

industry. Instead, "poor management" was determined to be the primary cause of the injury to Keystone. Imports from Canada were minimal and would probably have been exempted under the Canada-U.S. Free Trade Agreement.

6 Corn Brooms

Following receipt of a petition filed on March 4, 1996, on behalf of the U.S. Corn Broom Task Force and its individual members, the ITC initiated an investigation, under section 202 of the Trade Act of 1974, into imports of corn brooms. The majority of the Commissioners determined that corn brooms were being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing an article like or directly competitive with the imported article. The final ITC vote on provisional relief, however, was 3 to 3; in the absence of a majority, the ITC made a negative determination on that aspect of the petition.

Factors indicating serious injury included a significant idling of productive facilities in the domestic industry, and significant unemployment and underemployment. Total domestic shipments declined by 15.9% over the five-year period for which the ITC collected data. Inventories and productivity remained relatively unchanged. Most responding firms also reported other indications of financial difficulty, such as rejection of loan applications or difficulty in obtaining a loan, lowering of credit ratings, cancellation or rejection of expansion projects, and reduction in the size of capital investments.

Also contributing to the industry's deteriorating financial condition was the inability of a significant number of firms to operate at a reasonable level of profit and recoup increased costs, along with falling prices in high-volume product lines.

Pursuant to section 311 (a) of the North American Free Trade Agreement (NAFTA) Implementation Act, imports of corn brooms produced in Mexico were found to account for a substantial share of total imports of such brooms and to contribute significantly to the serious injury caused by imports. Imports from Mexico increased by over 50% in 1994, the first year of the NAFTA. Imports nearly doubled again in 1995 and in that year they accounted for 71% of the total volume of imports to the United States. However, imports of corn brooms from Canada were found to have been small or nil, and there were no reported imports in either 1992 or 1995. Accordingly, the ITC did not find that subject imports from Canada accounted for a substantial share of total imports or contributed significantly to the serious injury found.

Two groupings of Commissioners recommended differing remedies: (1) an increase in tariffs to 12% in the first year, declining to 3% in the fourth year; or (2) an increase in tariffs to 40% in the first year, declining to 12% by the fourth year.