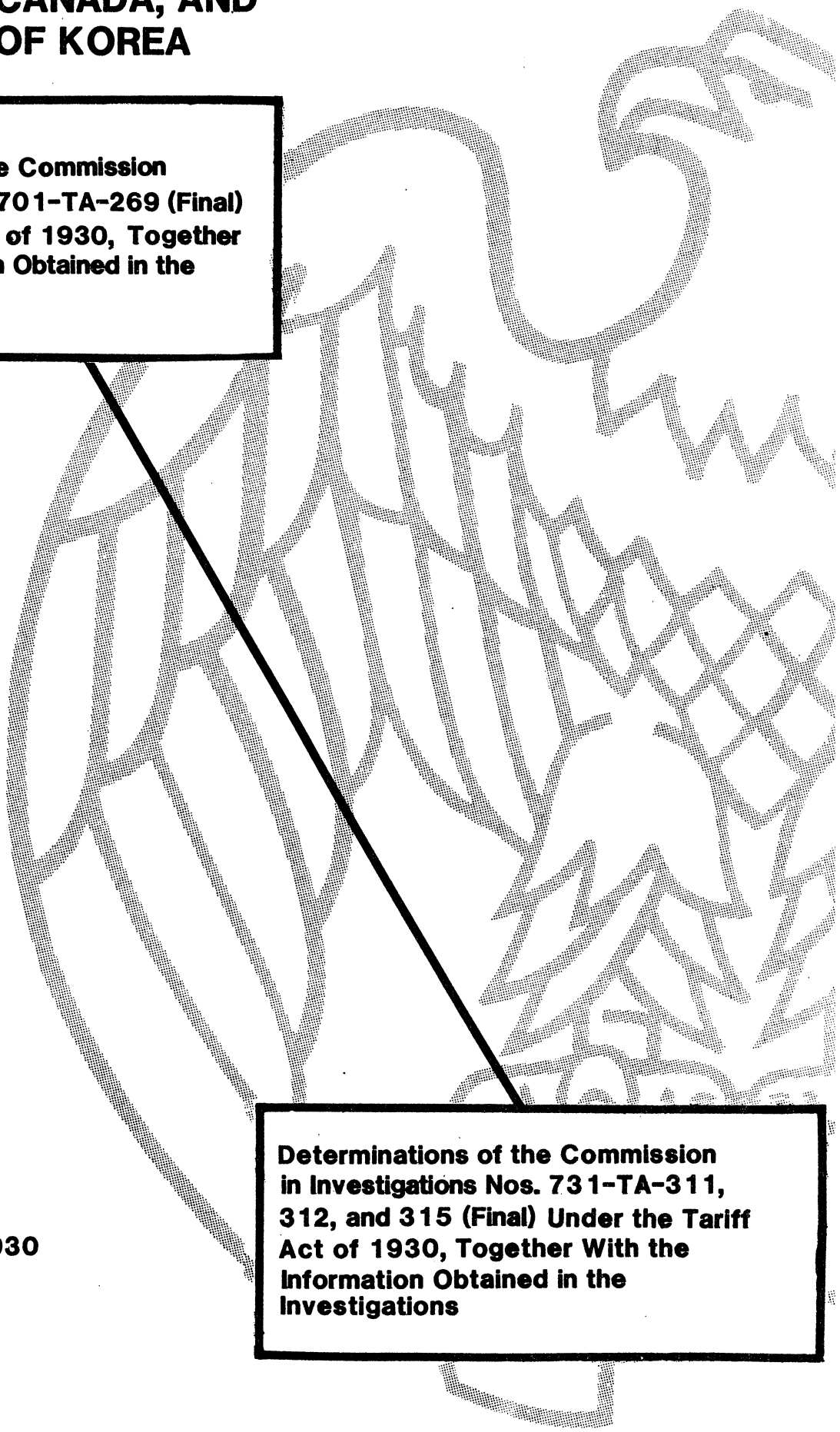
CERTAIN BRASS SHEET AND STRIP FROM BRAZIL, CANADA, AND THE REPUBLIC OF KOREA

Determination of the Commission in Investigation No. 701-TA-269 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determinations of the Commission in Investigations Nos. 731-TA-311, 312, and 315 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

USITC PUBLICATION 1930

DECEMBER 1986

United States International Trade Commission / Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Susan Liebeler, Chairman
Anne E. Brunsdale, Vice Chairman
Paula Stern
Alfred E. Eckes
Seeley G. Lodwick
David B. Rohr

Staff Assigned:

George Deyman, Office of Investigations
Stephanie Van Winkle, Office of Economics
James Lukes, Office of Industries
Debbie VonBeulen, Office of Investigations
Clark Lutz, Office of the General Counsel

Robert Eninger, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

C O N T E N T S

CONTENTS

CONTENTS

Tables

CONTENTS

CONTENTS

CONTENTS

Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-269 (Final) and
731-TA-311, 312, and 315 (Final)

CERTAIN BRASS SHEET AND STRIP FROM BRAZIL, CANADA, AND THE REPUBLIC OF KOREA

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)), that an industry in the United States is materially injured by reason of imports from Brazil (investigation No. 701-TA-269 (Final)) of certain brass sheet and strip, 3/ provided for in item 612.39 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be subsidized by the Government of Brazil.

Further, the Commission determines, 4/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United

---

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

2/ Chairman Liebeler and Vice Chairman Brunsdale determine that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of imports from Brazil which are being subsidized.

3/ For purposes of these investigations, the term "certain brass sheet and strip" refers to brass sheet and strip, other than leaded brass and tin brass sheet and strip, of solid rectangular cross section, over 0.006 inch but not over 0.188 inch in thickness, in coils or cut to length, whether or not corrugated or crimped, but not cut, pressed, or stamped to nonrectangular shape, provided for in items 612.3960, 612.3982, and 612.3986 of the Tariff Schedules of the United States Annotated (TSUSA). The chemical compositions of the products under investigation are currently defined in the Copper Development Association (C.D.A.) 200 series or the Unified Numbering System (U.N.S.) C20000 series. Products whose chemical compositions are defined by other C.D.A. or U.N.S. series are not covered by these investigations.

4/ Chairman Liebeler and Vice Chairman Brunsdale determine that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of imports from Brazil, Canada, or the Republic of Korea which are being sold at less than fair value.

States is materially injured by reason of imports from Brazil (investigation No. 731-TA-311 (Final)), Canada (investigation No. 731-TA-312 (Final)), and the Republic of Korea (investigation No. 731-TA-315 (Final)) of certain brass sheet and strip, 1/ provided for in item 612.39 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted investigations Nos. 731-TA-311, 312, and 315 (Final) effective August 22, 1986, following preliminary determinations by the Department of Commerce that imports of certain brass sheet and strip from Brazil, Canada, and the Republic of Korea were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigations and of a public hearing 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 September 10, 1986 (51 F.R. 32255). The Commission instituted investigation No. 701-TA-269 (Final) effective November 10, 1986, following a preliminary determination by the Department of Commerce that imports of certain brass sheet and strip from Brazil were being subsidized within the meaning of section 701 of the Act (19 U.S.C. § 1671). Notice of the institution of the Commission's

1/ For purposes of these investigations, the term "certain brass sheet and strip" refers to brass sheet and strip, other than leaded brass and tin brass sheet and strip, of solid rectangular cross section, over 0.006 inch but not over 0.188 inch in thickness, in coils or cut to length, whether or not corrugated or crimped, but not cut, pressed, or stamped to nonrectangular shape, provided for in items 612.3960, 612.3982, and 612.3986 of the Tariff Schedules of the United States Annotated (TSUSA). The chemical compositions of the products under investigation are currently defined in the Copper Development Association (C.D.A.) 200 series or the Unified Numbering System (U.N.S.) C20000 series. Products whose chemical compositions are defined by other C.D.A. or U.N.S. series are not covered by these investigations.

investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of November 21, 1986 (51 F.R. 42142). The hearing on the investigations was held in Washington, DC, on December 1, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF COMMISSIONERS ALFRED E. ECKES,
DAVID B. ROHR AND SEELEY G. LODWICK

We determine that an industry in the United States is materially injured by reason of imports of brass sheet and strip from Brazil, Canada, and the Republic of Korea (Korea), that are being sold at less than fair value (LTFV). We also determine that an industry in the United States is materially injured by reason of subsidized imports of brass sheet and strip from Brazil. 1/ 2/ 3/

Our affirmative determinations are based on the deteriorating condition of the domestic industry, the significant market penetration ratios, and the adverse impact of imports on prices for the domestic product during the period of investigation.

Like product and domestic industry 4/ 5/

Section 771(4)(A) of the Tariff Act of 1930 defines "industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product, constitutes a major proportion of the total domestic production of that product." 6/ "Like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the

---

1/ Chairman Liebeler and Vice Chairman Brunsdale dissent.
2/ Commissioner Stern did not participate in this investigation.
3/ Material retardation is not an issue in these investigations and will not be discussed.
4/ Chairman Liebeler concurs with the discussion of like product and the definition of the industry. See her Dissenting View for causation.
5/ Vice Chairman Brunsdale concurs with the discussion of like product and the definition of the industry. See her Dissenting View for condition of the industry and causation.
6/ 19 U.S.C. § 1677(4)(A).

investigation . . . ." 7/

Brass sheet and strip are products of a solid rectangular cross section that is over 0.006 inch but not over 0.188 inch thick, in coils or cut to length, whether or not corrugated or crimped. Sheet is over 20 inches wide, and strip is not over 20 inches wide. 8/ The articles under investigation are brass sheet and strip known as the CDA 200 or UNS C20000-series. 9/ 10/ They are manufactured in three basic stages: casting, rolling, and finishing. 11/ Some of the unfinished brass material is purchased by firms commonly referred to as rerollers. Rerollers do not cast brass, but rather purchase intermediate-to-heavy gauge brass sheet or strip and then perform additional processing to convert the material into finished brass sheet or strip. 12/

The articles that are the subject of these investigations 13/ are known for their ease of manufacture, electric conductivity, excellent forming and drawing properties and good strength. Brass sheet and strip have numerous uses, including ammunition, automotive radiators, coins, door hardware and bathroom accessories, electrical connectors, jewelry, and

---

7/ 19 U.S.C. § 1677(10).
8/ Report of the Commission (Report) at A-4.
9/ Brass is an alloy of copper in which zinc is the principal alloying element, with or without small quantities of other elements. Among the various numbering systems that have been devised to categorize the different alloys within the family of brasses is the three-digit numbering system of the Copper Development Association ("CDA") and the five-digit Unified Numbering System ("UNS").
10/ In 1985 the U.N.S. C20000-series represented approximately 90 percent of the U.S. consumption of brass sheet and strip. Report at A-4, n.4.
11/ Id. at A-4.
12/ Id. at A-15.
13/ The "article subject to an investigation" is defined by the scope of the investigations initiated by the Department of Commerce, which in these cases covers "brass sheet and strip, other than leaded brass and tin brass sheet and strip, currently provided for under items 612.3960, 612.3982, and 612.3986 of the Tariff Schedules of the United States (TSUS)." 51 F.R. 11,771-778 (Apr. 17, 1986).

lamp bases. 14/ There is no distinction between the imported and the domestic product. In the Commission's preliminary investigation, the Commission found one like product that included both brass material to be rerolled (reroll) and finished brass sheet and strip (finished products). 15/

We again determine that there is one like product. The Commission has addressed the issue of whether semi-finished (reroll in this case) and finished products constitute one like product or separate like products in previous investigations. 16/ Some of the factors the Commission has applied

---

14/ Report at A-6.

15/ Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany, Invs. Nos. 701-TA-269-270 (Preliminary) and Invs. Nos. 731-TA-311-317 (Preliminary), USITC Pub. No. 1837 at 7 (1986).

16/ See, e.g., Nylon Impression Fabric from Japan, Inv. No. 731-TA-269 (Preliminary), USITC Pub. 1726 at 5 (1985); Oil Country Tubular Goods from Argentina and Spain, Invs. Nos. 731-TA-191 & 195 (Final), USITC Pub. 1694 at 4-6 (1985); Certain Flat-Rolled Carbon Steel Products from Brazil, Inv. No. 731-TA-123 (Final), USITC Pub. 1499 at 5-7 (1984); Low-Fuming Brazing Copper Wire and Rod from France, New Zealand, and South Africa, Inv. No. 701-TA-237 (Preliminary) and Invs. Nos. 731-TA-245-247 (Preliminary), USITC Pub. 1673 at 8 (1985); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-131-132 (Final), USITC Pub. 1519 at 4-6 (1984); Choline Chloride from Canada, Inv. No. 731-TA-155 (Final), USITC Pub. 1595 at 4-5 (1984); Fireplace Mesh Panels from Taiwan, Inv. No. 731-TA-49 (Preliminary), USITC Pub. 1186 at 3-4 (1981); Sorbitol from France, Inv. No. 731-TA-44 (Final), USITC Pub. 1233 at 4 (1982).

The issue of whether sheet and strip constitute one like product has also been discussed in many past Title VII steel investigations. See Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. No. 1252 at 6-7 (1982); Stainless Steel Sheet and Strip from the Federal Republic of Germany and France and Stainless Steel Sheet and Strip and Plate from the United Kingdom, Invs. Nos. 701-TA-195 & 196 (Final) and 731-TA-92 & 95 (Final), USITC Pub. 1391 at 4-5 (1983) and Stainless Steel Sheet and Strip from Spain, Inv. No. 731-TA-164 (Final), USITC Pub. No. 1593 at 4 (1984).

are : (1) physical characteristics, (2) interchangeability, (3) channels of distribution, (4) costs of processing, (5) complexity of processing, (6) labor, and (7) price. 17/

Petitioners argue that brass sheet and strip be considered a single like product since reroll is nothing more than brass sheet and strip that can be reduced by further rolling to thinner gauges. The Korean and Canadian respondents accept the determination of a single like product and in contrast with their position during the preliminary investigation, the Brazilian respondents do not argue that there is more than one like product.

The Commission's questionnaires included two questions concerning reroll in order to help the Commission address the reroll/finished product issue. The first question asked if brass sheet and strip for reroll could be distinguished from other brass sheet and strip on the basis of physical characteristics. A large number of brass mills, rerollers and other purchasers responded that reroll could not be distinguished from other brass sheet and strip on the basis of physical characteristics. The second question asked if brass sheet and strip that is sold for rerolling could be used for anything other than rerolling. 18/ All the brass mills responded in the affirmative, while rerollers' responses were split. A large number of importers also indicated that brass sheet and strip sold for rerolling could be used for other things besides rerolling. However, the larger importers tended to respond in the negative. 19/

17/ The Commission's application of some of these factors was affirmed by the Court of International Trade in Roquette Freres v. United States, 7 CIT ___, 583 F. Supp. 599 (1984).
18/ Commissioner Rohr interprets this question to mean that reroll can be sold without further processing.
19/ Report at A-6-A-7.

We find that reroll and finished products are metallurgically identical and are produced in the same manner. More importantly, they can be interchanged and with little or no further processing required for the reroll. We, therefore, determine that there there is a single "like product", brass sheet and strip which includes reroll and finished products. Furthermore, we determine that both primary mills with casting capabilities and rerollers are the domestic producers of this product. 20/

Condition of the domestic industry

In evaluating the condition of the domestic industry, the Commission considers, among other factors, domestic production, capacity, capacity utilization, shipments, inventories, employment, and financial performance. 21/ We have identified nine U.S. brass mills and ten rerollers that produce C20000-series brass sheet and strip. 22/

20/ Commissioner Rohr notes that in Certain Butt-Weld Pipe Fittings from Brazil, Japan, and Taiwan, Invs. Nos. 731-TA-308-310 (Final), USITC Pub. No. 1918 (1986), the Commission determined that converters, which produced butt-weld pipe fittings from intermediate products performed sufficient operations to be considered members of the industry producing finished butt-weld pipe fittings. The Commission's analysis considered that (1) the converters were necessary to prepare the product for its final use, (2) the number of conversion steps varied, (3) the conversion operations required a significant capital investment in property, facilities and equipment, and (4) the number of employees engaged in the production of both finished and unfinished fittings were significant. The Commission determined that the production activities of the finishing operations were sufficient to justify the inclusion of converters in the domestic industry. Commissioner Rohr notes that by applying this analysis, he determines that the industry includes rerollers.

21/ 19 U.S.C. § 1677(7)(C)(iii).

22/ Report at A-13-A-15. One of these rerollers is out of business.

We recognize that, in 1984, there was much greater demand for C20000-series brass sheet and strip than there was at any other time during the period under investigation. 23/ As a consequence of this upsurge in demand, domestic production, 24/ capacity utilization, 25/ and shipments, 26/ all rose from 1983 to 1984. The quantity and value of imports rose considerably from 1983 to 1984, 27/ as did the market penetration of imports. 28/ Rather than overemphasizing data obtained regarding the condition of the domestic industry in 1984, a year of unusually high demand, we have looked at trends existing over the period of investigation. Overemphasis of data obtained from 1984 would obscure deteriorating conditions of the domestic industry.

Production of C20000-series brass sheet and strip increased by 11.2 percent from 1983 to 1984 and then decreased by 17.3 percent in 1985. Production for January-June 1986 was essentially unchanged compared to the corresponding period of 1985. Capacity increased from 1983 to 1985, then declined in January-June 1986 as compared to January-June 1985 levels. 29/

23/ Id. at A-10.
24/ Id. at A-19, Table 3.
25/ Id.
26/ Id. at A-21, Table 4.
27/ Id. at A-42, Table 16.
28/ Id. at A-47.
29/ Id. at A-19, Table 3. Much of the equipment used to produce C20000-series brass sheet and strip can also be used to produce other types of brass sheet and strip. Most of the questionnaire responses did not or could not separate these data. Consequently, the most important statistic is total capacity.

Capacity utilization increased in 1984 to 75.7 percent, then declined to 60.7 percent in 1985, well below levels of 1983 and 1984. A slight increase is evident when the January-June 1986 level is compared to the corresponding period in 1985. 30/

Industry shipments increased by 13.4 percent from 407.9 million pounds in 1983 to 462.5 million pounds in 1984, then decreased by 18.8 percent to 375.4 million pounds in 1985. Shipments for January-June 1986 changed minimally compared to the corresponding period of 1985. 31/

Employment, hours worked, and wages paid for the brass sheet and strip industry increased from 1983 to 1984, then decreased in 1985 to levels well below those of 1983. This decline continued in the interim period of 1986 as compared to interim 1985. 32/

The financial condition of the brass sheet and strip industry showed improvement from 1983 to 1984, then suffered a sharp decline in 1985. Sales, gross profit, operating income, and cash flow all fell below, and in some instances significantly below, 1983 levels in 1985. 33/. The number of firms reporting losses on their financial operations increased from 1983 to 1985. 34/

30/ Id. at A-20.
31/ Id.
32/ Id. at A-24. We note that some of the decline in hours worked is attributable to productivity gains.
33/ Id. at A-26-A-31.
34/ Id. at A-31, Table 8.

We therefore determine that the domestic industry is currently experiencing material injury.

Cumulation

Under the Trade and Tariff Act of 1984, three requirements must be satisfied to invoke the cumulation provision. The imports must: (1) compete with both other imports and the domestic like product, (2) be marketed within a reasonably coincidental period, and (3) be subject to investigation. 35/

We determine that it is appropriate to cumulate the effect of prices and volumes of LTFV imports from Brazil, Canada, France, Italy, South Korea, Sweden, and West Germany, and subsidized imports from Brazil and France. 36/ The evidence indicates that domestic and imported C20000 series brass sheet and strip compete with one another.

