in 2018, accounting for *** percent of reported domestic production.[46] Acme's imports of subject merchandise from Taiwan totaled *** pounds in 2018 (equivalent to *** percent of its domestic production), while it reported *** imports of subject merchandise in 2016, 2017, and interim 2019.[47] Acme explained its reason for importing was because it ***.[48] Acme's operating results were *** than the industry average in 2018, as well as in 2016, 2017, and interim 2019, when it *** import subject merchandise.[49] Acme supports the petitions, as indicated by the testimony of its representatives at the conference.[50]

Acme imported a *** of subject merchandise in *** year of the POI. Its interest primarily lies in domestic production, and it supports the petitions. In light of these considerations, we find that appropriate circumstances do not exist to exclude Acme from the domestic industry.

Senco. Senco was the largest domestic producer of CCS staples in 2018, accounting for *** percent of reported domestic production, and it is the petitioner in these investigations.[51] Senco's imports of subject merchandise from China totaled *** pounds in 2016, equivalent to *** percent of its domestic production; *** pounds in 2017, equivalent to *** percent of its domestic production; *** pounds in 2018, equivalent to *** percent of its domestic production; *** pounds in interim 2018, equivalent to *** percent of its domestic production, and *** pounds in interim 2019, equivalent to *** percent of its domestic production.[52] Senco explained its reason for importing was because it ***.[53] Senco's operating results were *** than the industry average in 2018 and interim 2019, while they were *** the industry average in 2016 and 2017.[54]

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[44] Senco's Postconference Brief at 3, 31. A fourth U.S. producer, Prebena North America Fastener Corp. ("Prebena"), imports from *** according to its website. CR at III-10 and n.14; PR at III-5 and n.14. Since Prebena has not submitted a usable U.S. producers or importers questionnaire response, we have no data on which to evaluate whether it is a related party. Moreover, the Commission's trade, pricing, and financial data for the domestic industry do not include data from Prebena, so its inclusion or exclusion from the domestic industry does not affect those data. *See* CR at III-1 n.1; PR at III-1 n.1.

[45] Conference Tr. at 132 (Sim).

[46] CR/PR at Table III-1.

[47] CR/PR at Table III-9.

[48] CR/PR at Table III-9; *see* Conference Tr. at 28-29 (Gold).

[49] *See* CR/PR at Table VI-3.

[50] *See* Conference Tr. at 25-29 (Gold).

[51] CR/PR at Table III-1; CR at I-3 to I-4; PR at I-3.

[52] CR/PR at Table III-9.

[53] CR/PR at Table III-9.

[54] *See* CR/PR at Table VI-3.

Senco imported a *** volume of subject merchandise during the POI, and its interest lies primarily in domestic production, as indicated by its *** domestic production than importation, and by its status as petitioner. In light of these considerations, we find that appropriate circumstances do not exist to exclude Senco from the domestic industry.[55]

SBD. SBD was the *** domestic producer of CCS staples in 2018, accounting for *** percent of reported domestic production.[56] SBD ***.[57] In its U.S. producers questionnaire response, SBD stated that the ***.[58]

SBD's imports of subject merchandise from *** totaled *** pounds in 2016, equivalent to *** percent of its domestic production; *** pounds in 2017, equivalent to *** percent of its domestic production; *** pounds in 2018, equivalent to *** percent of its domestic production; *** pounds in interim 2018, equivalent to *** percent of its domestic production; and *** pounds in interim 2019, after it had ceased domestic production.[59] SBD reported that its reason for importing was ***.[60] SBD's operating results were *** the industry average in 2016 and 2017, but were *** the industry average in 2018 ***.[61] SBD *** the petitions.[62]

Even while SBD was producing CCS staples domestically in 2016 and 2017, its imports of subject merchandise increased, and its primary interest shifted entirely to importation of subject merchandise in 2018 and interim 2019 as it ***. The fact that SBD's operating results

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[55] Senco shares a common parent company (***) with importer SouthernCarlson; the two firms are run independently. CR at III-2 n.4; PR at III-2 n.4; Conference Tr. at 103-104 (Faron, Gordon); SouthernCarlson's Importer Questionnaire Response at Paragraph I-5 (EDIS Document No. 681239). SouthernCarlson's imports of subject merchandise from China were *** pounds in 2016, *** pounds in 2017, *** pounds in 2018, *** pounds in interim 2018, and *** pounds in interim 2019. SouthernCarlson's Importer Questionnaire Response at Paragraph II-5a (EDIS Document No. 681239). The ratio of imports of subject merchandise by SouthernCarlson to Senco's domestic production was *** percent in 2016, *** percent in 2017, *** percent in 2018, *** percent in interim 2018, and *** percent in interim 2019. Derived from CR/PR at Table III-5 and SouthernCarlson's Importer Questionnaire Response at Paragraph II-5a (EDIS Document No. 681239). We find that Senco's corporate affiliation through a common parent with SouthernCarlson does not change the analysis as to Senco, particularly since it only began in June 2019, and the companies are being run independently.

[56] CR/PR at Table III-1. SBD accounted for *** percent of reported domestic production in 2016 and *** percent in 2017. CR/PR at Table III-5.

[57] CR/PR at Table III-3.

[58] SBD's U.S. Producers Questionnaire Response at Question III-15 (indicating ***) (EDIS Document No. 679536). SBD also reported that it ***, *id.* at Question III-18, and that ***. *Id.* at Question II-10. In its importer questionnaire response, SBD reported that it ***. SBD's Importer Questionnaire Response at Question II-2 (EDIS Document No. 679036). SBD reported that ***. CR/PR at Table III-4.

[59] CR/PR at Table III-9.

[60] *See* CR/PR at Table VI-3.

[61] *See* CR/PR at Table VI-3. In 2016, SBD's operating margin was *** percent, while the industry average was *** percent. In 2017, SBD's operating margin was *** percent, while the industry average was *** percent. In 2018, SBD's operating margin was *** percent, while the industry average was *** percent. *Id.*

[62] CR/PR at Table III-1.

were *** the industry average in 2016 and 2017 suggests that its domestic operations may have benefitted from its importation of subject merchandise. In light of these considerations, we find for purposes of these preliminary determinations that appropriate circumstances exist to exclude SBD from the domestic industry.[63]

Accordingly, we define the domestic industry to consist of all domestic producers of the domestic like product except SBD.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[64] The statute further provides that subject imports from a single country which comprise less than 3 percent of total such imports of the product may not be considered negligible if there are several countries subject to investigation with negligible imports and the sum of such imports from all those countries collectively accounts for more than 7 percent of the volume of all such merchandise imported into the United States.[65] In the case of countervailing duty investigations involving developing countries (as designated by the United States Trade Representative), the statute indicates that the negligibility limits are 4 percent and 9 percent, rather than 3 percent and 7 percent.[66]

Additionally, even if subject imports are found to be negligible for purposes of present material injury, they shall not be treated as negligible for purposes of a threat analysis should the Commission determine that there is a potential that subject imports from the country concerned will imminently account for more than 3 percent (4 percent for developing countries in CVD investigations) of all such merchandise imported into the United States.[67] The Commission also assesses whether there is a potential that the aggregate volumes of subject imports from all countries with currently negligible imports will imminently exceed 7 percent (9 percent for developing countries in CVD investigations) of all such merchandise imported into the United States.[68]

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[63] We intend to revisit the issue of whether SBD should be excluded from the domestic industry as a related party in any final phase of these investigations.

[64] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

[65] 19 U.S.C. § 1677(24)(A)(ii).

[66] 19 U.S.C. § 1677(24)(B). The countervailing duty investigation involves only imports from China, which has not been designated as a developing country by the United States Trade Representative for purposes of the 4 percent negligibility threshold. *See* 15 C.F.R. § 2013.1.

[67] 19 U.S.C. § 1677(24)(A)(iv).

[68] 19 U.S.C. § 1677(24)(A)(iv). In determining the aggregate volume, the Commission shall not consider imports from any country to which the investigation has been terminated pursuant to 19 U.S.C. §§ 1677(7)(G)(ii)(II) and 1677(24)(A)(iii).

A. Arguments of the Parties

Petitioner's Argument. Senco argues that the Commission should find that imports from all three subject countries are not negligible. It contends that neither official import statistics nor questionnaire data support a determination that imports from Korea and Taiwan are negligible. In the petitions, Senco urged reliance on questionnaire data for the negligibility finding, because the HTS statistical reporting number for imports of CCS staples is a basket category that also includes imports of out-of-scope staples, such as office staples, carton-closing staples, and collated staples made from lighter gauge wire.[69] However, in its brief, Senco argues that the Commission's questionnaire data are not reliable because of the absence of questionnaire responses from some importers of subject merchandise as well as from subject producers in Korea and some subject producers in Taiwan.[70] Senco provides its own negligibility calculation (supplementing questionnaire data with data from certain foreign producer questionnaires and *** data) that shows imports from Taiwan at *** percent of total imports, above the negligibility threshold.[71] Senco acknowledges that official import statistics for the basket category show imports from both countries as below the 3 percent threshold over a recent 12-month period, but contends that the data do not provide the level of "granularity" to support a determination that imports from either source are negligible, arguing that imports from both countries are sufficiently close to the 3 percent threshold to indicate that data obtained in final phase investigations will likely establish that imports from Korea and Taiwan exceed the threshold.[72]

Senco further argues that the record establishes the potential that imports from Korea and Taiwan will imminently exceed the 3 percent negligibility threshold even if they are currently negligible. It states that official import statistics show that imports from Korea exceeded the 3 percent threshold in a number of recent 12-month periods, and that imports from Taiwan have been steadily increasing.[73] Senco argues that the absence of foreign producer questionnaire responses from any Korean producers or exporters leaves the Commission without the data it would require to determine that subject imports from Korea are negligible.[74]

Senco argues that the Commission must conduct an analysis of what is likely to happen if the investigations against Korea and Taiwan are terminated on the basis of negligibility while duties are imposed on imports of CCS staples from China. It contends that affiliations between subject producers in the different subject countries and existing supply relationships of U.S. importers of CCS staples make it likely that if imports from Korea and Taiwan are found to be negligible and duties are imposed on imports from China, importers will soon shift supply

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[69] Petition, Volume 1, at 24.

[70] Senco's Postconference Brief at 6-7. A negligibility analysis is based on import data, not foreign producer export data. Coverage from the Commission's importer questionnaires is *** percent for imports from Korea and *** percent for imports from Taiwan. CR at IV-1; PR at IV-1.

[71] Senco's Postconference Brief at 7 and Exh. 7.

[72] Senco's Postconference Brief at 8-9.

[73] Senco's Postconference Brief at 9-10.

[74] Senco's Postconference Brief at 7-8, 14.

arrangements from subject producers in China to subject producers in Korea and Taiwan, and imports from Korea and Taiwan will quickly exceed negligible levels.[75]

Respondents' Argument. China Staple Taiwan, TECRO, and PrimeSource argue that subject imports from Taiwan are negligible and there is no potential that they will imminently exceed the negligibility threshold.[76]

B. Analysis

For the reasons stated below, we find that subject imports from China are not negligible. We further find that subject imports from Korea and Taiwan are negligible and terminate the investigations with respect to subject imports from Korea and Taiwan.

Based on the Commission's questionnaire data, during the period June 2018 through May 2019, the 12-month period preceding the filing of the petitions on June 6, 2019, subject imports from China accounted for *** percent of total U.S. imports of CCS staples by quantity, subject imports from Korea accounted for *** percent, and subject imports from Taiwan accounted for *** percent.[77] Thus, subject imports from China are well above the pertinent negligibility threshold. Subject imports from Korea and Taiwan, however, are both well below the 3 percent negligibility threshold for the most recent 12-month period prior to the filing of the petitions. Furthermore, the aggregate volume of subject imports from Korea and Taiwan accounted for *** percent of total imports during this applicable 12-month period, far below the 7 percent threshold for the aggregate volume of imports from all countries that are individually negligible.[78]

As noted, Senco's postconference brief provides a calculation purporting to show subject imports from Taiwan at *** percent of total imports, which is above the negligible

[75] Senco's Postconference Brief at 10-16.

[76] China Staple Taiwan's Postconference Brief at 1-11; July 2, 2019 letter from Mowry & Grimson on behalf of PrimeSource to Secretary Barton at 2; TECRO's written submission at 3-4.

[77] CR/PR at Table IV-3.

[78] CR/PR at Table IV-3. Official import statistics for imports of CCS staples are reported under HTS statistical reporting number 8305.20.0000, and it is undisputed that this is a basket category that also contains imports of out-of-scope merchandise in addition to imports of CCS staples. Accordingly, given the reasonably complete coverage of our importer questionnaire data for all sources except nonsubject imports, we rely primarily on the Commission's questionnaire data for our analysis of negligibility. Based on official import statistics, which as noted overstate subject imports because they include out-of-scope merchandise, during the period June 2018 through May 2019, the 12-month period preceding the filing of the petitions, imports from Korea accounted for 2.7 percent of total U.S. imports by quantity, and imports from Taiwan also accounted for 2.7 percent. CR/PR at Table IV-3. Thus, using official import statistics, imports from Korea and Taiwan are below the 3 percent negligibility threshold for the most recent 12-month period preceding the filing of the petitions. Based on these same statistics, the aggregate volume of imports from Korea and Taiwan accounted for 5.4 percent of total imports during this applicable 12-month period, far below the 7 percent threshold for the aggregate volume of imports from all countries that are individually negligible. CR/PR at Table IV-3.

level.[79] Senco derives this number by supplementing the Commission's importer questionnaire data with U.S. export data from foreign producer questionnaires as well as *** data for two importers, including ***, to account for importer questionnaire responses it asserted had not been submitted.[80] Apart from other methodological problems there may be with Senco's proposed analysis,[81] *** did submit an importer questionnaire response and reported that it ***.[82] Thus, Senco's use of *** data from *** to add *** pounds of imports from Taiwan is inconsistent with *** questionnaire response. Accordingly, when those *** pounds are subtracted from Senco's calculation of subject imports from Taiwan (as well as its calculation of total subject imports in the denominator), subject imports from Taiwan account for *** percent of total imports under Senco's other assumptions, well below the negligible level.[83] Thus, even Senco's proposed analysis, when corrected with the Commission's actual questionnaire data, supports the conclusion that imports from Taiwan are negligible.

We also consider whether there is a likelihood that evidence leading to a contrary result will arise in any final phase of the investigations. The Commission received questionnaire responses from 22 U.S. importers, accounting for *** percent of all imports from China reported under HTS statistical reporting number 8305.20.0000 in 2018, *** percent of imports from Korea, *** percent of imports from Taiwan, and *** percent of imports from all other sources under this basket HTS number.[84] Taken together, these questionnaire responses accounted for *** percent of U.S. imports from all sources under HTS number 8305.20.0000 in 2018.[85] The questionnaire coverage of imports from all import sources except nonsubject imports is reasonably high.

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[79] Senco's Postconference Brief at 7 and Exh. 7. Senco does not provide any alternative calculation to show that imports from Korea exceed the 3 percent threshold, acknowledging that the 3 percent threshold "may not be nominally met" for imports from Korea based on questionnaire data. *Id.* at 7-8.

[80] Senco's Postconference Brief at 7 and Exh. 7. *** importer questionnaire response was not available to the parties at the time they submitted their postconference briefs.

[81] Senco acknowledges that the most recent 12-month period for available data differs for the different data sources it uses in this proposed analysis. Senco's Postconference Brief at 7 n.21.

[82] *** Importer Questionnaire Response at Paragraph II-7 (EDIS Document No. ***).

[83] Senco's Postconference Brief at Exh. 7. When the *** pounds are subtracted from Senco's calculations, the corrected numerator is *** pounds of subject imports from Taiwan, and the corrected denominator is *** pounds of total imports, which results in subject imports from Taiwan equating to *** percent share of total CCS staples imports under Senco's alternative analysis. *Id.*

[84] CR at IV-1; PR at IV-1. The Commission received questionnaire responses from two importers of subject merchandise from Korea (***) and five importers of subject merchandise from Taiwan (***). CR at IV-9 n.11; PR at IV-7 n.11.

[85] CR at IV-1; PR at IV-1. Because HTS statistical reporting number 8305.20.0000 includes imports of out-of-scope merchandise in addition to in-scope CCS staples, there is a difference between the volume of imports reported under this HTS number in official import statistics and the volume of subject imports reported in Commission questionnaire data. *See* CR/PR at Table IV-3. Some importers identified in *** data as importers of record of imports of staples under this HTS number are importers partly (or exclusively) of out-of-scope merchandise, and their imports of subject merchandise reported in importer questionnaire responses would accordingly be lower. For example, *** was identified in ***

An analysis of what the maximum amount of additional imports from Korea or Taiwan would be if the import coverage were increased to 100 percent for imports from each source demonstrates that imports individually from Korea and Taiwan would still be below negligible levels. For example, if we were to assume *arguendo* that all the remaining imports from Korea under HTS 8305.20.0000 for which the Commission does not have importer questionnaire coverage are in-scope CCS staples, without adding imports from any other source, this would result in increasing imports from Korea as a share of total imports over the applicable 12-month period from *** percent to *** percent, still well below the 3 percent negligibility threshold.[86]

Similarly, assuming *arguendo* that all remaining imports from Taiwan under HTS 8305.20.0000 for which the Commission does not have importer questionnaire coverage are in-scope CCS staples, without adding imports from any other source, this would result in increasing imports from Taiwan as a share of total imports over the applicable 12-month period from *** percent to *** percent, still well below the 3 percent negligibility threshold.[87]

Thus, even if importer questionnaire coverage for imports from Korea and Taiwan were to be improved to 100 percent for imports from each source and we assume that all remaining imports are in-scope CCS staples, yielding the maximum amount of additional imports of CCS staples for the source in question but no imports from any other sources, it would still leave imports from both Korea and Taiwan well below the 3 percent threshold for negligibility. To the extent that additional questionnaire data for the applicable period are submitted in any final phase of the investigations, they would not be likely to yield a volume of imports from either source that reaches the negligibility threshold. In light of this, we find that there is not a reasonable likelihood that the Commission will obtain evidence in any final phase of the investigations that supports a conclusion that subject imports from Korea or Taiwan could reach the 3 percent threshold.

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data as the importer of record for *** percent of imports from Taiwan under HTS number 8305.20.0000 in 2018. (EDIS Document No. 679323). However, *** questionnaire response reported that ***, which indicates that its imports from Taiwan were of out-of-scope merchandise and not of CCS staples. *** Importer Questionnaire Response at Paragraph II-5 (EDIS Document No. ***).

[86] To get from the current *** percent coverage for imports from Korea under the HTS basket category to 100 percent coverage would require an additional *** percent in coverage. *** percent of 4,327,000 pounds (the total imports from Korea under the HTS basket category for June 2018 through May 2019 (CR/PR at Table IV-3)) yields an additional *** pounds. Adding *** pounds of additional imports from Korea to both the numerator and denominator for the negligibility calculation for questionnaire data in Table IV-3 would result in a new numerator of *** pounds and a new denominator of *** pounds, which results in *** percent.

[87] To get from the current *** percent coverage for imports from Taiwan under the HTS basket category to 100 percent coverage would require an additional *** percent in coverage. *** percent of 4,408,000 pounds (the total imports from Taiwan under the HTS basket category for June 2018 through May 2019 (CR/PR at Table IV-3)) yields an additional *** pounds. Adding *** pounds of additional imports from Taiwan to both the numerator and denominator for the negligibility calculation for questionnaire data in Table IV-3 would result in a new numerator of *** pounds and a new denominator of *** pounds, which results in *** percent.

Accordingly, we find that subject imports from Korea and Taiwan are negligible for purposes of our present material injury analysis.

With respect to negligibility for purposes of the Commission's analysis of threat of material injury, we find that the record in the preliminary phase of these investigations demonstrates that subject imports from Korea and Taiwan are not likely to surpass the 3 percent negligibility threshold in the imminent future.

A review of the monthly import data in the questionnaire responses indicates that neither imports from Korea nor imports from Taiwan reached 3 percent of total imports in any month between January 2018 and May 2019, and that imports from both subject countries as a share of total imports for the month were generally lower in the months just before the petitions were filed.[88] The share of total imports accounted for by subject imports from Korea was below *** percent in 15 of 17 monthly periods and below *** percent in nine of the 17 monthly periods, reaching a monthly high of *** percent in one month (April 2018). The share of total imports for subject imports from Taiwan was below *** percent in 13 of 17 monthly periods, reaching a monthly high of *** percent in one month (April 2018).[89] Thus, in no monthly period before the petitions were filed did imports from either Korea or Taiwan reach 3 percent of total imports.

Moreover, based on questionnaire data, in none of the 12-month periods (ending in December 2018 to ending in April 2019) that are prior to the applicable 12-month negligibilty period did subject imports from Korea or subject imports from Taiwan come close to accounting for 3 percent of total imports.[90] The volume of subject imports from both Korea and Taiwan as a share of total imports of CCS staples was declining in the 12-month periods leading up to the applicable 12-month period; subject imports from Korea accounted for *** percent of total U.S. imports and subject imports from Taiwan accounted for *** percent during the applicable 12-month period prior to the filing of the petitions, and those ratios were each at their lowest level reached in the 12-month moving average.[91] [92]

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[88] Derived from CR/PR at Table IV-7. During this 17-month period, subject imports from Korea and Taiwan both reached their highest monthly share of total imports in April 2018, and the share of total imports for each source was substantially lower in all of the subsequent monthly periods. *Id.*

[89] Derived from CR/PR at Table IV-7.

[90] The highest share of total imports accounted for by subject imports from Korea in the 12-month moving average was *** percent, while the highest share of total imports accounted for by subject imports from Taiwan was *** percent. CR/PR at Table IV-4.

[91] The 12-month moving average shows that the share of total imports accounted for by imports from Korea ranged between a high of *** percent and a low of *** percent, while the share of total imports ranged between a high of *** percent and a low of *** percent. CR/PR at Table IV-4.

[92] Using official import statistics, which contain imports of out-of-scope merchandise, the 12-month moving average likewise reflects that the shares of total imports accounted for by imports of both Korea and Taiwan were each declining prior to the filing of the petitions. As noted, imports from Korea accounted for 2.7 percent of total imports in the applicable 12-month period before the filing of the petitions, while its share of total imports in the preceding 12-month periods ranged between a high of 3.0 percent and a low of 2.7 percent. Similarly, imports from Taiwan accounted for 2.7 percent of total imports in the applicable 12-month period before the filing of the petitions, while its share of total

On an absolute basis, the volume of subject imports from both Korea and Taiwan was declining at the end of the POI. The volume of subject imports from Korea declined by *** percent between 2017 and 2018, and was *** percent lower in interim 2019 than in interim 2018, while the volume of subject imports from Taiwan declined by *** percent between 2017 and 2018, and was *** percent lower in interim 2019 than in interim 2018.[93] Similarly, the monthly import data in the questionnaire responses indicate that on an absolute basis the volume of subject imports from both Korea and Taiwan was generally declining between January 2018 and May 2019.[94]

Moreover, the data for arranged imports reported by importers for the period April 2019 through March 2020 after the POI show that arranged imports from Korea accounted for *** percent of total arranged imports during this period, and arranged imports from Taiwan likewise accounted for *** percent.[95] Importers' inventories of subject merchandise from Korea in interim 2019 accounted for *** percent of total inventories of all imports, while importers' inventories of subject merchandise from Taiwan accounted for *** percent of total inventories of all imports.[96]

We have also considered the information in the record relating to the CCS staples industries in Korea and Taiwan, including the information supplied by the petitioner. There is nothing in the record that suggests that there will be a significant change in the conditions of competition in the imminent future that would also result in a significant change in the level and/or share of imports from either Korea or Taiwan.[97]

Thus, the Commission's questionnaire data indicate that imports from Korea and Taiwan remained well below the 3 percent threshold during the applicable 12-month period before the filing of the petitions, and in all preceding average 12-month periods, as well as in each individual monthly period between January 2018 and May 2019. The record also indicates that the volume of subject imports from Korea and Taiwan as a ratio to total imports of CCS staples was declining and reached period lows in the applicable 12-month period before the filing of the petitions. The absolute volume of subject imports from both Korea and Taiwan declined substantially at the end of the POI, and arranged imports after the end of the POI for both Korea and Taiwan accounted for well below 3 percent of total arranged imports. Moreover, there is no indication of any likely changes in conditions of competition in the U.S. market that

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imports in the preceding 12-month periods ranged between a high of 2.9 percent and a low of 2.7 percent. CR/PR at Table IV-5. Thus, the shares of total imports of imports from both Korea and Taiwan were at their lowest levels during the 12-month negligibility period just before the petitions were filed.

[93] Derived from CR/PR at Table IV-2.

[94] CR/PR at Table IV-7. During this 17-month period, the monthly volume of subject imports from Korea was at its highest in January 2018, and was much lower throughout the remaining 16 months of this period. The monthly volume of subject imports from Taiwan was at its highest in June 2018, and was much lower throughout the remaining 11 months of this period. *Id.*

[95] CR/PR at Table VII-10.

[96] Derived from CR/PR at Table VII-9.

[97] *See* CR/PR at VII-8 to VII-16; PR at VII-5 to VII-9; Petitioner's Postconference Brief at 12-14 and Exh. 8; Petition, Exh. IN-1.

would suggest that subject imports from either Korea or Taiwan would likely account for more than 3 percent of total imports (or 7 percent in the aggregate) in the near future.[98]

In short, imports of CCS staples from Korea and Taiwan are well below the negligibility threshold, the record in these preliminary investigations contains clear and convincing evidence that there is not a potential that subject imports from Korea or Taiwan will imminently account for more than 3 percent of total imports of CCS staples, and there is no likelihood that evidence leading to a contrary result will arise in a final phase of these investigations.[99] Accordingly, we find that imports from Korea and Taiwan are negligible and terminate the investigations with respect to such imports.

VI. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[100] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[101] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[102] In assessing whether there is a reasonable indication that the

[98] Senco argues that the Commission must conduct an analysis of what would be likely to happen if the investigations against Korea and Taiwan are terminated on the basis of negligibility while duties are imposed on imports of CCS staples from China. Senco's Postconference Brief at 10-16. In our analysis, we have found it unnecessary under the statute to speculate as to how possible future developments with respect to subject imports from China, including the imposition of antidumping and/or countervailing duties, might affect the imminent volume of imports of CCS staples from Korea and Taiwan. The statute directs the Commission in the analysis of negligibility for threat to focus on whether imports from "a country" have the potential to imminently account for more than 3 percent of total imports (or whether the aggregate volumes of imports from all countries that would otherwise be negligible will imminently exceed 7 percent of total imports). 19 U.S.C. § 1677(24)(A)(iv). There is no indication in the statute that in analyzing the potential imports and import share of "a country," the Commission is to consider the effect of possible future findings as to imports from other countries on the future import share of the country in question.

[99] Given that imports from neither source are likely to exceed 3 percent of total imports in the imminent future, the record also contains clear and convincing evidence that the aggregate volume of subject imports from Korea and Taiwan will not imminently exceed 7 percent of total imports of CCS staples.

[100] 19 U.S.C. §§ 1671b(a), 1673b(a).

[101] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[102] 19 U.S.C. § 1677(7)(A).

domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[103] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[104]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[105] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[106] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[107]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[108] In performing its examination, however, the Commission need not isolate

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[103] 19 U.S.C. § 1677(7)(C)(iii).

[104] 19 U.S.C. § 1677(7)(C)(iii).

[105] 19 U.S.C. §§ 1671b(a), 1673b(a).

[106] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g,* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[107] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[108] SAA at 851-52 ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is

the injury caused by other factors from injury caused by unfairly traded imports.[109] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[110] It is clear that the existence of injury caused by other factors does not compel a negative determination.[111]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports."[112] The Commission ensures that it has "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and that it is "not attributing injury from other

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attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[109] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n,* 266 F.3d at 1345 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[110] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[111] *See Nippon Steel Corp*., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[112] *Mittal Steel*, 542 F.3d at 876 &78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

sources to the subject imports." [113] The Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[114]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[115] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[116]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

U.S. demand for CCS staples depends on the demand for U.S.-produced downstream products, and is primarily influenced by conditions in the home construction market and the economy more broadly. CCS staples are used in structural applications in the furniture, cabinet and pallet industries, manufactured and modular housing, recreational vehicles, and construction trades (*i.e*., to fasten roofing materials, siding, framing, subfloors, etc.).[117]

Market participants were divided in their assessment of U.S. demand for CCS staples during the POI. While U.S. producers reported that demand either increased or fluctuated, importers were evenly divided between those reporting that demand increased, decreased, fluctuated, or did not change.[118]

Apparent U.S. consumption increased by *** percent between 2016 and 2018, increasing from *** pounds in 2016 to *** pounds in 2017, and then declining to *** pounds in 2018. Apparent U.S. consumption was *** pounds in interim 2018, and lower by *** percent, at *** pounds, in interim 2019.[119]

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[113] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 877-79. We note that one relevant "other factor" may involve the presence of significant volumes of price-competitive nonsubject imports in the U.S. market, particularly when a commodity product is at issue. In appropriate cases, the Commission collects information regarding nonsubject imports and producers in nonsubject countries in order to conduct its analysis.

[114] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[115] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[116] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[117] CR at II-1, II-9, II-11, PR at II-1, II-5, II-6.

[118] CR/PR at Table II-4.

[119] CR/PR at Tables IV-8, C-2.

2. Supply Conditions

The domestic industry includes two U.S. producers of CCS staples that submitted usable questionnaire responses to the Commission, Senco and Acme.[120] Senco, the largest U.S. producer in the domestic industry, accounting for *** percent of reported U.S. production by the domestic industry in 2018, was acquired by Kyocera Corp. in 2017.[121] Senco states that it produces "commodity-type" CCS staples in larger volumes, while Acme has focused on smaller-volume specialty staples.[122] The domestic industry's capacity was unchanged between 2016 and 2018, but was *** percent higher in interim 2019 than in interim 2018 as a result of ***.[123] The domestic industry's market share of apparent U.S. consumption declined from *** percent in 2016 and 2017 to *** percent in 2018; it was *** percent in interim 2018 and lower, at *** percent, in interim 2019.[124]

Subject imports from China held a dominant share of the U.S. market throughout the POI. The market share of subject imports from China increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and higher, at *** percent, in interim 2019.[125]

The market shares of nonsubject imports (including imports from Korea and Taiwan) declined from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and lower, at *** percent, in interim 2019.[126] The largest sources of nonsubject imports during the POI were Malaysia, Canada, and Mexico, in addition to Korea and Taiwan.[127]

3. Substitutability and Other Conditions

Based on the record, we find that there is a high degree of substitutability between domestically produced CCS staples and subject imports from China.[128] All responding U.S. producers reported that subject imports from China and the domestic like product were "always" interchangeable with each other, while a majority of responding importers (16 of 20)

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[120] Another U.S. producer, Prebena, ***, but submitted a questionnaire response without usable trade, pricing, or financial data. CR at III-1 n.1, VI-1 n.1; PR at III-1 n.1, VI-1 n.1. SBD, which was excluded from the domestic industry as a related party, ceased domestic production ***. CR at III-3; PR at III-2. SBD's market share of apparent U.S. consumption declined from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; its share was *** percent in interim 2018 and *** percent in interim 2019. CR/PR at Table C-2.

[121] Derived from CR/PR at Table III-5; CR at I-3 to I-4; III-3, VI-1; PR at I-3,III-2, VI-1 .

[122] CR at III-4 to III-5; PR at III-3; Senco's Postconference Brief at 24-25; Conference Tr. at 26-27 (Gold).

[123] CR/PR at Table C-2; CR at III-4 n.7; VI-1, VI-16 n.28; PR at III-3 n.7, VI-1, VI-6 n.28. Senco ***. Senco's Postconference Brief, Response to Staff Questions, at 34.

[124] CR/PR at Table C-2.

[125] CR/PR at Table IV-9.

[126] CR/PR at Table C-2.

[127] CR at II-8; PR at II-4.

[128] CR at II-15; PR at II-9.

reported that subject imports from China and the domestic like product were "always" or "frequently" interchangeable with each other.[129] We also find that price is an important factor in purchasing decisions for CCS staples. The limited purchaser responses available in the preliminary phase of these investigations identified quality, price, availability, and capacity as major purchasing factors.[130]

Raw materials are the largest component of total cost of goods sold ("COGS") for U.S. producers of CCS staples. Raw materials as a percentage of the domestic industry's total COGS increased from *** percent in 2016 to *** percent in 2018, and reached *** percent in interim 2019.[131] The domestic industry's average per-pound raw material cost increased throughout the period and reached its highest level in interim 2019.[132]

CCS staples are produced from steel wire that may be drawn from wire rod or purchased from a wire producer.[133] Senco purchases wire rod through purchase contracts based on indexes, while Acme purchases wire ***.[134] The average mid-monthly price of low-carbon wire rod almost doubled over the POI, increasing from $*** per short ton in January 2016 to $*** per short ton in June 2018, where it remained through January 2019 before falling to $*** per short ton in March 2019.[135]

Imports of steel wire rod have been subject to additional 25 percent *ad valorem* duties under Section 232 of Trade Expansion Act of 1962 since March 2018 ("Section 232 tariffs"), although imports of CCS staples are not subject to the Section 232 tariffs.[136] In addition, antidumping and/or countervailing duty orders were imposed on imports of steel wire rod from ten countries in the first half of 2018.[137] All U.S. producers and a majority of importers reported that raw material costs for CCS staples have increased since January 2016, with a

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[129] CR/PR at Table II-6.

[130] CR/PR at Table II-5; CR at II-15 to II-16; PR at II-9. U.S. producers reported that differences other than price between subject imports from China and the domestic like product were "sometimes" or "never" significant in sales of CCS staples; by contrast, nine of 21 responding importers reported that differences other than price between subject imports from China and the domestic like product were "frequently" significant in sales of CCS staples. CR/PR at Table II-7.

[131] Raw material costs as a percent of total COGS of the domestic industry declined from *** percent in 2016 to *** percent in 2017, and then increased to *** percent in 2018; they were *** percent in interim 2018 and higher, at *** percent, in interim 2019. Derived from CR/PR at Table VI-1 (with data for SBD excluded from calculation).

[132] CR at VI-9; PR at VI-3. The domestic industry's average per pound raw material cost increased from $*** per pound in 2016 to $*** per pound in 2017 and $*** per pound in 2018; it was $*** per pound in interim 2017 and higher, at $*** per pound, in interim 2019. Derived from CR/PR at Table VI-1 (with data for SBD excluded from calculation).

[133] CR at V-1; PR at V-1.

[134] CR at VI-9 to VI-10; PR at VI-3; Conference Tr. at 85-87 (Iker, Gold).

[135] CR at V-1; PR at V-1; CR/PR at Figure V-1.

[136] CR at I-10, V-2 to V-4 and n.5; PR at I-8, V-1 to V-2 and n.5. Imports of CCS staples from China have not to date been subject to the tariffs imposed on certain imports from China under Section 301 of the Trade Act of 1974. CR at II-7; PR at II-3.

[137] The ten countries are Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, United Arab Emirates, and the United Kingdom. CR at V-1 n.1; PR at V-1 n.1.

majority of firms reporting that steel input prices have increased substantially due to the Section 232 tariffs and the 2018 antidumping and countervailing duty orders on imports of steel wire rod.[138] *** reported that prices for other raw materials such as collating and packing material have also increased.[139]

U.S. producer *** reported that it sells CCS staples through contracts only, and *** reported that it sells on a spot basis. While most importers reported selling CCS staples through the spot market, a number of importers reported selling through contracts.[140] Senco and Acme contend that they generally have been unable to pass on increases in raw material costs to their customers, although Senco states that prices for CCS staples for some of its customers are indexed to steel input prices.[141] Most responding importers reported that prices of CCS staples in the U.S. market have increased as a result of the Section 232 tariffs.[142]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[143]

The volume of subject imports from China increased by *** percent from 2016 to 2018, increasing from *** pounds in 2016 to *** pounds in 2017 and *** pounds in 2018; it was *** pounds in interim 2018 and lower, at *** pounds, in interim 2019.[144]

The market share of subject imports from China increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and higher, at *** percent, in interim 2019.[145] The ratio of subject imports from China to production by the domestic industry increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent interim 2018 and lower, at *** percent, in interim 2019.[146]

We find that subject imports from China, and the increase in those imports, are significant in absolute terms and relative to production and consumption in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

[138] CR at V-2 to V-3; PR at V-1 to V-2; CR/PR at Table V-1.
[139] CR at V-2; PR at V-1.
[140] CR at V-5 to V-6; PR at V-4.
[141] CR at V-2 to V-3 and n.4; PR at V-1 and n.4: Conference Tr. at 22, 68 (Faron).
[142] CR at V-3; PR at V-2; CR/PR at Table V-1.
[143] 19 U.S.C. § 1677(7)(C)(i).
[144] CR/PR at Table IV-2.
[145] CR/PR at Table IV-9.
[146] Derived from CR/PR at Tables III-5, IV-2.

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[147]

As previously discussed in section V.B.3 above, we find that there is a high degree of substitutability between subject imports from China and the domestic like product, and that price in an important factor in purchasing decisions for CCS staples.

The Commission collected quarterly quantity and f.o.b. pricing data on sales of six CCS staples products shipped to unrelated U.S. customers during the POI.[148] One U.S. producer in the domestic industry, ***, and 16 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing data for all quarters.[149] The pricing data reported by these firms accounted for approximately *** percent of the domestic industry's U.S. shipments by value in 2018, and *** percent of U.S. shipments of subject imports from China.[150]

The pricing data indicate that subject imports from China undersold the domestic like product in 74 out of 78 quarterly comparisons, at margins ranging between *** percent and *** percent, and an average underselling margin of *** percent.[151] The data also reflect predominant underselling by volume, with *** subject CCS staples imported from China associated with instances of underselling, as compared to *** subject CCS staples imported from China associated with instances of overselling. Thus, 98.5 percent of the quantity of

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[147] 19 U.S.C. § 1677(7)(C)(ii).

[148] CR at V-6; PR at V-4. The six pricing products are:

Product 1.--18 gauge wire staples, ¼ inch crown, 1 inch leg length, chisel point, galvanized steel, collated with glue, adhesive or equivalent {similar to Senco part no. L13BABN}.

Product 2.--18 gauge wire staples, ¼ inch crown, 1 ¼ - inch leg length, chisel point, galvanized steel, collated with glue, adhesive or equivalent {similar to Senco part no. L15BAB}.

Product 3.--16 gauge wire staples, 7/16 inch crown, 1 ½ inch leg length, chisel point, galvanized steel, collated with glue, adhesive, or equivalent {similar to Senco part no. N17BAB}.

Product 4.--16 gauge wire staples, 7/16 inch crown, 1 ¾ inch leg length, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. N19BAB}.

Product 5.--16 gauge wire staples, 1 inch crown, 5/8 inch length, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. P10BAB}.

Product 6.--16 gauge wire staples, 1 inch crown, 1 inch leg, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. P13BAB}.

CR at V-6 to V-7; PR at V-4 to V-5.

[149] CR at V-7; PR at V-5.

[150] CR at V-7 to V-8; PR at V-5.

[151] CR/PR at Table V-11b.

subject imports from China covered by the Commission's pricing data was sold during quarters in which the average price of these imports was less than that of the comparable domestic product.[152] Given the high degree of substitutability and the importance of price in purchasing decisions for CCS staples, we find this underselling by subject imports from China to be significant.[153] Such underselling appears to have fueled subject imports' growth in volume and contributed to the domestic industry's decline in market share, particularly late in the POI.[154]

The price of CCS staples in the U.S. market generally increased during the POI. The price of the domestic like product increased for all six pricing products during the POI, with price increases ranging from *** to *** percent.[155] These price increases generally followed a similar trend until the fourth quarter of 2017, after which prices for products *** increased the most, particularly during the second half of 2018.[156] The record indicates that the domestic industry's prices essentially tracked movements in wire rod raw material prices during the POI, with the domestic industry's prices for CCS staples generally rising as the prices of this raw material increased.[157] The price of subject imports from China decreased during the POI for pricing products ***, with price declines of *** percent and *** percent, and increased for pricing products ***, with price increases ranging between *** percent and *** percent.[158]

The domestic industry's COGS increased by *** percent between 2016 and 2018 due to the increase in its raw material costs.[159] While the pricing data show that the domestic industry was able to raise its prices during the POI, the industry nevertheless experienced a cost-price squeeze. The domestic industry's ratio of COGS to net sales increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and higher, at *** percent, in interim 2019.[160] As noted, domestic producers Senco and Acme contend that

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[152] CR/PR at Table V-11b.

[153] We note that one purchaser responding to the Commission's lost sales/lost revenue survey reported that it purchased *** pounds in lower-priced subject imports from China instead of the domestic like product, and that price was a primary reason for that decision. CR/PR at Table V-13; CR at V-27; PR at V-10.

[154] *See, e.g.,* CR/PR at Table C-2.

[155] CR/PR at Table V-10; CR at V-21; PR at V-7. One purchaser responding to the Commission's lost sales/lost revenue survey reported that U.S. producers had reduced prices in order to compete with lower-priced subject imports from China, with an estimated reduction in price by *** percent. CR/PR at Table V-14; CR at V-28; PR at V-10.

[156] CR/PR at Figure V-8; CR at V-22; PR at V-7.

[157] Compare CR/PR at Figure V-8 (indexed U.S. producer's prices) with CR/PR at Figure V-1 (North America low-carbon wire rod prices).

[158] CR/PR at Table V-10; CR at V-21; PR at V-7. Product 3 accounted for *** the largest volume of subject imports from China of the six pricing products. CR at V-23; PR at V-7; *see* CR/PR at Tables V-4 through V-9.

[159] CR/PR at Table C-2. The data reporting the changes in the different components of the domestic industry's COGS on a per pound basis indicate that increases in the domestic industry's raw material costs accounted for virtually all the increases in the industry's overall COGS during the POI. Derived from CR/PR at Table VI-2 (with data for SBD excluded from calculation).

[160] CR/PR at Table C-2.

they were unable to pass on increases in their raw material costs to their customers.[161] This occurred as the volume of subject imports increased and significantly undersold the domestic like product. At the same time, however, apparent U.S. consumption fluctuated during the POI, initially increasing and then declining between 2017 and 2018, and was *** percent lower in interim 2019 than in interim 2018.[162] A decline in apparent U.S. consumption in 2018 and early 2019 may have constrained the domestic industry's ability to further raise its prices as its raw material costs increased due at least in part to the Section 232 tariffs and the antidumping and countervailing duty orders on imports of wire rod in 2018.

Additionally, the domestic industry reported using indexing for raw material costs in at least some of its contracts with its customers.[163] The details of such contracts, including their prevalence and any lag time associated with the pricing mechanism, are not developed on this record. We intend to explore these issues further in any final phase of these investigations and evaluate their impact on the domestic industry's price movements. Based on the record in the preliminary phase of these investigations, however, we cannot conclude that subject imports from China have not prevented price increases for domestic producers, which otherwise would have occurred, to a significant degree.

Accordingly, we find that subject imports from China had significant adverse price effects on the domestic industry.

E. Impact of the Subject Imports[164]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[165]

The domestic industry experienced modest increases in several performance indicators between 2016 and 2018, including production, capacity utilization, and net sales values, as well

[161] CR at V-2 to V-3 and n.4; PR at V-1 and n.4: Conference Tr. at 22, 68 (Faron); Senco's Postconference Brief at 28-30.

[162] Apparent U.S. consumption increased from *** pounds in 2016 to *** pounds in 2016, and then declined to *** pounds in 2018. It was *** pounds in interim 2018, and lower, at *** pounds, in interim 2019. CR/PR at Tables IV-8, C-2.

[163] Conference Tr. at 68 (Faron).

[164] In its notice initiating the antidumping duty investigation on CCS staples from China, Commerce reported estimated dumping margins ranging from 119.37 to 122.55 percent for imports from China. *Certain Collated Steel Staples From the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations.* 84 Fed. Reg. 31833, 31837 (July 3, 2019).

[165] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

as modest declines in other indicators, including U.S. shipments and market share. However, the industry's COGS increased substantially between 2016 and 2018 and it suffered a sharp decline in its financial performance. Moreover, the domestic industry's performance declined between 2017 and 2018 and was worse in interim 2019 than in interim 2018. In interim 2019, the industry experienced substantially lower U.S. shipments and market share and reportedly higher inventories than in interim 2018, and its financial performance was likewise worse in interim 2019.