In determining whether the imported products compete with each other and with the like product in the United States market and whether the marketing of imports is reasonably coincident, the Commission has considered several factors: (1) the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like

---

35/ 19 U.S.C. § 1677(7)(E).
36/ Commissioner Rohr notes that he would have made an affirmative determination with or without cross cumulation.

product; (3) the existence of common or similar channels of distribution of the imports and the domestic like product; and (4) whether the imports are simultaneously present in the market. 37/ This analysis is not exhaustive and no single factor is determinative. If the criteria for cumulation are satisfied, cumulation is mandatory. Although the date for the Commission's final investigation involving imports from Sweden, West Germany, France, and Italy is later than the Brazilian, Canadian, and Korean investigations at respondents' request, all petitions were filed simultaneously and are currently under investigation at Commerce. 38/

In the preliminary determination, the Commission concluded that there is only one like product and that the imports competed so as to justify cumulation. 39/ We have received no specific information that would dictate that the Commission adopt a different conclusion in these investigations and again determine that there is one like product and that the imports compete with each other and with the like product.

Material injury by reason of LTFV and subsidized imports

In determining whether there is material injury by reason of LTFV or subsidized imports, the statute directs the Commission to consider, among other factors, the volume of the subject imports, the effect of such imports

---

37/ See, e.g., Oil Country Tubular Goods from Austria, Romania, and Venezuela, Invs. Nos. 701-TA-240 & 241, and 731-TA-249-251 (Preliminary), USITC Pub. 1679 at 8 (1985).
38/ See Iron Construction Castings from Brazil, India, and the People's Republic of China, Invs. Nos. 701-TA-249 and 731-TA-262, 264, and 265 (Final), USITC Pub. No. 1838 at 13 n.37 (1986).
39/ Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, The Republic of Korea, Sweden, and West Germany, supra note 15, at 10.

on U.S. prices for like products, and the impact of the subject imports on domestic producers of like products. 40/

In determining whether imports of C-20000 series brass sheet and strip are causing material injury to a domestic industry, we have considered the cumulated imports from Brazil, Canada, Italy, France, Korea, West Germany and Sweden. The volume of imports from these countries is significant throughout the period under investigation. Such imports increased from 82 million pounds to 134 million pounds in 1984, and then decreased to 96 million pounds in 1985. Imports totalled 56 million pounds during interim 1985 and declined somewhat to 46 million pounds during interim 1986. 41/

Market penetration of C20000-series brass sheet and strip from the seven countries increased from 15.6 percent in 1983 to 21.0 percent in 1984, before declining to 18.7 percent in 1985. Penetration in interim 1985 was 19.6 percent as compared with 16.7 percent in interim 1986. 42/ Although market penetration declined from 1984 to 1985, and declined again in interim 1986 as compared with a similar period in 1985, the absolute percentages were

---

40/ Section 771(7)(B) of the Tariff Act of 1930 states that the Commission is to consider, among other factors--

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

19 U.S.C. § 1677(7)(B).
41/ Report at A-47, Table 19.
42/ Id. at A-48, Table 20.

significant and remain above 1983 levels. Thus, the imports subject to investigation continue to have a very significant presence in the market.

The Commission asked producers and importers to provide quarterly price data for the period of January 1983-June 1986 on their nontoll account sales for nine common brass sheet and strip products. The Commission also asked producers to provide price data for toll account sales of four products. The price data for domestic producer toll account sales indicate that the weighted-average prices generally increased during the period under investigation. In contrast, price data for nontoll account sales showed a downward trend in most product categories. 43/ The price data for imports from Brazil, Canada and Korea suggest that importers' prices generally fell during the period of investigation. 44/

Price data for each of the countries subject to these investigations showed underselling by importers in the majority of price comparisons. 45/ Moreover, the investigations show numerous instances of lost sales to imports. 46/

The significant price underselling of the U.S. product by the imported product further supports the conclusion that the subject imports are at least a cause of the material injury suffered by the domestic industry. Moreover, we interpret the generally declining price trend of the domestic product to

---

43/ Id. at A-54-A-57.
44/ Id. at A-56-A-58.
45/ Id. at A-59.
46/ See Id. at A-73-A-77.

indicate that domestic prices have been significantly depressed by the subject imports. This conclusion is butressed by the fact that the subject imports competed almost solely for nontoll sales, and toll account prices did not experience the decline experienced by nontoll account prices. 47/

We conclude that the significant volume of C-20000 series brass sheet and strip from Brazil, Canada, France, Italy, Korea, Sweden and West Germany, and the consistently high import penetration during most of the period of investigation, together with underselling while domestic prices generally declined, establishes material injury to the domestic industry by reason of the LTFV imports from Brazil, Canada and Korea and the subsidized imports from Brazil.

47/ Commissioner Lodwick notes that though price comparisons are clouded somewhat by a plethora of adjustment factors such as scrap buy, yield losses, and time of metal price fixing, the information of record indicates that importer prices generally undercut domestic producer prices, domestic producer prices generally declined, and domestic producer prices did not keep pace with costs as evidenced by the decline in gross and operating margins from 1983 to 1985.

VIEWS OF CHAIRMAN LIEBELER

Inv. Nos. 701-TA-269-270 and 731-TA-311, 312 & 315 (Final)

Brass Sheet and Strip from Brazil, Canada,

and the Republic of Korea

I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of brass sheet and strip from Brazil, Canada, and the Republic of Korea which the Department of Commerce has determined are being sold at less than fair value. I also determine that an industry in the United States is not materially injured or threatened with material injury by reason of subsidized imports of brass sheet and strip from Brazil.[1] I concur with the majority in its discussion of like product and domestic industry. I join Vice Chairman Brunsdale's determination with respect to condition of the industry.

---

[1] Material retardation is not an issue because the industry is well established.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission answers both questions in the affirmative, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the antidumping law. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2]

---

[2] C. Sands, Sutherland Statutory Construction, § 45.02 (4th ed. 1985).

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."[3] This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy

---

[3] 19 U.S.C. § 1977(7)(A)(1980).

finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[4]

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[5]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination

---

[4] Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

[5] Id.

of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is matter for the judgment of the ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[7]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

---

[6] Id.

[7] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[8]

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[10]

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a

---

8 Id.

9 See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3rd ed. 1983).

10 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11]

---

[11] Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[13]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn. But first I will discuss the condition of the domestic industry.

---

12 Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

13 Id. at 16.

14 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

Cumulation[15]

Brass sheet and strip from Brazil, Canada, France, Italy, Korea, Sweden, and West Germany are all subject to antidumping investigations. The imports from any of these countries that compete with each other as well as with the domestic like product must be cumulated.[16]

These investigations have presented several issues with respect to cumulation. German respondents argue that their high quality product should not be cumulated with imports from most of the other countries.[17] Another aspect of quality is delivery speed. Few of the countries subject to investigation can come close to matching the speed of delivery of the U.S. industry.[18] Swedish respondents argued that their sales were concentrated in a

---

15 Vice Chairman Brunsdale joins this section of the opinion.

16 19 U.S.C. § 1677(c)(iv)(1980).

17 Prehearing Brief of Langenberg Kupfer-und Messingwerke GmbH KG, at 1-11 (Nov. 24, 1986).

18 Report at A-97; Office of Economics Memorandum, Economic Criteria in Investigation Nos. 701-TA-269 and 731-TA-311, 312, & 315 (Final), at 4-5 (December 15, 1986).

different geographic region than other imports and hence should not be cumulated.[19] According to French respondents, their imports of reroll should not be cumulated with imports of the finished product.[20] Similarly, Brazilian respondents argue that their imports of finished product should not be cumulated with imports of reroll.[21] Finally, Korean, Italian, and Swedish respondents argue that the legislative history precludes cumulation of imports from countries with large market shares with imports of countries with small market shares.

Because the outcome with respect to these cumulation issues is not determinative in this case, I have decided to assume arguendo that all the imports do compete with each other and the domestic like product. With respect to the cross-cumulation issue, I continue to believe that cumulating imports of dumping cases with imports from countries under investigation for subsidization is

---

19 Post-Conference Brief of Metallwerken, Inc., at 7 (Preliminary).

20 Prehearing Brief of Trefimetaux, at 5.

21 Prehearing Brief of Eluma, at 21.

inappropriate.[22] Thus, for the subsidy case, I only cumulate Brazilian imports with those from France.

Causation analysis

Examining import penetration data is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. For the dumping investigations, cumulated imports have held a fairly steady percentage of U.S. apparent consumption. Import penetration was 15.6 percent in 1983, 21.0 percent in 1984, and 18.7 percent in 1985.[23] These penetration ratios are moderate. For the subsidy case, penetration is much lower because only Brazil and France have been cumulated. For these countries, cumulated penetration was

---

22 The Commission has voted to appeal Bingham & Taylor v. United States, slip op. 86-14 (Feb. 14, 1986) to the Court of Appeals for the Federal Circuit for a determination on this question. For a detailed explanation of my views on cross-cumulation, see Certain Carbon Steel Products from Austria, et. al., Inv. Nos. 701-TA-225-234 and 731-TA-213-217, 219, 221-226, and 228-235 (Preliminary), USITC Pub. 1642, at 43-48 (Views of Vice Chairman Liebeler).

23 Report at Table 20. Data for January-June 1986 show imports at 16.7 percent of domestic apparent consumption. Id.

in the 4-5 percent range during the period of investigation.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[24] and the more likely it is that the domestic producers will be adversely affected. The Department of Commerce has calculated the following dumping margins: Brazil - 40.62 percent; Canada - 2.51-11.54 percent; and Korea - 7.17 percent.[25] The margins for Brazil are large, but for Canada and Korea are small.[26] The cash deposit or bond rate set by the Department of Commerce for Brazil in the subsidy case is 3.47 percent.[27] This margin is small.[28]

---

[24] See text accompanying note 8, supra.

[25] Report at A-9.

[26] Averaging the margins from all the cumulated countries based on relative market share gives a 14 percent margin, which is small.

[27] The preliminary margin for France is 7.19 percent.

[28] An average of Brazilian and French subsidy margins based on relative market shares would also be small.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. As discussed in the cumulation section, the cumulated imports vary in terms of quality, delivery time, and amount of further processing required.[29] Even given these differences, however, the products all generally meet the same specifications.[30] Thus, I find the products to be substitutable, although they are certainly not perfect substitutes.

As to the fourth factor, domestic producers might choose to lower their prices to prevent loss of market share. Domestic price trends were mixed. On a toll account basis, prices increased, but fabrication prices for non-toll account sales were either flat or slightly down.[31] This factor is not consistent with a finding of unfair price discrimination.

---

[29] Report at A-68-69.

[30] Report at A-4.

[31] Report at Tables 21-22.

The fifth factor is barriers to entry (foreign supply elasticity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. Imports from countries not subject to a dumping investigation accounted for over 44 percent of imports of C20000-series brass sheet and strip into the United States in 1985. This percentage is obviously higher in the subsidy case. There is no evidence of barriers to entry in either the dumping or subsidy investigations.

These factors must be balanced in each case to reach a sound determination. In these cases, market share, price data, and the information with respect to entry barriers all lead toward a negative determination. The products share many physical characteristics but are clearly far from perfect substitutes. Finally, the subsidy margin for Brazil is small. The margins in the dumping case vary from small to fairly large. Overall, the factors tending toward a negative determination in both the subsidy and dumping cases clearly outweigh those pointing toward an affirmative determination.

Conclusion

Therefore, I conclude that an industry in the United States is not materially injured or threatened with material injury by reason of dumped imports of brass sheet and strip from Brazil, Canada, and the Republic of Korea. I also determine that an industry in the United States is not materially injured or threatened with material injury by reason of subsidized imports of brass sheet and strip from Brazil.

DISSENTING VIEWS OF VICE CHAIRMAN ANNE E. BRUNSDALE

Certain Brass Sheet and Strip from Brazil
Canada, and the Republic of Korea

Investigation Nos. 701-TA-269 and
731-TA-311, 312, and 315 (Final)

December 22, 1986

I determine that the domestic brass sheet and strip industry is not materially injured or threatened with material injury by reason of subsidized imports from Brazil or by reason of less-than-fair-value (dumped) imports from Brazil, Canada, and the Republic of Korea.[1] I concur with the majority's discussion of like product and definition of the domestic industry.[2] I concur with Chairman Liebeler with respect to cumulation.

---

[1] Material retardation of the establishment of an industry in the United States is not an issue in these investigations and will not be discussed.

[2] However, I do not agree with the majority that there is "no distinction between the imported and the domestic product." Supra at 7. It is clear that purchasers do distinguish between domestic and imported products. Some of the ways in which domestic and imported products differ

(Footnote continued on next page)

Condition of Industry[3]

To assess the recent performance of an industry it is often helpful to take a long-term perspective in order to discern key forces that shape the market environment in which domestic producers compete. This is especially important here. The history of the brass sheet and strip industry indicates that domestic firms operate in a market that is highly cyclical and suffering a long-term secular decline.[4] Over the past twenty years, apparent domestic consumption fluctuated sharply from year to year, with particularly abrupt contractions of 20 percent or

---

(Footnote continued from previous page)
include: (1) differences in lead time (between dates of order and delivery of product), (2) reliability in delivering product on time, and (3) supplying products with "tighter" tolerances (or greater uniformity in thickness) to the gauge specified in the contract. Moreover, for some purchasers to source offshore, the imported product must be about 5 cents cheaper per pound than the domestic product. Staff Report at A-73-77. See also Memorandum of Office of Economics, EC-J-479, at 3-7 (December 15, 1986).

[3] Chairman Liebeler joins in this section of the opinion.

[4] I have found the analysis by Alan Madian to be very helpful in this case. See Economic Analysis (hereafter referred to as Economic Analysis) submitted by Alan L. Madian, Erb and Madian, Inc., November 25, 1986. See also Transcript (Tr.) at 86-87, testimony of Mr. Goodell, President of American Brass (one of the petitioners).

more occurring in 1967, 1970, 1975, and 1982.[5] Moreover, the long-term consumption trend was downward. This decline is indicated by successively lower consumption levels reported for years when consumption was at cyclicals peaks. According to the Copper Development Association, domestic consumption declined from a cyclical peak of 960 million pounds in 1966, to 909 in 1969, 891 in 1973, 808 in 1979, 741 in 1981 and 707 in 1984.[6] Based on average annual percent changes between successive peak years, the long-term rate of secular decline is approximately 1.5 percent a year. This secular decline is explained by the substitution of other materials such as aluminum, plastics, and steel for brass,[7] and by increasing imports of finished

---

[5] See Economic Analysis, supra note 4, at Appendix C, p. 14, and Chart E, after p. 59. Note that the historical data in Economic Analysis are based on data from the Copper Development Association (CDA) and are for strip, sheet, and plate made of copper-containing alloys. The CDA consumption data cover a somewhat larger collection of products than the like product in this case (C20000-series brass sheet and strip) but the consumption trends for the CDA product are broadly indicative of trends for the like product. Report at A-12, Table 2.

[6] Economic Analysis, supra note 4, at Appendix C, p. 14.

[7] Tr. at 86-87.

products that contain brass sheet and strip.[8] Finally, one of the major factors adversely affecting the industry in the past five years was the decision by the U.S. government to stop making the brass penny. This decision cut consumption by approximately 100 million pounds a year, an annual amount that is more than 13 percent of 1981 consumption.[9]

The data gathered by the Commission in this case cover too short a period to reveal the normal cyclical and secular trends discussed above. Our period of investigation began in 1983 and extended through the first half of 1986. However, during these three and a half years it is evident that the domestic market experienced another cycle superimposed on the declining secular trend. The peak of this cycle occurred in 1984, when domestic consumption and production escalated sharply from their 1983 levels. The market then fell back again in 1985 and remained relatively steady in the interim period January-to-June 1986. Domestic shipments of C20000-series brass sheet and strip rose from 408 million pounds in 1983 to 462 million pounds in 1984, fell to 375 million pounds in 1985, and were 204 million

---

8 Economic Analysis, supra at note 4, at 61-62. Finished products containing brass sheet and strip are beyond the scope of these investigations. See 51 Fed. Reg. 40637, at 40637-38 (1986).

9 Id.

pounds in interim 1986, virtually unchanged from interim 1985.[10] The financial indicators for domestic producers mirror the changes in shipments.[11] Thus, profits increased in 1984 over 1983 and then declined in 1985.[12]

---

[10] Report at A-20.

[11] The financial data for domestic producers are confidential so that the discussion of profit indicators can only be given in general terms. However, I have concerns about some of the financial data in Table 8 of the Staff Report. In particular, there may be an allocation problem regarding general, selling, and administrative expenses (GSA). The relevant data are confidential in the final report in this case. However, this is not true for the preliminary decision. Moreover, the trends for the financial data are the same in the preliminary and final reports. According to the data in the preliminary report, GSA for overall establishment operations moved in sympathy with the cycle, rising in 1984 and falling in 1985. This is not true for GSA reported for the like product, which moved countercyclically. That is, GSA for C20000-series brass sheet and strip declined in the 1984 boom year and rose when the market contracted in 1985. Whether or not there is an allocation problem, it would not have affected my decision in this case. Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany, Invs. Nos. 701-TA-269, 270 and 731-TA-311 through 317 (Preliminary), USITC Pub. No. 1837, at A-14 and A-16 (1986).

[12] Similar cyclical movements were found for domestic production and capacity utilization. Report at A-19, Table 3. However, the reliability of the capacity data for domestic brass sheet and strip is open to question because equipment used to produce the like product can also be used to produce other types of brass products. Prehearing Brief of Petitioners, November 24, 1986, at 16. This raises the

(Footnote continued on next page)

Domestic employment in brass sheet and strip mills also mirrors the other indicators, with one important caveat. While hours worked by production workers rose in 1984, declined in 1985, and declined again from 1,621 in interim 1985 to 1,505 in interim 1986,[13] most of the 1983-85 decline in hours is explained by increases in labor productivity.[14] Of the total decline of 520 hours, more than half, 272 hours, is explained by increases in output per manhour.[15]

In conclusion, while the domestic industry has experienced harm I am not persuaded that it is materially injured. However, assuming arguendo that the industry is experiencing material injury, I proceed to the issue of causation.

(Footnote continued from previous page)
question whether it is necessary to use product line analysis (19 U.S.C. sec. 1677(4)(D)) to assess the condition of the domestic industry. However, I do not use such an analysis here and note that, even if I had done so, my determination in this case would not have changed. I agree with Chairman Liebeler's views on product line analysis as set forth in Certain Welded Carbon Steel Pipes and Tubes from the Philippines and Singapore Invs. Nos. 731-TA-293, 294, and 296 (Final), USITC Pub. No. 1907, at 19 (1986) (Views of Chairman Liebeler).

13 Staff Report at A-25, Table 5.

14 Id.

15 Therefore, the claim by petitioners that employment declines are explained by increasing imports is seriously incomplete. Prehearing Brief of Petitioners, November 24, 1986, at 18.

Cumulation

I concur with Chairman Liebeler that it is appropriate to cumulate LTFV imports from the three countries in this case (Brazil, Canada, and the Republic of Korea) with the other four countries that are under investigation (France, Italy, Sweden, and West Germany).[16] I also concur that it is appropriate to cumulate subsidized imports from the one country in this case (Brazil) with the other country that is under investigation (France).[17] Moreover, I do not believe that it is appropriate to cross-cumulate subsidized and LTFV imports.[18]

Causation Analysis: Material Injury by Reason of LTFV Imports

From a historical perspective, the recent cycle in the domestic brass sheet and strip market bears a close resemblance to past cycles. As noted above, there were four earlier downturns where U.S. consumption plummeted by about 20 percent in

---

16 Supra at 25.

17 Supra at 26-27.

18 For my views on cross-cumulation, see Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany, Invs. Nos. 701-TA-269 and 270 and 731-TA-311 through 317 (Preliminary), USITC Pub. No. 1837, at 11 n. 28.

the year following a cyclical peak. For the current cycle, the 1985 decline from the cyclical peak of 1984 was 20 percent[19] for consumption and 19 percent for domestic shipments.[20] It is significant that total imports followed the same general pattern, rising in 1984 -- by 49 percent -- and falling in 1985 -- by 23 percent.[21] In spite of the increased imports in 1984, the domestic industry did very well that year, so that I find it difficult to believe, as claimed by petitioners, that they were suffering material injury by reason of imports in 1984.[22] The poor performance recorded by the industry in 1985 can be explained by the cyclical downturn of the market that year when both domestic shipments and imports fell sharply. Therefore, from a historical perspective it is not clear that the recent experience of the domestic industry is due to anything other than a normal cyclical fluctuation in the market. However, assuming arguendo that the recent cycle is somehow different and can be distinguished from its predecessors, I proceed to analyze the effects of dumped imports here and subsidized imports in the next section.

---

19 Staff Report at A-10.

20 Id. at A-20.

21 Id. at A-47, Table 19.

22 Tr. at 63.

I begin by looking for evidence that dumping led to an increase in either the volume or the market penetration of imports.[23] Other things being the same, if dumped imports are to be a source of harm to the domestic industry, through the effect of the dumping,[24] total imports must have increased.[25] This is because a certain volume of imports or a certain market share for imports will occur under normal competitive conditions -- which is to say, in the absence of dumping. Thus, in order for dumped imports to harm the domestic industry, either the share or the volume of total imports must rise as a result of the dumping.

To evaluate whether dumping caused an increase in imports, it is necessary to compare the actual record for total imports

---

23 An analysis of the relative and absolute volume of imports is required by the statute. "In evaluating the volume of imports of the merchandise [that is the subject of the investigation], 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." 19 U.S.C. sec. 1677(7)(C)(i) (1982).

24 S. Rep. No. 249, 96th Cong., 1st Sess., at 88 (1979); H.R. Rep. No. 317, 96th Cong., 1st Sess., at 46 (1979).

25 See, e.g., W. Wares, The Theory of Dumping and American Commercial Policy (1977) ch. 2; An Economic Analysis of Dumping, Memorandum from the Office of Economics, EC-J-457, December 2, 1986.

against what would have happened in the absence of dumping. Unfortunately we do not have the required information in this case. To make the comparison, I would need to distinguish between two possible situations: (1) whether dumping merely results in an increase in imports from the countries under investigation at the exact expense of other foreign suppliers (with no change in total imports) or (2) whether dumping leads to an increase in total imports. In this case there are two major foreign suppliers that are not under investigation, Japan and The Netherlands.[26] If, for example, Japanese and Dutch firms could easily expand (or contract) shipments to the United States in response to modest changes in price, then dumping by the countries under investigation would not lead to an appreciable change in the total volume of imports. I do not have information about import supply conditions for these two countries over the period of investigation to help me distinguish between the two situations noted above. However, there is no evidence to suggest that dumping did not increase the volume or share of imports. Furthermore, the actual volume of total imports rose from 120 to 138 million pounds from 1983 through 1985 and the actual market penetration of total imports rose from 22.7 percent in 1983 to

---

[26] Report at A-43, Table 17.

27.0 percent in 1985.[27] Given these increases, I am persuaded that dumping increased imports.

The next step is to assess whether the harm from dumping is significant enough to constitute material injury. To do this, I begin by considering the market share of cumulated imports and the dumping margin.[28] [29]

The market share of cumulated LTFV imports was 15.6 percent in 1983, rose to 21.0 percent in 1984, and then fell to 18.7 percent in 1985;[30] for interim 1986 it fell again, to 16.7

---

27 Staff Report at A-48, Table 20.

28 There is substantial support in the legislative history for the Commission to consider the subsidy or dumping margin in making its determination in LTFV or countervailing investigations. The House Report to the Trade Act of 1979 states: "[F]or one type of product, price may be the key factor in determining the amount of sales elasticity, and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; in others the margin may be of lesser significance." H.R. Rep. 317, 96th Cong., 1st Sess., at 47 (1979) (emphasis added). The Senate Report contains almost identical language. S. Rep. No. 249, 96th Cong., 1st Sess., at 88 (1979). See also H.R. Rep. No. 317 at 55; S. Rep. No. 249, at 57-58.

29 For a discussion of the role of the import penetration and the dumping margin in assessing harm to a domestic industry, see Memorandum from the Office of Economics, EC-J-010, January 7, 1986, at 29-31.

30 Note that the Commission was not able to calculate market penetration for imports on a value basis in this case

(Footnote continued on next page)

percent from 19.6 percent in interim 1985.[31]

To find the weighted-average dumping margin on the LTFV imports, it is necessary to combine the final dumping margins that the Department of Commerce (Commerce) reported for Brazil, Canada, and the Republic of Korea with the best evidence available for the other cumulated countries. This evidence is the preliminary margins found by Commerce.[32] The weighted-average dumping margin for the cumulated imports is moderate, 14.7 percent.

In order to analyze the combined effect of the import ratio and the dumping margin on prices in the United States and on domestic producers of brass sheet and strip, it is

---

(Footnote continued from previous page)
(i.e., value of imports divided by value of domestic consumption). Market penetration data are only available on a quantity basis (i.e., quantity of imports divided by quantity of domestic consumption). I believe that it is generally more appropriate to analyze the effects of imports on the domestic market using market penetration on a value basis. See EPROMs from Japan, Inv. No. 731-TA-288 (Final), USITC Pub. No. 1927, at 32-39 (1986) (Additional Views of Vice Chairman Brunsdale)

31 Report at A-48, Table 20. I also note that the ratios given above overstate the importance of dumped imports in this case because not all of the imports from the subject countries were dumped. According to the Department of Commerce, about three-fourths of the imports covered in this case were sold at less than fair value. The exact data for Canada and Korea are confidential. Report at A-14-15.

32 Id. at A-10.

necessary to consider demand and supply conditions in the domestic market.[33] Considered separately, not even a large import penetration ratio or a high dumping margin would necessarily mean that the dumped imports were a cause of material injury.[34] When the import penetration and dumping margin are

---

33 The statute directs the Commission to consider "(ii) the effect of imports of that merchandise [that is subject to investigation] on prices in the United States for like products, and (iii) the impact of imports of such merchandise on domestic producers of the like product." 19 U.S.C. sec 1677(7)(B)(1982).

34 For example, large margins are not by themselves sufficient to reach an affirmative decision when the elasticity of demand for the product is very high. See Certain Ethyl Alcohol from Brazil, Inv. No. 701-TA-239 (Final), USITC Pub. 1818, at 15-16 (1986), where the subsidy margin was 98 percent. Similarly, a large market penetration for imports is not sufficient to reach an affirmative determination when the overwhelming factor affecting the market is a contraction in domestic supply. See Certain Fresh Atlantic Groundfish from Canada, Inv. No. 701-TA-257 (Final), USITC Pub. 1844, at 14, 20-22 (1986) (Views of Chairwoman Stern, Vice Chairman Liebeler, and Commissioner Brunsdale), where the import penetration ratio was 22 percent. On the other hand, an affirmative determination is generally reached when import penetration is large and when the dumping margin is high. See In-Shell Pistachio Nuts from Iran, Inv. 731-TA-287 (Final), USITC Pub. 1875, at 9, 12 (1986), where the import penetration ratio was 42.3 percent and the dumping margin was 241 percent; But-Weld Pipe Fittings from Brazil and Taiwan, Invs. Nos. 731-TA-308 and 310 (Final), USITC Pub. No. 1918, at 17, 20 n. 82 (1986), where the import penetration ratio was 50 percent and the dumping margin was also about 50 percent; EPROMs from Japan, Inv. No. 731-TA-288 (Final), USITC Pub. No. 1927, at 28 (1986)(Additional Views of Vice Chairman Brunsdale), where the import penetration ratio was

(Footnote continued on next page)

moderate, the dumped imports will not have a disproportionately large effect on U.S. prices unless both domestic demand for the product and domestic supply are relatively insensitive to price.[35] If either domestic demand or domestic supply is highly sensitive to price, then increased imports will lead to an increase in consumption without having a significant impact on domestic price. In this case, while domestic demand is relatively insensitive to price (because brass sheet and strip are intermediate products),[36] domestic supply is highly

---

(Footnote continued from previous page)
19.4 percent and the dumping margin was 94 percent.

35 The sensitivity of quantity demanded or supplied to price is measured by the concept of elasticity. For example, the elasticity of demand measures the responsiveness of quantity demanded by consumers to price changes. It is equal to the percentage change in quantity demanded divided by the percentage change in price. Inelastic demand means that the quantity demanded changes by a smaller percentage than does price. The elasticity of supply measures to responsiveness of quantity supplied by producers to price changes in the same manner. See P. Samuelson and W. Nordhaus, Economics, at 380-84 (12th ed. 1985).

36 Brass sheet and strip are an intermediate product because they are included as raw materials in the final products purchased by consumers, e.g., in door hardware or jewelry. The elasticity of demand for an intermediate product depends, inter alia, on the elasticity of demand for the final product and the cost of the intermediate product compared to the cost of the final product. When the demand
(Footnote continued on next page)

elastic. This is due in part to the fact that the equipment used to produce brass sheet and strip can also be used to produce other brass products.[37] In addition, domestic mills appear to maintain considerable unused capacity as a normal practice. For example, even in the 1984 boom year it appears that brass mills had a capacity utilization of only about 75 percent.[38] This suggests that domestic firms can easily expand production in response to a slight increase in price, which means that domestic supply is highly elastic. Therefore, dumped imports will not have a substantial adverse effect on prices. Accordingly, I determine that dumped imports of brass sheet and strip from Brazil, Canada, and the Republic of Korea have not caused material injury to the domestic industry.

(Footnote continued from previous page)
for the final product is relatively inelastic or when the cost of the intermediate product is a small part of the total cost of the final product, the demand for the intermediate product is not expected to be very sensitive to changes in its price. Accordingly, the demand for the intermediate product is relatively inelastic. See G. Stigler, The Theory of Price, at 243 (3d ed. 1966).

37 Prehearing Brief of Petitioners, November 24, 1986, at 16.

38 Unfortunately there is no evidence about the capacity utilization of brass mills. The best available information is capacity utilization for "all brass sheet and strip," which includes the like product. The utilization rate for this product group was 75.7 percent in 1984. Report at A-19, Table 3.

Causation Analysis: Material Injury by Reason of Subsidized Imports

I base my determination here on the foregoing analysis together with the import penetration ratio and subsidy margin for subsidized imports from Brazil and France. The market penetration ratio for cumulated imports is small. It was less than 4 percent in 1983, about 6 percent in 1984, less than 4 percent in 1985, and virtually steady at about 4 percent in interim 1985 and interim 1986.[39] The weighted-average subsidy margin for the two countries is also small, 6.6 percent.[40] Based on the analysis of the previous section, import penetration ratios and subsidy margins of this magnitude are not a cause of material injury in this case. Therefore, I determine that subsidized imports from Brazil are not a cause of material injury to the domestic industry.

---

[39] Id. at A-48, Table 20.

[40] This is a weighted average of the final subsidy rate reported by Commerce for Brazil, 6 percent, with the preliminary subsidy rate reported for France, 7 percent. Id. at A-13. I use the preliminary subsidy rate for France because it is the best evidence available.

Threat of Material Injury by Reason of Dumped or Subsidized Imports

With regard to threat of material injury, imports from Brazil, Canada, and the Republic of Korea have all waxed and waned with the recent cycle. They increased when the U.S. market expanded in 1984 and fell back when the market declined in 1985.[41] Moreover, capacity in these three countries has not changed significantly and capacity utilization in all three is very high.[42] Thus, it is unlikely that producers in Brazil, Canada, or the Republic of Korea will ship significantly larger quantities of brass sheet or strip to the United States in the near future. Accordingly, I do not find that "the threat of material injury is real and that actual injury is imminent."[43]

---

41 Report at A-38-41.

42 Id. The exact figures are confidential.

43 19 U.S.C. sec. 1677(7)(F)(ii)(Supp. III 1985)

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On March 10, 1986, petitions were filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel on behalf of American Brass, Buffalo, NY; Bridgeport Brass Corp., Indianapolis, IN; Chase Brass and Copper Co., Cleveland, OH; Hussey Copper Ltd., Leetsdale, PA; The Miller Co., Meriden, CT; Olin Corp. (Brass Group), East Alton, IL; and Revere Copper Products, Inc., Rome, NY. The petitioning firms are all members of the Copper & Brass Fabricators Council, Inc., made up of 18 copper and brass fabricating companies, which fully supports the petition. The following trade unions are also petitioners: the International Association of Machinists and Aerospace Workers; the International Union, Allied Industrial Workers of America (AFL-CIO); the Mechanics Educational Society of America (Local 56); and the United Steelworkers of America (AFL-CIO/CLC).

The petitions allege that an industry in the United States is materially injured and threatened with material injury by reason of imports from Brazil and France of certain brass sheet and strip 1/ (brass sheet and strip) that are alleged to be subsidized by the Governments of Brazil and France. In addition, the petitions allege that an industry in the United States is materially injured and threatened with material injury by reason of imports from Brazil, Canada, France, Italy, the Republic of Korea (Korea), Sweden, and West Germany of brass sheet and strip that are allegedly being sold in the United States at less than fair value (LTFV).

Accordingly, the Commission instituted, effective March 10, 1986, preliminary countervailing duty investigations on Brazil and France under section 703(a) of the Tariff Act of 1930 and, further, the Commission instituted, under section 733(a) of the Tariff Act of 1930, preliminary antidumping investigations on Brazil, Canada, France, Italy, Korea, Sweden, and West Germany, to determine whether there was a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of brass sheet and strip from the named countries. Notice of the institution of the Commission's investigations was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 19, 1986 (51 F.R. 9536).

On April 24, 1986, the Commission unanimously determined that there was a reasonable indication that an industry in the United States is materially

---

1/ For purposes of these investigations, the term "certain brass sheet and strip" refers to brass sheet and strip of solid rectangular cross section over 0.006 inch but not over 0.188 inch in thickness, in coils or cut to length, whether or not corrugated or crimped, but not cut, pressed, or stamped to nonrectangular shape, provided for in items 612.3960, 612.3982, and 612.3986 of the Tariff Schedules of the United States Annotated (TSUSA). The petitions limit the scope of the investigations to sheet and strip of brass alloys designated as "C20000-series" under the nomenclature and numbering system of the Unified Numbering System (UNS) or the equivalent "200-series" under the Copper Development Association (CDA) number system.

injured by reason of imports from Brazil and France of brass sheet and strip, which were alleged to be subsidized by the Governments of Brazil and France. 1/ The Commission further unanimously determined that there was a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil, Canada, France, Italy, Korea, Sweden, and West Germany of brass sheet and strip, which were alleged to be sold in the United States at LTFV.

On June 9, 1986, Commerce made a preliminary determination that no benefits that constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip (51 F.R. 20864, June 9, 1986). Commerce also made a preliminary determination that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in France of brass sheet and strip (51 F.R. 20867, June 9, 1986). Accordingly, effective June 9, 1986, the Commission instituted investigation No. 701-TA-270 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from France of brass sheet and strip into the United States. Notice of the institution of the investigation was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 2, 1986 (51 F.R. 24237). 2/

On August 22, 1986, Commerce made preliminary determinations that brass sheet and strip from Brazil, Canada, France, Italy, Korea, Sweden, and West Germany are being, or are likely to be, sold in the United States at LTFV (51 F.R. 30086, Aug. 22, 1986). Effective August 22, 1986, the Commission instituted investigations Nos. 731-TA-311 (Final) (Brazil), 731-TA-312 (Final) (Canada), 731-TA-313 (Final) (France), 731-TA-314 (Final) (Italy), 731-TA-315 (Final) (Korea), 731-TA-316 (Final) (Sweden), and 731-TA-317 (Final) (West Germany) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of brass sheet and strip from the cited countries into the United States. Notice of the institution of the Commission's investigations and of a hearing to be held in connection therewith (as well as in connection with investigation No. 701-TA-270 (Final)) 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 September 10, 1986 (51 F.R. 32255).

1/ Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany: Determinations of the Commission in Investigations Nos. 701-TA-269 and 270 (Preliminary) Under the Tariff Act of 1930 and Determinations of the Commission in Investigations Nos. 731-TA-311 through 317 (Preliminary). . ., USITC Publication 1837, May 1986. Also see the Federal Register of May 1, 1986 (51 F.R. 16235).

2/ A corrected notice was published in the Federal Register of July 23, 1986 (51 F.R. 28473).

On November 7, 1986, the Commission was notified of Commerce's final determinations that brass sheet and strip from Brazil and Korea are being, or are likely to be, sold in the United States at LTFV. 1/

On November 10, 1986, the Commission was notified of Commerce's final affirmative determination that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip. 2/ Effective November 10, 1986, therefore, the Commission instituted investigation No. 701-TA-269 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such subsidized imports from Brazil. Notice of the institution of the investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of November 21, 1986 (51 F.R. 42142).

At the request of counsel for two Canadian exporters, Commerce postponed its final LTFV determination concerning Canada until December 3, 1986. On December 8, 1986, the Commission was notified of Commerce's final determination that brass sheet and strip from Canada are being, or are likely to be, sold in the United States at LTFV. 3/

At the request of counsel for French, Italian, Swedish, and West German exporters, Commerce postponed its final LTFV determinations concerning France, Italy, Sweden, and West Germany to January 5, 1987. Commerce also postponed its final determination on subsidies concerning France until January 5, 1987. Pursuant to Commerce's postponement of its final determinations concerning France, Italy, Sweden, and West Germany, the Commission postponed its final determinations concerning brass sheet and strip from those countries (51 F.R. 37497, Oct. 22, 1986, and 51 F.R. 42141, Nov. 21, 1986).

A public hearing was held by the Commission in connection with all the above investigations on December 1, 1986. 4/ The Commission voted on the countervailing duty investigation concerning Brazil and on the antidumping investigations concerning Brazil, Canada, and Korea on December 16, 1986, and transmitted its final determinations on the investigations to the Secretary of Commerce on December 22, 1986. The Commission is scheduled to vote on the countervailing duty investigation concerning France and on the antidumping investigations concerning France, Italy, Sweden, and West Germany during the week beginning February 8, 1987, and is scheduled to issue its final determinations on those investigations by February 19, 1987.

These are the first Commission investigations with respect to brass sheet and strip.

1/ Copies of Commerce's final LTFV determinations on Brazil and Korea are presented in app. A.

2/ A copy of Commerce's final subsidy determination on Brazil is presented in app. B.

3/ A copy of Commerce's final LTFV determination on Canada is presented in app. C.

4/ A list of the participants in the hearing is presented in app. D.

The Product

Description

The subject of these investigations is wrought 1/ sheet and strip of brass, of solid rectangular cross section over 0.006 inch but not over 0.188 inch in thickness, 2/ in coils or cut to length, whether or not corrugated or crimped, but not cut, pressed, or stamped to nonrectangular shape, meeting the composition specifications of the Unified Numbering System for Metals and Alloys (UNS) C20000-series 3/ or the Copper Development Association (CDA) 200-series. 4/ For purposes of the Tariff Schedules of the United States (TSUS), brass sheet is over 20 inches in width, and brass strip is not over 20 inches in width. However, the generally accepted industry distinction between brass sheet and strip is that brass strip consists of brass that is coiled or wound on reels of whatever gauge and width, and brass sheet consists of brass that is no longer coiled or wound but has been cut to length.

Manufacturing process

The manufacturing process for brass sheet and strip involves casting, rolling, and finishing of the brass sheet and strip. 5/ The brass casting process begins with the acquisition of raw materials, i.e., virgin or selected copper, zinc, other elements, or scrap brass. Brass mills often obtain copper through "tolling" arrangements, whereby customers provide the mills with copper and pay them a fee to have that copper converted into brass sheet and

---

1/ The term "wrought" refers to products that have been rolled, forged, drawn, or extruded, and also refers to cast or sintered products that have been machined or processed otherwise than by simple trimming, scalping, or descaling.

2/ Gauges of 0.006 inch and below are considered to be foil, and gauges over 0.188 inch are considered to be plate.

3/ The UNS is managed jointly by the American Society for Testing and Materials and the Society of Automotive Engineers.

4/ Brass is an alloy of copper (not including nickel silver) in which zinc is the principal alloying element, with or without small quantities of other elements. There are three general categories of brasses: copper-zinc alloys (brasses) covered by the UNS C20000-series, copper-zinc-lead alloys (leaded brasses) covered by the UNS C30000-series, and copper-zinc-tin alloys (tin brasses) covered by the UNS C40000-series. The UNS C20000-series represents the bulk (approximately 90 percent in 1985) of U.S. production of brass sheet and strip. Petitioners state that leaded and tin brasses are essentially not competitive with UNS C20000-series brasses. In the petitions in the investigations, pp. 8 and 9, petitioners state that the high-machining abilities of leaded brasses and extremely high strength and spring characteristics of tin brasses cause these alloys frequently to be incompatible with normal UNS C20000-series uses. The additional processing expenses required for lead and tin brasses and the higher metal cost for the tin brasses make substitution of these brasses for the UNS C20000-series brasses unusual.