The domestic industry's capacity was unchanged between 2016 and 2018 at *** pounds; it was *** pounds in interim 2018 and higher, at *** pounds, in interim 2019.[166] Production increased by *** percent from 2016 to 2018, rising from *** pounds in 2016 to *** pounds in 2017, and then declining to *** pounds in 2018; it was *** pounds in interim 2018 and interim 2019.[167] Capacity utilization increased from *** percent in 2016 to *** percent in 2017 and then fell to *** percent in 2018; it was *** percent in interim 2018 and lower, at *** percent, in interim 2019.[168]

Net sales quantity declined by *** percent from 2016 to 2018, increasing from *** pounds in 2016 to *** pounds in 2017 and then declining to *** pounds in 2018; it was *** pounds in interim 2018 and lower, at *** pounds, in interim 2019.[169] U.S. shipments declined by *** percent from 2016 to 2018, increasing from *** pounds in 2016 to *** pounds in 2017, and then falling to *** pounds in 2018; they were *** pounds in interim 2018 and lower, at *** pounds, in interim 2019.[170] The domestic industry's share of apparent U.S. consumption declined from *** percent in 2016 and 2017 to *** percent in 2018; it was *** percent in interim 2018 and lower by *** percentage points, at *** percent, in interim 2019.[171] Ending inventories increased by *** percent from 2016 to 2018, rising from *** pounds in 2016 to *** pounds in 2017 and *** pounds in 2018; they were *** pounds in interim 2018 and higher, at *** pounds, in interim 2019.[172]

Employment increased by *** percent between 2016 and 2018, increasing from *** production-related workers (PRWs) in 2016 to *** PRWs in 2017 and *** PRWs in 2018; it was *** PRWs in interim 2018 and lower, at *** PRWs, in interim 2019.[173] Hours worked fell by *** percent from 2016 to 2018, increasing from *** hours in 2016 to *** hours in 2017, and then declining to *** hours in 2018; they were *** hours in interim 2018 and lower, at *** hours, in

[166] CR/PR at Table C-2.

[167] CR/PR at Table C-2.

[168] CR/PR at Table C-2. As previously discussed in section VI.B.2, the domestic industry's capacity was *** percent higher in interim 2019 than in interim 2018 because of ***, and this capacity increase also led to the industry's lower capacity utilization rate in interim 2019 than in interim 2018, while production was the same in the two interim periods. CR/PR at Table C-2; CR at III-4 n.7; VI-1, VI-16 n.28; PR at III-3 n.7, VI-1, VI-6 n.28.

[169] CR/PR at Table C-2.

[170] CR/PR at Table C-2.

[171] CR/PR at Table C-2.

[172] CR/PR at Table C-2.

[173] CR/PR at Table C-2.

interim 2019.[174] Wages paid fell by *** percent from 2016 to 2018, increasing from $*** in 2016 to $*** in 2017 and then declining to $*** in 2018; they were $*** in interim 2018 and lower, at $***, in interim 2019.[175] Productivity increased by *** percent from 2016 to 2018, increasing (in pounds per hour) from *** in 2016 to *** in 2017, and then falling to *** in 2018; it was *** pounds per hour in interim 2018 and higher, at *** pounds per hour, in interim 2019.[176]

Net sales values increased by *** percent from 2016 to 2018, increasing from $*** in 2016 to $*** in 2017, and then declining to $*** in 2018; they were $*** in interim 2018 and lower, at $***, in interim 2019.[177] Total COGS increased by *** percent from 2016 to 2018, increasing from $*** in 2016 to $*** in 2017 and $*** in 2018; it was $*** in interim 2018 and lower, at $***, in interim 2019.[178] The industry's ratio of COGS to net sales increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and higher, at *** percent, in interim 2019.[179] Gross profit declined by *** percent from 2016 to 2018, declining from $*** in 2016 to $*** in 2017 and $*** in 2018; it was $*** in interim 2018 and lower, at $***, in interim 2019.[180]

Operating income declined by *** percent from 2016 to 2018, declining from $*** in 2016 to $*** in 2017 and $*** in 2018; it was $*** in interim 2018 and lower, at $***, in interim 2019.[181] The domestic industry's operating income margin fell from *** percent in 2016 to *** percent in 2017 and *** percent in 2018; it was *** percent in interim 2018 and *** percent in interim 2019.[182] Net income fell from $*** in 2016 to $*** in 2017 and $*** in 2018; it was $*** in interim 2018 and $*** in interim 2019.[183] Capital expenditures increased by *** percent between 2016 and 2018, increasing from $*** in 2016 and 2017 to $*** in 2018; they were $*** in interim 2018 and lower, at $***, in interim 2019.[184]

During the POI, subject imports increased significantly and entered in significant volumes, and also undersold the domestic like product significantly. The significant and increasing volume of low-priced subject imports from China coincided with sharply increasing raw material costs for the domestic industry, particularly in 2018 and interim 2019. As discussed above, the domestic industry was unable to raise its prices by a sufficient amount to recoup its higher raw material costs, particularly in 2018 and interim 2019. Because of the domestic industry's inability to fully pass through its raw material cost increases to its

[174] CR/PR at Table C-2.
[175] CR/PR at Table C-2.
[176] CR/PR at Table C-2.
[177] CR/PR at Table C-2.
[178] CR/PR at Table C-2.
[179] CR/PR at Table C-2.
[180] CR/PR at Table C-2.
[181] CR/PR at Table C-2.
[182] CR/PR at Table C-2.
[183] CR/PR at Table C-2.
[184] CR/PR at Table C-2. The domestic industry incurred research and development ("R&D") expenses of *** in 2016, 2017, and 2018. R&D expenses were *** in interim 2018 and interim 2019. CR/PR at Table VI-4.

customers, it experienced a cost-price squeeze, and its financial performance sharply declined between 2016 and 2018. The industry's financial performance further worsened in interim 2019 as subject imports from China continued to undersell the domestic like product and gained market share at the expense of the domestic industry, and the industry's raw material costs continued to increase.

In our analysis of the impact of subject imports from China on the domestic industry, we have taken into account whether there are other factors that may have had an adverse impact on the industry during the POI to ensure that we are not attributing injury from other factors to subject imports from China. In this respect, we have examined the role of nonsubject imports, which had a very small and declining presence in the U.S. market over the POI.[185] Thus, the small and declining volume of nonsubject imports cannot explain the domestic industry's inability to raise its prices by a sufficient amount to recoup its higher raw material costs from its customers or any loss in market share by the domestic industry.

As explained above, the domestic industry's raw material costs increased substantially during the POI, at least in part as a result of the Section 232 tariffs and antidumping and countervailing duty orders on imports of wire rod in 2018, and this affected the domestic industry's profitability. In any final phase of these investigations, we intend to further explore the degree to which the domestic industry reasonably should have been able to achieve additional price increases to cover these rising costs, particularly in light of the weaker apparent consumption toward the end of the POI.[186] For purposes of the preliminary phase of these investigations, however, we find that the significant volume of low-priced subject imports, which significantly undersold the domestic like product and increased as the domestic industry experienced a worsening cost-price squeeze, had a significant adverse impact on the domestic industry.

VII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of CCS staples from China that are allegedly sold in the United States at LTFV and are allegedly subsidized by the government of China. We find that subject imports of CCS staples from Korea and Taiwan that are allegedly sold in the United States at LTFV are negligible and terminate the antidumping duty investigations on imports of CCS staples from Korea and Taiwan.

[185] The market share of nonsubject imports (with imports from Korea and Taiwan included) increased from *** percent in 2016 to *** percent in 2017, and then declined to *** percent in 2018; it was *** percent in interim 2018 and lower, at *** percent, in interim 2019. CR/PR at Table IV-9.

[186] While apparent U.S. consumption increased by *** percent between 2016 and 2018, it declined by *** percent between 2017 and 2018, and was *** percent lower in interim 2019 than in interim 2018. CR/PR at Table C-2.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Kyocera Senco Industrial Tools, Inc. ("Senco"), Cincinnati, Ohio, on June 6, 2019, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of certain collated steel staples ("CCS staples")[1] from China, Korea, and Taiwan that are sold at less-than-fair-value ("LTFV") and subsidized by the government of China. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
June 6, 2019	Petitions filed with Commerce and the Commission; institution of Commission investigations (84 FR 27803, June 14, 2019)
June 26, 2019	Commerce's notice of initiation of countervailing duty investigation (84 FR 31840, July 3, 2019) and antidumping duty investigations (84 FR 31833, July 3, 2019)
June 27, 2019	Commission's conference
July 19, 2019	Commission's vote
July 22, 2019	Commission's determinations
July 29, 2019	Commission's views

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

[2] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

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

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the*

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. Part II of this report presents information on conditions of competition and other relevant economic factors. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. Parts IV and V present the volume of subject imports and pricing of domestic and imported products, respectively. Part VI presents information on the financial experience of U.S. producers. Part VII presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

CCS staples are generally used to make strong wood-to-wood joints when making prefabricated homes, furniture, or cabinetry. The leading U.S. producer of CCS staples is Senco, while leading producers of CCS staples outside the United States include Tianjin Jin Xin Sheng Long Metal Products Co., Ltd. ("Jin Xing Sheng Long") and A-JAX International Co., Ltd ("A-Jax") of China, and China Staple Enterprise Co., Ltd. ("Staple Enterprise of Taiwan") of Taiwan. The leading U.S. importers of CCS staples from China are *** and ***, leading importers of CCS staples from Korea are *** and ***, and leading importers of CCS staples from Taiwan are *** and ***. Leading importers of CCS staples from nonsubject countries (primarily Canada, Malaysia, and Mexico) include ***.

Apparent U.S. consumption of CCS staples totaled approximately *** pounds ($***) in 2018. Three firms reported production of CCS staples in the United States. U.S. producers' U.S. shipments of CCS staples totaled *** pounds ($***) in 2018, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from subject sources totaled 736,000 pounds ($1.6 million) in 2018 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

sources totaled *** ($***) in 2018 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of three firms that accounted for the vast majority of U.S. production of CCS staples during 2018. U.S. import data are based on questionnaire responses received from 22 companies.[6]

PREVIOUS AND RELATED INVESTIGATIONS

CCS staples have not been the subject of prior countervailing and antidumping duty investigations in the United States. However, there have been antidumping duty investigations of imports of other staple products.

ISM Enterprises ("ISM") filed a petition in December 1982 alleging that an industry in the United States was materially injured or threatened with material injury by reason of LTFV imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden.[7] Staples in roll form were not included in the scope and petitioners did not advocate for their inclusion in the domestic like product.[8] Following notification of Commerce's final determination that imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden were being sold at LTFV, the Commission determined on November 8, 1983 that an industry in the United States was materially injured by reason of subject imports from Sweden of carton-closing staples.[9] Commerce issued an antidumping duty order on carton-closing staples from Sweden on October 5, 1983.[10] On June 7, 1994, Commerce published a notice of the revocation of the antidumping duty order on carton-closing staples and nonautomatic carton-closing staple machines from Sweden.[11]

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[6] A detailed explanation of the methodology used to compile the U.S. import data is presented in Part IV.

[7] *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Preliminary)*, USITC Publication 1342, February 1983.

[8] *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Final)*, USITC Publication 1454, December 1983.

[9] In addition to its determination on carton-closing staples, the Commission also determined that an industry "in the United States was materially injured by reason of imports from Sweden of nonautomatic carton-closing staple machines." *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and 117 (Final)*, USITC Publication 1454, December 1983, p. 7.

[10] *Notice of Final Determinations of Sales at Less Than Fair Value: Certain Carton Closing Staples and Staple Machines From Sweden*, 48 FR 49323, October 25, 1983.

[11] *Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Revocation of Antidumping Duty Orders,* 59 FR 29416, June 7, 1994.

On March 31, 2017, a petition was filed by North American Steel & Wire, Inc./ISM alleging that an industry in the United States was materially injured and threatened with further material injury by reason of LTFV imports of carton-closing staples from China.[12] On April 30, 2018, the Commission determined that an industry in the United States was materially injured by reason of imports of carton-closing staples from China that had been found by Commerce to be sold in the United States LTFV.[13] On May 8, 2018, Commerce issued an antidumping duty order on carton-closing staples from China.[14]

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On July 3, 2019, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on CCS staples from China.[15] Commerce identified the following government programs in China:

A. Preferential Loans and Interest Rates
    1. Policy Loans to the Certain Collated Steel Staples Industry
    2. Export Loans
    3. Preferential Lending to Export-Oriented Enterprises Classified as "Honorable Enterprises"
B. Export Credit Subsidies
    1. Export Seller's Credit
    2. Export Buyer's Credit
C. Export Credit Insurance Subsidies
D. Export Credit Guarantees
E. Income Tax and Other Direct Tax Subsidies
    1. Income Tax Reductions for High- and New-Technology Enterprises (HNTEs)
    2. Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax
    3. Enterprise Income Tax Law, Research and Development (R&D) Program
    4. Preferential Income Tax Policies for the Development of Western Regions of China

[12] *Carton-Closing Staples From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 82 FR 19351, April 27, 2017. *Carton Closing Staples from China, Investigation No. 731-TA-1359* (Preliminary), USITC Publication 4694, May 2017.

[13] *Carton Closing Staples From China*, 82 FR 23064, May 19, 2017. *Carton Closing Staples From China, Investigation No. 731-TA-1359* (Final), USITC Publication 4778, April 2018.

[14] *Carton-Closing Staples From the People's Republic of China: Antidumping Duty Order*, 83 FR 20792, May 8, 2019.

[15] *Certain Collated Steel Staples From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 84 FR 31840, July 3, 2019.

F. Indirect Tax Program
    1. Import Tariff Exemptions for Foreign-Invested Enterprises (FIEs) and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
    2. Value Added Tax (VAT) Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
    3. VAT Exemptions and Deductions for Central Regions
    4. Import Duty Exemptions for Equipment Under the Preferential Tax Policy of Development of Western Regions of China
G. Government Provision of Goods and Services for Less than Adequate Remuneration (LTAR)
    1. Provision of Wire Rod for LTAR
    2. Provision of Zinc for LTAR
    3. Provision of Land for LTAR
    4. Provision for Electricity for LTAR
H. Grant Programs
    1. Export Assistance Grants
    2. Export Interest Subsidies for Enterprises Located in Zhejiang Province
    3. Subsidies for Development of Famous Export Brands and China World Top Brands
    4. State Key Technology Fund Grants
    5. Grants for Energy Conservation and Emission Reduction
    6. SME International Market Exploration Fund

Alleged sales at LTFV

On July 3, 2019, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on CCS staples from China, Korea, and Taiwan.[16] The estimated dumping margins are as follows: 119.37 to 122.55 percent for China, 10.23 to 14.25 percent for Korea, and 47.60 percent for Taiwan.

THE SUBJECT MERCHANDISE

Commerce's scope[17]

In the current proceeding, Commerce has defined the scope as follows:

> *Certain collated steel staples. Certain collated steel staples subject to this proceeding are made from steel wire having a nominal diameter from*

[16] *Certain Collated Steel Staples From the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 84 FR 31833, July 3, 2019.

[17] *Certain Collated Steel Staples From the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 84 FR 31833, July 3, 2019. *Certain Collated Steel Staples From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 84 FR 31840, July 3, 2019.

0.0355 inch to 0.0830 inch, inclusive, and have a nominal leg length from 0.25 inch to 3.0 inches, inclusive, and a nominal crown width from 0.187 inch to 1.125 inch, inclusive.

Certain collated steel staples may be manufactured from any type of steel, and are included in the scope of the investigation regardless of whether they are uncoated or coated, and regardless of the type of number of coatings, including but not limited to coatings to inhibit corrosion.

Certain collated steel staples may be collated using any material or combination of materials, including but not limited to adhesive, glue, and adhesive film or adhesive or paper tape.

Certain collated steel staples are generally made to American Society for Testing and Materials (ASTM) specification ASTM F1667-18a, but can also be made to other specifications. Regardless of any applicable specification, however, all certain collated steel staples exhibiting the physical characteristics of the written scope description are included in the scope.

Certain collated steel staples subject to this investigation are currently classifiable under subheading 8305.20.00 of the Harmonized Tariff Schedule of the United States (HTSUS).

Excluded from the scope of this investigation are any carton closing staples covered by the scope of the existing antidumping duty order on Carton-Closing Staples from the People's Republic of China. See Carton-Closing Staples From the People's Republic of China: Antidumping Duty Order, 83 FR 20792 (May 8, 2018). Carton-closing staples that are covered by that order and excluded from the scope of this investigation have a nominal leg length from 0.4095 inch to 1.375 inches, a nominal crown width from 1.125 inches to 1.375 inches, a nominal wire thickness from 0.029 to 0.064 inch, and a nominal wire width from 0.064 to 0.100 inch. Carton-closing staples are generally made to ASTM specification ASTM D1974/D1974M–16, but can also be made to other specifications.

While the HTSUS subheading and ASTM specification are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.

U.S. tariff treatment

Based on the scope set forth by Commerce, CCS staples subject to these investigations are provided for in subheading 8305.20.00[18] of the Harmonized Tariff Schedule of the United States ("HTS"). Imports classifiable under subheading 8305.20.00 are free of duty when they are the product of normal trade relations (NTR) countries. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Section 232 tariff treatment

HTS subheading 8305.20.00 was not included in the enumeration of steel mill products that are subject to the additional 25 percent ad valorem Section 232 national-security duties under HTS chapter 99. See U.S. notes 16(a) and 16(b), subchapter III of chapter 99.[19] However, the raw material for making collated steel staples (steel wire rod)[20] is subject to the additional 25 percent ad valorem Section 232 national-security duties.

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[18] *HTSUS (2019) Revision 9*, USITC Publication 4937, July 2019, pp. 83-8. Subheading 8305.20.00 is an international tariff provision of the Harmonized System.

[19] *Imports of Steel Mill Articles (Steel Articles) Under Section 232 of the Trade Expansion Act of 1962, As Amended (19 U.S.C.1862), Presidential Proclamation 9705*, March 8, 2018, 83 FR 11625, March 15, 2018. *HTSUS (2019) Revision 9*, USITC Publication 4862, July 2019, pp. 99-III-5 - 99-III-6.

[20] *HTSUS (2019) Revision 9, USITC Publication 4937, July 2019, ch. 72, pp. 20, 35, 43*.

"steel wire rod" of nonalloy steel is classifiable under HTS heading 7213, or more specifically:

HTS heading 7213: Bars & rods, hot-rolled, in irregularly wound coils, of iron or nonalloy steel

HTS subheading 7213.91.30: Of circular cross section measuring less than 14 mm in diameter, not tempered, not treated and not partly manufactured

HTS statistical reporting number 7213.91.3093: Other (than tire cord-quality, cold-heading quality, or welding quality).

"Steel wire rod" of stainless steel is classifiable in HTS heading 7222, or more specifically:

HTS heading 7221: Bars and rods, hot-rolled, in irregularly wound coils, of stainless steel.

"Steel wire rod" of alloy (other than stainless) steel is classifiable in HTS heading 7227, or more specifically:

HTS heading 7227: Bars & rods, hot-rolled, in irregularly wound coils, of other alloy steel

HTS subheading 7227.90.60: Other than of tool steel (other than high-speed steel)

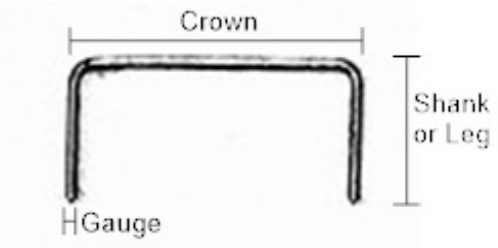
HTS statistical reporting number 7227.90.6030: Other, of circular cross section, with a diameter of less than 14 mm (0.55 inch).

THE PRODUCT

Description and uses

A CCS staple is a type of fastener made from steel wire consisting of two same-size pointed or pointless legs connected by a crown located opposite from the staple-point ends (figure I-1). Although most CCS staples are produced from low-carbon steel, CCS staples also are produced from stainless steel to prevent corrosion. They can be produced using other forms of alloy steel, whether coated or uncoated. The coating on a CCS staple typically consist of galvanization with zinc. [21]

Figure I-1:
CCS staples: Components of a staple



Source: Boss, http://www.bosslimited.co.uk/how-to-choose-the-right-size-staple/ (accessed June 28, 2019).

The principal use of a CCS staple is to fasten two or more pieces of material, including but not limited to wood or other solid building materials. They are typically used in structural applications such as furniture and building construction.[22] CCS staples are made from a thicker steel wire than most other forms of staples to attain the necessary strength and holding power for the aforementioned applications.[23] CCS staples that are within Commerce's scope have a nominal diameter ranging from 0.0345 inch to 0.0830 inch, inclusive, a leg length ranging from 0.25 inch to 3.0 inches, inclusive, and a nominal crown width from 0.187 inch to 1.125 inches, inclusive.

CCS staples are often classified by their diameter into gauges (ga.) as defined by the American wire gauge (AWG), also known as the Brown and Sharpe wire gauge (table I-1). The ASTM International's specification for AWG is ASTM B258-18.[24] A CCS staple gauge range includes 15 – 19 ga. (as the number of the gauge increases, the diameter of the wire decreases). According to the Petitioner, a heavy wire CCS staple is associated with a gauge range of 15 – 17

[21] Petition, pp. 5-6.
[22] Petition, p. 5.
[23] Petition, p. 10.
[24] ASTM International, Standard Specification for Standard Nominal Diameters and Cross-Sectional Areas of AWG Sizes of Solid Round Wires Used as Electrical Conductors, https://www.astm.org/Standards/B258.htm, (accessed June 28, 2019).

and a medium wire staple is typically associated with a gauge range of 18 – 19.[25] Anything lighter than 18 – 19 gauge (20 ga. and higher) is considered light wire which is outside the scope of these investigations. Heavy wire (15 – 17 ga.) is considered an engineered fastener because it is mentioned in building codes and used to construct wall sheathing. Medium wire (18 – 19 ga.) is typically used in lower scale construction such as siding, cabinetry, and furniture construction. Light wire, which is not in the scope of these investigations, is typically used to fasten paper and upholstery. CCS staples are produced to certain industry specifications, notably those of the ICC Evaluation Service ("ICC-ES") and the American Society for Testing and Materials ("ASTM"). The ICC-ES does technical evaluation reports on building products, components, methods, and materials. The evaluation reports are used as evidence that the products and system are code-compliant. The most relevant evaluation report on CCS staples is ESR-1539.[26] The ASTM is an international standards organization, and ASTM 1667- 18a[27] and ASTM 592[28] include the technical specification for CCS staples.

Table I-1:
CCS staples: Diameter of a gauge in inches

Gauge	15	16	17	18	19
Diameter (in.)	0.0571	0.0508	0.0453	0.0403	0.0359

CCS staples are packaged for shipment solely in a collated form, that is, joined by using a single material or combination of materials, including, but not limited to, adhesive, glue, adhesive film paper, or tape. CCS staples can also be packaged with pneumatic, electric, and gas-powered stapling tools as well as household tool kits and other devices designed for the CCS staples application (tools are generally gauge specific and used to join hard and dense surfaces).[29] U.S. producers typically use an automated process for packaging CCS staples, while producers in the subject countries typically pack the boxes of finish good by hand.[30] The Petitioner noted that the quantity of packaged CCS staples varies and can be made to order.[31] Figure I-2 shows the most common forms of CCS staples.

[25] Conference transcript, p. 94 (Iker).

[26] The ICC-ES performed the evaluation of steel nails in the report ESR-1539 for the International Staple, Nail, and Tool Association ("ISANTA") on the behalf of various fasteners associations and companies. ICC Evaluation Service, General Listing Directory, https://icc-es.org/general-listing-directory/ (accessed various dates).

[27] The industry standard ASTM 1667-17 has been superseded by 1667-18a. ASTM International, Steel Standards, Standard Specification for Driven Fasteners: Nails, Spikes, and Staples, https://www.astm.org/Standards/steel-standards.html, (accessed various dates).

[28] ASTM International, Steel Standards, Standard Terminology of Collated and Cohered Fasteners and Their Application Tools, https://www.astm.org/Standards/steel-standards.html, (accessed various dates).

[29] Conference transcript, p. 53 (Iker) and Petition, p. 5 and p. 12.

[30] Petition, p. 6.

[31] Conference transcript, pp. 75-77 (Iker).

Figure I-2:
CCS Staples: Common forms of CCS staples

Source: Senco, https://www.senco.com/fasteners/staples/?sort=Gauge&searchKey=76d17e28f058f838721f6f71d53c04a7ab186fa3&, (accessed July 1, 2019).

Manufacturing processes

CCS staples are produced from steel wire whether coated or uncoated. Some producers of CCS staples use purchased steel wire as their starting raw material and are referred to as "nonintegrated producers," whereas other producers utilize their own facilities to produce wire for CCS staples by using steel wire rod as their starting material. These producers are considered "integrated producers." Some integrated producers are further integrated through the steelmaking process, by producing steel wire rod from ferrous scrap, pig iron, and ferroalloys.[32]

During the manufacturing process for CCS staples, steel wire rod is drawn into wire, annealed, pickled, coated or left uncoated, and formed into staples. Production begins by drawing steel wire rod into steel wire of the desired diameter and then winding the wire onto spools. The wire is then run through an annealing furnace that is heated to 1,100 degrees Celsius, which softens the wire so it can be drawn to its final size. After annealing, the wire undergoes a pickling process in which it is treated with acid, water, heat, and an electrical current to remove any impurities from the surface of the wire. After pickling, the wire is either coated or left uncoated. The wire can be coated with either copper or zinc through an electroplating process. During electroplating, copper or zinc bars are dissolved into a chemical solution. The wire passes through the solution while an electric current is applied to the solution, causing the copper or zinc to plate onto the surface of the wire. [33] The wire can also be coated by electrostatically applying a free-flowing powder to a surface, then curing it under heat.[34] After the wire is wound onto spools, it is ready to be fed into the machines that will shape the wire into the final product.

CCS staples can be produced by starting with either a single strand or multiple strands of wire. A single-wire machine forms individual staples from wire and continuously collates the staples with glue, adhesive, or paper tape.[35] The machine counts the number of staples needed for the collated strip, which is then severed, ejected, and packaged. By contrast, multiple strands of wire (with the number of wires equaling to the number of staples in the finish strip being produced) are pulled from a back stand (a large rack) holding multiple spools of wire. An adhesive or glue is applied that collates and bands the wires together to create a band which is dried using heat/and or infrared light. The band is coiled on a spool for processing through a staple-forming machine. The machine measures the number of staples needed to form a strip of finished staples, while simultaneously shearing and forming the strip of staples. Finally, the strip of staples is severed, ejected, and packaged.[36]

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[32] Conference transcript, pp. 18-19 (Iker).

[33] *Carton-Closing Staples from China, Inv. No. 731-TA-1359 (Final)*, USITC Publication 4778, April 2018.

[34] Proplate, "What is the Difference Between Plating and Coating" October 20, 2015, http://proplate.com/news--events/whats-the-difference-between-plating-and-coating, (accessed July 3, 2019).

[35] Conference transcript, p. 18 (Iker).

[36] Petition, p. 6.

DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to domestic like product have been raised in these investigations. Senco proposed that the domestic like product should be a single product that is coextensive with the scope of the investigations.[37] The respondent did not contest the petitioner's proposed definition of the domestic like product.[38]

[37] Conference transcript, p. 63 (Iker).
[38] Conference transcript, p. 132 (Sim).

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PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

CCS staples are used in structural applications in the furniture, cabinet and pallet industries, manufactured and modular housing, recreational vehicles, and construction trades (i.e., to fasten roofing materials, siding, framing, subfloors, etc.).[1] CCS staples are packaged and sold by themselves and can also be packaged and sold in combination with other products such as pneumatic, electric, or gas-powered staple guns, hand tools, and household tool kits.[2] All U.S. producers and importers reported that there have been no changes in the product range, product mix, or marketing of CCS staples since January 1, 2016.

Apparent U.S. consumption of CCS staples increased during 2016-18 but declined sharply in the first quarter of 2019. Overall, apparent U.S. consumption in 2018 was *** percent higher than in 2016. However, apparent U.S. consumption was *** percent lower in January-March 2019 than in January-March 2018.

CHANNELS OF DISTRIBUTION

As shown in table II-1, U.S. producers and importers sell CCS staples to distributors, retailers, contractors/builders, and other end users. U.S. producers sold *** of their total U.S. shipments to retailers, with distributors and contractors/builders making up *** of shipments during 2016-17. However, in 2018, the share of U.S. shipments sold to retailers declined to *** and shipments to contractors/builders made up *** of all U.S. shipments. U.S. importers of CCS staples from China sold mainly to distributors throughout the period, with the share of shipments sold to distributors increasing from *** percent in 2016 to *** percent in 2018. U.S. importers of CCS staples from Korea sold to both distributors and retailers from 2016 to 2018. Though shipments to distributors accounted for *** percent in 2016, this share declined to *** percent as shipments to retailers increased in 2018. U.S. importers of CCS staples from Taiwan sold primarily to retailers in January 2016-March 2019. Shipments to retailers accounted for *** percent of importers' U.S. shipments of CCS staples from Taiwan in 2016 and declined to *** percent in 2018 as shipments to other end users increased to *** percent.

Table II-1
CCS staples: U.S. producers' and importers' U.S. shipments, by sources and channels of distribution, 2016-18, January-March 2018, and January-March 2019

* * * * * * *

[1] Petition, vol. 1, p. 12.
[2] Petition, vol. 1, p. 5.

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GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling CCS staples to all regions in the contiguous United States (table II-2). For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers sold 34.3 percent within 100 miles of their U.S. point of shipment, 58.7 percent between 101 and 1,000 miles, and 7.0 percent over 1,000 miles.

Table II-2
CCS staples: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Subject U.S. importers			
		China	Korea	Taiwan	Subject
Northeast	3	16	1	3	16
Midwest	3	16	2	3	17
Southeast	3	18	2	3	18
Central Southwest	3	18	2	4	19
Mountains	3	18	2	3	18
Pacific Coast	3	18	2	3	18
Other[1]	3	10	---	3	10
All regions (except Other)	3	15	1	3	15
Reporting firms	3	20	2	4	21

[1] All other U.S. markets, including AK, HI, PR, and VI.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Table II-3 provides a summary of the supply factors regarding CCS staples from U.S. producers and from subject countries. U.S. producers have *** capacity but *** capacity utilization rates than producers in China or Taiwan.

Table II-3
CCS staples: Supply factors that affect the ability to increase shipments to the U.S. market

* * * * * * *

Domestic production

Based on available information, U.S. producers of CCS staples have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced CCS staples to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and inventories. Factors mitigating responsiveness of supply include the limited ability to shift production to or from

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alternate products, reflecting the time involved for new tooling and the high cost involved for switching production.

U.S. producers' capacity and capacity utilization declined between 2016 and 2018. U.S. producers' inventories as a share of total shipments increased from 2016 to 2018. The majority of U.S. producers' total shipments went to the home market in 2018, with *** percent of shipments going to non-U.S. markets. U.S. producers stated that production capacity is limited by the speed at which staple presses can manufacture finished staples, as well as constraints regarding materials, equipment, storage and employees. Two of the three responding U.S. producers reported that they were unable to switch production between CCS staples and other products using the same equipment and/or labor. U.S. producer *** responded that its equipment cannot be easily reconfigured to produce other gauges of staples, and that switching equipment would require significant engineering support and investment. U.S. producer ***, however, stated that it was able to switch production to non-CCS staples.

Subject imports from China

Based on available information, producers of CCS staples from China have the ability to respond to changes in demand with moderate changes in the quantity of shipments of CCS staples to the U.S. market. The main contributing factors to this degree of responsiveness of supply are some unused capacity, and ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include decreasing inventories and limited ability to shift production to or from alternate products.

Chinese producers reported an increase in capacity and production from 2016 to 2018. During this time, capacity utilization increased from *** percent to *** percent. Chinese producers' inventories as a share of total shipments fell from *** percent in 2016 to *** percent in 2018. Chinese producers primarily export to the United States, as shipments to the home market made up *** percent of total shipments in 2018 and exports to non-U.S. markets accounted for *** percent of total shipments. Two of the three responding producers reported that they were unable to switch production between CCS staples and other products using the same equipment and/or labor.

CCS staples were not subject to Section 301 tariffs during January 2016-March 2019 and are not currently subject to Section 301 tariffs. The proposed "list 4" tariffs released May 31, 2019 would cover basic metal staples in strips[3] but have not yet been implemented.

Subject imports from Korea

The Commission did not receive a response from any Korean producers. However, based on available information, producers of CCS staples from Korea have the ability to respond to changes in demand with large changes in the quantity of shipments of CCS staples to the U.S.

[3] CCS staples are included in HTS 8305.20.00, which is covered in "list 4." Petition, vol. 1, p. 4.

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market. The main contributing factor to this degree of responsiveness of supply is the ability to shift shipments from alternate markets.[4]

Subject imports from Taiwan

Based on available information, producers of CCS staples from Taiwan have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of CCS staples to the U.S. market. The main contributing factors to this degree of responsiveness of supply are availability of unused capacity, increasing inventories, and the ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include decreasing overall capacity, and limited ability to shift production to or from alternate products.

Producers in Taiwan reported a decrease in capacity and production from 2016 to 2018. During this time, capacity utilization also decreased from *** percent to *** percent. Inventories held by producers in Taiwan as a share of total shipments increased from *** percent in 2016 to *** percent in 2018. The two responding producers' home market shipments made up *** percent of total shipments in 2018, while exports to non-U.S. markets accounted for *** percent of total shipments. One of the two responding producers reported that it was unable to switch production between CCS staples and other products using the same equipment and/or labor. According to foreign producer Staple Enterprise, which identifies itself as the largest manufacturer in Taiwan,[5] it would be difficult for it to expand its factory size.[6] In addition, Staple Enterprise reportedly has one large U.S. customer that purchases almost all of its CCS production and with whom the firm forecasts its production, making it difficult to add new customers or change production.[7]

According to Staple Enterprise, the government in Taiwan restricts the purchase of raw wire rod from China, resulting in higher raw material costs.[8] Additionally, foreign producer Staple Enterprise stated that it must pay an outside company to galvanize its wire as it does not have a galvanization license.[9]

Imports from nonsubject sources

Nonsubject imports accounted for less than one percent of total U.S. imports in 2018. The largest sources of nonsubject imports during January 2016-March 2019, in descending order, were Malaysia, Canada, and Mexico.

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[4] See *Part VII* for more information on Global Markets.

[5] Conference transcript, p. 141 (Lin).

[6] Conference transcript, p. 121 (Lin). According to Staple Enterprises, it employs 50 employees, encompasses one acre of land, and has very little empty space to store products. Conference transcript, pp. 119, 122 (Lin).

[7] Conference transcript, p. 121 (Lin).

[8] Postconference brief, p. 18.

[9] Conference transcript, p. 121 (Lin).

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Supply constraints

All responding U.S. producers and 19 of 21 responding importers reported that they had not experienced supply constraints since January 1, 2016. Importer *** that reported that it experienced supply constraints and cited the technical nature of production and the limited selection of factories that could meet its quality control standards. The other importer, ***, cited the lack of capacity outside of China to support U.S. demand.

U.S. demand

Based on available information, the overall demand for CCS staples is likely to experience small changes in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the small cost share of CCS staples in most of its end-use products.

End uses and cost share

U.S. demand for CCS staples depends on the demand for U.S.-produced downstream products. CCS staples account for a small share of the cost of the end-use products in which they are used, with most responding firms reporting a share of one to five percent. U.S. producers and importers reported the following end uses and cost shares:

- Construction (1-5 percent)
- Furniture and cabinets (0.5-1.0 percent)
- Recreational vehicles (1 percent)
- Manufacturing (no available cost share)
- Fastening (15 percent)
- Crating (2 percent)
- Temporary partitions (1 percent)
- Bedding (5 percent)
- Wall sheathing (5 percent)
- Roof felt (3 percent)
- Mobile home building (0.05 percent)

Business cycles

All three responding U.S. producers and 10 of 21 importers indicated that the CCS staples market was subject to business cycles. Two producers stated that the market followed building seasonality, with demand increasing in the spring and early summer. Producer *** noted that while demand for its specialty staples falls in late summer due to customer vacations, it is not exposed to the seasonality of home construction. Importers also stated that the market was subject to building seasonality in addition to demand increases based on weather events.

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One of three U.S. producers, ***, and 3 of 21 importers indicated that the market was subject to other conditions distinctive to the CCS staples market. Producer *** stated that CCS staples are produced to common industry standards and specifications. Importer *** stated that imports of furniture affected demand outside of normal business cycles, while importer *** noted that shorter lead times had become a competitive factor. In addition, importer *** stated that there has been a slow-down in the furniture and cabinet business since 2016. Importer *** stated that, since 2016, Southern Carlson/Kyocera shutdown Bostitch's staple production, thereby removing ***'s last meaningful source of domestically produced heavy wire staples.

Demand trends

Conditions in the home construction market, and the economy more broadly, influence U.S. demand for CCS staples.[10] [11] The home construction market includes construction of manufactured and modular homes, cabinets, and standard residential and commercial construction. Given the variety of uses of CCS staples, there is no one industry that completely dominates the end use market.[12]

The value of U.S. nonresidential construction increased by 13 percent from $694.5 billion in January 2016 to $787.5 billion in March 2019 and the value of U.S. residential construction increased by 13 percent from $453.2 billion in January 2016 to $511.1 billion in March 2019 (figure II-1).

[10] Petition, vol. 1, p. 19.

[11] Petitioner believes demand is weakening due to a variety of factors, including challenging weather conditions affecting construction, and weakening demand overall. Petitioner's postconference brief, p. 21.

[12] Conference transcript, p. 67 (Faron).

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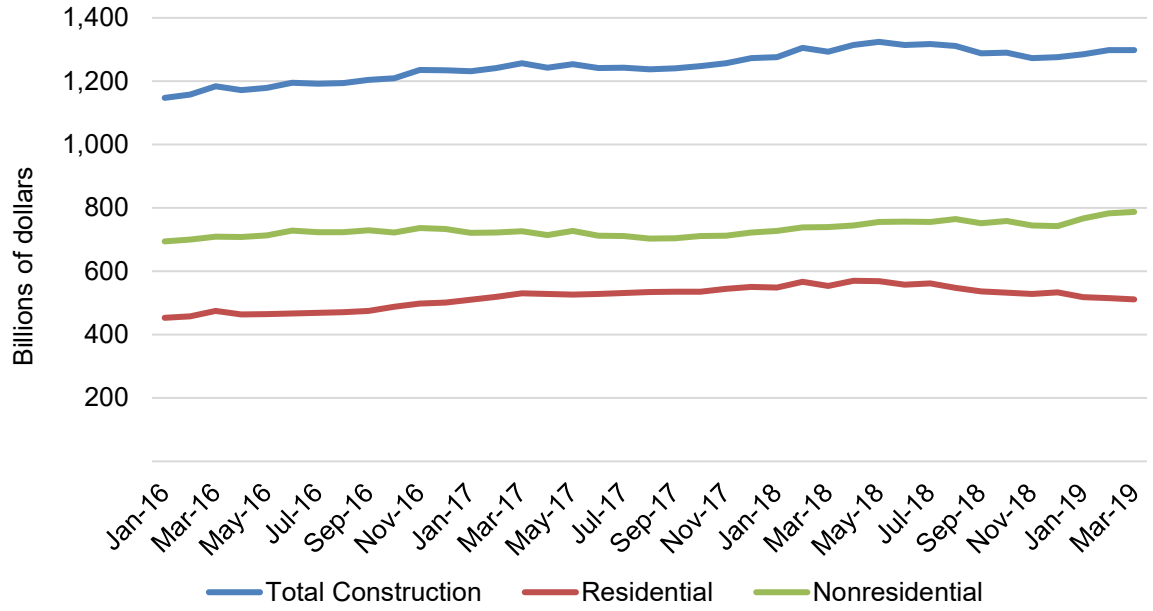
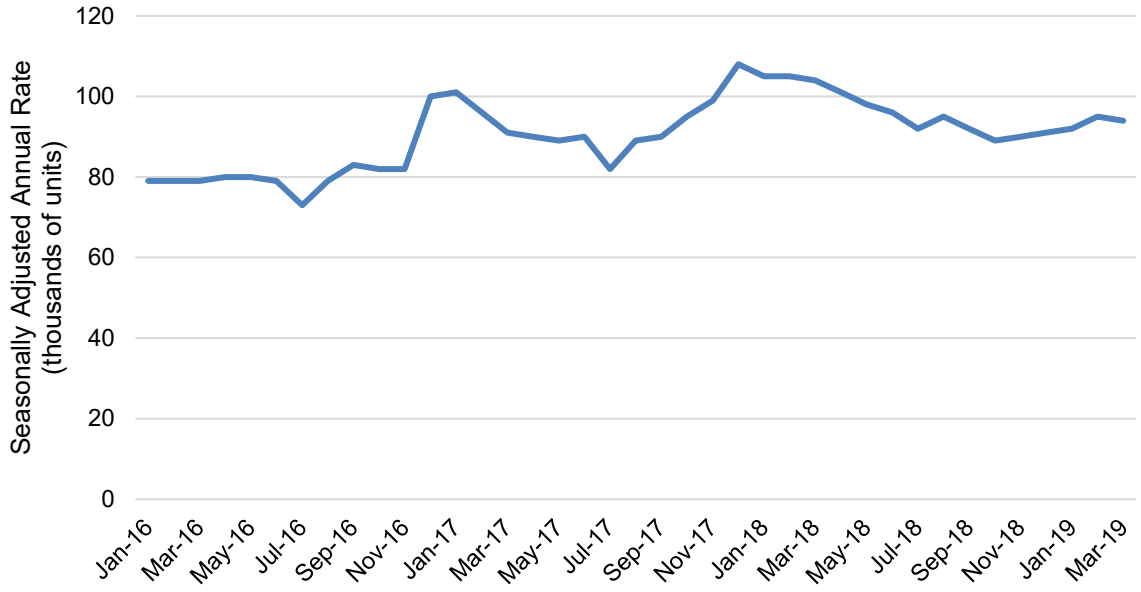
Figure II-1
U.S. construction: Total, residential and nonresidential construction put in place, seasonally adjusted, monthly, January 2016- March 2019



Source: Construction put in place, U.S. Census, https://www.census.gov/construction/c30/historical_data.html, retrieved July 8, 2019.

As shown in figure II-2, shipments of new manufactured homes grew 19 percent overall between January 2016 and March 2019, fluctuating irregularly before reaching a peak at 108,000 units in December 2017 before falling to 94,000 units in March 2019.

Figure II-2
Shipments of new manufactured homes, seasonally adjusted, January 2016-March 2019



Source: Institute for Building Technology and Safety, retrieved June 24, 2019.

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Firms reported varying responses regarding U.S. demand for CCS staples since January 1, 2016 (table II-4). The majority of producers reported that U.S. demand fluctuated, while importers' responses varied.

U.S. producer *** reported that U.S. demand had increased, while U.S. producers *** and *** reported that U.S. demand had fluctuated since 2016. U.S. producer *** reported that demand was strong in the U.S. due to continued recovery and overall economic growth. U.S. producer *** stated that the trend followed building "desires", while U.S. producer *** noticed no clear trend.

Importers were evenly divided with respect to changes in U.S. demand. Importers that reported an increase in demand cited strong economic growth, increased economic activity, and growth in the industries that use staples. Importers that reported a decrease in demand cited increased imports of furniture and mattresses, increasing quality of other closure materials, and the increased use of nails and screws. Two U.S. producers and three importers reported that demand outside the U.S. fluctuated since January 1, 2016; many importers reported no knowledge of demand outside of the United States. One importer that reported an increase in demand cited stronger economies, while another importer noted that the European market seems to be growing.

Table II-4
CCS staples: Firms' responses regarding U.S. demand and demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States:				
U.S. producers	1	---	---	2
Importers	5	5	5	5
Demand outside the United States:				
U.S. producers	---	---	---	2
Importers	2	3	---	3

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

Substitute products

Substitutes for CCS staples include nails, screws, glue, and cleats. While cleats were only cited for use in flooring, the other substitutes may be used in furniture, cabinets, manufacturing, construction, and wood fastening. Most responding U.S. producers (two of three) reported that there were substitutes while only a third of responding importers (6 of 18) reported that there were substitutes. Nearly all of the affirmatively responding producers and importers reported that changes in the prices of these substitutes did not affect the price for CCS staples.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported CCS staples depends upon such factors as relative prices, quality (e.g., grade standards, defect rates, etc.), and conditions

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of sale (e.g., price discounts/rebates, lead times between order and delivery dates, reliability of supply, product services, etc.). Based on available data, staff believes that there is a high degree of substitutability between domestically produced CCS staples and CCS staples imported from subject sources.

Lead times

CCS staples are sold primarily from inventory. U.S. producers reported that *** percent of their commercial shipments were sold from inventory, with lead times averaging *** days. The remaining *** percent of their commercial shipments were produced-to-order, with lead times averaging *** days. Importers reported that 60.2 percent of their commercial shipments were sold from inventory, with lead times averaging 4.2 days. Importers reported that 29.5 percent of their commercial shipments were produced-to-order, with lead times averaging 82.1 days. The remaining 10.3 percent of commercial shipments came from foreign manufacturers' inventories, with an average lead time of 46.2 days.