5/ Firms that cast, roll, and finish brass sheet and strip are vertically integrated producers, known as "brass mills."

strip. Scrap is obtained from captive operations, from scrap dealers, from scrap brokers, or from customers in "buy-back arrangements." 1/

In the predominant casting process for brass sheet and strip, raw materials are measured and placed in a melting furnace; samples of the melted material are then analyzed to ensure that correct compositions have been achieved. Then the melted material is poured into a holding furnace. When the holding furnace is sufficiently filled, the molten brass is directed from the holding furnace into single or multiple molds. These molds or dies are approximately 1 foot thick and are open at the bottom. The molds rest on a piston device that is enclosed in a water-filled cylinder. As a mold fills with molten brass, the piston is gradually lowered, and the brass cools and hardens as it is exposed to the water; hence, the term "direct chill technique" is applied to this casting process. The casting operations produce brass ingots that are roughly 5 to 7 inches thick, 26 to 30 inches wide, 25 feet long, and weigh over 10,000 pounds. Once the ingots are cast, they are removed from the casting equipment. Before further processing, the ingots are trimmed and tested for structural integrity.

At this point, rolling operations begin with hot-breakdown rolling. The ingots are heated, rolled (reducing them in thickness from approximately 5 to 7 inches in thickness to less than 0.5 inch), cooled, and coiled. The material is then milled to eliminate surface irregularities and then is further reduced in thickness to 0.188 inch or less through cold-breakdown rolling. The extent of further processing is entirely dependent on customer requirements. 2/ In general, the material typically undergoes a variety of additional operations, such as annealing, 3/ cleaning, rolling to final thickness on "four high" or "Sendzimir cluster" mills, tension leveling, slitting (to achieve a desired width), and cutting to length to meet customer specifications. Once all operations are completed, the material is packed and shipped. 4/

1/ Brass mills generally buy back, in the form of scrap, a percentage of materials purchased by customers. The percentage tends to be based on each customer's scrap generation rate. Brass mills claim that prices paid for customers' scrap are generally consistent with open-market prices; however, * * *.

2/ Material purchased by firms known as rerollers, which have processing equipment of their own, might require little or no further processing by the brass mill.

3/ According to a brochure on the production process published by Olin Corp., in order to allow continued cold reduction or to soften the metal for forming, it is necessary to anneal the metal by heating it. In strip annealing, a coil of metal is unwound and fed continuously through a furnace. It is then cleaned, dried, and recoiled in line with the furnace. In the bell annealing process, coils of metal are placed on a platform and covered by a retort or bell; the metal is then heated in a protective atmosphere by a furnace placed over the bell. The choice of annealing process is determined by such factors as strip thickness, alloy, and final product specifications.

4/ A new facility constructed in Shelby, NC, by Chase Brass and Copper Co. uses a different casting process in which a small diameter rod is cast vertically, hot rolled and cold rolled in line, annealed, and coiled (transcript of the hearing, pp. 77 and 78).

Uses

The chief characteristics of the UNS C20000-series of brasses are ease of manufacture, fair electrical conductivity, excellent forming and drawing properties, and good strength. They are used in many different types of applications, e.g., ammunition, automotive radiators, coins, door hardware and bathroom accessories, electrical connectors, jewelry, and lamp bases.

Reroll and finished product

Counsel for some respondents in these investigations contend that brass material to be rerolled (reroll) is a separate and distinct product from finished brass sheet and strip (finished product), and that although they are covered by the same TSUS item, reroll and the finished product are different products. The following are alleged differences: reroll is an intermediate product; reroll usually has a thicker gauge than the finished product; reroll has different physical and metallurgical characteristics, qualities, prices, and uses that prevent it from being fungible or interchangeable with the finished product; and reroll is sold to rerollers, a different market from end users and distributors of the finished product.

Counsel for the petitioners contends that there is no justification for defining reroll and the finished product as separate like products because reroll is nothing more than brass sheet and strip that can be reduced by further rolling to thinner gauges and that reroll is dedicated to the same uses as is finished brass sheet and strip. Moreover, counsel contends that reroll and the finished product have the same metallurgical characteristics, are made in the same manner, have the same applications, and reroll can be, and often is, sold as a finished product without extra processing.

In its preliminary determinations, the Commission found that there is one like product, brass sheet and strip, which includes reroll and the finished product; however, the Commission stated that it would further examine the issue of whether reroll and the finished product constitute a single like product or separate like products in any final investigations. In order to help shed light on the reroll/finished product issue, the Commission's questionnaires to producers, importers, purchasers, and distributors in the final investigations included two questions concerning reroll. The following tabulation summarizes the responses, by type of respondent, to the question:

"Can you distinguish brass sheet and strip for reroll from other brass sheet and strip on the basis of physical characteristics? If yes, please describe the characteristics that distinguish reroll."

Type of firm	Total number responding to the question	Number responding "yes"	Number responding "no"
Brass mills.....	8	1	7
Rerollers.....	5	1	4
Importers.....	16	9	7
Purchasers of reroll 1/..	4	3	1
Other purchasers 2/....	31	7	24

1/ Including distributors.
2/ Consists of purchasers (including distributors) of brass sheet and strip that do not purchase reroll.

All but one of the responding brass mills indicated that brass sheet and strip for reroll cannot be distinguished from other brass sheet and strip on the basis of physical characteristics. The one brass mill that responded "yes" was * * *, which stated "* * *." Of the rerollers, only * * * answered "yes," stating "* * *."

Importers, especially most of the principal importers, and also purchasers of reroll, tended to answer "yes," stating that reroll has a thicker gauge (although different respondents tended to list different specific thicknesses above which the material could be characterized as reroll), a rough surface condition, wider tolerances, and edges that are not trimmed. Two importers provided far more detailed reasons; these importers' responses appear in appendix E.

The following tabulation summarizes the responses, by type of respondent, to the question:

"Can some brass sheet and strip that is sold for rerolling be used for anything other than rerolling? Please comment.

Type of firm	Total number responding to the question	Number responding "yes"	Number responding "no"
Brass mills.....	8	8	0
Rerollers.....	5	3	2
Importers.....	16	10	6
Purchasers of reroll 1/..	4	3	1
Other purchasers 2/....	16	8	8

1/ Including distributors.
2/ Consists of purchasers (including distributors) of brass sheet and strip that do not purchase reroll.

All of the responding brass mills indicated that some brass sheet and strip that is sold for rerolling can be used for something other than rerolling, generally stating that reroll can be purchased and sold as the finished product where specifications fit. Of the rerollers, * * * and * * * answered "no;" * * * qualified its answer with the statement "not in the markets we serve."

Ten of the importers answered "yes" and six answered "no," but the importers responding "no" included large importers such as * * *. Three of the four purchasers of reroll answered "yes." The principal reason stated for "yes" answers by importers and purchasers was that reroll can be sold as finished material if gauge and temper meet noncritical customer specifications, and the principal reasons stated for "no" answers were that reroll is improper for other uses because of its rough surface condition, less controlled tolerances, and its thickness. * * *, a major importer, stated that "reroll is not useable for any of the end use products by end use code under this questionnaire. There are a very few isolated uses to which reroll may be put without further processing such as thick brass washers."

U.S. tariff treatment

Imports of wrought brass sheet and strip meeting the specifications for brasses of the UNS C20000-series, other than clad sheets, not cut, pressed, or stamped to nonrectangular shapes, are classified and reported for tariff and statistical purposes under items 612.3960 (sheets), 612.3982 (strips under 1/16 inch in thickness), and 612.3986 (strips 1/16 inch or more in thickness) of the TSUSA. The current column 1-a rate of duty for the subject brass sheet and strip, applicable to imports from Canada, France, Italy, Sweden, and West Germany (among the countries covered by the Commission's investigations), is 1.9 percent ad valorem. 1/2/ This rate will remain at 1.9 percent ad valorem on January 1, 1987, pursuant to the Tokyo Round of the Multilateral Trade Negotiations. The special duty rate, applicable in this instance to Brazil and Korea under the Generalized System of Preferences (GSP), is free.

The Nature and Extent of Subsidies and Sales at LTFV

On November 7, 1986, the Commission received notice of Commerce's affirmative final LTFV determinations in the investigations concerning Brazil and Korea, and on November 10, 1986, received notice of Commerce's affirmative final subsidy determination in the investigation concerning Brazil. On December 8, 1986, the Commission received notice of Commerce's affirmative final LTFV determination in the investigation concerning Canada. Commerce's final subsidy determination on France and final LTFV determinations on France, Italy, Sweden, and West Germany are scheduled to be made by January 5, 1987. Commerce's determinations to date, including preliminary determinations, are summarized in the following tabulation:

1/ Rates of duty for TSUS item 612.39 are divided into col. 1-a and col. 1-b rates of duty. Col. 1-a rates apply when the market price of copper is 24 cents or more per pound. Col. 1-b rates apply when the market price of copper is under 24 cents per pound, but copper prices have averaged well above that level in the 1980's. The col. 1-b rate, applicable if the market price of copper drops below 24 cents per pound, is 0.9 cents per pound on copper content + 0.9 cents per pound. The rates of duty in col. 1 (or in this instance 1-a or 1-b) are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the GSP or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of least developed developing countries (LDDC's), as provided under the Special rates of duty column. GSP preferential treatment is scheduled to continue through July 4, 1993.

2/ In addition, pursuant to the Omnibus Budget Reconciliation Act of 1986, a user fee of 0.22 percent ad valorem on most imports took effect on Dec. 1, 1986.

Determinations	Subsidy or LTFV margin (Percent)
Final determinations:	
Subsidy:	
Brazil	1/ 6.13
LTFV:	
Brazil	40.62
Canada:	
ArrowHead	2.51
Noranda	11.54
All others	8.10
Korea	7.17
Preliminary determinations:	
Subsidy:	
France	7.19
LTFV:	
France	40.95
Italy	4.02
Sweden	8.49
West Germany:	
Wieland	5.35
Langenberg	24.14
All others	9.98

1/ Consistent with Commerce's policy of taking into account programwide changes that occur before its preliminary determination, Commerce has set the cash deposit or bond rate at 3.47 percent ad valorem.

Commerce's final subsidy determination on Brazil

Commerce found an estimated net subsidy of 6.13 percent ad valorem, but consistent with its policy of taking into account programwide changes that occur before its preliminary determination, Commerce adjusted the cash deposit or bond rate to 3.47 percent ad valorem to reflect changes in the Preferential Working Capital Financing for Exports Program. Commerce found that the following programs confer subsidies: (1) Preferential Working Capital Financing for Exports; (2) Income Tax Exemption for Export Earnings; (3) Export Financing Under the CIC-CREGE 14-11 Circular; and (4) Import Duty Exemption Under Decree-Law 1189 of 1979.

Commerce's final LTFV determinations on Brazil, Canada, and Korea

Brazil.--Commerce found a weighted-average LTFV margin for the company investigated (Eluma Corp., which accounts for virtually all exports of the subject brass sheet and strip from Brazil to the United States) of 40.62 percent ad valorem. Since Eluma did not permit the verification of its questionnaire response to Commerce as required under section 776(a) of the Tariff Act of 1930, as amended, Commerce based its fair-value comparison and final LTFV determination on the best information available, which is the petition.

Canada.--Commerce found weighted-average LTFV margins of 2.51 percent for ArrowHead Metals, Ltd., 11.54 percent for Noranda Metal Industries, Ltd., and 8.10 percent for all other exporters. A breakdown of the Canadian sales during October 1, 1985, through March 31, 1986, examined by Commerce is presented in the following tabulation:

Item	ArrowHead	Noranda	Total
U.S. sales.....pounds..	***	***	***
U.S. sales.....dollars..	***	***	***
Sales at LTFV.....pounds..	***	***	***
Sales at LTFV.....dollars..	***	***	***
Share of quantity of sales at LTFV.....percent..	***	***	***
Share of value of sales at LTFV.....percent..	***	***	***

Korea.--Commerce found a weighted-average LTFV margin for the company investigated (Poongsan Metal Corp., which accounts for most of the subject brass sheet and strip exported from Korea to the United States) of 7.17 percent ad valorem. Poongsan's sales during October 1, 1985, through March 31, 1986, examined by Commerce amounted to *** pounds, valued at $***. Sales at LTFV amounted to *** pounds, valued at $***. Of the quantity of sales examined, *** percent, and of the value of sales examined, *** percent, were at LTFV.

The Domestic Market

U.S. consumption

The data on apparent U.S. consumption of C20000-series brass sheet and strip presented in table 1 are composed of (1) reported U.S. brass mills' domestic shipments of C20000-series brass sheet and strip, and (2) imports of all series of brass sheet and strip as reported in official statistics of the U.S. Department of Commerce, reduced by imports of brass sheet and strip other than C20000-series as reported in responses by importers to the Commission's questionnaire.

Based upon the data presented in table 1, apparent consumption of C20000-series brass sheet and strip increased from 527.8 million pounds in 1983 to 641.6 million pounds in 1984, or by 21.6 percent, and then decreased to 513.9 million pounds in 1985, or by 19.9 percent. Apparent consumption was 272.7 million pounds during January-June 1986, representing a decrease of 3.8 percent from the level of apparent consumption in the corresponding period of 1985.

In order to help explain why apparent consumption increased substantially in 1984 and decreased substantially in 1985, data were obtained from the Copper Development Association (CDA), Greenwich, CT, on shipments by primary brass mills of strip, sheet, and plate of brass and copper alloys, other than nickel silver and phospor bronze, by end-use sector. Although the CDA data

Table 1.--Brass sheet and strip, C20000-series: U.S. brass mills' domestic shipments, U.S. imports, and apparent U.S. consumption, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)

Item	1983	1984	1985	January-June 1985	January-June 1986
U.S. brass mills' domestic shipments 1/..	407,919	462,456	375,386	204,619	203,898
U.S. imports 2/ from--					
West Germany.....	***	***	***	***	***
France.....	***	***	***	***	***
Italy.....	***	***	***	***	***
Korea.....	***	***	***	***	***
Canada 3/.....	***	***	***	***	***
Brazil.....	***	***	***	***	***
Sweden.....	***	***	***	***	***
Total, 7 countries....	82,280	134,463	95,922	55,607	45,539
All other countries.....	37,587	44,670	42,577	23,398	23,290
Grand total.....	119,867	179,133	138,499	79,005	68,829
Total apparent U.S. consumption.....	527,786	641,589	513,885	283,624	272,727

1/ Includes captive consumption (intra- and intercompany transfers).
2/ Consists of official statistics of the U.S. Department of Commerce for all series of brass sheet and strip, reduced by imports of brass sheet and strip other than C20000-series, as reported by importers in responses to the Commission's questionnaire.
3/ Some of the U.S. imports from Canada were under item 806.30 of the TSUS (U.S. articles of metal (except precious metal) exported for further processing and returned for further processing). The amounts imported under item 806.30 were 1.4 million pounds in 1983, 1.4 million pounds in 1984, 0.4 million pounds during 1985 (most of which were during January-June 1985), and zero during January-June 1986. The Canadian value-added portion of the imports under item 806.30, which ranged between 34.7 percent and 39.9 percent in 1983-85, is dutiable.

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

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

include more than simply C20000-series brass sheet and strip 1/ and record shipments to rerollers, redrawers, and distributors as end-use shipments (when in fact such shipments are then resold to actual end-use markets), the CDA data are generally indicative of the actual shifts in consumption by end-use sector experienced by C20000-series brass sheet and strip. Such data are presented in table 2. Between 1983 and 1984, virtually all the major end-use sectors experienced increases, with the largest absolute increases occurring in ordnance, transportation equipment, rerollers and redrawers, and Government coinage. Between 1984 and 1985, all the major end-use sectors experienced decreases, with the largest absolute decreases occurring in rerollers and redrawers, distributors, transportation equipment, and electrical and electronic products.

Table 2.--Strip, sheet, and plate of brass and copper alloys, other than nickel silver and phosphor bronze: Shipments by primary brass mills, by end-use sector, 1983-85, January-June 1985, and January-June 1986

(In millions of pounds)

Item	1983	1984	1985	January-June 1985	January-June 1986
Transportation equipment 1/	115.0	134.8	115.9	61.2	53.9
Ordnance 2/	58.6	81.0	79.4	48.2	37.9
Distributors	82.8	93.4	67.0	34.8	46.6
Rerollers and redrawers	94.3	111.6	66.8	39.1	45.7
Electrical and electronic products	58.9	58.5	37.9	20.8	27.0
Government coinage	33.9	45.5	29.5	13.7	17.4
Stampings	17.7	22.6	20.1	10.0	12.2
Building products 3/	29.5	30.7	19.2	10.1	12.8
All other end-use sectors	43.1	53.1	43.4	21.5	23.4
Total	533.8	631.2	479.2	259.4	276.9

1/ Mainly automotive nonelectrical.
2/ Mainly military ordnance.
3/ Mainly builders' hardware.

Source: Copper Development Association, Market Data, February 1986 and August 1986.

Possible reasons for the decline in apparent consumption in 1985 include (1) overly optimistic purchasing by brass customers in 1984 may have caused a buildup of customers' inventories that were subsequently reduced in 1985, and (2) as alleged by respondents, unusually long leadtimes for purchases of U.S.-produced brass sheet and strip in 1984 caused brass customers to overbuy in that year.

1/ C20000-series brass sheet and strip accounted for most (78.9 percent in 1985) of the CDA data on brass sheet, strip, and plate presented in this report. The 78.9 percent figure is based on data appearing in Market Data, Copper Development Association, Inc., August 1986, p. 38.

U.S. producers

Brass mills.--The petitioners define the U.S. industry as firms that cast, roll, and finish brass sheet and strip, 1/ known in the industry as "brass mills." There are nine known brass mills that produce C20000-series brass sheet and strip: 2/ seven of these firms are petitioners in these investigations and two firms (MRM Industries and Plume & Atwood Brass Mill) * * *. The nine firms, the locations of their facilities, and their share of brass mills' shipments of C20000-series brass sheet and strip in 1985, are presented in the following tabulation:

Firm and plant locations	Share of brass mills' shipments in 1985 (Percent)
American Brass Buffalo, NY; Kenosha, WI.	***
Bridgeport Brass Corp. Bryan, OH; Indianapolis, IN.	***
Chase Brass and Copper Co. Cleveland, OH.	***
Hussey Copper Ltd. Leetsdale, PA.	***
MRM Industries Meriden, CT.	***
Olin Corp. E. Alton, IL; Waterbury, CT.	***
Plume & Atwood Brass Mill Thomaston, CT.	***
Revere Copper Products, Inc. Rome, NY.	***
The Miller Co. Meriden, CT.	***
Total	100.0

* * * of the brass mills * * * accounted for 75.9 percent of aggregate shipments of C20000-series brass sheet and strip by brass mills in 1983, 75.7 percent in 1984, 82.3 percent in 1985, 82.5 percent during January-June 1985, and 79.5 percent during January-June 1986. Each of the nine brass mills is discussed below.

American Brass, Buffalo, NY, a petitioner in these investigations, was a wholly owned subsidiary of Atlantic Richfield Co. until December 1985 when it was sold to a limited partnership. American Brass' principal facility for C20000-series brass sheet and strip is located in Buffalo, NY; a second facility, located in Kenosha, WI, performs rerolling of C20000-series brass sheet and strip. Between late 1981 and early 1985, the Buffalo plant's sheet

1/ Petitions, p. 3.

2/ Six of these firms also produce other types of brass sheet and strip. An additional firm (Century Brass Products, Inc., Waterbury, CT) ceased to cast brass in 1981.

mill was expanded and modernized "* * *," according to American Brass' questionnaire response. 1/ In addition to the Buffalo and Kenosha facilities, American Brass had a brass facility in Paramount, CA, which was expanded and modernized beginning in late 1982 and ending in late 1983; however, the Paramount facility was sold to Cerro Metal Products, Paramount, CA, in December 1985 and, according to American Brass' questionnaire response, "* * *." 2/

Bridgeport Brass Corp., Indianapolis, IN, a petitioner in these investigations, was incorporated in March 1984 and purchased a facility in Indianapolis from National Distiller & Chemical Corp. in August 1984. In addition, Bridgeport owns Bryan Metals Co., Bryan, OH, which is a reroller that Bridgeport purchased from Metallverken, Inc., an importer of brass sheet and strip, in July 1985. 3/ On October 24, 1986, Bridgeport was purchased by a private party. On December 8, 1986, Bridgeport's union (the United Steelworkers of America, a petitioner in these investigations) accepted a 15-percent wage cut and changes in work rules, thereby avoiding a possible closure of Bridgeport's facility in Indianapolis.

Chase Brass and Copper Co., Cleveland, OH, a petitioner in these investigations, is wholly owned by The Standard Oil Co. Chase's production facility is located in Cleveland, OH, however, Chase has constructed a production facility in Shelby, NC, that "* * *," according to Chase's questionnaire response; the Shelby facility is expected to be * * *. 4/

Olin Corp. (Brass Division), a petitioner in these investigations, is * * *. Olin's production facility is located in East Alton, IL; Olin also owns Somers Thin Strip, a reroller in Waterbury, CT. According to Olin's questionnaire response, "* * *. * * *. * * *."

Plume & Atwood Brass Mill, Thomaston, CT, is not a petitioner in these investigations, * * *. Plume & Atwood is owned by Diversified Industries, Inc., St. Louis, MO. Plume & Atwood's production facility is located in Thomaston, CT.

1/ Atlantic Richfield invested nearly $*** in American Brass' Buffalo facility, especially in new * * * capabilities; the $*** mainly affected * * *, according to * * *, American Brass.

2/ According to * * * of American Brass, the portion of the Paramount, CA, facility that was closed was the brass strip mill, which was a rerolling facility; the brass rod mill, which was the predominant portion of the Paramount facility sold to Cerro Metal Products, remains open.

* * * of Cerro Metal Products stated in an Oct. 24, 1986, telephone conversation that Cerro closed the strip mill because * * *. * * *. He said that the strip mill was a minor part of what Cerro purchased from American Brass.

3/ According to * * *, Bridgeport Brass Corp., in * * * telephone conversation, Bryan Metals' shipments amount to approximately *** pounds per month, but * * *.

4/ According to * * * of Chase Brass and Copper Co., the decision to construct the Shelby, NC, facility was made in * * *; ground was broken in mid-1984; * * *. The Shelby facility will have an annual capacity of *** pounds. * * * of the output is expected to consist of * * *. * * * stated further that the facility is "* * *" and is expected to have "* * *." Chase does not * * *.

Revere Copper Products, Inc., Rome, NY, a petitioner in these investigations, is a wholly owned subsidiary of Revere Copper and Brass, Inc., Stamford, CT. * * * of its C20000-series brass sheet and strip is * * *. The production facility of Revere Copper Products, Inc., is located in Rome, NY.

Hussey Copper Ltd., Leetsdale, PA, a petitioner in these investigations, produces at its facility in Leetsdale. The Miller Co., Meriden, CT, a petitioner in these investigations, produces at its facility in Meriden, CT. MRM Industries, Inc., Meriden, CT, which is not a petitioner in these investigations, * * *, produces at its production facility in Meriden, CT.

All the brass mills except for * * * produce C20000-series reroll. The five brass mills that produce C20000-series reroll accounted for *** percent of total brass mill shipments of C20000-series brass sheet and strip in 1985.

Rerollers.--Firms known as "rerollers" do not cast brass, but rather purchase intermediate-to-heavy-gauge brass sheet or strip from domestic or foreign sources and then perform additional processing (which includes at least a series of rolling and annealing steps) to convert the material into finished brass sheet or strip. The producer's questionnaire in the subject investigations was sent to 13 firms known or believed to be rerollers, as well as to the primary brass mills. 1/ Six of the 13 firms provided data in response to the questionnaire. 2/ Of the remaining seven firms, three indicated that they had not produced or rerolled C20000-series brass sheet and strip during the period covered by the investigations, three indicated that the amounts of rerolled C20000-series brass sheet and strip were negligible, one is out of business. 3/4/ The rerollers that provided data in response to the Commission's questionnaire are discussed below.

Bridgeport Rolling Mills Co. (Brimco), Stratford, CT, which * * *, is a wholly owned subsidiary of ATCO Industries, Inc., Stratford, CT. Brimco

---

1/ Some of the brass mills have captive rerollers, e.g., Olin's Somers Thin Strip facility in Waterbury, CT.

2/ In addition, Bryan Metals, Bryan, OH, a reroller wholly owned by Bridgeport Brass Corp., provided data separately from Bridgeport's questionnaire response.

3/ Volco Brass & Copper Co., Kenilworth, NJ, ceased to reroll brass sheet and strip in August 1985, and has since gone out of business. * * * of Volco stated in a Nov. 10, 1986, telephone conversation that Volco's sales in 1984 (the last full year of its operation) amounted to $***, of which approximately *** percent consisted of brass strip. * * * of Volco's business consisted of brass wire. The principal reason for Volco's demise was "imports," not only of C20000-series brass sheet and strip but also of other brass and brass consumer products.

4/ In addition, Century Brass Products, Inc., Waterbury, CT, ceased to cast brass in 1981, and instead concentrated on rerolling. * * * of Century stated in a telephone conversation that in order to cope with foreign competition, Century * * *. Century's total purchases of reroll amounted to "* * *." However, Century's reroll mill went out of business in 1985 because of "* * *." Century is now a general products company that manufactures a number of different items, e.g., hose couplings.

purchases its C20000-series brass strip for rerolling from * * * and then sells the sheet and strip that it rerolls. Brimco's rerolling facility is located in Stratford, CT.

Bryan Metals, which * * *, is a wholly owned subsidiary of Bridgeport Brass Corp., but reported its data separately from Bridgeport Brass Corp. Bryan purchases its C20000-series brass strip for rerolling from * * * and then sells the sheet and strip that it rerolls. Bryan's rerolling facility is located in Bryan, OH.

Eastern Rolling Mills, Inc., Bronx, NY, which * * *, only provided data on its * * *. Eastern's rerolling facility is located in Bronx, NY.

Heyco Metals Inc., Reading, PA, which * * *, is a wholly owned subsidiary of Heyco Inc., Kenilworth, NJ. Heyco Metals Inc. has two sister firms owned by Heyco Inc.: (1) Heyco Metals West, Inc., Ontario, CA, which is a distributor that opened in June 1984, and (2) Heyco Stamped Products, an end user. Heyco Metals Inc. purchases C20000-series brass strip for rerolling from * * *, and then sells the sheet and strip that it rerolls. Heyco Metals Inc.'s rerolling facility is located in Reading, PA.

New England Brass Co., Taunton, MA, * * *. New England Brass Co. only provided data on its * * *.

Scott Brass, perhaps the * * *. * * *.

The Thinsheet Metals Co., Waterbury, CT, which * * *, is a wholly owned subsidiary of Nisshin, Inc., New York, NY. Thinsheet purchases its C20000-series brass strip for rerolling from * * * and then sells the sheet and strip that it rerolls. Thinsheet's rerolling facility is located in Waterbury, CT.

U.S. importers

Information provided by the U.S. Customs Service identified over 100 importers of brass sheet and strip from Brazil, Canada, France, Italy, Korea, Sweden, and West Germany during fiscal years 1983-85 and January-June 1986, of which over 30 are identified as importers from Brazil, Canada, and Korea. Most of the importers imported only small quantities. The Commission sent questionnaires to all the known major importers and also to a number of medium-sized and small importers. Twenty-six importers, of which 15 imported from Brazil, Canada, or Korea, provided data in response to the Commission's questionnaire. The principal importers from Brazil, Canada, and Korea are discussed below.

Brazil.--The principal importer from Brazil * * *. * * * accounted for *** percent and *** percent, by quantity, of official U.S. imports of brass sheet and strip from Brazil in 1984 and 1985, respectively. * * *. * * *.

Canada.--The principal importer from Canada is not known because the Customs net import file, a major source of names and addresses of importers in Commission investigations, identifies as "importers of record" from Canada * * *. The reason for * * * on importations of brass sheet and strip. The three Canadian exporters of brass sheet and strip to the United States each

provided the Commission with data on their exports of brass sheet and strip to the United States. The principal exporter from Canada is * * *. * * * accounted for *** percent, by quantity, of reported exports of C20000-series brass sheet and strip from Canada to the United States in 1985.

Korea.--The principal importer from Korea is * * *. * * * accounted for *** percent, by quantity, of U.S. imports of brass sheet and strip from Korea in 1985. * * * imports of brass sheet and strip in 1985 consisted of C20000-series brass sheet and strip. * * *.

* * * reported imports of C20000-series brass sheet and strip during the period covered by the investigations. Their imports amounted to a total of *** pounds in 1983 from * * *; *** pounds in 1984 from * * *; *** pounds in 1985 from * * *; *** pounds during January-June 1985 from * * *; and *** pounds during January-June 1986 from * * *. 1/

* * * reported imports of C20000-series brass sheet and strip during the period covered by the investigations. * * *. * * *. * * *. The amounts imported by * * * were ***. * * *.

Channels of distribution

U.S. brass mills and importers of brass sheet and strip use the same channels of distribution. Brass sheet and strip is either consumed captively or by related parties, or is sold to unrelated rerollers, distributors, or end users. Approximate shares of domestic shipments of C20000-series brass sheet and strip by brass mills and by importers to various types of customers in 1985 are presented in the following tabulation:

Type of customer	Domestic shipments of brass mills (Percent)	Domestic shipments of importers 1/ (Percent)
Related:		
Rerollers	***	***
Distributors	***	***
End users	***	***
Unrelated:		
Rerollers	***	14
Distributors	***	36
End users	***	42

1/ Not all importers provided a breakout of their shipment data.

The only reroller to provide data on its shipments by type of customer in 1985 was * * *. Approximately *** percent of * * *'s brass sheet and strip was used captively or by related parties, *** percent was sold to unrelated distributors, and *** percent was sold to unrelated end users.

1/ In addition, the * * *. * * *.

Consideration of Alleged Material Injury

In order to gather data on the question of material injury to the U.S. industry producing brass sheet and strip, questionnaires were sent to the nine brass mills listed in the petition and to three other firms that were believed to have brass casting capabilities. Questionnaires were also sent to 13 firms that were known to be rerollers or were believed to have rerolling capabilities. The aggregate data appearing in this section of the report are for the nine brass mills that currently produce brass sheet and strip. The three other companies believed to have casting capabilities did not produce brass sheet and strip. Separate data are presented for the rerollers that provided usable data in response to the Commission's questionnaire.

U.S. production, capacity, and capacity utilization

Brass mills.--U.S. production of C20000-series brass sheet and strip by brass mills increased by 11.2 percent from 1983 to 1984 and then decreased by 17.3 percent in 1985 (table 3). Production was 7.9 percent lower in 1985 than in 1983. Production during January-June 1986 amounted to 201.4 million pounds, representing a decrease of less than 0.05 percent compared with the level of production in the corresponding period of 1985. C20000-series brass sheet and strip accounted for 92.5 percent of total production of brass sheet and strip in 1983, 92.1 percent in 1984, 90.1 percent in 1985, 90.9 percent during January-June 1985, and 91.3 percent during January-June 1986.

The Commission requested brass mills to provide data on their end-of-period and average-for-period practical capacity 1/ for 1983-85, January-June 1985, and January-June 1986. Since most of the equipment used to produce C20000-series brass sheet and strip can also be used to produce other types of brass sheet and strip (and vice versa), a number of firms reported the same capacity figure for C20000-series brass sheet and strip and for all brass sheet and strip. Other firms made allocations based on product mix. It is important to realize that the period-to-period capacity fluctuations and the variations between end-of-period and average-for-period capacity shown in table 3 are heavily influenced by product mix, * * *, 2/ and do not clearly indicate the extent of equipment addition or dismantling that would normally lead to capacity variations. The only significant known capacity variations that are due to the addition or dismantling of equipment during the period covered by the investigations are--

(1) a net capacity increase by * * * of approximately *** pounds in * * * due to investments in new * * * capabilities;

(2) an undetermined capacity decrease by * * * in * * * due to the installation of * * * equipment; 3/

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations.

2/ * * *.

3/ When asked how the installation of new equipment can result in a decrease in capacity, * * * stated in a telephone conversation that with the * * * equipment that was installed, less metal needs to be cast to achieve the same final output than under the chill casting method previously used by * * *.

Table 3.—Brass sheet and strip: U.S. production, practical capacity, 1/ and capacity utilization of brass mills, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June 1985	January-June 1986
Production: 2/					
C20000-series brass sheet and strip 3/ 1,000 pounds	411,929	458,232	378,873	201,494	201,405
All brass sheet and strip.....1,000 pounds	445,454	497,433	420,522	221,641	220,505
Practical capacity: 1/					
C20000-series brass sheet and strip..1,000 pounds	604,838	610,995	639,521	319,649	303,766
All brass sheet and strip 1,000 pounds	648,170	657,189	692,328	345,552	330,488
Capacity utilization:					
C20000-series brass sheet and strip.....percent	68.1	75.0	59.2	63.0	66.3
All brass sheet and strip percent	68.7	75.7	60.7	64.1	66.7

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations.

2/ Production is slightly overstated because * * * did not report its production data on a finished goods basis, i.e., it included brass that was cast and later converted to scrap. * * * accounted for *** percent of U.S. brass mills' total shipments in 1985.

3/ Includes small amounts of material (less than *** percent of total brass mills' production in each year or period) that was apparently double counted by * * * of the brass mills.

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

(3) an undetermined capacity increase by * * * in * * * due to the installation of new equipment to * * *;

(4) a capacity decrease of approximately *** pounds in * * * due to the * * *; and

(5) an increase in annual capacity of approximately *** pounds (or *** pounds for January-June 1986) due to the * * *.

The principal observation that can be made from the capacity data in table 3 is that capacity appeared to increase in 1985 and decrease during January-June 1986 compared with capacity in the corresponding period of 1985, but even this observation may be largely the result of variations in product mix * * * and the effect of such variations on the capacity data.

Capacity utilization, as presented in table 3, increased in 1984, decreased in 1985 to levels below those of 1983 and 1984, and increased during January-June 1986 compared with the capacity utilization rate in the corresponding period of 1985.

Rerollers.--The Commission did not request rerollers to provide production data in response to its questionnaire because rerollers do not cast any brass, although they may be involved in subsequent stages of the producing/rerolling process. Three rerollers provided data on their capacity to reroll C20000-series brass sheet and strip; these capacity data are also influenced by product mix. The three rerollers' aggregate capacities are presented in the following tabulation:

Period	Capacity to reroll (million pounds)
1983	53.2
1984	56.2
1985	55.4
January-June--	
1985	1/ ***
1986	1/ ***

1/ * * * did not report its capacity data for the partial-year periods covered by the investigations.

U.S. producers' shipments

Brass mills.--Domestic shipments (including intracompany and intercompany transfers) of C20000-series brass sheet and strip by brass mills increased from 407.9 million pounds in 1983 to 462.5 million pounds in 1984, or by 13.4 percent, then decreased to 375.4 million pounds in 1985, or by 18.8 percent (table 4). U.S. brass mills' domestic shipments during January-June 1986 amounted to 203.9 million pounds, representing a decrease of 0.4 percent compared with the 204.6 million pounds shipped in the corresponding period of 1985.

Trends for the U.S. brass mills' intracompany and intercompany transfers differed from those for the brass mills' other domestic shipments, showing

Table 4.--Brass sheet and strip, C20000-series: Shipments of U.S. brass mills, by types, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June 1985	January-June 1986
	Quantity (1,000 pounds)				
Intracompany and intercompany transfers..	***	***	***	***	***
Domestic shipments, excluding reroll:					
Toll 1/2/3/.....	100,616	113,945	87,163	46,012	52,349
Other than toll 1/2/....	150,445	169,698	134,850	69,729	71,564
Domestic shipments of reroll 4/5/.....	***	***	***	***	***
Subtotal, domestic shipments (including intracompany and intercompany transfers) 3/...	407,919	462,456	375,386	204,619	203,898
Export shipments.....	***	6/ ***	6/ ***	6/ ***	***
Total 3/.....	***	***	***	***	***
	Value (1,000 dollars)				
Intracompany and intercompany transfers..	***	***	***	***	***
Domestic shipments, excluding reroll:					
Toll 1/2/3/7/.....	***	***	***	***	***
Other than toll 1/2/....	***	***	***	***	***
Domestic shipments of reroll 4/5/.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***

1/ * * * was not able to provide separate data for its toll and other-than-toll shipments. However, * * * estimates that *** percent of its shipments of C20000-series brass sheet and strip are on a toll basis. * * *'s data included in this table are based on the *** percent estimate.

2/ Includes an undetermined amount of shipments of reroll by * * *. * * * accounted for *** percent of U.S. brass mills' total shipments of C20000-series brass sheet and strip in 1985.

3/ Includes small amounts of material (less than *** percent of total brass mills' production in each year or period) that was apparently double counted by * * * of the brass mills.

4/ Excludes * * *, which was not able to provide separate data on its domestic shipments of reroll.

5/ * * * of the domestic shipments of reroll are on a toll basis.

6/ Most of the exports were * * *.

7/ * * * included the metal value in its data on value of shipments.

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

comparatively larger increases in 1984, smaller declines in 1985, and decreases during January-June 1986 compared with intracompany and intercompany transfers during January-June 1985 (whereas all other domestic shipments increased during January-June 1986).

U.S. brass mills' domestic shipments of reroll 1/ increased from *** million pounds in 1983 to *** million pounds in 1984, or by 2.1 percent, then decreased to *** million pounds in 1985, or by 27.1 percent (table 4). U.S. brass mills' domestic shipments of reroll during January-June 1986 amounted to *** million pounds, representing an increase of 3.2 percent from the level of domestic shipments of reroll in the corresponding period of 1985.

The value of U.S. brass mills' domestic shipments tended to increase in 1984 and decrease in 1985. The value of intracompany and intercompany shipments decreased during January-June 1986 compared with the value of intracompany and intercompany shipments during January-June 1985, whereas the value of all other domestic shipments increased. Total value data are not presented in table 4 because of the distortions that could occur if toll shipments, which exclude metal value, are added with other-than-toll shipments which include metal value. 2/ The presentation of unit value data are also not deemed appropriate.

U.S. brass mills' export shipments * * * during 1983-85; however, export shipments were a small fraction of total shipments of C20000-series brass sheet and strip in each period, reaching a maximum of *** percent, by quantity, in * * *. The quantity of export shipments decreased during January-June 1986 compared with the quantity of export shipments in the corresponding period of 1985 (the value of export shipments appears to have increased only because metal values were included in January-June 1986 exports but not in January-June 1985 exports). Most of the export shipments during the period covered by the investigations were * * *. Most of the remainder of U.S. brass mills' exports were to * * *.

Rerollers.--Seven rerollers provided shipment data in response to the Commission's questionnaire. Aggregate shipments of C20000-series brass sheet and strip by six of the rerollers are presented in the following tabulation: 3/

Period	Rerollers' shipments (1,000 pounds)
1983	39,996
1984	50,826
1985	39,422
January-June--	
1985	20,707
1986	25,176

1/ Excluding * * *, which was not able to provide data on its domestic shipments for rerolling. * * * accounted for *** percent of U.S. brass mills' total shipments of C20000-series brass sheet and strip in 1985.

2/ At least one firm included metal value in its toll value data.

3/ In addition, * * * shipped an estimated annual average of *** pounds of C20000-series brass sheet and strip in its fiscal years (ending in June) 1983-85. Information was not reported on * * * 1986 fiscal year.