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations[13] were asked to identify the main purchasing factors their firm considered in their purchasing decisions for CCS staples. Table II-5 presents the major purchasing factors identified by firms, which include quality, price, availability, and capacity. Purchasers also noted the importance of responsiveness, ease of doing business, and suppliers offering a wide variety of product types. Additionally, one purchaser stated concerns about the effect of a supplier's decline in domestic market share.

Table II-5
CCS staples: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor[1]

Item	1st	2nd	3rd	Total
	Number of firms			
Price / Cost	---	1	2	3
Quality	2	---	1	3
Availability / Supply	---	1	1	2
All other factors	2	2	---	NA

[1] Other factors include service and wide variety of product types for the first factor; and capacity and supplier's decline in domestic market share for the second factor.

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

[13] This information is compiled from responses by purchasers identified by Petitioner to the lost sales lost revenue allegations. See Part V for additional information.

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Inclusion of staple equipment

CCS staples may be packaged in combination with other articles, such as staple guns.[14] U.S. producers and importers were asked if additional staple equipment is included in their firms' sales of CCS staples and if this inclusion impacted the selling price of CCS staples. Two of the three responding producers and a majority of responding importers (11 of 19) reported that they do not include equipment in their sales of CCS staples. U.S. producer *** responded that for some accounts they will supply tools such as pneumatic staplers, parts, and service. Producer *** noted that the inclusion of this equipment does not impact the selling price. Importers reported including equipment such as staple guns, staples, parts, and service. Eight importers reported that the inclusion of equipment does not impact the selling prices of CCS staples, while 6 importers that it does impact the selling price. Many importers stated that they charge higher prices to account for the cost of the tools and their service. Importer *** responded that tools are given away at no charge ("loan tools") or at highly discounted rates to entice the use and purchase of staples. Importer *** also stated that tools are "on loan" and serviced. Importer *** reported that the inclusion of equipment helps to build brand loyalty and receive higher prices.

Comparison of U.S.-produced and imported CCS staples

In order to determine whether U.S.-produced CCS staples can generally be used in the same applications as imports from China, Korea, and Taiwan, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-6, all U.S. producers and most responding importers reported that CCS staples from all sources can always be used interchangeably. Importer *** noted that interchangeability depends on gauge of steel and fit to machine. Importer *** stated that staples are interchangeable when designed to fit the same staplers but that this interchangeability is not necessarily between stapler designs. Importer *** also stated that interchangeability is based on brand tool specifications, with the three most popular branded tools being Bostitch, Paslode, and Senco. Producer *** reported that "CCS staples are produced to common industry standards and specifications, and CCS staples from different suppliers are fully interchangeable in staple guns designed for those specifications." It continued that its competitors, including importers and distributors of subject imports, often refer to Senco part numbers as 'equivalent' to their corresponding staples in their sales marketing."

[14] Petition, vol. 1, p. 5.

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Table II-6
CCS staples: Interchangeability between CCS staples produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. China	3	---	---	---	10	6	3	1
United States vs. Korea	3	---	---	---	7	2	3	---
United States vs. Taiwan	3	---	---	---	8	3	2	---
China vs. Korea	3	---	---	---	8	3	2	---
China vs. Taiwan	3	---	---	---	9	3	1	---
Korea vs. Taiwan	3	---	---	---	7	2	2	---
United States vs. Other	3	---	---	---	7	2	3	---
China vs. Other	3	---	---	---	8	1	3	---
Korea vs. Other	3	---	---	---	6	1	3	---
Taiwan vs. Other	3	---	---	---	8	1	2	---

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

In addition, U.S. producers and importers were asked to assess how often differences other than price were significant in sales of CCS staples from the United States, subject, or nonsubject countries. As seen in table II-7, the majority of U.S. producers reported that differences other than price were never significant while the majority of importers generally reported that differences other than price were frequently significant. Importers cited availability, product range, and quality as important non-price factors.

Table II-7
CCS staples: Perceived importance of factors other than price between CCS staples produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. China	---	---	1	2	3	9	5	4
United States vs. Korea	---	---	1	2	2	5	1	3
United States vs. Taiwan	---	---	1	2	2	4	4	4
China vs. Korea	---	---	---	2	1	5	1	3
China vs. Taiwan	---	---	---	2	1	4	3	4
Korea vs. Taiwan	---	---	---	2	1	4	1	3
United States vs. Other	---	---	1	2	1	4	3	2
China vs. Other	---	---	---	2	1	3	4	2
Korea vs. Other	---	---	---	2	1	3	1	2
Taiwan vs. Other	---	---	---	2	1	3	2	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of three firms that accounted for the vast majority of U.S. production of CCS staples during 2018.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to four firms based on information contained in the petition. Three firms provided usable data on their productive operations.[1] Staff believes that these three responses represent more than *** percent of U.S. production of CCS staples in 2018.[2]

Table III-1 lists U.S. producers of CCS staples, their production locations, positions on the petition, and shares of total production.

Table III-1
CCS staples: U.S. producers, their position on the petition, location of production, and share of reported production, 2018

Firm	Position on petition	Production location(s)	Share of production (percent)
Acme	***	Franklin, NH	***
SBD	***	Greenfield, IN	***
Senco	Petitioner	Cincinnati, OH	***
All firms			***

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

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms of CCS staples and table III-3 presents recent developments in the U.S. industry.

[1] The fourth company, PREBENA North American Fastener Corp. ("Prebena"), submitted a questionnaire response without usable data for trade, pricing, and related information.

[2] *** reported ***.

Table III-2
CCS staples: U.S. producers' ownership, related and/or affiliated firms

* * * * * * *

As indicated in table III-2, former U.S. producer SBD was related to former Chinese producer Stanley Works (Langfang) Fastening Company in China.[3] In addition, Kyocera, Senco's parent company, has common ownership of SouthernCarlson,[4] while former producer, SBD, through the Stanley and Black & Decker merger in 2010, owns U.S. importer Black & Decker US.

Table III-3
CCS staples: Recent developments in the U.S. industry

Year	CCS Staples / Firm	Recent events
Expansions:		
July 2016	Prebena N.A. Fastener Corp.	Prebena North American Fastener Corp. added a new production plant at its current location in Bridgeport, WV. Prebena also invested in new production machines to expand its current space and significantly increase its production capacity. A new company BoWiTec, a producer of wire band for the production of staples, occupies part of the new building.
Mergers/Acquisitions:		
August 2017	SENCO Brands	Kyocera Corp. acquired SENCO Brands, a producer of CCS staples, anticipated that this acquisition would strengthen its product-development capabilities within its Cutting Tool Division.
Closures:		
***[1]	Stanley Black and Decker	Stanley Black and Decker permanently closed all CCS staples operations.

[1] The petition stated that SBD ceased CCS staples production in 2017, Petition p. 16. As per SBD's questionnaire response ***.

Source: Contractor Supply magazine news releases; SENCO Brands news releases; Petition p. 16.

Table III-4 presents U.S. producers' reported changes in operations since January 1, 2016. ***, reported *** changes in operations between 2018 and 2019; the firm *** its CCS staples production plant in the first quarter of 2018 and ***, in early 2019.

[3] ***.

[4] Senco and SouthernCarlson operate as two independent companies and are not associated in any other relationship than as affiliates of Kyocera. Conference transcript, p. 103 (Faron). Both companies have separate management, separate financial and reporting systems, and are operated independently and wholly separately. Conference transcript, pp. 103-104 (Gordon).

Table III-4
CCS staples: U.S. producers' reported changes in operations, since January 1, 2016

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-5 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Senco accounted for *** percent of reported production of CCS staples in 2018, while Acme and SBD together accounted for the remaining *** percent. Producers calculated their production capacities based on multiplying equipment capabilities by potential operating time (three shifts per week).[5] *** reported that capacity remained constant during 2016-18, while *** capacity dropped to *** after ***.[6] Overall reported capacity decreased by *** percent from 2016 to 2018, but was higher in January-March 2019 than in January-March 2018 by *** percent. *** was the only U.S. producer that reported higher capacity in January-March 2019 than in January-March 2018.[7] Reported production between 2016 and 2018 *** by *** percent while it *** by *** percent and by *** percent for ***. Capacity utilization decreased from *** percent in 2016 to *** percent in 2018.[8] Acme consistently reported *** capacity utilization rates. The firm has the production equipment and capacity to produce any of the staples that are covered by these investigations but has focused on specialty staples[9] in lieu of larger-volume commodity staples due to the market conditions.[10] Comparing January-March 2019 with January-March 2018, *** active U.S. producers reported lower capacity utilization.

[5] As per the questionnaire, U.S. producers provide the capacity volumes based on the level of production that the establishment could reasonably have expected to attain during the specified periods. Producers are directed to assume normal operating conditions (*i.e.,* using equipment and machinery in place and ready to operate; normal operating levels (hours per week/weeks per year) and time for downtime, maintenance, repair, and cleanup).

[6] *** leadership decided to *** completely ceasing CCS staples production in 2018.

[7] *** sold the CCS staples production equipment to ***, and no longer produces CCS staples.

[8] Although Prebena did not provide a complete questionnaire response, ***.

[9] Acme will engineer staples specifically for an application. The company can work with different dimensions, point on the end and materials. Conference transcript, p. 107 (Gold).

[10] Conference transcript, p. 27 (Gold). Several years ago, Acme purchased two band-line staple presses and trained its workers to use them with the goal to participate in the market for larger volume commodity medium and heavy-wire staples. Due to the current market, Acme has not had the opportunity to put this equipment to real use. Conference transcript, p. 28 (Gold).

Table III-5
CCS staples: U.S. producers' capacity, production, and capacity utilization, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

Figure III-1
CCS staples: U.S. producers' capacity, production, and capacity utilization, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

Alternative products

As shown in table III-6, *** percent of the product produced during 2018 by U.S. producers was in-scope staples. ***, reported being able to switch production between CCS staples and non-CCS staples using the same equipment and/or labor. Overall capacity utilization, including non-CCS staples, decreased by *** percentage points from 2016 to 2018, while overall capacity utilization was lower in January-March 2019 than January-March 2018 by *** percentage points.

Table III-6
CCS staples: U.S. producers' overall capacity and production on the same equipment used to produce CCS staples, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-7 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. producers' shipment quantities decreased by *** percent between 2016 and 2018 and by *** percent in value. However, the unit value of U.S. shipments increased by *** percent. These data reflect, in part, quantities and values reported by *** that yield an average unit value *** the prevailing prices of wire rod. See table III-7 and note 2. Export shipments decreased in quantity by *** percent and in value by *** percent between 2016 and 2018. All U.S. producers reported lower quantities of U.S. shipments in January-March 2019 than in January-March 2018, while only *** reported higher value by *** percent.

Table III-7
CCS staples: U.S. producers' U.S. shipments, export shipments, and total shipments, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Table III-8 presents U.S. producers' inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. U.S. producers' inventories increased by *** percent in 2017 and decreased by *** percent in 2018, with an overall inventory decrease of *** percent between 2016 and 2018. *** inventory for January–March 2019 is *** percent higher than its inventory for January–March 2018.[11] The ratio of U.S. producers' inventories to total shipments increased by *** percentage points between 2016 and 2018, while it is *** percentage points higher for January-March 2019 than January-March 2018.

Table III-8
CCS staples: U.S. producers' inventories, 2016-18, January to March 2018, and January to March 2019

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U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of CCS staples are presented in table III-9. Acme, SBD, and Senco all directly import CCS staples from ***. Senco, the largest U.S. producer, imported from *** the equivalent of *** percent of its U.S. production during 2016, *** percent during 2017, and *** percent during 2018 in order to compete with lower priced imports.[12] *** imported the equivalent of *** percent of its U.S. production in 2018 from ***.[13] As previously mentioned, SBD ceased production of CCS staples. During its last full years of production, SBD's U.S. production ***. Finally, the fourth confirmed U.S. producer, Prebena, imports from ***.[14]

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[11] Reportedly, Senco's reduction in shipments caused more CCS staples to be held in ending inventory. Conference transcript, p. 34 (Klett).

[12] Senco imports most of its private-label product due to lower prices. Conference transcript, p. 108 (Faron), p. 109 (Iker).

[13] Acme has the ability to produce the staples used on a tacker it developed and sells in Taiwan but it does not produce these staples because they are available from Taiwan delivered to the facility at a price that is substantially below Acme's standard cost of production. Conference transcript, pp. 27-28 (Gold).

[14] Prebena North American Fastener Corp. Retrieved from https://www.prebena-usa.com/

Table III-9
CCS staples: U.S. producers' imports, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-10 shows U.S. producers' employment-related data. The number of production and related workers ("PRWs") decreased by *** during 2016-18. Similarly, the number of PRWs was lower in January-March 2019 than in January-March 2018, with the cessation of production by SBD and lower employment levels at ***.[15] Between 2016 and 2018, U.S. producers' PRWs, total hours worked, hours worked per PRW, wages paid, and productivity decreased, while hourly wages and unit labor costs increased.

Table III-10
CCS staples: U.S. producers' employment related data, 2016-18, January to March 2018, and January to March 2019

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[15] According to witness testimony, "Senco has a steady employment workforce. The company is not in a position of laying people off and bringing them back. When some aspects of the industry are down, other aspects are up and when it is down, Senco builds inventory for busier times." Conference transcript, p. 81 (Iker).

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 28 firms believed to be importers of subject CCS staples, as well as to all U.S. producers of CCS staples.[1] Usable questionnaire responses were received from 22 companies, representing 85.0 percent of U.S. imports from all sources during 2018 under HTS statistical reporting number 8305.20.0000, a "basket" category.[2] Firms responding to the Commission's questionnaire accounted for the following estimated shares of imports by source under HTS statistical reporting number 8305.20.0000 in 2018.

- 84.8 percent of imports from China;
- 91.8 percent of imports from Korea;
- 79.9 percent of imports from Taiwan; and
- 26.3 percent of imports from all other sources

Table IV-1 lists all responding U.S. importers of CCS staples from China, Korea, Taiwan, and other sources, their locations, and their shares of U.S. imports, in 2018.

[1] The Commission issued questionnaires to firms that, based on a review of ***, collectively accounted for more than 80.0 percent each of total imports from China, Korea, Taiwan, and all other sources under HTS statistical reporting number 8305.20.0000 in 2018. ***. However, *** reported imports of approximately *** pounds and *** pounds of CCS staples from China in 2017 and 2018, respectively, which represents *** percent of total imports of CCS staples from China in 2017 and *** of total imports from China in 2018. *** did not import CCS staples from any other source during the period for which data were collected.

[2] Import coverage was calculated by dividing the quantity of imports from each source that is represented collectively by the responding U.S. importers by the total quantity of imports from each source. These data were compiled using the ***.

Table IV-1
CCS staples: U.S. importers, their headquarters, and share of total imports by source, 2018

Firm	Headquarters	Share of imports by source (percent)					
		China	Korea	Taiwan	Subject sources	Non-subject sources	All import sources
ACCO	Lake Zurich, IL	***	***	***	***	***	***
Acme Staple	Franklin, NH	***	***	***	***	***	***
Active Sales	Santa Fe Springs, CA	***	***	***	***	***	***
Ample	Sycamore, IL	***	***	***	***	***	***
BeA Fasteners	Greensboro, NC	***	***	***	***	***	***
Building Material	Galt, CA	***	***	***	***	***	***
Central Purchasing	Calabasas, CA	***	***	***	***	***	***
Fastening	Montgomery, AL	***	***	***	***	***	***
Grainger	Lake Forest, IL	***	***	***	***	***	***
ITW	Glenview, IL	***	***	***	***	***	***
Jomedoba	Buxton, OR	***	***	***	***	***	***
Kyocera	Cincinnati, OH	***	***	***	***	***	***
Metro Staple	Springfield, NJ	***	***	***	***	***	***
Peace	Rolling Meadows, IL	***	***	***	***	***	***
PrimeSource	Irving, TX	***	***	***	***	***	***
SBD	New Britain, CT	***	***	***	***	***	***
SouthernCarlson	Omaha, NE	***	***	***	***	***	***
STO Industries	Redmond, WA	***	***	***	***	***	***
TC International	Whittier, CA	***	***	***	***	***	***
Uline	Pleasant Prairie, WI	***	***	***	***	***	***
Vertex	Des Plaines, IL	***	***	***	***	***	***
Youngwoo	Santa Fe Springs, CA	***	***	***	***	***	***
Total		100.0	100.0	100.0	100.0	100.0	100.0

Note.—Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent.

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

U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of CCS staples from China, Korea, Taiwan, and all other sources. The reported quantity of imports from China accounted for *** percent of all reported imports in each year during 2016-18 and for *** percent of all reported imports in January-March (“interim”) 2019. Reported imports from Taiwan, by quantity, accounted for *** percent of all reported imports in each year during 2016-18 and for *** percent in interim 2019. Reported imports from Korea, by quantity, accounted for *** percent of all reported imports throughout 2016-18 and for *** percent of all imports in interim 2019.

Table IV-2
CCS staples: U.S. imports by source, 2016-18, January to March 2018 and January to March 2019

Item	Calendar year			January to March	
	2016	2017	2018	2018	2019
	Quantity (1,000s of pounds)				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	93,037	109,542	120,297	31,838	27,597
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***
	Value (1,000 dollars)				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	59,042	66,340	75,341	19,381	17,516
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***
	Unit value (dollars per pound)				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	0.63	0.61	0.63	0.61	0.63
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***

Table continued on next page.

Table IV-2--Continued
CCS staples: U.S. imports by source, 2016-18, January to March 2018 and January to March 2019

Item	Calendar year			January to March	
	2016	2017	2018	2018	2019
	Share of quantity (percent)				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	***	***	***	***	***
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	***	***	***	***	***
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. production				
U.S. imports from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	***	***	***	***	***
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***

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

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

Figure IV-1
CCS staples: U.S. imports quantity and average unit values, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

The reported value of imports from China accounted for between *** percent and *** percent of all reported imports during 2016-18 and for *** percent in interim 2019. Imports

from Korea, by value, accounted for between *** percent and *** percent of all reported imports during 2016-18 and for *** percent in interim 2019. Imports from Taiwan, by value, accounted for *** percent of all reported imports in each year during 2016-18 and for *** percent in interim 2019.[3]

The quantity of U.S. imports of CCS staples from China increased by *** percent from 2016 to 2018, but was *** percent lower in interim 2019 than in interim 2018.[4] The quantity of imports from Korea and Taiwan decreased irregularly by *** percent and by *** percent, respectively.[5] Imports from Korea and Taiwan were, respectively, *** percent and *** percent lower in interim 2019 than in interim 2018. Overall, imports from all subject sources increased by 29.3 percent from 2016 to 2018, but were 13.3 percent lower in interim 2019 than in interim 2018.[6]

The value of imports from China increased by *** percent from 2016 to 2018, but was *** percent lower in interim 2019 than in interim 2018. The value of imports from Korea and Taiwan decreased by *** percent and by *** percent, respectively, over the same period. The values of imports from Korea and Taiwan were, respectively, *** percent and *** percent lower in interim 2019 than in interim 2018. Overall, the value of imports from all subject sources increased by 27.6 percent from 2016 to 2018, but was 9.6 percent lower in interim 2019 than in interim 2018.

The average unit value of imports from Taiwan was greater than the unit values of imports from China and from Korea in 2016, 2017, and 2018.[7] The annual average unit value of

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[3] ***, which are typically valued higher than other types of in-scope CCS staples. Imports of this particular type of collated steel staples from Taiwan may help explain why imports from Taiwan accounted for a greater share of total imports by value than by quantity. See Part V for additional information on pricing for imports of CCS staple products from China, Korea, and Taiwan.

[4] Among the 19 firms that reported imports from China in each year during 2016-18, 11 reported more imports in 2018 than in 2016. Five firms (***) increased their imports from China by *** pounds during 2016-18, accounting for *** of the total increase. ***.

[5] *** were the only firms that imported CCS staples from Korea. *** imports from Korea decreased by *** pounds from 2016 to 2018 while *** imports from Korea increased by *** pounds. Five firms reported imports from Taiwan, with three firms (***) reporting imports in each year during 2016-18 and in interim 2019. All three firms reported fewer imports from Taiwan in 2018 than in 2016. ***.

[6] Since China accounted for *** of all imports in each year during 2016-18 and for *** percent in interim 2019, changes in the quantity and value of imports from all subject sources largely reflects changes in the quantity and value of imports from China.

[7] According to counsel for respondent China Staple Enterprise Taiwan ("China Staples Taiwan"), the primary reason the average unit value of CCS staples from Taiwan is higher than CCS staples from China or Korea is because raw material costs for CCS staples produced in Taiwan are generally higher than raw material costs for CCS staples produced in China or Korea. Counsel testified that the Taiwan government prohibits CCS staples producers in Taiwan from purchasing wire rod from China, which forces producers in Taiwan to source wire rod locally. Korean manufacturers are not restricted from importing raw wire from China, resulting in lower raw material costs. Respondent China Staple Enterprise's postconference brief, p. 18 and exh. 7.

(*continued*...)

U.S. imports of CCS staples from China was *** per pound in each year during 2016-18 and was $*** per pound in interim 2019. The annual average unit value of imports from Korea ranged from $*** per pound in 2017 to $*** per pound in 2016 and was $*** per pound in interim 2019 while the annual average unit value of imports from Taiwan ranged from $*** per pound in 2018 to $*** per pound in 2017 and was $*** per pound in interim 2019.

Imports from nonsubject sources accounted for *** percent of all imports during 2016-18 and for *** percent of all imports in interim 2018 and *** percent in interim 2019.[8] The quantity of imports from nonsubject sources decreased by *** percent from 2016 to 2018 and was *** percent lower in interim 2019 than in interim 2018. The value of imports from nonsubject sources decreased by *** percent from 2016 to 2018 and was *** percent lower in interim 2019 than in interim 2018.

The average unit value of imports from nonsubject sources was higher than the unit value of imports from China in each year during 2016-18 and in interim 2019. Conversely, it was lower than the unit value of imports from Taiwan over the same periods. The average unit value of imports from nonsubject sources was higher than the unit value of imports from Korea in 2017 and 2018, but was lower in 2016 and interim 2019.

(…*continued*)

China Staple Taiwan reportedly faces higher costs than many of its competitors because its factory does not have a galvanizing license, forcing it to contract an outside firm to galvanize its product. Conference transcript, pp. 121, 127-128 (Sim) and respondent China Staple Enterprise's postconference brief, pp. 18-19.