Shipments of C20000-series brass sheet and strip by the six rerollers increased by 27.1 percent in 1984, decreased by 22.4 percent in 1985, and increased by 21.6 percent during January-June 1986 compared with their shipments in the corresponding period of 1985. The amounts shipped by rerollers should not be aggregated with the brass mills' shipments because doing so would double count shipments that rerollers purchased from the brass mills and that have been reported in the brass mills' data.

U.S. producers' inventories

Brass mills.--The inventory data reported by brass mills and presented herein are on a finished goods basis. * * *, a large producer, also reported * * * amounts of work-in-progress inventories, but * * *'s work-in-progress inventories are not presented here because virtually all the other brass mills reported inventories on a finished-goods basis only. 1/ The brass mills' end-of-period inventories of C20000-series brass sheet and strip are presented in the following tabulation:

Date	Inventories 1/ (1,000 pounds)	Share of brass mills' total shipments during the preceding period (percent)
Dec. 31--		
1982	2/ ***	3/
1983	***	***
1984	***	***
1985	***	***
June 30--		
1985	***	4/ ***
1986	***	4/ ***

1/ * * *'s inventories, which amounted to *** pounds as of Dec. 31, 1982; *** pounds as of Dec. 31, 1983; *** pounds as of Dec. 31, 1984; *** pounds as of Dec. 31, 1985; *** pounds as of June 30, 1985; and *** as of June 30, 1986, include some work-in-progress inventories and may also include some inventories of brass sheet and strip other than C20000-series brass sheet and strip.

2/ Excludes inventories for * * *, which did not report inventory data as of Dec. 31, 1982. * * *'s inventories as of Dec. 31 of 1983-85 averaged *** pounds.

3/ Not available.

4/ Based on annualized shipment data.

The brass mills' inventories of C20000-series brass sheet and strip decreased by *** percent between December 31, 1983, and December 31, 1984, and decreased by *** percent as of December 31, 1985. Inventories on June 30, 1986, were 6.0 percent below the level of inventories on June 30, 1985.

1/ * * * reported inventories of primarily finished goods, but also included some work-in-progress inventories.

As a share of the brass mills' total shipments during the preceding period, inventories decreased as of December 31, 1984; decreased slightly as of December 31, 1985; and decreased as of June 30, 1986, compared with the share as of June 30, 1985.

Rerollers.--One reroller (* * *) provided inventory data on C20000-series brass sheet and strip in response to the Commission's questionnaire. * * *'s inventories of C20000-series brass sheet and strip are presented in the following tabulation:

Date	Inventories (1,000 pounds)
Dec. 31--	
1982	***
1983	***
1984	***
1985	***
June 30--	
1985	***
1986	***

Employment and wages

Brass mills.--The brass mills' employment, hours worked, wages paid, and total compensation paid increased from 1983 to 1984, decreased in 1985 to levels below those of 1983, and decreased during January-June 1986 compared with levels in the corresponding period of 1985 (table 5). Average hourly wages and output per hour worked increased in each year and partial-year period covered by the investigations.

In response to a question in the Commission's questionnaire, seven of the nine brass mills reported that they reduced the number of production and related workers producing C20000-series brass sheet and strip by at least 5 percent, or by 50 workers, during the period covered by the investigations. Firms were requested to report the date of each reduction, the number of workers affected, the reason for the reduction, and the duration of the reduction. Virtually all the brass mills reported reductions in 1984 or 1985 or both years. The total number of workers for which specific reductions were reported was *** in 1983, 285 in 1984, 469 in 1985, and *** during January-June 1986. Specific reasons cited by various firms for their reductions include "lack of work," "business slowdown," "low volume," "loss of business due to imports," and "to combat deteriorating market prices driven by foreign, predatory pricing."

All of the brass mills indicated that their production and related workers producing C20000-series brass sheet and strip are unionized, with the exception of those employed at Chase Brass and Copper's new facility in Shelby, NC. Unions cited include each of the four unions that are copetitioners in these investigations as well as several other unions.

Table 5.—Average number of U.S. brass mills' employees, total and production and related workers, producing all products and those producing brass sheet and strip; hours worked by and wages, total compensation, and average hourly wages paid to such workers; and output per hour worked in producing brass sheet and strip, by types, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June 1985	January-June 1986
Average number of employees.....	6,859	7,041	6,187	6,462	5,669
Production and related workers producing—					
All products.....	4,906	5,115	4,374	4,548	4,082
All brass sheet and strip.....	2,008	2,115	1,797	1,830	1,713
C20000-series brass sheet and strip.....	1,728	1,790	1,501	1,528	1,447
Hours worked by production and related workers producing 1/—					
All products.....1,000 hours..	9,487	9,924	8,011	4,246	3,734
All brass sheet and strip 1,000 hours..	4,271	4,594	3,688	2,006	1,800
C20000-series brass sheet and strip.....1,000 hours..	3,568	3,856	3,048	1,621	1,505
Wages paid to production and related workers producing—					
All products...1,000 dollars..	108,176	115,847	94,469	50,022	47,348
All brass sheet and strip 1,000 dollars..	47,785	53,016	43,383	23,534	22,670
C20000-series brass sheet and strip....1,000 dollars..	40,847	45,210	36,383	19,264	19,037
Total compensation paid to production and related workers producing:					
All products...1,000 dollars..	143,792	150,306	122,549	65,345	61,120
All brass sheet and strip 1,000 dollars..	64,212	69,201	57,816	30,958	30,082
C20000-series brass sheet and strip....1,000 dollars..	54,057	58,653	48,249	25,127	24,811
Average hourly wages paid to production and related workers producing: 2/					
All products.....	$11.40	$11.67	$11.79	$11.78	$12.68
All brass sheet and strip.....	$11.19	$11.54	$11.76	$11.73	$12.59
C20000-series brass sheet and strip.....	$11.45	$11.72	$11.94	$11.88	$12.65

See footnotes at end of table.

Table 5.--Average number of U.S. brass mills' employees, total and production and related workers, producing all products and those producing brass sheet and strip; hours worked by and wages, total compensation, and average hourly wages paid to such workers; and output per hour worked in producing brass sheet and strip, by types, 1983-85, January-June 1985, and January-June 1986--Continued

Item	1983	1984	1985	January-June 1985	January-June 1986
Output per hour worked by production and related workers producing 3/--					
All brass sheet and strip pounds..	104.3	108.3	114.0	110.5	122.5
C20000-series brass sheet and strip..... ..pounds..	115.5	118.8	124.3	124.3	133.8

1/ Excludes time paid for holidays and vacations by * * *. * * * accounted for *** percent of the brass mills' aggregate shipments of C20000-series brass sheet and strip in 1985.
2/ Average hourly wages are slightly overstated because * * * was not able to provide data on its time paid for holidays and vacations.
3/ Output per hour worked is slightly overstated because * * * was not able to provide data on its time paid for holidays and vacations.

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

Rerollers.--Aggregate employment indicators of the four rerollers that provided such data showed slight increases in 1984, decreases in 1985, and increases during January-June 1986 compared with level of employment in the corresponding period of 1985. The number of production and related workers, hours worked, and wages paid for the four rerollers amount to less than 5 percent of the brass mills' aggregate data for such indicators.

* * * * * * *

Financial experience of U.S. producers

Brass mills.--Six brass mills provided usable income-and-loss data on the overall operations of their establishments within which C20000-series brass sheet and strip are produced, as well as on their operations producing all brass sheet and strip and those producing only C20000-series brass sheet and strip. 1/ Three of these brass mills provided separate financial data on their operations producing C20000-series brass sheet and strip for reroll.

1/ The firms are * * *. The six firms accounted for *** percent of U.S. brass mills' total shipments of C20000-series brass sheet and strip in 1985.

Overall establishment operations.--Aggregate income-and-loss data on overall establishment operations are presented in table 6. Overall establishment sales of the six brass mills rose from $*** million in 1983 to $*** million in 1984, representing an increase of *** percent. During 1985, however, sales declined to $*** million, or by *** percent compared with the level of sales in 1984.

Operating income improved dramatically in 1984 to $*** million, up *** percent from the $*** million reported for 1983. During the 1985 accounting year, however, the trend was reversed, as operating income fell by *** percent to $*** million. The operating margins for the brass mills during the 1983-85 period were *** percent, *** percent, and *** percent, respectively. None of the firms experienced operating losses during 1983 or 1984. Three firms reported operating losses during 1985.

During the interim period ended June 30, 1986, aggregate net sales totaled $398.4 million, down 6.3 percent from net sales of $425.1 million reported during interim 1985. In spite of the decline in net sales from interim 1985 to interim 1986, operating income jumped to $25.9 million during interim 1986, up 56.2 percent from the $16.6 million reported during interim 1985. The increase in operating income was due to a sharp decline in general, selling, and administrative expenses during the 1986 interim period, as well as a drop in the cost of goods sold. The operating margins for the 1985 and 1986 interim periods were 3.9 percent and 6.5 percent, respectively. One firm reported an operating loss during both interim periods.

Operations producing all brass sheet and strip.--Aggregate income and loss data for the six brass mills are presented in table 7 for these operations. Net sales of all brass sheet and strip increased to $406.5 million during 1984, up 12.8 percent from the $360.3 million reported in 1983. Sales declined, however, during 1985 to $339.0 million, down 16.6 percent from the level of sales in 1984.

Operating income increased significantly from $14.0 million in 1983 to $23.3 million in 1984, or by 67.2 percent. During 1985, however, operating income fell sharply to $2.5 million, representing a decline of 89.5 percent compared with the level of operating income in 1984. Operating margins during 1983-85 were 3.9 percent, 5.7 percent, and 0.7 percent, respectively. One firm reported an operating loss in 1983, no losses were reported during 1984, and three firms experienced operating losses in 1985.

During the interim period ended June 30, 1986, net sales totaled $178.6 million, down 3.0 percent from net sales of $184.1 million reported during interim 1985. In spite of the decline in net sales from interim 1985 to interim 1986, operating income jumped to $5.3 million during interim 1986, up substantially from the operating income level of only $1.3 million reported for interim 1985. The increase in operating income was due to a decline in general, selling, and administrative expenses during the 1986 interim period, as well as a drop in the cost of goods sold, in particular, other factory costs (which include depreciation and amortization). 1/ The operating margins

1/ Depreciation expense declined significantly during interim 1986 because of the * * *.

Table 6.—Income-and-loss experience of 6 U.S. brass mills on the overall operations of their establishments within which C20000-series brass sheet and strip are produced, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30 1/ 1985	1986 2/
Net sales.....1,000 dollars..	***	***	***	425,141	398,401
Cost of goods sold.....do....	***	***	***	366,776	337,393
Gross profit.....do....	***	***	***	58,365	61,008
General, selling, and administrative expenses 1,000 dollars..	***	***	***	41,794	35,120
Operating income.....do....	***	***	***	16,571	25,888
Interest expense .....do....	***	***	***	2,325	6,385
Other income or (expense), net.....1,000 dollars..	***	***	(***)	(6,323)	89
Net income before income taxes.....1,000 dollars..	***	***	***	7,923	19,592
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	10,904	8,114
Cash-flow.....do....	***	***	***	18,827	27,706
As a share of net sales:					
Cost of goods sold..percent..	***	***	***	86.3	84.7
Gross profit.....do....	***	***	***	13.7	15.3
General, selling, and administrative expenses percent..	***	***	***	9.8	8.8
Operating income.....do....	***	***	***	3.9	6.5
Net income before income taxes.....percent..	***	***	***	1.9	4.9
Number of firms reporting operating losses.....	0	0	3	1	1
Number of firms reporting.....	6	6	6	6	6

1/ Interim data covering the 6-month period from Jan. 1 to June 30 provided by 5 firms. Interim data covering the 8-month period from Nov. 1 to June 30 provided by 1 firm.
2/ * * *'s interim 1986 data * * * C20000-series brass sheet and strip.

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

Table 7.—Income-and-loss experience of 6 U.S. brass mills on their operations producing all brass sheet and strip, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30 1/ 1985	1986 2/
Net sales.....1,000 dollars..	360,313	406,471	338,989	184,082	178,578
Cost of goods sold.....do....	323,636	360,894	312,605	168,924	160,564
Gross profit.....do....	36,677	45,577	26,384	15,158	18,014
General, selling, and administrative expenses 1,000 dollars..	22,727	22,255	23,933	13,854	12,734
Operating income.....do....	13,950	23,322	2,451	1,304	5,280
Interest expense.....do....	859	1,807	2,932	1,552	2,745
Other income, net.....do....	808	523	439	519	131
Net income or (loss) before income taxes...1,000 dollars..	13,899	22,038	(42)	271	2,666
Depreciation and amortization expense included above 1,000 dollars..	7,244	8,929	10,457	5,040	3,614
Cash flow .....do....	21,143	30,967	10,415	5,311	6,280
As a share of net sales:					
Cost of goods sold...percent..	89.8	88.8	92.2	91.8	89.9
Gross profit.....do....	10.2	11.2	7.8	8.2	10.1
General, selling, and administrative expenses percent..	6.3	5.5	7.1	7.5	7.1
Operating income.....do....	3.9	5.7	.7	.7	3.0
Net income or (loss) before income taxes.....percent..	3.9	5.4	3/	.1	1.5
Number of firms reporting operating losses.....	1	0	3	3	1
Number of firms reporting.....	6	6	6	6	6

1/ Interim data covering the 6-month period from Jan. 1 to June 30 provided by 5 firms. Interim data covering the 8-month period from Nov. 1 to June 30 provided by 1 firm.
2/ * * *'s interim 1986 data * * * C20000-series brass sheet and strip.
3/ A loss of less than 0.05 percent.

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

for the firms during the 1985 and 1986 interim periods were 0.7 percent and 3.0 percent, respectively. Three firms reported operating losses during interim 1985 and one firm reported an operating loss during interim 1986.

Operations producing C20000-series brass sheet and strip.--Aggregate income-and-loss data for the six brass mills are presented in table 8 for these operations. Net sales of C20000-series brass sheet and strip increased from $*** million in 1983 to $*** million in 1984, representing an increase of *** percent, then fell to $*** million in 1985 for a decrease of *** percent. Operating income increased significantly from $*** million in 1983 to $*** million in 1984, representing an increase of *** percent. During the 1985 accounting year, however, the trend was again reversed, as operating income fell by *** percent to $*** million. The firms' operating margins during the 1983-85 period were *** percent, *** percent, and *** percent. * * * of the six firms reported operating losses during 1983 or 1984. * * * firms reported operating losses during 1985.

During the interim period ended June 30, 1986, net sales totaled $154.4 million, down 4.2 percent from net sales of $161.2 million reported during interim 1985. In spite of the decline in net sales from interim 1985 to interim 1986, operating income jumped to $4.2 million during interim 1986, up significantly from the $836,000 reported during interim 1985. The increase in operating income was due to a decline in general, selling, and administrative expenses during the 1986 interim period, as well as a drop in the cost of goods sold, in particular, other factory costs (which include depreciation and amortization). 1/ The operating margins for the 1985 and 1986 interim periods were 0.5 percent and 2.7 percent, respectively. Three firms reported operating losses during interim 1985 and two producers experienced losses during interim 1986.

The income-and-loss information of three brass mills on their operations producing C20000-series brass sheet and strip for reroll are presented in appendix F.

Value of plant, property, and equipment--The data provided by the six brass firms on their end-of-period investment in productive facilities in which C20000-series brass sheet and strip are produced are shown in table 9. The aggregate investment in productive facilities for all brass sheet and strip, valued at cost, increased from $182.2 million in 1983 to $189.3 million in 1984 and rose further to $209.4 million in 1985. The book value of such assets increased from $81.5 million in 1983 to $109.2 million in 1984; however, the book value declined to $90.6 million during 1985. Total reported investment in productive facilities for C20000-series brass sheet and strip, valued at cost, increased from $172.7 million in 1983 to $178.2 million in 1984 and rose further to $197.9 million during 1985. The book value of such assets increased from $77.8 million in 1983 to $104.4 million in 1984, then fell to $85.6 million during 1985.

During the interim period ended June 30, 1986, the asset valuation for all brass sheet and strip, at original cost, totaled $165.6 million, down from $205.3 million reported during interim 1985. Similarly, the book value of such assets dropped from $89.7 million during interim 1985 to $60.1 million

1/ Depreciation expense declined significantly during interim 1986 because of the * * *.

Table 8.--Income-and-loss experience of 6 U.S. brass mills on their operations producing C20000-series brass sheet and strip, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30 1/ 1985	1986 2/
Net sales.....1,000 dollars..	***	***	***	161,160	154,350
Cost of goods sold.....do....	***	***	***	147,835	138,643
Gross profit.....do....	***	***	***	13,325	15,707
General, selling, and administrative expenses 1,000 dollars..	***	***	***	12,489	11,501
Operating income..... do....	***	***	***	836	4,206
Interest expense .....do....	***	***	***	946	2,281
Other income, net.....do....	***	***	***	160	88
Net income or (loss) before income taxes...1,000 dollars..	***	***	(***)	50	2,013
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	4,512	3,117
Cashflow.....do....	***	***	***	4,562	5,130
As a share of net sales:					
Cost of goods sold...percent..	***	***	***	91.7	89.8
Gross profit.....do....	***	***	***	8.3	10.2
General, selling, and administrative expenses percent..	***	***	***	7.7	7.4
Operating income.....do....	***	***	***	.5	2.7
Net income or (loss) before income taxes.....percent..	***	***	(***)	3/	1.3
Number of firms reporting operating losses.....	***	***	***	3	2
Number of firms reporting.....	6	6	6	6	6

1/ Interim data covering the 6-month period from Jan. 1 to June 30 provided by 5 firms. Interim data covering the 8-month period from Nov. 1 to June 30 provided by 1 firm.
2/ * * *'s interim 1986 data * * * C20000-series brass sheet and strip.
3/ An income of less than 0.05 percent.

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

Table 9.--Brass sheet and strip: Value of property, plant and equipment by 6 U.S. brass mills, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983 2/	1984	1985	Interim period ended June 30 1/ 1985	1986 3/
All products of establishments:					
Original cost..1,000 dollars..	431,412	454,880	473,556	461,440	324,096
Book value.....do....	212,447	229,631	224,766	222,990	124,056
Number of firms reporting.....	5	6	6	6	6
All brass sheet and strip:					
Original cost..1,000 dollars..	182,236	189,309	209,402	205,258	165,579
Book value.....do....	81,497	109,167	90,584	89,696	60,127
Number of firms reporting.....	5	6	6	6	6
C20000-series brass sheet and strip:					
Original cost..1,000 dollars..	172,736	178,206	197,876	193,708	153,291
Book value.....do....	77,765	104,386	85,555	84,733	54,982
Number of firms reporting.....	5	6	6	6	6

1/ Interim data covering the 6-month period from Jan. 1 to June 30 provided by 5 firms. Interim data covering the 8-month period from Nov. 1 to June 30 provided by 1 firm.
2/ * * * was unable to provide 1983 asset valuation data.
3/ The asset valuations of * * * and, therefore, significantly affect the 1986 interim data.

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

during interim 1986. Total reported investment in productive facilities for C20000-series brass sheet and strip, valued at cost, fell from $193.7 million in interim 1985 to $153.3 million in interim 1986. The book value of such assets totaled only $55.0 million in interim 1986, down significantly from $84.7 million reported in the interim period ended June 30, 1985. The asset valuations of * * * and, therefore, significantly affect the 1986 interim data.

Capital expenditures--The data provided by the six firms relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of C20000-series brass sheet and strip are shown in table 10. Capital expenditures relating to all brass sheet and strip decreased from $36.7 million in 1983 to $21.5 million during 1984 and further declined to $8.0 million in 1985. Capital expenditures for the C20000-series, which followed a similar downward trend, were reported as follows during 1983-85: $36.2 million, $20.3 million, and $7.4 million, respectively.

During the interim period ended June 30, 1986, total capital expenditures for all brass sheet and strip totaled $3.0 million, down from $3.9 million reported during the interim period ended June 30, 1985. Total capital expenditures for the C20000-series were $3.6 million in interim 1985 and $2.8 million in interim 1986.

Table 10.—Brass sheet and strip: Capital expenditures by 6 U.S. brass mills, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983 2/	1984	1985	Interim period ended June 30 1/ 1985	1986
All products of the establishments:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do....	***	***	***	***	***
Total.....do....	43,335	35,906	14,900	7,415	6,991
Number of firms reporting.....	5	6	6	6	6
All brass sheet and strip:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do....	***	***	***	***	***
Total.....do....	36,728	21,535	7,994	3,900	3,016
Number of firms reporting.....	5	6	6	6	6
C20000-series brass sheet and strip:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do....	***	***	***	***	***
Total.....do....	36,211	20,271	7,397	3,604	2,784
Number of firms reporting..	5	6	6	6	6

1/ Interim data covering the 6-month period from Jan. 1 to June 30 provided by 5 firms. Interim data covering the 8-month period from Nov. 1 to June 30 provided by 1 firm.
2/ * * * was unable to provide 1983 data.

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

Research and development expenses.--Reported expenses on research and development for the six reporting brass mills are shown in the following tabulation for 1983-85 and interim periods 1985 and 1986 (in thousands of dollars):

				Interim period ended June 30--	
	1983	1984	1985	1985	1986
All series of brass sheet and strip.....	***	***	***	***	***
C20000-series brass sheet and strip.....	***	***	***	***	***

As shown above, research and development expenses, * * *, declined during the period covered by the investigations.

Rerollers.--Only two rerollers of C20000-series brass sheet and strip, * * *, provided the Commission with usable income-and-loss data. Although some financial data were received from two other rerollers, it was too limiting to be of any value and therefore not usable. Selected income-and-loss data on * * * overall establishment operations 1/ are shown in table 11.

Table 11.--Income-and-loss experience of 2 U.S. rerollers on the overall operations of their establishments within which C20000-series brass sheet and strip are rerolled, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

				Interim period ended June 30 1/--	
Item	1983	1984	1985	1985	1986
Net sales:					
* * *.....1,000 dollars..	***	***	***	***	***
* * *.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Operating income or (loss):					
* * *.....1,000 dollars..	(***)	***	***	***	***
* * *.....do....	***	***	***	***	***
Total.....do....	(***)	***	***	***	***
Operating income or (loss) as a share of net sales:					
* * *.....percent..	(***)	***	***	***	***
* * *.....do....	***	***	***	***	***
Weighted average..do....	(***)	***	***	***	***

1/ * * * provided interim data covering the 6-month period from Jan. 1 to June 30 (accounting year ends Dec. 31) and * * * provided interim data covering * * *.

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

1/ * * * to its operations producing C20000-series brass sheet and strip, whereas * * * estimated that its C20000-series operations accounted for *** percent of its overall establishment operations.

U.S. producers' statements on the impact of imports on their growth, investment, and ability to raise capital

Seven brass mills and three rerollers responded to a question in the Commission's questionnaire that requested a description and explanation of the actual and potential negative effects, if any, of imports of C20000-series brass sheet and strip from Brazil, Canada, France, Italy, Korea, Sweden, or West Germany on each firm's growth, investment, and ability to raise capital. In summary, the brass mills stated that low prices of the subject imports have resulted in low profit margins and have prevented them from obtaining a sufficient return to sustain the capital investments required to finance continued plant expansion and modernization. The brass mills indicated that the situation will become even worse unless relief is obtained from the unfairly low-priced subject imports. The responses of the three rerollers that commented, * * *, are presented below:

* * * * * * *

Consideration of the Question of Threat of Material Injury

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

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/ —
>
> (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
>
> (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
>
> (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

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

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

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

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

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

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

The available information on the nature of the subsidies found by the Department of Commerce (item (I) above) is presented in the section of this report entitled "The nature and extent of subsidies and sales at LTFV;" the available data on foreign producers' operations (items (II) and (VI) above) and on the potential for "product-shifting" (item VIII) are presented in the section entitled "Capacity of foreign producers to increase exports;" and information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between alleged material injury or the threat thereof and the LTFV and/or subsidized imports." Available information on U.S. importers' inventories of the subject products (item (V)) and on U.S. importers' current orders of imported material is presented below.

U.S. importers' inventories

U.S. importers' inventories are not very meaningful in these investigations because many, if not most, shipments are made directly from the foreign producers' plants to U.S. customers through orders placed with the actual U.S. importers, which often are U.S. agents of the foreign manufacturers. Further, some of the U.S. importers that do maintain inventories combine inventories of foreign and domestic brass sheet and strip and were unable to determine inventories by country of origin. The data collected on U.S. importers' end-of-period inventories of C20000-series brass sheet and strip from the 14 importers that reported inventory data are presented in table 12.

Table 12.--Brass sheet and strip, C20000-series: U.S. importers' end-of-period inventories, by countries, Dec. 31 of 1982-85, June 30, 1985, and June 30, 1986

(In thousands of pounds)

Item	1982	1983	1984	1985	June 30 of-- 1985	June 30 of-- 1986
Country of origin:						
Brazil	***	***	***	***	***	***
Canada	***	***	***	***	***	***
France	***	***	***	***	***	***
Italy	***	***	***	***	***	***
Korea	1/ ***	1/ ***	***	***	***	***
Sweden	***	***	***	***	***	***
West Germany	***	***	***	***	***	***
Subtotal	1/1,211	1/1,597	2,680	4,428	2,081	1,841
All other or not specified 2/	315	695	2,606	3,037	2,122	2,086
Total	1/1,526	1/2,292	5,286	7,465	4,203	3,927

1/ * * * did not report its inventories as of Dec. 31, 1982, and Dec. 31, 1983.
2/ Includes some inventories of imports from 1 or more of the 7 countries subject to the Commission's investigations and some inventories of U.S.-produced brass sheet and strip.

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

Reported U.S. importers' aggregate inventories of their imports from the countries subject to the current investigations increased as of December 31 of each of the years covered by the subject investigations and decreased as of June 30, 1986, compared with the level of inventories on June 30, 1985.

U.S. importers' current orders of imported C20000-series brass sheet and strip

The Commission's questionnaire requested importers to specify the amount of imports of C20000-series brass sheet and strip on order. Nine importers indicated that they had material on order. The quantities ordered and countries of origin are presented in the following tabulation:

Source	Imports on order (1,000 pounds)
Brazil	***
Canada	***
France	***
Italy	***
Korea	***
Sweden	***
West Germany	***
Total	***

* * * of the reported imports on order are those of * * * from * * *. * * * stated that the arrival dates of its material on order are from * * *.

Capacity of foreign producers to increase exports

The Commission requested counsels for the respondents in the subject investigations to provide information on the industries producing C20000-series brass sheet and strip in their respective countries. The information requested consisted of the number and names of producing firms; production, capacity, capacity utilization, home-market shipments, exports to the United States, and total exports, for each of the periods covered by the investigations; projected changes in production, capacity, or capacity utilization in 1987; and intentions or projections as to the quantity of exports of the subject brass sheet and strip to the United States in 1987. Similar data were requested by the Commission from the U.S. embassies in each of the countries covered by the investigations. Information received on the industries producing C20000-series brass sheet and strip in Brazil, Canada, and Korea is presented below. 1/

Brazil.--Four firms produce C20000-series brass sheet and strip in Brazil: (1) Cecil Langone; (2) Eluma, S.A. Industria E Comercio; (3) S.A. Marvin; and (4) Termomecanica S.A. Of the four firms, only Eluma exports brass sheet and strip to the United States; one of the other producers also exports brass sheet and strip, but in small quantities and only to certain countries in South America.

There are no available data on total production, capacity, or shipments for Brazil on brass sheet and strip or even on all brass products. Table 13 presents Eluma's data on production, capacity, capacity utilization, and shipments of C20000-series brass sheet and strip. Counsel representing Eluma believes that Eluma is the largest producer of C20000-series brass sheet and strip in Brazil.

Table 13.--Brass sheet and strip, C20000-series: Eluma's production, capacity, capacity utilization, and shipments, 1983-85, January-September 1985, and January-September 1986

Item	1983	1984	1985	January-Sept.-- 1985	1986
Production...1,000 pounds..	***	***	***	***	***
Capacity.....do....	***	***	***	***	***
Capacity utilization percent..	***	***	***	***	***
Home-market shipments 1,000 pounds..	***	***	***	***	***
Exports to:					
United States.....do....	***	***	***	***	***
All other countries do....	***	***	***	***	***
Total.....do....	***	***	***	***	***

Source: O'Melveny & Myers, confidential submission No. 86-363, Nov. 7, 1986.

1/ Information on the industries producing C20000-series brass sheet and strip in France, Italy, Sweden, and West Germany is available in the Office of Investigations.

Domestic demand in Brazil for Eluma's brass sheet and strip is very strong, according to information presented by counsel representing Eluma. Demand has apparently increased substantially since the implementation of the Cruzado Plan in February 1986. Exports of brass products to third-country markets, especially * * *, are increasing.

Eluma's projected production, capacity, and capacity utilization are shown in the following tabulation, together with data for 1985:

Item	1985	1986 1/	1987 1/
Production.....1,000 pounds..	***	***	***
Capacity.....do....	***	***	***
Capacity utilization percent..	***	***	***

1/ Estimated by Eluma.

Eluma estimates that it will export *** pounds of brass sheet and strip in 1987, but anticipates that *** of these exports will go to the United States.

Canada.--Three firms produce C20000-series brass sheet and strip in Canada: (1) ArrowHead Metals, Ltd., Toronto, Ontario; (2) Noranda Metal Industries, Montreal, Quebec; and (3) Ratcliffs (Canada) Limited, Richmond Hill, Ontario. All three firms export brass sheet and strip to the United States. Data on total Canadian production, capacity, and shipments of brass sheet and strip are presented in table 14.

* * *. ArrowHead stated that it is * * * its exports to the United States in 1987 of C20000-series brass sheet and strip and Ratcliffs stated that it has * * *. Noranda stated that it has * * *.

Korea.--Two firms are known to produce C20000-series brass sheet and strip in Korea: (1) Poongsan Metal Corp. and (2) Lee Ku Industrial Co., Ltd. Salient data on the Korean industry producing C20000-series brass sheet and strip are presented in table 15.

Projected production of C20000-series brass sheet and strip in Korea in 1987 is *** pounds; capacity is projected to * * *, and capacity utilization is projected to * * *. Home-market sales are projected to be *** pounds. Exports to the United States are projected to be *** pounds, and exports to all other countries are projected to be *** pounds.

Table 14.--Brass sheet and strip: Canada's production, capacity, capacity utilization, and shipments, 1983-85, January-September 1985, and January-September 1986

Item	1983	1984	1985	Jan.-Sept. 1985	Jan.-Sept. 1986
Production:					
ArrowHead: 1/ 1,000 pounds	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	2/ ***	2/ ***	2/ ***	***
Total.....do....	***	***	***	***	***
Capacity:					
ArrowHead: 1/ 1,000 pounds	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	2/ ***	2/ ***	2/ ***	***
Total.....do....	***	***	***	***	***
Capacity utilization:					
ArrowHead: 1/...percent	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	2/ ***	2/ ***	2/ ***	***
Average.....do....	***	***	***	***	***
Home-market shipments:					
ArrowHead: 3/ 1,000 pounds	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Exports to the United States:					
ArrowHead: 3/ 1,000 pounds	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Exports to all other countries:					
ArrowHead: 3/ 1,000 pounds	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Ratcliffs.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***

1/ ArrowHead's data on production, capacity, and capacity utilization are for total rolling mill production. Data on brass sheet and strip are not maintained separately.

2/ Ratcliffs reported that * * *.

3/ ArrowHead's data on home-market shipments and exports are estimates for C20000-series brass sheet and strip.

Source: Dow, Lohnes & Albertson, confidential submission No. 86-364, Nov. 10, 1986; and Taft, Stettinius & Hollister, confidential submissions Nos. 86-382 and 86-383.

Table 15.--Brass sheet and strip, C20000-series: Korea's production, capacity, capacity utilization, and shipments, 1983-85, January-September 1985, and January-September 1986

Item	1983	1984	1985	Jan.-Sept. 1985	Jan.-Sept. 1986
Production					
1,000 pounds..	***	***	***	***	***
Capacity.....do....	***	***	***	***	***
Capacity utilization					
percent..	***	***	***	***	***
Domestic shipments					
1,000 pounds..	***	***	***	***	***
Exports to:					
United States					
1,000 pounds..	***	***	***	***	***
Taiwan.....do....	***	***	***	***	***
Hong Kong.....do....	***	***	***	***	***
Japan.....do....	***	***	***	***	***
All others.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***

Source: Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, confidential submission No. 86-427 of Dec. 8, 1986.

Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and the LTFV and/or Subsidized Imports

U.S. imports

According to official statistics of the U.S. Department of Commerce, imports of all series of brass sheet and strip from the seven countries under investigation increased by 61.2 percent in quantity from 1983 to 1984, then decreased by 28.2 percent from 1984 to 1985 (table 16). 1/ Imports from these countries in 1985 were above 1983 levels. Imports from the seven countries during January-June 1986 decreased by 18.0 percent from the level of imports in the corresponding period of 1985.

Imports of all series of brass sheet and strip from all countries increased by 48.3 percent by quantity from 1983 to 1984, then decreased by 21.5 percent from 1984 to 1985 (table 17). Imports from all countries during January-June 1986 decreased by 10.4 percent from the level of imports in the corresponding period of 1985.

1/ Official statistics of the U.S. Department of Commerce are for all series of brass sheet and strip. It is believed that nearly all such imports consist of C20000-series brass sheet and strip, based on responses by importers to the Commission's questionnaire which indicated that C20000-series brass sheet and strip accounted for approximately 97 percent of imports of all series of brass sheet and strip from the seven countries subject to the investigations.

Table 16.—Brass sheet and strip: U.S. imports for consumption (official statistics), by selected countries, 1983-85, January-June 1985, and January-June 1986

Source	1983	1984	1985	January-June 1985	January-June 1986
			Quantity (1,000 pounds)		
West Germany	51,850	69,525	1/ 48,913	28,964	24,098
France	7,990	1/ 22,952	1/ 11,775	7,800	7,304
Italy	3,749	8,444	1/ 10,502	1/ 5,851	3,275
Korea	1,793	6,286	1/ 7,712	1/ 3,669	4,081
Brazil	9,867	15,793	7,590	4,342	4,930
Canada 2/	9,656	13,354	7,502	4,271	2,057
Sweden	754	1,670	5,176	2,449	1,302
Total, 7 countries	85,659	1/ 138,024	1/ 99,170	1/ 57,346	47,048
All other countries	38,424	46,018	45,368	24,303	1/ 26,108
Grand total	124,083	1/ 184,043	1/ 144,539	1/ 81,649	1/ 73,156
			Customs value (1,000 dollars)		
West Germany	46,629	62,742	45,313	26,818	21,817
France	6,121	1/ 17,495	9,147	5,952	5,768
Italy	3,163	7,401	1/ 9,464	1/ 5,387	2,764
Korea	1,679	6,314	1/ 6,590	1/ 3,230	3,357
Brazil	7,986	12,797	6,204	3,589	3,833
Canada	9,821	13,365	7,403	4,212	2,000
Sweden	886	1,669	4,792	2,278	1,388
Total, 7 countries	76,285	1/ 121,782	1/ 88,912	1/ 51,466	40,928
All other countries	35,637	44,432	43,074	23,109	23,353
Total	111,922	1/ 166,213	1/ 131,987	1/ 74,575	64,281
			Unit value (cents per pound) 3/		
West Germany	89.9	90.2	92.6	92.6	90.5
France	76.6	76.2	77.7	76.3	79.0
Italy	84.4	87.6	90.1	92.1	84.4
Korea	93.6	100.5	85.5	88.0	82.3
Brazil	80.9	81.0	81.7	82.7	77.7
Canada	101.7	100.1	98.7	98.6	97.2
Sweden	117.5	99.9	92.6	93.0	106.5
Average, 7 countries	89.1	88.2	89.7	89.7	87.0
All other country average	92.7	96.6	94.9	95.1	89.4
Average	90.2	90.3	91.3	91.3	87.9

1/ Reflects corrected data received from the U.S. Department of Commerce.
2/ Some of the U.S. imports from Canada were under item 806.30 of the TSUS (U.S. articles of metal (except precious metal) exported for further processing and returned for further processing). The amounts imported under item 806.30 were 1.4 million pounds in 1983, 1.4 million pounds in 1984, 0.4 million pounds during 1985 (most of which were during January-June 1985), and zero during January-June 1986. The Canadian value-added portion of the imports under item 806.30, which ranged between 34.7 percent and 39.9 percent in 1983-85, is dutiable.
3/ Unit values calculated from unrounded data.

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

Table 17.—Brass sheet and strip: U.S. imports for consumption (official statistics), by principal countries, 1983-85, January-June 1985, and January-June 1986

Source	1983	1984	1985	January-June 1985	January-June 1986
			Quantity (1,000 pounds)		
West Germany	51,850	69,525	1/ 48,913	28,964	24,098
Japan	21,233	17,934	19,194	9,717	1/ 11,227
Netherlands	9,633	15,630	15,406	8,731	7,620
France	7,990	1/ 22,952	1/ 11,775	7,800	7,304
Italy	3,749	8,444	1/ 10,502	1/ 5,851	3,275
Korea	1,793	6,286	1/ 7,712	1/ 3,669	4,081
Brazil	9,867	15,793	7,590	4,342	4,930
Canada 2/	9,656	13,354	7,502	4,271	2,057
Sweden	754	1,670	5,176	2,449	1,302
Switzerland	1,675	2,170	3,208	1,547	2,433
All other	5,883	10,285	7,561	4,307	4,829
Total	124,083	1/ 184,043	1/ 144,539	1/ 81,649	1/ 73,156
			Customs value (1,000 dollars)		
West Germany	46,629	62,742	45,313	26,818	21,817
Japan	19,217	17,231	18,132	9,146	1/ 9,749
Netherlands	9,834	16,209	15,785	8,951	7,511
France	6,121	1/ 17,495	9,147	5,952	5,768
Italy	3,163	7,401	1/ 9,464	1/ 5,387	2,764
Korea	1,679	6,314	1/ 6,590	1/ 3,230	3,357
Brazil	7,986	12,797	6,204	3,589	3,833
Canada	9,821	13,365	7,403	4,212	2,000
Sweden	886	1,669	4,792	2,278	1,388
Switzerland	1,360	2,084	2,579	1,064	2,200
All other	5,226	8,908	6,579	3,947	3,892
Total	111,922	1/ 166,213	1/ 131,987	1/ 74,575	1/ 64,281

See footnotes at end of table.

Table 17.--Brass sheet and strip: U.S. imports for consumption (official statistics), by principal countries, 1983-85, January-June 1985, and January-June 1986--Continued

Source	1983	1984	1985	January-June 1985	January-June 1986
	Unit value (cents per pound) 3/				
West Germany	89.9	90.2	92.6	92.6	90.5
Japan	90.5	96.1	94.5	94.1	86.8
Netherlands	102.1	103.7	102.5	102.5	98.6
France	76.6	76.2	77.7	76.3	79.0
Italy	84.4	87.6	90.1	92.1	84.4
Korea	93.6	100.5	85.5	88.0	82.3
Brazil	80.9	81.0	81.7	82.7	77.7
Canada	101.7	100.1	98.7	98.6	97.2
Sweden	117.5	99.9	92.6	93.0	106.5
Switzerland	81.2	96.1	80.4	68.8	90.5
All other	88.8	86.6	87.0	91.7	80.6
Average	90.2	90.3	91.3	91.3	87.9

1/ Reflects corrected data received from the U.S. Department of Commerce.
2/ Some of the U.S. imports from Canada were under item 806.30 of the TSUS (U.S. articles of metal (except precious metal) exported for further processing and returned for further processing). The amounts imported under item 806.30 were 1.4 million pounds in 1983, 1.4 million pounds in 1984, 0.4 million pounds during 1985 (most of which were during January-June 1985), and zero during January-June 1986. The Canadian value-added portion of the imports under item 806.30, which ranged between 34.7 percent and 39.9 percent in 1983-85, is dutiable.
3/ Unit values calculated from unrounded data.