[8] *** imported CCS staples from nonsubject sources in 2016, 2017, 2018, and interim 2019. These firms imported CCS staple from ***.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[9] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[10] By quantity, imports from China accounted for *** percent of total imports of the subject merchandise while imports from Korea and Taiwan individually accounted for less than 3 percent and together accounted for less than 7 percent of total imports during the most recent 12-month period (June 2018-May 2019). Table IV-3 presents the shares of total U.S. imports, by quantity, for which imports from China, Korea, and Taiwan accounted during the most recent 12-month period.[11]

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[9] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[10] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

[11] Data for imports from China during the most recent 12-month period prior to the filing of the petitions are based on questionnaire responses from 22 companies, which accounted for approximately *** percent of imports from China in 2018 under HTS statistical reporting number 8305.20.0000. Data for imports from Korea during the most recent 12-month period prior to the filing of the petitions are based on questionnaire responses from the two largest known importers of CCS staples ***, which accounted for approximately *** percent of imports from Korea in 2018 under HTS statistical reporting number 8305.20.0000.

Data for imports from Taiwan during the most recent 12-month period prior to the filing of the petitions are based on questionnaire responses from ***. These firms accounted for approximately *** percent of imports from Taiwan in 2018 under HTS statistical reporting number 8305.20.0000. Furthermore, the Commission received responses to its foreign producers' questionnaire from two CCS staple producers in Taiwan, ***. These firms collectively accounted for approximately *** percent of CCS staple production in Taiwan and *** percent of responding U.S. importers' U.S. imports from Taiwan. The Commission received a response to its U.S. importers' questionnaire from five out of the six importers identified by the two CCS staple producers in Taiwan. The Commission did not receive a response from ***, which accounted for approximately *** percent of *** exports of CCS staples to the United States, but was not a customer of ***. However, *** accounted for *** percent of all responding Taiwan producers' exports to the United States. See Part VII for additional information on the CCS staple industry in Taiwan.

(*continued*...)

Table IV-3
CCS staples: U.S. imports in the twelve-month period preceding the filing of the petitions, June 2018 through May 2019

Item	June 2018 through May 2019			
	Questionnaires		Official statistics[1]	
	Quantity (1,000s of pounds)	Share quantity (percent)	Quantity (1,000s of pounds)	Share quantity (percent)
U.S. imports from.--				
China	***	***	139,673	87.1
Korea	***	***	4,327	2.7
Taiwan	***	***	4,408	2.7
Subject sources	115,146	***	148,408	92.6
Combined Korea and Taiwan	***	***	8,735	5.4
Nonsubject sources	***	***	11,943	7.4
All import sources	***	***	160,351	100.0

[1] Official import statistics are overstated because HTS statistical reporting number 8305.20.0000 includes merchandise that is outside the scope of these investigations.

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics using HTS statistical reporting number 8305.20.0000, accessed July 8, 2019.

Tables IV-4 and IV-5 and figures IV-2 and IV-3 present the shares of total U.S. imports, by quantity, for which imports from China, Korea, and Taiwan accounted during the most recent 12-month periods prior to the 12-month negligibility period preceding the filing of the petitions.

Table IV-4
CCS staples: U.S. imports from Korea, Taiwan, and all import sources in the most recent 12-month periods prior to the 12-month negligibility period immediately preceding the filing of the petitions, ending in December 2018 through ending in May 2019

* * * * * * *

Figure IV-2
CCS staples: Korea's and Taiwan's shares of total imports in the most recent 12-month periods prior to the 12-month negligibility period immediately preceding the filing of the petitions, ending in December 2018 through ending in May 2019

* * * * * * *

(…*continued*)

Data for imports from all other sources are based on questionnaire responses from ***. These firms collectively accounted for *** percent of imports from all other sources in 2018 under HTS statistical reporting number 8305.20.0000.

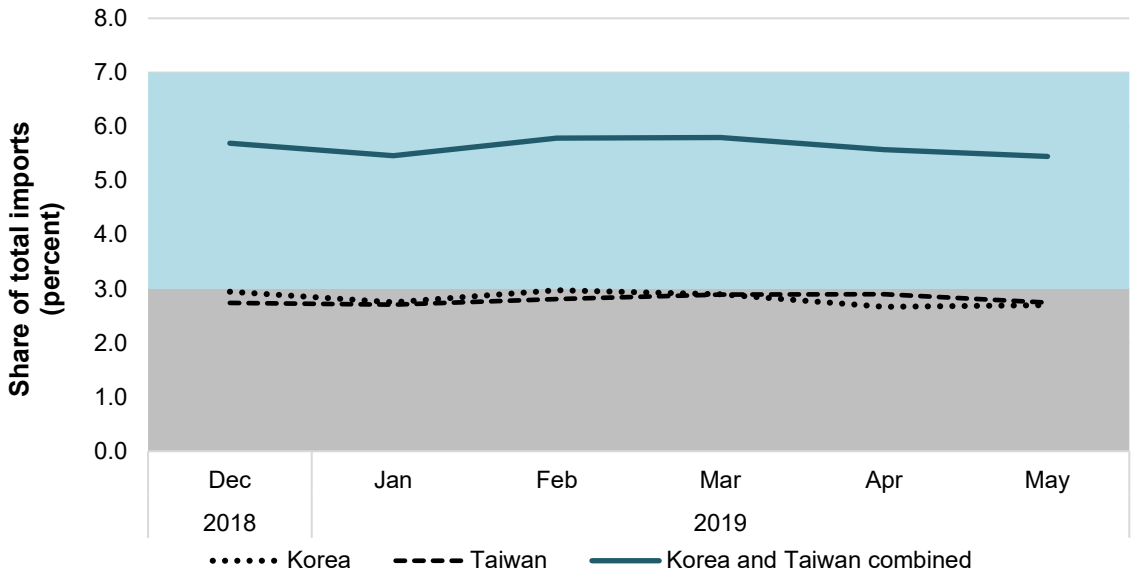
Table IV-5
CCS staples: U.S. imports from Korea, Taiwan, and all import sources in the most recent 12-month periods prior to the 12-month negligibility period immediately preceding the filing of the petitions, ending in December 2018 through ending in May 2019

12 month period ending in	Korea quantity (1,000 pounds)	Taiwan quantity (1,000 pounds)	Combined Korea and Taiwan quantity (1,000 pounds)	All import sources quantity (1,000 pounds)	Korea share (percent)	Taiwan share (percent)	Combined Korea and Taiwan share (percent)
2018.-- December	4,760	4,424	9,184	161,340	3.0	2.7	5.7
2019.-- January	4,473	4,402	8,874	162,500	2.8	2.7	5.5
February	4,797	4,531	9,328	161,208	3.0	2.8	5.8
March	4,614	4,605	9,219	159,032	2.9	2.9	5.8
April	4,311	4,687	8,998	161,504	2.7	2.9	5.6
May (negligibility period)	4,327	4,408	8,735	160,351	2.7	2.7	5.4

Note. — Official import statistics are overstated because HTS statistical reporting number 8305.20.0000 includes merchandise that is outside the scope of these investigations.

Source: Compiled from official import statistics using HTS statistical reporting number 8305.20.0000, accessed July 8, 2019.

Figure IV-3
CCS staples: Korea's and Taiwan's shares of total imports in the most recent 12-month periods prior to the 12-month negligibility period immediately preceding the filing of the petitions, ending in December 2018 through ending in May 2019



Note. — Official import statistics are overstated because HTS statistical reporting number 8305.20.0000 includes merchandise that is outside the scope of these investigations.

Source: Compiled from official import statistics using HTS statistical reporting number 8305.20.0000, accessed July 8, 2019.

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Information regarding channels of distribution, market areas, and interchangeability appear in Part II. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

Fungibility

The Commission collected data on U.S. producers' and U.S. importers' U.S. shipments of CCS staples in 2018 by gauge.[12] In general, the majority of reported U.S. shipments by U.S. producers were lighter gauge (i.e., 18-19 gauge) while the majority of U.S. shipments of imports were heavier gauge (15-17 gauge). Imports from China accounted for the majority of all U.S. shipments of CCS staples.

16 gauge CCS staples accounted for the largest share of U.S. importers' U.S. shipments of imports from China (*** percent), followed 18 gauge (*** percent). 16 gauge CCS staples also accounted for the largest share of U.S. importers' U.S. shipments of imports from Korea (*** percent), followed by other gauge CCS staples (*** percent). The medium weighted 18 gauge CCS staples represented the largest share of the U.S. importers' U.S. shipments of imports from Taiwan (*** percent), followed by 16 gauge CCS staples (*** percent). Table IV-6 and figure IV-4 present U.S. producers' and U.S. importers' U.S. shipments of CCS staple by gauge.[13]

Table IV-6
CCS staples: U.S. producers' and U.S. importers' U.S. shipments by gauge, 2018

* * * * * * *

Figure IV-4
CCS staples: U.S. producers' and U.S. importers' U.S. shipments by gauge, 2018

* * * * * * *

[12] *** could not provide U.S. shipments of CCS staples by gauge because it does not track their U.S. shipments of CCS staples by gauge. *** underreported their U.S. shipments by gauge and were unable to reconcile this data with their total U.S. shipment data. Consequently, U.S. importers' U.S. shipments of imports from China are a little understated (by less than *** percent), when compared to total U.S. shipments.

[13] Nearly all U.S. shipments from all sources were coated CCS staples.

Geographical markets

CCS staples produced in the United States and imported from China, Korea, and Taiwan are shipped nationwide.[14]

Presence in the market

U.S. imports of CCS staples from China, Korea, and Taiwan were present in each month during January 2018-May 2019. Imports from China and Taiwan were at their highest levels in June 2018 while imports from Korea were at their highest level in January 2018. Table IV-7 and figure IV-5 present monthly data for subject and nonsubject imports of CCS staples between January 2018 and May 2019.

Table IV-7
CCS staples: U.S. imports by month, January 2018 through May 2019

* * * * * * *

Figure IV-5
CCS staples: U.S. imports by month, January 2018 through May 2019

* * * * * * *

APPARENT U.S. CONSUMPTION

Table IV-8 and figure IV-6 present data on apparent U.S. consumption for CCS staples. Fluctuating year-to-year, apparent U.S. consumption, measured by quantity, increased by *** percent from 2016 to 2017, but then decreased by *** percent from 2017 to 2018, ending *** percent higher in 2018 than in 2016.[15] Apparent U.S. consumption was *** percent lower in interim 2019 than in interim 2018. The decrease in apparent U.S. consumption reflects a *** percent decrease in U.S. producers' U.S. shipments during 2016-18. U.S. producers' U.S. shipments were *** percent lower in interim 2019 than interim 2018.

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[14] The top three ports of entry for imports from China classified under HTS statistical reporting number 8305.20.0000 were Los Angeles, CA, Chicago, IL, and Savannah, GA. The top three ports of entry for imports from Korea classified under HTS statistical reporting number 8305.20.0000 were Chicago, IL, Seattle, WA, and Los Angeles, CA. The top three ports of entry for imports from Taiwan classified under HTS statistical reporting number 8305.20.0000 were Savannah, GA, Minneapolis, MN, and Los Angeles, CA. The top three ports of entry for imports from all other sources classified under HTS statistical reporting number 8305.20.0000 were Baltimore, MD, Detroit, MI, and Chicago, IL. Shipments to these ports of entry contained products that are outside the scope of these investigations.

[15] Petitioner noted that demand for CCS staples is largely influenced by market conditions for residential and commercial construction. Petitioner's postconference brief, p. 20. See Part II for additional information on demand trends.

Table IV-8
CCS staples: Apparent U.S. consumption, 2016-18, January to March 2018, and January to March 2019

Item	Calendar year			January to March	
	2016	2017	2018	2018	2019
	Quantity (1,000s of pounds)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	100,097	108,065	118,413	30,622	25,537
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments from.--					
China	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subject sources	89,856	97,470	104,672	27,091	24,578
Subject sources less Korea and Taiwan	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan	***	***	***	***	***
All import sources	***	***	***	***	***
Apparent U.S. consumption	***	***	***	***	***

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

Figure IV-6
CCS staples: Apparent U.S. consumption, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

U.S. importers' U.S. shipments of imports from China and Taiwan increased by *** percent and *** percent, respectively, during 2016-18. However, U.S. shipments of imports from China and Taiwan were *** percent and *** percent lower in interim 2019 than in interim 2018. U.S. shipments of imports from Korea decreased irregularly by *** percent during 2016-18 and were *** percent lower in interim 2019 than in interim 2018. U.S. shipments of imports from nonsubject sources decreased by *** percent during 2016-18 and were *** percent lower in interim 2019 than in interim 2018.

The value of apparent U.S. consumption increased by *** percent from 2016 to 2018, but was *** percent lower in interim 2019 than in interim 2018. The increase in the value of apparent U.S. consumption during 2016-18 reflects the increase in the value of U.S. importers U.S. shipments imports from China. The difference in the value of apparent U.S. consumption between the interim periods reflects, in part, the smaller relative value of shipments reported by ***.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-9. U.S. producers' market share, by quantity, decreased from *** percent in 2016 to *** percent in 2018; the majority of the decrease occurred from 2017 to 2018.[16] It was *** percentage points lower in interim 2019 than in interim 2018. Conversely, the market share of imports from China increased from *** percent in 2016 to *** percent in 2018. The market share of imports from China was *** percentage points higher in interim 2019 than in interim 2018.

Table IV-9
CCS staples: U.S. market shares, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

The market share of imports from Korea, by quantity, decreased irregularly from *** percent in 2016 to *** percent in 2018. The market share of imports from Taiwan, by quantity, decreased from *** percent in 2016 to *** percent in 2017, but then returned to *** percent in 2018. The market share of imports from Korea was the same in interim 2018 and interim 2019 at *** percent while the market share of imports from Taiwan was *** percentage points lower in interim 2019 than in interim 2018.

[16] The decrease in market share from 2017 to 2018 reflects the decrease in *** U.S. shipments. The decrease in SBD's shipments during this period reflects ***. See Part III for additional information on *** operations.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

CCS staples are produced from steel wire that may be drawn from wire rod or purchased from a wire producer.[1] Most CCS staples are produced of low-carbon steel, although some CCS staples are also produced of stainless steel to resist corrosion.[2] Raw materials are the largest component of total cost of goods sold ("COGS") for CCS staples. Raw material costs, as a share of U.S. producers' COGS, increased from *** percent in 2016 to *** percent in 2018. Raw material costs, as a share of COGS, were *** percent in January-March 2018 and *** percent in January-March 2019. The average mid-monthly price of low carbon wire rod almost doubled from January 2016 to March 2019 (figure V-1). On average, low carbon wire rod cost $*** per short ton in January 2016, increasing to $*** per short ton in June 2018, where it remained through January 2019 before falling to $*** per short ton in March 2019.[3]

Figure V-1
North America low carbon wire rod prices, monthly average prices, January 2016-March 2019

* * * * * * *

All three U.S. producers and the majority of importers (13 of 20) reported that raw material prices have increased since January 2016. The majority of firms stated that steel input prices have increased substantially due to the Section 232 steel tariffs and the measures on wire rod. U.S. producer *** reported that in addition to the increase in wire rod prices, prices for other raw materials such as collating and packing material have also increased. *** reported that its costs for wire rod will increase further ***. U.S. producers Senco and Acme stated that they have been unable to pass on raw material price increases to their customers.[4]

[1] Petition, vol. 1, p. 6.

[2] Petition, vol. 1, p. 5; petitioner's postconference brief, p. 23.

[3] A combination of antidumping and countervailing duty orders on carbon and certain alloy steel wire rod from Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, United Arab Emirates, and the United Kingdom entered into effect in the United States in the first half of 2018.

[4] Conference transcript, pp. 27 and 68 (Gold and Faron). U.S. producer Senco stated that for some its customers, prices for CCS staples are indexed to steel prices; however, for the most part it is unable to pass raw material price increases on to its customers. Conference transcript, p. 68 (Faron).

Effect of Section 232 duties on steel and AD/CVD orders

The vast majority of U.S. producers and importers reported that the imposition of the Section 232 tariffs on imported steel products since March 2018 has had an impact on both raw material costs as well as prices for CCS staples in the U.S. market (table V-1).[5] U.S. producer *** stated that prices of imported CCS staples have remained low while domestic producers' costs for raw material inputs have increased. However, most responding importers reported that prices of CCS staples in the U.S. market have increased due to the Section 232 tariffs. Importer *** reported that CCS staples prices have increased due to increased raw material costs, ocean freight, and the Section 232 tariffs.

Similarly, the vast majority of U.S. producers and importers reported that the AD/CVD orders on wire rod issued during January-May 2018 have increased the raw material costs for CCS staples in the U.S. market. However, firms' responses were mixed on the impact of these orders on the price for CCS staples. U.S. producers *** and 3 of 8 responding importers indicated that CCS staple prices have increased since the AD/CVD orders were imposed. U.S. producer *** and half of responding importers reported that U.S. prices for CCS staples have fluctuated since the AD/CVD order on wire rod were imposed. U.S. producer *** stated that "staples have not been covered by either the Section 232 steel tariffs or by AD/CVD orders. Because of this, those tariffs do not appear to have affected import prices. In fact, based on what we see in the market, prices of imports remain very aggressively low and have prevented *** from increasing its prices to fully reflect increases in its costs as the volume of low-priced imports has grown."

[5] Imports of steel wire rod are subject to Section 232 tariffs; however, imports of staples themselves are not subject to the Section 232 tariffs.

Table V-1
CCS staples: Impact of the Section 232 tariff on steel and the AD/CVD duty orders on wire rod

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
232 impact on staple prices.--				
U.S. producers	3	---	---	---
U.S. importers	8	1	---	3
232 impact on raw material costs.--				
U.S. producers	2	1	---	---
U.S. importers	8	1	---	1
AD/CVD wire rod impact on staple prices.--				
U.S. producers	2	---	---	1
U.S. importers	3	1	---	4
AD/CVD wire rod impact on raw material costs.--				
U.S. producers	3	---	---	---
U.S. importers	5	1	---	1

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

U.S. inland transportation costs

All U.S. producers and the vast majority of importers reported that they typically arrange transportation to their customers. U.S. producers *** reported U.S. inland transportation costs of *** and *** percent, respectively, while most importers reported costs of 1.0 to 6.0 percent.

PRICING PRACTICES

Pricing methods

As presented in table V-2, U.S. producers and importers sell primarily on transaction-by-transaction negotiations, contracts, and price lists.

Table V-2
CCS staples: U.S. producers' and importers' reported price setting methods, by number of responding firms[1]

Method	U.S. producers	U.S. Importers
Transaction-by-transaction	2	15
Contract	2	7
Set price list	1	9
Other	---	4
Responding firms	3	21

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

U.S. producers' and importers' primary pricing methods varied by firm. U.S. producer *** reported that it sells CCS staples through contracts only, *** reported that it sells on a spot basis only, and *** reported that it sells the vast majority of its sales through short term contracts averaging *** days. Most importers reported selling CCS staples on the spot market. However, four importers reported that at least 50 percent of their sales were sold through short-term contracts, with the average duration of contracts ranging from *** to *** days.[6] Two importers reported that at least 75 percent of their sales were sold through annual contracts and one importer (***) reported that all of its sales were through long-term contracts. As shown in table V-3, U.S. producers and importers reported their U.S. commercial shipments of CCS staples by type of sale in 2018.

Table V-3
CCS staples: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2018

* * * * * * *

Sales terms and discounts

U.S. producers *** and more than half of importers (11 of 21) typically quote prices on an f.o.b. basis. U.S. producers *** offer quantity or total volume discounts while *** does not offer discounts. Ten of 21 responding importers offered quantity or total volume discounts or other and 11 importers do not offer discounts.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following CCS staples products shipped to unrelated U.S. customers during January 2016-March 2019.

Product 1.--18 gauge wire staples, ¼ inch crown, 1 inch leg length, chisel point, galvanized steel, collated with glue, adhesive or equivalent {similar to Senco part no. L13BABN}.

Product 2.--18 gauge wire staples, ¼ inch crown, 1 ¼ - inch leg length, chisel point, galvanized steel, collated with glue, adhesive or equivalent {similar to Senco part no. L15BAB}.

[6] Importer ***, one of the largest importers of CCS staples from Korea, reported that *** percent of its sales were through short-term contracts and the other *** percent were sold on the spot market. Importer ***, one of the largest importers of CCS staples from Taiwan, reported selling *** percent of its sales through short-term contracts.

Product 3.--16 gauge wire staples, 7/16 inch crown, 1 ½ inch leg length, chisel point, galvanized steel, collated with glue, adhesive, or equivalent {similar to Senco part no. N17BAB}.

Product 4.--16 gauge wire staples, 7/16 inch crown, 1 ¾ inch leg length, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. N19BAB}.

Product 5.--16 gauge wire staples, 1 inch crown, 5/8 inch length, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. P10BAB}.

Product 6.--16 gauge wire staples, 1 inch crown, 1 inch leg, chisel point, galvanized steel, collated with glue, adhesive, plastic or paper tape or equivalent {similar to Senco part no. P13BAB}.

One U.S. producer, ***, and 16 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[7] [8] [9] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' U.S. shipments of CCS staples (by value), *** percent of U.S. shipments of subject imports from China, *** percent of U.S. shipments of subject imports from Korea, and *** percent of U.S. shipments of subject imports from Taiwan in 2018. Price data for products 1-6 are presented in tables V-4 to V-9 and figures V-2 to V-7.

Table V-4
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

[7] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[8] Sixteen importers provided price data for CCS staples imported from China; one importer, *** reported price data for CCS staples imported from Korea; and one importer, ***, reported price data for CCS staples from Taiwan.

*** does not track its sales by units of staples but instead by box or package count. Therefore, it has estimated its quantities by multiplying an average unit staple count (in 1000s of staples) to the record number of units for each pricing product.

[9] U.S. importer *** provided price data for product 1 from Taiwan. The product met the gauge, crown, and length requested but was made from stainless steel with prices ranging from $*** to $*** per 1,000 staples. These data were not included in the pricing analysis.

Table V-5
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

Table V-6
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

Table V-7
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

Table V-8
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

Table V-9
CCS staples: Weighted-average f.o.b. prices and quantities of domestic and imported product 6 and margins of underselling/(overselling), by quarters, January 2016- March 2019

* * * * * * *

Figure V-2
CCS staples: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2016- March 2019

* * * * * * *

Figure V-3
CCS staples: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2016- March 2019

* * * * * * *

Figure V-4
CCS staples: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2016- March 2019

* * * * * * *

Figure V-5
CCS staples: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2016- March 2019

* * * * * * *

Figure V-6
CCS staples: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2016- March 2019

* * * * * * *

Figure V-7
CCS staples: Weighted-average prices and quantities of domestic and imported product 6, by quarters, January 2016- March 2019

* * * * * * *

Price trends

In general, prices increased during January 2016- March 2019. Table V-10 summarizes the price trends, by country and by product. As shown in the table, domestic price increases ranged from *** to *** percent during January 2016-March 2019. Prices of imports from China and Taiwan increased for products *** and decreased for products ***. Import price increases ranged from *** to *** percent; import price decreases ranged from *** to *** percent.

Table V-10
CCS staples: Summary of weighted-average f.o.b. prices for products 1-6 from the United States and subject countries

* * * * * * *

As shown in figure V-8, changes in domestic prices followed similar trends for all 6 pricing products until the fourth quarter of 2017 when price gaps between the different products grew. Domestic prices for products *** increased the most, with the largest increases occurring during the second half of 2018.

Figure V-8
CCS staples: Indexed U.S. producer's prices, January 2016-March 2019

* * * * * * *

As shown in figure V-9, subject import prices increased for all products but products *** during January 2016-March 2019. Subject import prices for product *** increased by *** percent, and accounted for the largest volume of subject pricing data (approximately *** percent). Subject import prices for product *** fluctuated the most and accounted for the smallest share of subject import pricing data (approximately *** percent).

Figure V-9
CCS staples: Indexed subject U.S. importers' prices, January 2016-March 2019

* * * * * * *

Price comparisons

As shown in table V-11a, prices for CCS staples imported from subject countries were below those for U.S.-produced CCS staples in 202 of 210 instances (*** staples); margins of underselling ranged from 0.4 to 57.6 percent. In the remaining 8 instances (*** staples), prices for CCS staples imported from subject countries were between 0.6 and 17.8 percent above prices for the domestic product. Instances of overselling occurred in products 5 and 6. Table V-11b compares the prices of CCS staples imported from China and domestic CCS staples prices.

Table V-11a
CCS staples: Instances of underselling/overselling and the range and average of margins, by product and by country, January 2016- March 2019

Source	Underselling				
	Number of quarters	Quantity[1] (1,000 staples)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
Product 5	***	***	***	***	***
Product 6	***	***	***	***	***
Total, underselling	202	***	30.2	0.4	57.6
China	74	***	***	***	***
Korea	62	***	***	***	***
Taiwan	66	***	***	***	***
Total, underselling	202	***	30.2	0.4	57.6
Source	(Overselling)				
	Number of quarters	Quantity[1] (1,000 staples)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
Product 5	***	***	***	***	***
Product 6	***	***	***	***	***
Total, overselling	8	***	(6.5)	(0.6)	(17.8)
China	4	***	***	***	***
Korea	1	***	***	***	***
Taiwan	3	***	***	***	***
Total, overselling	8	***	(6.5)	(0.6)	(17.8)

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

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

Table V-11b
CCS staples: Instances of underselling/overselling and the range and average of margins, by product, excluding Korea and Taiwan, January 2016- March 2019

Source	Underselling				
	Number of quarters	Quantity[1] (1,000 staples)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
Product 5	***	***	***	***	***
Product 6	***	***	***	***	***
Total, underselling	74	***	***	***	***
Source	**(Overselling)**				
	Number of quarters	**Quantity[1] (1,000 staples)**	**Average margin (percent)**	**Margin range (percent)**	
				Min	**Max**
Product 1	***	***	***	***	***
Product 2	***	***	***	***	***
Product 3	***	***	***	***	***
Product 4	***	***	***	***	***
Product 5	***	***	***	***	***
Product 6	***	***	***	***	***
Total, overselling	4	***	***	***	***

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

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

LOST SALES AND LOST REVENUE

The Commission requested that U.S. producers of CCS staples report purchasers where they experienced instances of lost sales or revenue due to competition from imports of CCS staples from China, Korea, and Taiwan during January 2016-March 2019. Of the two responding U.S. producers, both reported that they had to reduce prices and both firms reported that they had lost sales. One U.S. producer, *** submitted lost sales allegations, totaling $*** and identified 17 firms where it lost sales but did not provide allegations of lost revenue. Six allegations occurred during primarily the first half of 2017, five occurred in primarily the second half of 2018, three occurred in the first half of 2019, and two are "ongoing" negotiations. Staff contacted 16 purchasers and received responses from four purchasers.[10] Responding purchasers reported purchasing *** pounds of CCS staples during January 2016-March 2019 (table V-12).

[10] Staff contacted 16 purchasers multiple times but received only 4 responses.

Table V-12
CCS staples: Purchasers' responses to purchasing patterns

* * * * * * *

During 2018, responding purchasers purchased *** percent from U.S. producers, *** percent from China, *** percent from nonsubject countries, and *** percent from "unknown sources." *** purchaser reported purchases of CCS staples imported from Korea or Taiwan. Purchaser *** reported that it did not know the source of its CCS staples and stated that its purchasing patterns have remained constant since January 1, 2016.[11] Purchaser *** indicated that its purchases from both domestic producers and imports from China had increased since 2016 due to expanding its private label, acquisition of distributors, and company growth. Purchaser *** reported that its purchases from U.S. producers and imports from China have remained constant. Purchaser *** reported that it decreased its domestic purchases and increased its purchases of imported CCS staples from China. It stated that it ***.

All three responding purchasers reported that, since 2016, they had purchased imported CCS staples from China instead of U.S.-produced CCS staples.[12] These three purchasers reported that subject import prices were lower than those of U.S.-produced product, and one of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced CCS staples. One purchaser estimated that it purchased *** pounds of CCS staples from China instead of domestic product (table V-13). Purchasers identified U.S. producers' available capacity, product range, quality, and staple gun failure as non-price reasons for purchasing imported rather than U.S.-produced product.

Table V-13
CCS staples: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * * * *

Of the four responding purchasers, one purchaser reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (table V-14; one reported that it did not know). The reported estimated price reduction was *** percent. In describing the price reductions, *** stated that the price reduction occurred in the last year on a limited number of products; it stated that the price reductions reflected fluctuations in the cost for imported wire rod from China.

Table V-14
CCS staples: Purchasers' responses to U.S. producer price reductions

* * * * * * *

[11] *** reported that it purchased from ***.

[12] Purchaser ProFast did not respond to questions regarding purchasing imports of CCS staples. Staff followed up but received no response.

In responding to the lost sales lost revenue survey, some purchasers provided additional information on purchases and market dynamics. Purchaser *** stated that the biggest obstacles for domestic manufacturers gaining more business from it are range of product offering, competitive prices, ***, and capacity. Purchaser *** reported that dependable tools (e.g. staple guns) are an important purchasing factor.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Three U.S. producers, Acme, Senco, and SBD, reported usable financial results on their operations on CCS staples for 2016 through January-March 2019.[1] [2]

Notable changes in the character of CCS staples operations include the acquisition of Senco by Kyocera in 2017, ***, and ***.[3] Acme and Senco, which reported CCS staple operations throughout the period, indicated that there were no operational disruptions.[4]

For the period as a whole, Senco accounted for *** percent of total sales volume, SBD accounted for *** percent, and Acme accounted for *** percent.

OPERATIONS ON CCS STAPLES

Table VI-1 and table VI-2 present income-and-loss data for U.S. producers' operations on CCS staples and corresponding changes in average per pound values, respectively. Table VI-3 presents selected financial information by firm.[5]

---

[1] ***.

[2] ***.

Kyocera and SBD are both publicly traded companies, while Acme is privately held. Conference transcript, p. 76 (Gold). Subsequent to its acquisition in 2017 by Kyocera, Senco became part of Kyocera's Industrial Tool segment. Form 20-F Kyocera 2018 annual report, p. 18. SBD, which exited U.S. staple manufacturing in 2018, includes its staple operations in general as part of its Power Tools and Equipment business, which is in turn included in the company's Tools & Storage segment. SBD 2018 10-K, p. 4.

[3] Subsequent to its acquisition by Kyocera, Senco's day-to-day operations have remained essentially the same. As described by a Senco company official, "Kyocera allows us to operate as an independent business. I have seen some investment in the organization as far as equipment, that type of main concern, but I can honestly say that over a period of time which Kyocera has taken over it has not changed my daily routine or the manufacturing operation's daily routine at all." Conference transcript, p. 81 (Iker).

[4] Conference transcript, p. 78 (Iker, Gold).

[5] In general, the utility of the Commission's variance analysis is enhanced when product mix remains the same throughout the period. While company-specific product mix and customer mix appear to have been relatively stable during the period (Conference transcript, pp. 84-85 (Feron, Gold)), changes in market share and differences in company-specific average per pound sales values are such that the utility of a variance analysis appears to be limited. Accordingly, a variance analysis is not presented in this report.

Table VI-1
CCS staples: Results of operations of U.S. producers, 2016-18, January-March 2018, and January-March 2019

* * * * * * *

Table VI-2
CCS staples: Changes in average per pound values, 2016-18, January-March 2018, and January-March 2019

* * * * * * *

Table VI-3
CCS staples: Results of operations of U.S. producers, by firm, 2016-18, January-March 2018, and January-March 2019

* * * * * * *

Revenue

The substantial majority (*** percent) of total CCS staples revenue represents commercial sales with a relatively small amount classified as internal consumption (*** percent) also being reported.[6] Given the predominance of commercial sales, a single revenue line item is presented in the tables below.

Quantity

The U.S. industry's total sales quantity of CCS staples declined throughout the full-year period and was lower in January-March 2019 compared to January-March 2018. In 2018, the steepness of the overall sales quantity decline was primarily attributable to ***. At the end of the period and while Acme and Senco *** reported *** sales quantity in January-March 2019 compared to January-March 2018, Senco's *** was more pronounced (see table VI-3).[7] [8]

Value

Table VI-3 shows that the U.S. producers reported a wide range of average per pound sales values. In general, the much *** average per pound sales values reported by ***,[9] while the *** 2018 average per pound sales value reported by ***.[10]

During the full-year period, *** average per pound sales value *** modestly ***. In contrast, its January-March 2019 average per pound sales value was *** percent *** compared to January-March 2018.[11] Table VI-2 shows that, while changes in average per pound sales

[6] ***. E-mail with attachment from ***, July 1, 2019.
[7] ***. E-mail with attachment from ***, July 1, 2019.
[8] ***. USITC auditor notes (preliminary phase).
[9] ***. E-mail with attachment from ***, July 2, 2019.
[10] ***. E-mail with attachment from ***, July 1, 2019.
[11] ***. E-mail with attachment from ***, July 1, 2019.

value and average per pound raw material cost were directionally the same throughout the period, they varied in terms of the extent to which changes in sales value offset corresponding changes in raw material cost.

Cost of goods sold and gross profit or loss

Raw materials

Total raw material cost accounts for the largest share of CCS staples total cost of goods sold (COGS), ranging from *** percent in 2017 to *** percent in January-March 2019. Senco, accounting for the majority of total reported raw material cost, purchases galvanized and non-galvanized wire rod, which is subsequently drawn into wire to produce CCS staples.[12] Similarly, SBD's primary raw material reflects wire rod.[13] Acme, in contrast, purchases wire.[14]

The U.S. industry's average per pound raw material cost increased throughout the period and reached its highest level in January-March 2019. Senco noted that ***.[15] In general, Senco's raw material purchase contracts are based on indexes.[16] With regard to the variability of its average per pound raw material costs, ***.[17]

Other factory costs and direct labor

Other factory costs represent the second largest component of COGS, ranging from *** percent of total COGS in 2018 to *** percent in 2017 during the full-year period. Direct labor is the smallest component of COGS, ranging from *** percent of total COGS in 2018 to *** percent in 2016 during the full-year period.[18]

While material input costs represent the largest share of total COGS, capacity utilization and the absorption of non-material manufacturing costs were also described as important to

[12] Conference transcript, p. 85 (Iker). A Senco company official stated, "We draw four basic raw materials. Bright rod and galvanized rod . . . we start with galvanized rod and draw it to size and the same thing with the bright. So the advantage of having the wire-draw capability in house is we start with four raw materials, we make 60 different iterations of wire out of those four base raw materials. It gives us a lot of flexibility." Conference transcript, pp. 85-86 (Iker).

[13] E-mail from ***, July 2, 2019.

[14] Conference transcript, p. 85 (Gold).

[15] ***. *** U.S. producer questionnaire, response to III-18.

[16] Conference transcript, p. 87 (Iker).

[17] E-mail with attachment from ***, July 2, 2019. ***. Petitioner's postconference brief (Exhibit 1), pp. 31-32.

[18] ***.

overall CCS staples cost.[19] With regard to the components of other factory costs, Senco *** that tool costs associated with its Memo Loan Tools (MLT) program are ***.[20]

While at different levels, the average per pound other factory costs and direct labor of *** fluctuated somewhat during the full-year period but remained in a relatively *** range. *** stated that the interim-period variability of its average per pound other factory costs and direct labor reportedly reflects a combination of ***.[21] The company's *** average per pound direct labor and other factory costs, as compared to ***, generally reflect underutilized capacity, as well as the more specialized nature of its CCS staple production.[22] ***.[23]

Cost of goods sold

During the full-year period, changes in average per pound COGS were mixed in terms of underlying drivers (see table VI-2). Higher average per pound COGS in 2017 reflects average per pound increases in all of the elements of COGS (raw material, other factory costs, direct labor). In contrast, higher average per pound COGS in 2018 primarily reflects higher average per pound raw material cost with modest increases and decreases in average per pound other factory costs and direct labor, respectively, cancelling each other out. Higher January-March 2019 average per pound COGS compared to January-March 2018 is due primarily to higher average per pound raw material costs and to a lesser extent to higher average per pound other factory costs and direct labor.

Gross profit or loss

In conjunction with declining sales quantity and gross profit ratios (total gross profit divided by total revenue), the U.S. industry's total gross profit declined during the full-year period and was lower in January-March 2019 compared to January-March 2018.

For the period as a whole, the trend in the industry's gross profit ratio generally reflects average per pound gross profit that increased at a slower rate than corresponding increases in average per pound sales value. In 2017, the increase in average per pound sales value essentially just offset corresponding average per pound COGS, yielding an average per pound

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[19] As described by a Senco company official, "Certainly, capacity is critical of the operation and that it distributes overhead at a different rate . . . capacity {utilization} is everything when it comes to driving your costs." Conference transcript, pp. 83-84 (Iker).

[20] According to Senco, "Tools, typically pneumatic staplers, are loaned free of charge to certain customers that purchase medium and heavy staples from Senco under what it refers to as a "Memo Loan Tools" program (MLT). Senco also services the stapler, including replacement of parts, which is categorized by Senco as "No Charge Product" (NCP). ***. Petitioner's postonference brief (Exhibit 1), pp. 35-36.

[21] ***. E-mail with attachment from ***, July 2, 2019.

[22] Acme stated that significantly underutilized capacity has resulted in ***. Additionally, ". . . because Acme is presently only able to compete in the area of specialty staples and because its equipment is older due to an inability to invest in its operations due to the injury caused by low-priced imports, ***. Petitioner's postconference brief (Exhibit 1), p. 32.

[23] ***. E-mail with attachment from ***, July 1, 2019.

gross profit that was about the same as 2016 but a lower profit ratio due to the larger revenue denominator. In 2018 and in January-March 2019 compared to January-March 2018, increases in average per pound sales values offset corresponding average per pound COGS and also generated increases in average per pound gross profit. However, the relative increases in average per pound gross profit were smaller than the increases in average per pound sales values, which in turn yielded lower gross profit ratios (see footnote 11).

Table VI-3 shows that *** reported *** total gross profit and gross profit ratios in January-March 2019 compared to January-March 2018. *** indicated that it generally considers its January-March 2019 financial results to reflect unique circumstances that are no longer in effect (see footnote 15); i.e., in their absence, *** financial results would have deteriorated to a greater degree at the end of the period.[24] *** generally attributed its *** interim-period gross profit ratios, compared to its full-year gross profit ratios, to differences in product mix.[25]

SG&A expenses and operating income or loss

Following the same directional trend as changes in total sales value, the U.S. industry's total SG&A expenses increased to their highest level of the period in 2017, declined in 2018, and then were lower in January-March 2019 compared to January-March 2018. Corresponding SG&A expense ratio (total SG&A expenses divided by total revenue) remained in a relatively narrow range during the full-year period and was somewhat lower in January-March 2019 compared to January-March 2018. (Note: ***). As shown in table VI-3, Acme's SG&A expense ratio *** throughout the period and was *** compared to Senco's.[26]

The U.S. industry's total operating income declined throughout the period, reflecting both lower total sales quantity and contractions in operating income ratio (total operating income divided by total revenue). Given the relatively narrow range of SG&A expense ratios, the contraction in the U.S. industry's operating income ratio largely reflects declines at the gross profit level. On a company-specific basis and while Acme generated *** full-year gross profit ratios compared to ***, its corresponding operating income ratios were *** due to *** SG&A expense ratios.

Interest expense, other expenses, and net income or loss

The U.S. industry's total net income was lower compared to total operating income in 2016 and 2017 and then higher in 2018 and the interim periods. Differences in operating income and net income levels reflect the presence of interest expense, other expenses, and other income. The directional pattern of changes in total operating income and total net income were the same throughout the period.

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[24] ***. *** U.S. producer questionnaire, response to III-18.

[25] ***. E-mail with attachment from ***, July 2, 2019.

[26] ***. Petitioner's postconference brief (Exhibit 1), p. 37.

While *** accounted for a relatively *** of total interest expense in 2016 and 2017, its share *** in 2018 due to the large decline in *** interest expense in that year, which in turn reflects changes in ***.[27] (Note: *** report interest expense, other expenses, or other income for the period that it had operations.)

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents U.S. producers' capital expenditures and research and development (R&D) expenses related to their CCS staples operations. As shown in table VI-4, *** U.S. producer reported R&D expenses.

Table VI-4
CCS staples: Capital expenditures and research and development (R&D) expenses of U.S. producers, 2016-18, January-March 2018, and January-March 2019

* * * * * * *

Table VI-4 shows that *** reported capital expenditures throughout the period of varying magnitudes with its highest annual level reported in 2018.[28] In contrast, *** reported *** capital expenditures.[29]

ASSETS AND RETURN ON ASSETS

Table VI-5 presents data on U.S. producers' company-specific assets and operating return on net assets related to operations on CCS staples.[30]

Table VI-5
CCS staples: U.S. producers' total net assets and operating return on net assets, 2016-18

* * * * * * *

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[27] ***. Petitioner's postconference brief (Exhibit 1), p. 33. ***.

[28] ***. *** U.S. producer questionnaire, response to III-13 (note 1). At the Commission's staff conference, a Senco company official confirmed that the above-referenced equipment is being used in production. Conference transcript, p. 80 (Iker).

[29] ***. E-mail with attachment from ***, July 2, 2019.

***. *** U.S. producer questionnaire, response to III-13 (note 1).

[30] With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line value on the asset side of a company's balance sheet) reflects an aggregation of a number of current and non-current assets, which, in many instances, are not product specific. Allocation factors were presumably necessary to report total asset values specific to U.S. producers' operations on CCS staples. The ability of U.S. producers to assign total asset values to discrete product lines affects the meaningfulness of operating return on net assets.

CAPITAL AND INVESTMENT

The Commission requested the U.S. producers of CCS staples to describe any actual or potential negative effects on their 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 CCS staples from China, Korea, and/or Taiwan. Table VI-6 tabulates the responses on actual negative effects on investment, growth and development, as well as anticipated negative effects.[31] Table VI-7 presents the narrative responses of the U.S. producers regarding actual and anticipated negative effects on investment, growth and development.

Table VI-6
CCS staples: Negative effects of imports from subject sources on investment, growth, and development since January 1, 2016

* * * * * * *

Table VI-7
CCS staples: Narrative responses of U.S. producers regarding actual and anticipated negative effects of imports from subject sources on investment, growth, and development since January 1, 2016

* * * * * * *

[31] As indicated in footnote 1, *** is not included in the U.S. industry's financial results. As applicable, however, this company's responses to questions regarding actual and anticipated negative effects due to subject imports are included in table VI-6 and table VI-7.

***. *** U.S. producer questionnaire, responses to III-15 and III-18.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for CCS staples-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

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

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like CCS staples, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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

THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 95 firms believed to produce and/or export CCS staples from China.[3] Usable responses to the Commission's questionnaire were received from three firms: ***. These firms' exports to the United States were equivalent to *** percent of responding U.S. importers' U.S. imports of CCS staples from China in 2018. According to estimates reported by the responding producers in China, their production of CCS staples in China is equivalent to approximately *** percent of overall production of CCS staples in China in 2018. Table VII-1 presents information on the CCS staples operations of the responding producers and exporters in China.

Table VII-1
CCS staples: Summary data for producers in China, 2018

Firm	Production (1,000s of pounds)	Share of reported production (percent)	Exports to the United States (1,000s of pounds)	Share of reported exports to the United States (percent)	Total shipments (1,000s of pounds)	Share of firm's total shipments exported to the United States (percent)
A-Jax	***	***	***	***	***	***
Staple Enterprise—China	***	***	***	***	***	***
Jin Xing Shen Long	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

Changes in operations

No responding Chinese producer reported a change in operations since January 1, 2016.

Operations on CCS staples

Table VII-2 presents information on the CCS staples operations of the responding producers and exporters in China.[4] Chinese producers' average production capacity decreased by *** percent from 2016 to 2017, but then increased by *** percent from 2017 to 2018,

[3] These firms were identified through a review of information submitted in the petition and contained in *** records.

[4] *** did not provide any projections for CCS production capacity, CCS production, and total shipments for 2020, despite follow-up requests from Commission staff. Consequently, Commission staff based *** projections for 2020 on its projections for 2019. This data adjustment provides a more complete comparison between responding producers' projections for calendar year 2019 and calendar year 2020.

ending *** percent higher in 2018 than in 2016. *** reported more production capacity in 2018 than in 2016 while *** reported lower production capacity. Chinese producers' production capacity was *** percent higher in interim 2019 than in interim 2018. It is projected to decrease by *** percent in 2019 and *** from 2019 to 2020.

Table VII-2
CCS staples: Data for producers in China, 2016-18, January to March 2018, January to March 2019 and projection calendar years 2019 and 2020

* * * * * * *

Chinese producers' production increased by *** percent from 2016 to 2017 and by *** percent from 2017 to 2018, ending *** percent higher in 2018 than in 2016. *** reported more production in 2018 than in 2016 while *** reported less production. *** accounted for the *** of the total increase in production from 2016 to 2018. Chinese producers' production was *** percent higher in interim 2019 than in interim 2018. *** reported more CCS production in interim 2019 than in interim 2018. Chinese producers' production is projected to decrease by *** percent from 2018 to 2019 and by *** percent from 2019 to 2020.

Chinese producers' capacity utilization increased from *** percent in 2016 to *** percent in 2017 and to *** percent in 2018. ***. ***. Chinese producers' capacity utilization was *** percentage points higher in interim 2019 than in interim 2018. It is projected to be *** percent in 2019 and *** percent in 2019.[5]

Home market shipments increased by *** percent from 2016 to 2017 and by *** percent from 2017 to 2018, ending *** percent higher in 2018 than in 2016. Although home market shipments increased in absolute terms during 2016-18, its share of total shipments decreased from *** percent in 2016 to *** percent in 2018. Home market shipments were *** percent higher in interim 2019 than in interim 2018 and are projected to decrease by *** percent from 2018 to 2019 and *** from 2019 to 2020.

Export shipments accounted for the majority of responding Chinese producers' total shipments during 2016-18. Most of those exports went to the United States (*** percent in 2016, *** percent in 2017, and *** percent in 2018). Export shipments to the United States increased by *** percent from 2016 to 2017 and by *** percent from 2017 to 2018, ending *** percent higher in 2018 than in 2016. *** reported more exports to the United States in 2018 than in 2016 while *** reported fewer exports to the United States. Exports to the United States were *** percent higher in interim 2019 than in interim 2018. *** reported more exports to the United States in interim 2019 than in interim 2018. They are projected to decrease by *** percent in 2019 and by *** percent from 2019 to 2020.

[5] The decrease in projected capacity utilization in 2020 is due to *** projecting its capacity utilization to be *** percent.

Alternative products

Table VII-3 presents responding Chinese producers' production capacity and production of CCS staples and other products using shared equipment. CCS staples accounted for *** percent of total production on shared equipment during 2016-18 and for *** percent in interim 2019. ***. ***.

Table VII-3
CCS staples: Overall capacity and production on the same equipment as in-scope production by producers in China, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

THE INDUSTRY IN KOREA

The Commission issued foreign producers' or exporters' questionnaires to 15 firms believed to produce and/or export CCS staples from Korea.[6] The Commission did not receive a response from any Korean producers or exporters. According to the petitioner and the company website, You-One Fastening Solutions is a Korean producer of CCS staples that sells 15-gauge, 16-gauge, and 18-gauge collated steel staples that are similar to CCS staples sold by the petitioner.[7] Although there is no publicly available information on the scale of You-One Fastening's operations, its website lists two offices and one facility in Korea.[8] The petitioner also identified BK Fastener and Fastening Care as possible producers/exporters of CCS staples from Korea.[9] However, there is no publicly available information on the size of these firms' CCS staples operations. In their responses to the Commission's U.S. importers' questionnaire and in correspondence with Commission staff, U.S. importers, *** Ltd, identified ***, respectively, as their suppliers of CCS staples from Korea.[10] As discussed in Part IV, these firms imported *** pounds of CCS staples from Korea in 2018.

Exports

Table VII-4 presents data for exports of staples in strips, which include CCS staples, from Korea in descending order of quantity for 2018. The leading export markets for staples in strips from Korea in 2018, by quantity, were the United States, Saudi Arabia, Egypt, and Pakistan, accounting for 81.9 percent, 5.7 percent, 2.1 percent, and 1.9 percent, respectively. Exports of

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[6] These firms were identified through a review of information submitted in the petition and contained in *** records.

[7] Petition, exh. IV-10 and petitioner's postconference brief, exh. 11.

[8] You-One Fastening Systems, "About Us", http://www.youonefastening.com/about-us/, accessed July 1, 2019.

[9] Petitioner's postconference brief, exh. 5.

[10] ***, correspondence with Commission staff, June 12, 2019.

staples in strips to the United States decreased by 3.9 percent from 2016 to 2017, but then increased by 10.8 percent from 2017 to 2018, ending 6.4 percent higher in 2018 than in 2016.

Table VII-4
Staples in strips: Exports from Korea by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Quantity (1,000s of pounds)		
Exports from Korea to the United States	4,069	3,909	4,331
Exports from Korea to other major destination markets.--			
Saudi Arabia	292	237	303
Egypt	113	45	112
Pakistan	161	166	100
China	89	42	64
United Arab Emirates	91	71	63
Japan	43	54	54
Kuwait	6	14	53
United Kingdom	73	94	29
All other destination markets	352	342	180
Total Korea exports	5,289	4,974	5,289
	Value (1,000 dollars)		
Exports from Korea to the United States	3,859	3,689	5,286
Exports from Korea to other major destination markets.--			
Saudi Arabia	330	276	393
Egypt	155	62	151
Pakistan	174	175	122
China	143	69	121
United Arab Emirates	100	81	91
Japan	67	83	103
Kuwait	6	16	67
United Kingdom	57	82	28
All other destination markets	448	541	330
Total Korea exports	5,339	5,073	6,692

Table continued on next page.

Table VII-4--Continued
Staples in strips: Exports from Korea by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Unit value (dollars per pound)		
Exports from Korea to the United States	0.95	0.94	1.22
Exports from Korea to other major destination markets.--			
Saudi Arabia	1.13	1.16	1.30
Egypt	1.37	1.37	1.35
Pakistan	1.08	1.05	1.22
China	1.61	1.63	1.89
United Arab Emirates	1.10	1.13	1.44
Japan	1.55	1.56	1.91
Kuwait	1.01	1.16	1.28
United Kingdom	0.78	0.87	0.97
All other destination markets	1.27	1.58	1.83
Total Korea exports	1.01	1.02	1.27
	Share of quantity (percent)		
Exports from Korea to the United States	76.9	78.6	81.9
Exports from Korea to other major destination markets.--			
Saudi Arabia	5.5	4.8	5.7
Egypt	2.1	0.9	2.1
Pakistan	3.0	3.3	1.9
China	1.7	0.9	1.2
United Arab Emirates	1.7	1.4	1.2
Japan	0.8	1.1	1.0
Kuwait	0.1	0.3	1.0
United Kingdom	1.4	1.9	0.5
All other destination markets	6.7	6.9	3.4
Total Korea exports	100.0	100.0	100.0

Source: Official export statistics under HS subheading 8305.20 as reported by Korea Customs and Trade Development Institution in the Global Trade Atlas database, accessed July 2, 2019.

THE INDUSTRY IN TAIWAN

The Commission issued foreign producers' or exporters' questionnaires to 20 firms believed to produce and/or export CCS staples from Taiwan.[11] Usable responses to the Commission's questionnaire were received from two firms: China Staple Enterprises ("China Staples Taiwan")[12] and Unicatch Industrial Co. Ltd ("Unicatch"). These firms' exports to the

[11] These firms were identified through a review of information submitted in the petition and contained in *** records.

[12] This entity is affiliated with China Staple Enterprises (Tianjin) through family relations. However, respondent counsel testified that these entities are two separate operations. Conference transcript, p. 134 (Sim).

United States were equivalent to *** percent of responding U.S. importers' U.S. imports of CCS staples from Taiwan in 2018. According to estimates reported by the responding producers in Taiwan, their production of CCS staples in Taiwan were equivalent to approximately *** percent of overall production of CCS staples in Taiwan. Table VII-5 presents information on the CCS staples operations of the responding producers and exporters in Taiwan.

Table VII-5
CCS staples: Summary data for producers in Taiwan, 2018

Firm	Production (1,000s of pounds)	Share of reported production (percent)	Exports to the United States (1,000s of pounds)	Share of reported exports to the United States (percent)	Total shipments (1,000s of pounds)	Share of firm's total shipments exported to the United States (percent)
Staple Enterprise—Taiwan	***	***	***	***	***	***
Unicatch	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

Changes in operations

No responding producer in Taiwan reported any changes in operations since January 1, 2016.

Operations on CCS staples

Table VII-6 presents information on the CCS staples operations of responding producers in Taiwan.

Table VII-6
CCS staples: Data for producers in Taiwan, 2016-18, January to March 2018, and January to March 2019 and projection calendar years 2019 and 2020

* * * * * * *

Collectively, these producers' production capacity decreased by *** percent from 2016 to 2017, but was *** from 2017 to 2018. ***. ***, in interim 2018 and in interim 2019 and is projected to ***, in 2019 and 2020.

The responding producers' production in Taiwan decreased by *** percent from 2016 to 2017 and by *** percent from 2017 to 2018, ending *** percent lower in 2018 than in 2016. *** each reported less production in 2018 than in 2016 though China Staple Taiwan's decrease in production *** during that period. Their production was *** percent higher in interim 2019 than in interim 2018. Unicatch's production was *** in interim 2019 than in interim 2018 while

China Staple Taiwan's production was ***. Their combined production is expected to increase by *** percent in 2019 and *** from 2019 to 2020.

Responding producers' average capacity utilization decreased from *** percent in 2016 to *** percent in 2017 and to *** percent in 2018. China Staple Taiwan's capacity utilization ***. Unicatch's capacity utilization ***.

Responding producers' home market shipments fluctuated year to year, increasing by *** percent from 2016 to 2017, but then decreasing by *** percent from 2017 to 2018, ending *** percent higher in 2018 than in 2016. Home market shipments were *** percent higher in interim 2019 than in interim 2018. Home market shipments accounted for a minority, but increasing, share of responding producers' total shipments (*** percent in 2016, *** percent in 2017, and *** percent in 2018).

Export shipments accounted for the majority, but a decreasing, share of the responding producers' total shipments. Although most exports went to the United States during 2016-18, those exports accounted for a decreasing share of total exports (*** percent in 2016, *** percent in 2017, and *** percent in 2018) as export shipments to the United States decreased by *** percent from 2016 to 2018. *** reported fewer exports to the United States in 2018 than in 2016. Export shipments to the United States were *** percent lower in interim 2019 than in interim 2018, but are projected to increase by *** percent in 2019. They are projected to *** in 2020.

Alternative products

Table VII-7 presents data on production capacity and production of CCS staples and other products using shared equipment in Taiwan. CCS staples accounted for over *** percent of total production on the same machinery in each year during 2016-18 and *** percent in interim 2019. ***.

Table VII-7
CCS staples: Overall capacity and production on the same equipment as in-scope production by producers in Taiwan, 2016-18, January to March 2018, and January to March 2019

* * * * * * *

SUBJECT COUNTRIES COMBINED

Table VII-8 presents summary data on CCS staples operations of the reporting subject producers in the subject countries.[13]

[13] As discussed previously, *** did not provide any projections for calendar year 2020. To provide a more complete comparison between projection calendar years 2019 and 2020, Commission staff adjusted *** projections for calendar year 2020 data to equal its projection for calendar year 2019

Table VII-8
CCS staples: Data on the industry in subject countries, January to March 2018, and January to March 2019 and projection calendar years 2019 and 2020

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2016	2017	2018	2018	2019	2019	2020
	Quantity (1,000s of pounds)						
Capacity	61,516	58,621	65,175	16,051	16,492	62,618	62,618
Production	49,988	51,598	58,638	11,114	12,703	54,916	32,231
End-of-period inventories	2,964	3,257	2,267	3,325	2,736	832	1,782
Shipments:							
Home market shipments:							
Internal consumption/ transfers	531	683	672	112	236	632	632
Commercial home market shipments	2,477	2,627	2,653	569	571	2,621	2,621
Total home market shipments	3,008	3,310	3,325	680	807	3,253	3,253
Export shipments to:							
United States	40,831	42,117	49,586	8,845	9,811	44,826	20,115
All other markets	5,844	5,928	6,800	1,476	1,491	7,913	7,913
Total exports	46,675	48,045	56,386	10,321	11,302	52,739	28,028
Total shipments	49,683	51,355	59,712	11,002	12,110	55,992	31,281
	Ratios and shares (percent)						
Capacity utilization	81.3	88.0	90.0	69.2	77.0	87.7	51.5
Inventories/production	5.9	6.3	3.9	7.5	5.4	1.5	5.5
Inventories/total shipments	6.0	6.3	3.8	7.6	5.6	1.5	5.7
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	1.1	1.3	1.1	1.0	2.0	1.1	2.0
Commercial home market shipments	5.0	5.1	4.4	5.2	4.7	4.7	8.4
Total home market shipments	6.1	6.4	5.6	6.2	6.7	5.8	10.4
Export shipments to:							
United States	82.2	82.0	83.0	80.4	81.0	80.1	64.3
All other markets	11.8	11.5	11.4	13.4	12.3	14.1	25.3
Total exports	93.9	93.6	94.4	93.8	93.3	94.2	89.6
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-9 presents data on U.S. importers' reported end-of-period inventories of CCS staples.

Table VII-9
CCS staples: U.S. importers' inventories, period

Item	Calendar year			January to March	
	2016	2017	2018	2018	2019
	Inventories (1,000s of pounds); Ratios (percent)				
Imports from China: Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from Korea: Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from Taiwan: Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from subject sources: Inventories	23,060	23,602	24,996	25,352	26,933
Ratio to U.S. imports	24.8	21.5	20.8	19.9	24.4
Ratio to U.S. shipments of imports	23.0	21.8	21.1	20.7	26.4
Ratio to total shipments of imports	23.0	21.8	21.1	20.7	26.3
Imports from nonsubject sources: Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***
Imports from all import sources: Inventories	***	***	***	***	***
Ratio to U.S. imports	***	***	***	***	***
Ratio to U.S. shipments of imports	***	***	***	***	***
Ratio to total shipments of imports	***	***	***	***	***

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

U.S. importers' end-of-period inventories of imports from China and Taiwan increased by *** percent and *** percent, respectively, from 2016 to 2018 while end-of-period inventories from Korea decreased by *** percent. Inventories of imports from China and Taiwan were, respectively, *** percent and *** percent higher at the end of interim 2019 than at the end of interim 2018. Inventories of imports from Korea were *** percent lower in interim 2019 than in interim 2018.

Among the 17 firms that reported inventories at the end of each year during 2016-18, 13 reported more inventories of imports from China at the end of 2018 than at the end of 2016. *** accounted for the majority of the increase in end-of-period inventories of imports from China from 2016 to 2018 (***). Among the three firms that reported inventories of imports from Taiwan at the end of each year during 2016-18, three firms (***) reported more inventories at the end of 2018 than at the end of 2016. *** were the only firms to hold inventories of imports from Korea and each firm reported fewer inventories of such imports at the end of 2018 than at the end of 2016.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of CCS staples from China, Korea, and Taiwan after March 31, 2019. Responding importers reported *** pounds, *** pounds, and *** pounds of arranged imports from China, Korea, and Taiwan, respectively. Most of these arranged imports are in April-September 2019. Imports from China account for *** percent, *** percent, and *** percent of all arranged imports in April-June 2019, July-September 2019, and October-December 2019, respectively. Korea and Taiwan individually account for *** percent of all arranged imports in April-June 2019 and July-September 2019. There are no arranged imports from Korea or Taiwan after September 30, 2019. Nonsubject sources account for *** percent and *** percent of all arranged imports in July-September 2019 and October-December 2019, respectively. There are no arranged orders of imports from nonsubject sources in April-June 2019. Table VII-10 presents data for shipments of CCS staples arranged for U.S. importation after March 31, 2019.

Table VII-10
CCS staples: Arranged imports, April 2019 through March 2020

* * * * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known trade remedy actions on CCS staples from China, Korea, and Taiwan in third-country markets.

INFORMATION ON NONSUBJECT COUNTRIES

According to GTA data, in 2018, the five leading exporters of staples in strips, which include CCS staples, were China, Germany, Japan, Netherlands, and the United States. These five countries accounted for approximately 65.6 percent of total global exports of staples in strips. Table VII-11 presents the ten largest global export sources of staples in strips during 2016-18. China is the largest exporter of these items, accounting for 39.5 percent of global exports during 2018.

Table VII-11
Staples in strips: Global exports by source, 2016-18

Exporter	Calendar year		
	2016	2017	2018
	Value (1,000 dollars)		
United States	23,414	24,360	21,973
China	135,515	144,039	165,448
All other major reporting exporters.—			
Germany	32,666	32,129	34,209
Japan	31,746	30,773	28,877
Netherlands	22,022	22,414	24,195
Sweden	13,342	12,927	15,460
France	14,171	15,063	14,272
Austria	11,303	11,012	11,921
India	8,635	10,161	11,056
Italy	10,875	11,642	10,783
All other exporters	74,149	75,198	80,555
Total global exports	377,839	389,719	418,750
	Share of value (percent)		
United States	6.2	6.3	5.2
China	35.9	37.0	39.5
All other major reporting exporters.—			
Germany	8.6	8.2	8.2
Japan	8.4	7.9	6.9
Netherlands	5.8	5.8	5.8
Sweden	3.5	3.3	3.7
France	3.8	3.9	3.4
Austria	3.0	2.8	2.8
India	2.3	2.6	2.6
Italy	2.9	3.0	2.6
All other exporters	19.6	19.3	19.2
Total global exports	100.0	100.0	100.0

Note.--Because of rounding, figures may not add to total shown. Not all countries were able to provide export content in weight. These data also include out-of-scope items such as staples with diameters smaller than 0.0345 inches.

Source: Global Trade Information Services, Inc., Global Trade Atlas, HTS subheading 8305.20.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
84 FR 27803, June 14, 2019	*Certain Collated Steel Staples From China, Korea, and Taiwan; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.govinfo.gov/content/pkg/FR-2019-06-14/pdf/2019-12534.pdf
84 FR 31840, July 3, 2019	*Certain Collated Steel Staples from the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.govinfo.gov/content/pkg/FR-2019-07-03/pdf/2019-14232.pdf
84 FR 31833, July 3, 2019	*Certain Collated Steel Staples from the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*	https://www.govinfo.gov/content/pkg/FR-2019-07-03/pdf/2019-14234.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

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

Subject: Certain Collated Steel Staples from China, Korea, and Taiwan

Inv. Nos.: 701-TA-626 and 731-TA-1452-1454 (Preliminary)

Date and Time: June 27, 2019 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in Court Room B (Room 111), 500 E Street, SW., Washington, DC.

EMBASSY APPEARANCE:

Taipei Economic and Cultural Representative Office in the United States
Washington, DC

James, Chih-tang Tsai, Economic Division

OPENING REMARKS:

In Support of Imposition (**Adam H. Gordon**, The Bristol Group PLLC)
In Opposition to Imposition (**Edmund Sim**, Appleton Luff Pte Ltd)

In Support of the Imposition of
Antidumping Duty and Countervailing Duty Orders:

The Bristol Group PLLC
Washington, DC
on behalf of

Kyocera Senco Industrial Tools, Inc.

Joseph Faron, Vice President, North American Field Sales,
KYOCERA SENCO Industrial Tools, Inc.

Charles Iker, Director, U.S. Manufacturing Operations,
KYOCERA SENCO Industrial Tools, Inc.

Thomas R. Gold, Vice President, Acme Staple Company

Onno Boswinkel, Consultant, Acme Staple Company

In Support of the Imposition of
Antidumping Duty and Countervailing Duty Orders (continued):

Daniel Klett, Economist, Capital Trade, Inc.

Adam H. Gordon)
Jennifer M. Smith) – OF COUNSEL
Ping Gong)

In Opposition to the Imposition of
Antidumping Duty and Countervailing Duty Orders:

Appleton Luff Pte Ltd
Washington, DC
on behalf of

China Staple Enterprise Corporation

Sanny Lin, Assistant Manager, China Staple Enterprise Corporation

Kelly Slater)
) – OF COUNSEL
Edmund Sim)

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (**Adam H. Gordon,** The Bristol Group PLLC)
In Opposition to Imposition (**Edmund Sim**, Appleton Luff Pte Ltd)

-END-

APPENDIX C

SUMMARY DATA

All U.S. producers

Table C-1
CCS staples: Summary data concerning the U.S. market, 2016-18, January to March 2018, and January to March 2019
(Quantity=1,000s of pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2016	2017	2018	2018	2019	2016-18	2016-17	2017-18	2018-19
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***	***	***
Subject sources	***	***	***	***	***	***	***	***	***
Subject less Korea and Taiwan	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
Nonsubject plus Korea and Taiwan	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***	***	***
Subject sources	***	***	***	***	***	***	***	***	***
Subject less Korea and Taiwan	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
Nonsubject plus Korea and Taiwan	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subject sources:									
Quantity	100,097	108,065	118,413	30,622	25,537	18.3	8.0	9.6	(16.6)
Value	89,856	97,470	104,672	27,091	24,578	16.5	8.5	7.4	(9.3)
Unit value	$0.90	$0.90	$0.88	$0.88	$0.96	(1.5)	0.5	(2.0)	8.8
Ending inventory quantity	23,060	23,602	24,996	25,352	26,933	8.4	2.3	5.9	6.2
Subject sources less Korea and Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources plus Korea and Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued
CCS staples: Summary data concerning the U.S. market, 2016-18, January to March 2018, and January to March 201
(Quantity=1,000s of pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2016	2017	2018	2018	2019	2016-18	2016-17	2017-18	2018-19
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs (dollars per pound)	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

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

Related party exclusion

Table C-2
CCS staples: Summary data concerning the U.S. market excluding one U.S. producer *, 2016-18, January to March 2018, and January to March 2019**
(Quantity=1,000s of pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2016	2017	2018	2018	2019	2016-18	2016-17	2017-18	2018-19
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1):									
Included producers	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***
All producers	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***	***	***
Subject sources	***	***	***	***	***	***	***	***	***
Subject less Korea and Taiwan	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
Nonsubject plus Korea and Taiwan	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (fn1):									
Included producers	***	***	***	***	***	***	***	***	***
Excluded producers	***	***	***	***	***	***	***	***	***
All producers	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Korea	***	***	***	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***	***	***	***
Subject sources	***	***	***	***	***	***	***	***	***
Subject less Korea and Taiwan	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
Nonsubject plus Korea and Taiwan	***	***	***	***	***	***	***	***	***
All import sources	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subject sources:									
Quantity	100,097	108,065	118,413	30,622	25,537	18.3	8.0	9.6	(16.6)
Value	89,856	97,470	104,672	27,091	24,578	16.5	8.5	7.4	(9.3)
Unit value	$0.90	$0.90	$0.88	$0.88	$0.96	(1.5)	0.5	(2.0)	8.8
Ending inventory quantity	23,060	23,602	24,996	25,352	26,933	8.4	2.3	5.9	6.2
Subject sources less Korea and Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-2--Continued
CCS staples: Summary data concerning the U.S. market excluding one U.S. producer *, 2016-18, January to March 2018, and January to March 2019**
(Quantity=1,000s of pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2016	2017	2018	2018	2019	2016-18	2016-17	2017-18	2018-19
U.S. importers' U.S. shipments of imports from:									
Nonsubject sources plus Korea and Taiwan:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Included U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***	***	***	***	***
Unit labor costs (dollars per pound)	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

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