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

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

Responses to the Commission's questionnaire, coupled with other information provided to the Commission by respondents, indicate that imports of brass sheet and strip are predominantly of the C20000-series (table 18). The C20000-series' share of total imports from the seven subject countries of brass sheet and strip was 96.4 percent in 1983, 97.3 percent in 1984, and 96.2 percent in 1985.

Table 18.--Brass sheet and strip: U.S. imports for consumption (from questionnaire responses and other submissions to the Commission), by countries under investigation and by types, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)

Source	1983	1984	1985	January-June 1985	January-June 1986
Brazil:					
C20000-series	1/ ***	***	***	2/ ***	2/ ***
Other series	***	***	***	2/ ***	2/ ***
Subtotal	1/ ***	***	***	2/ ***	2/ ***
Canada:					
C20000-series 3/	***	***	***	4/ ***	4/ ***
Other series	***	***	***	***	***
Subtotal	***	***	***	***	***
France:					
C20000-series	1/ ***	***	***	***	***
Other series	***	***	***	***	***
Subtotal	1/ ***	***	***	***	***
Italy:					
C20000-series 5/	***	***	***	6/ ***	6/ ***
Other series	***	***	***	2/ ***	2/ ***
Subtotal	***	***	***	2/ ***	2/ ***
Korea:					
C20000-series	1/ ***	***	***	2/ ***	2/ ***
Other series	***	***	***	2/ ***	2/ ***
Subtotal	1/ ***	***	***	2/ ***	2/ ***
Sweden:					
C20000-series 7/	***	***	***	4/ ***	4/ ***
Other series	***	***	***	***	***
Subtotal	***	***	***	4/ ***	4/ ***
West Germany:					
C20000-series	1/ ***	***	***	2/ ***	2/ ***
Other series	***	***	***	2/ ***	2/ ***
Subtotal	1/ ***	***	***	2/ ***	2/ ***
Total, seven countries:					
C20000-series	89,251	128,370	82,703	44,999	43,240
Other series	3,379	3,561	3,248	1,739	1,508
Total	92,630	131,931	85,951	46,738	44,748

See footnotes at end of table.

Table 18.--Brass sheet and strip: U.S. imports for consumption (from questionnaire responses and other submissions to the Commission), by countries under investigation and by types, 1983-85, January-June 1985, and January-June 1986--Continued

(In thousands of pounds)

Source	1983	1984	1985	January-June-- 1985	January-June-- 1986
All other countries:					
C20000-series	1/ 6,140	23,887	25,189	2/8/11,043	2/8/9,084
Other series	1/ 837	1,348	2,791	2/8/ 905	2/8/2,818
Total	1/ 6,977	25,235	27,980	2/8/11,948	2/8/11,902
All countries:					
C20000-series	95,391	152,257	107,892	56,042	52,324
Other series	4,216	4,909	6,039	2,644	4,326
Grand total	99,607	157,166	113,931	58,686	56,650

1/ * * * did not report its imports in 1983.
2/ * * * did not report its imports for the partial-year periods.
3/ Consists of exports from Canada to the United States, as reported by the 3 Canadian producer/exporters.
4/ January-September.
5/ Consists of exports from Italy to the United States by * * *.
6/ Estimated by * * *.
7/ Consists of exports from Sweden to the United States, as reported by * * *.
8/ * * * did not report its imports for the partial-year periods.

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

Table 19 presents data on U.S. imports of C20000-series brass sheet and strip. These data were obtained by reducing the official statistics of the U.S. Department of Commerce (which consist of all series of brass sheet and strip) by imports of other-than-C20000-series brass sheet and strip reported in response to the Commission's questionnaires.

Imports of C20000-series brass sheet and strip for reroll, as reported by importers in their questionnaire responses, are shown in the following tabulation (in thousands of pounds):

Source	1983	1984	1985	January-June-- 1985	January-June-- 1986
Brazil	***	***	***	***	***
Canada	***	***	***	***	***
France	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Sweden	***	***	***	***	***
West Germany	***	***	***	1/ ***	1/ ***
All other	***	***	***	***	***
Total	31,773	40,172	10,105	***	***

1/ * * * did not report its imports of reroll during the partial-year periods.

Table 19.--Brass sheet and strip, C20000-series: U.S. imports 1/ for consumption, by selected countries, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)

Source	1983	1984	1985	January-June 1985	January-June 1986
West Germany	***	***	***	***	***
France	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Brazil	***	***	***	***	***
Canada 2/	***	***	***	***	***
Sweden	***	***	***	***	***
Total, 7 countries	82,280	134,463	95,922	55,607	45,539
All other countries	37,587	44,670	42,577	23,398	23,290
Grand total	119,867	179,133	138,499	79,005	68,829

1/ Consists of official statistics of the U.S. Department of Commerce for all series of brass sheet and strip, reduced by imports of brass sheet and strip other than C20000-series as reported by importers in responses to the Commission's questionnaires.

2/ Some of the U.S. imports from Canada were under item 806.30 of the TSUS (U.S. articles of metal (except precious metal) exported for further processing and returned for further processing). The amounts imported under item 806.30 were 1.4 million pounds in 1983, 1.4 million pounds in 1984, 0.4 million pounds during 1985 (most of which were during January-June 1985), and zero during January-June 1986. The Canadian value-added portion of the imports under item 806.30, which ranged between 34.7 percent and 39.9 percent in 1983-85, is dutiable.

Source: Compiled from official statistics of the U.S. Department of Commerce and from responses to questionnaires of the U.S. International Trade Commission.

The only reported sources of imports of reroll among the seven countries are * * *. Total imports of reroll increased by 26.4 percent in 1984, decreased by 74.8 percent in 1985, and * * * during January-June 1986 compared with the level of imports in the corresponding period of 1985.

Market penetration of imports

U.S. imports of C20000-series brass sheet and strip as a share of apparent U.S. consumption are presented in table 20. The ratio of the quantity of imports to consumption for the seven countries subject to the investigations increased from 15.6 percent in 1983 to 21.0 percent in 1984, decreased to 18.7 percent in 1985, and was 16.7 percent during January-June 1986, a decrease of 2.9 percentage points from the ratio in the corresponding period of 1985.

Table 20.—Brass sheet and strip, C20000-series: U.S. imports, apparent U.S. consumption, and ratios of imports to consumption, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June 1985	January-June 1986
Apparent U.S. consumption					
1,000 pounds..	527,786	641,589	513,885	283,624	272,727
U.S. imports 1/ from—					
West Germany					
1,000 pounds..	***	***	***	***	***
France.....do....	***	***	***	***	***
Italy.....do....	***	***	***	***	***
Korea.....do....	***	***	***	***	***
Canada 2/.....do....	***	***	***	***	***
Brazil.....do....	***	***	***	***	***
Sweden.....do....	***	***	***	***	***
Total, 7 countries					
1,000 pounds..	82,280	134,463	95,922	55,607	45,539
All other countries					
1,000 pounds..	37,587	44,670	42,577	23,398	23,290
Grand total..do....	119,867	179,133	138,499	79,005	68,829
Ratios to apparent U.S. consumption of imports from—					
West Germany..percent..	***	***	***	***	***
France.....do....	***	***	***	***	***
Italy.....do....	***	***	***	***	***
Korea.....do....	***	***	***	***	***
Canada.....do....	***	***	***	***	***
Brazil.....do....	***	***	***	***	***
Sweden.....do....	***	***	***	***	***
Total, 7 countries percent..	15.6	21.0	18.7	19.6	16.7
All other countries percent..	7.1	7.0	8.3	8.2	8.5
Total.....do....	22.7	27.9	27.0	27.9	25.2

1/ Consists of official statistics of the U.S. Department of Commerce for all series of brass sheet and strip, reduced by imports of brass sheet and strip other than C20000-series as reported by importers in responses to the Commission's questionnaires.

2/ Some of the U.S. imports from Canada were under item 806.30 of the TSUS (U.S. articles of metal (except precious metal) exported for further processing and returned for further processing). The amounts imported under item 806.30 were 1.4 million pounds in 1983, 1.4 million pounds in 1984, 0.4 million pounds during 1985 (most of which were during January-June 1985), and zero during January-June 1986. The Canadian value-added portion of the imports under item 806.30, which ranged between 34.7 percent and 39.9 percent in 1983-85, is dutiable.

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

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

Prices

Brass sheet and strip is sold on a per pound basis. There are two major components to the total selling price: a fabrication price and the metal value of the product. The fabrication price generally varies with the alloy, thickness (gauge), and width of the brass sheet and strip, as well as with the quantity ordered. 1/ The thinner the gauge, the more costly the item is to produce and the higher the price. A width resulting in lower yield from a coil will also have a higher price. One producer commented that, of the two price components, "fabrication values are more stable and under the control of the individual producer." 2/

The second price component, the metal value, generally accounts for at least half of the total selling price of brass sheet and strip. 3/ During the period under investigation, the metal value fluctuated considerably but followed a clear downward trend on a quarterly basis. From January-March 1983 to April-June 1986, the metal value of cartridge brass declined from approximately $0.68 to $0.57 per pound, or by approximately 16 percent. 4/ Because metal value accounts for a large proportion of the total selling price of brass sheet and strip, the decline in the metal value likely affected trends of total selling prices during the period under investigation.

Suppliers of brass sheet and strip may quote the fabrication and metal values separately, or may quote a total selling price. Regardless of the type of price quoted, the prices for U.S.-produced and imported brass sheet and strip include U.S.-inland freight costs and are thus effectively "delivered" prices. 5/ Transportation costs represent a small percentage of the final delivered price. Thus, although transportation costs might affect suppliers' "netback," they are not a significant factor in purchasers' source decisions.

Sales practices

Domestic brass mills and importers sell brass sheet and strip to distributors, rerollers, and many end-user markets. A large percentage of U.S. producers' and importers' domestic shipments are made directly to end users. In 1985, 67 percent of U.S. producers' domestic shipments and 43 percent of reporting importers' U.S. shipments of C20000-series brass were sold directly to end users. 6/ 7/ Officials at * * * reported that price

---

1/ In addition, certain special finishes or tempers may affect fabrication prices.

2/ Transcript of staff conference, Apr. 4, 1986, p. 27.

3/ An estimate of the metal value of brass sheet and strip can be calculated by adding the prices of copper and zinc, weighted by the percentages of each contained in the alloy. Cartridge brass contains 70 percent copper and 30 percent zinc. During 1983-86, the metal value of cartridge brass has been approximately $0.50 to $0.60 per pound.

4/ Based on U.S. copper prices (f.o.b. refinery) and U.S. zinc prices (New York), International Monetary Fund, International Financial Statistics.

5/ Some suppliers quote prices on a delivered basis, whereas others quote prices on an "f.o.b." basis but absorb freight costs for most of their sales.

6/ * * *.

7/ Reporting importers include the major importers of Brazilian and Korean brass sheet and strip in 1985, as well importers of brass sheet and strip produced in other countries subject to current investigations.

varies among market segments according to the degree of purchaser sophistication and competition in a particular segment.

Because speculative trading in the metals market can change the metal value of brass sheet and strip significantly within a period as short as a week, producers, importers, and purchasers of brass sheet and strip must pay special attention to metal values. Several methods of handling the metal value component for sales of brass sheet and strip have developed, each varying the proportions of market risk born by suppliers and purchasers. The metal value of the brass sheet and strip may be established for a single shipment, typically on either the date of order or the date of shipment. Or, the metal value can be fixed for multiple shipments over a period of time. Alternatively, in a toll arrangement or metal conversion contract, the purchaser of the brass sheet and strip supplies the input metal to be fabricated.

Toll account sales.--According to U.S. producers' estimates, toll account shipments represented the largest percentage of total producers' shipments by pounds during 1983-85, although only a small number of larger customers were involved in these transactions. 1/ For each of the three major brass mills, from 50 to 65 percent of their total 1985 sales, by pounds, of brass sheet and strip were toll account sales. Toll account sales agreements are reportedly the most formal type of sales agreement negotiated for U.S.-produced brass. In a toll account arrangement or metal conversion contract, the purchaser makes a substantial initial investment in the metal to be fabricated and later pays only a fabrication charge to the producer. 2/ At the time the toll account contract is negotiated, the following are established: the type of metal provided, the fabrication price, any additional charges, the estimated quantity to be tolled, and the duration of the agreement. Sales of imported brass sheet and strip on a toll account basis are extremely rare. 3/

Nontoll account sales.--For sales other than toll account sales, the three major domestic brass mills generally negotiate "firm fabrication price agreements" with major customers but also make price quotes for individual orders. The remaining U.S. brass mills reported that the majority of their sales involved individual order price quotes. Although firm fabrication agreements are sometimes called "contracts," it appears that, with the exception of toll account sales, U.S.-produced brass is generally not sold on a fixed-period contractual basis as the concept applies in other industries. Firm fabrication agreements are not purchase orders for specific quantities, and they are generally not legally binding on either party. These agreements generally establish "firm" fabrication prices for a fixed period (usually 1 year) for all the product specifications typically desired by a particular customer, together with discounts for various quantity levels. Representatives

---

1/ Commission staff estimates that toll account shipments accounted for approximately 57 percent of total domestic shipments to unrelated purchasers in 1985.

2/ If a purchaser provides scrap rather than virgin metal, it may also pay a small charge of a few cents per pound fabricated to upgrade the alloy content of the metal provided.

3/ If a purchaser wanted to buy imported brass on a toll account basis, it would have to arrange to purchase the metal and have it delivered to the foreign producer.

of brass mills have stated that fabrication prices are often renegotiated prior to the termination of the original agreement, and price data support this observation.

Fabrication agreements may also specify the percentage of the customer's scrap the brass mill agrees to repurchase, stated as a certain percentage of the total pounds sold to the customer. U.S. brass mills reported repurchases of more than 25 million pounds of brass scrap from their customers in 1985. Importers rarely repurchase brass scrap from their customers.

U.S. brass mills generally charge their published metal value at the date of shipment for both single and multiple shipment sales. U.S. producers' published metal values are copper and zinc prices tracked by the New York Commodities Exchange (COMEX), plus a premium of $0.04 to $0.07 per pound for freight, processing, and inventory costs. 1/ With the exception of * * * and * * *, U.S. brass mills do not offer a firm metal price, and thus a firm total price, for multiple shipments. In 1983, * * * and * * * sold *** and *** percent, respectively, of their brass sheet and strip in firm metal arrangements. By 1985, those percentages had increased to *** and *** percent, respectively.

U.S. importers of brass sheet and strip from Brazil, Canada, and Korea reported that the majority of sales are not on a contract basis. Because specifications desired for brass sheet and strip frequently vary with the purchaser and the individual order, it is difficult to inventory "standard" items. For this reason, U.S. producers and importers report that the majority of their sales are of brass sheet and strip that is produced following a customer's order. Petitioners have stated that the custom-made nature of brass sheet and strip orders makes it inappropriate to characterize importers' sales as spot sales. According to petitioners, importers' sales are properly characterized as individual order price quotes for items produced following a customer's order.

Like U.S. producers, the major importers of Canadian brass sheet and strip * * *. Unlike U.S. producers, the major importers of Brazilian and Korean brass sheet and strip * * *. 2/ Some brass sheet and strip customers have stated a preference for knowing that the total selling price will not change between the date of order and the date of shipment. Importers of brass sheet and strip from countries other than * * * generally track copper and zinc prices published by the London Metal Exchange (LME).

For purchases of brass sheet and strip imported from the subject countries, leadtimes are typically much longer than for purchases of U.S.-produced material because they include time for both production and overseas shipment. Purchasers report that a typical leadtime for U.S.-produced brass sheet and strip is approximately 5 weeks, whereas leadtimes for imported brass sheet and strip from Brazil and Korea are approximately 12 weeks. For imports of Canadian brass sheet and strip, a

---

1/ Meeting with * * *.

2/ Some importers allow the customer to "book" the metal value on any date between the date of order and 2 weeks prior to shipment.

typical leadtime is about 7 weeks. 1/ In addition, whereas the minimum quantity requirements for U.S.-produced brass sheet and strip generally range from 2,000 to 5,000 pounds, the minimum quantity requirement for purchases of imports can be as high as 8,000 pounds per individual item ordered, with a minimum total shipment of 40,000 pounds, a full truckload.

Price data

The Commission requested producers and importers to provide quarterly price data during January 1983-June 1986 on their nontoll account sales for nine common brass sheet and strip products listed below:

Product 1.--Builders' hardware, CDA end-use classification 110, CDA alloy 260, 0.016-inch to 0.032-inch thick by 2 inches to 12 inches in width.

Product 2.--Slitting stock, CDA end-use classification 920, CDA alloy 260, 0.020-inch to 0.025-inch thick by maximum yield width.

Product 3.--Communications and electronics, CDA end-use classification 430, CDA alloy 260, 0.010-inch to 0.013-inch thick by 0.75 inch to 2 inches in width.

Product 4.--Communications and electronics, CDA end-use classification 430, CDA alloy 260, 0.016-inch to 0.020-inch thick by 0.75 inch to 2 inches in width, traverse wound.

Product 5.--Slitting Stock, CDA end-use classification 920, CDA alloy 260, 0.016-inch to 0.0199-inch thick by maximum yield width.

Product 6.--Reroll, CDA end-use classification 910, CDA alloy 260, 0.050-inch to 0.080-inch thick by maximum yield width.

Product 7.--Reroll, CDA end-use classification 910, CDA alloy 260, 0.081-inch to 0.125-inch thick by maximum yield width.

Product 8.--Automotive electrical, CDA end-use classification 320, CDA alloy 260, 0.0061-inch to 0.012-inch thick by 2 inches to 12 inches in width.

Product 9.--Lamp shells and sockets, CDA end-use classification 440, CDA alloy 260, 0.011-inch to 0.016-inch thick by 2 inches to 12 inches in width.

The Commission requested producers to provide price data for their toll account sales only for products Nos. 2, 5, 6, and 8.

1/ Purchasers have told staff that some importers provide stocking programs in the United States to meet customers' short-term needs.

The range and median average leadtimes for each source country are presented in the "Purchasers' data" section.

The above-listed product specifications used to collect price data were defined to specify the four major total selling price factors identified -- alloy, gauge, width, and market segment. To control for quarterly price changes due solely to slight changes in the product specifications sold within a product category, producers and importers were asked to report price data for the same item throughout the period 1983-86. Price data were requested for the largest quarterly sale of the responding firm's single largest volume item within a product category (by pounds shipped in 1983-86).

For toll account sales, producers were asked to report the base fabrication price and any additional charges directly associated with that toll account shipment to arrive at a net delivered fabrication price paid for the largest quarterly toll shipment of a particular item. Five U.S. producers provided usable fabrication price data for toll account sales.

For nontoll account sales, producers and importers were asked to report total delivered selling prices, as well as the fabrication prices and metal values, for their largest single quarterly sale (by volume) of a particular item. Seven producers reported price data for nontoll account sales.

Seven U.S. producers of brass sheet and strip, four importers of Brazilian brass sheet and strip, two importers of Canadian brass sheet and strip, and three importers of Korean brass sheet and strip reported some price data as requested, although not necessarily for all products and periods requested. The seven reporting U.S. brass mills accounted for more than 99 percent of U.S. brass mills' total 1985 domestic shipments of C20000-series brass sheet and strip. With respect to total imports of C20000-series brass sheet and strip in 1985, the importers that provided usable price data accounted for approximately *** percent of imports from Brazil, *** percent of imports from Canada, and *** percent of imports from Korea.

Price trends

When purchasing brass sheet and strip, metal values are a "given." On any given day, one supplier may quote a slightly lower metal value than that quoted by another supplier, but, over time, metal values quoted by different suppliers move together. Thus, the fabrication price is the price component that is subject to negotiation, i.e., the price component that would normally be reduced because of price competition from other suppliers. Because metal values are not normally subject to negotiation, and because metal values have declined during the period under investigation, fabrication prices are used where possible for the purposes of price trends.

Domestic producers' price trends.--Producers provided price data sufficient to allow an analysis of trends in fabrication prices. 1/ Price trends for U.S.-produced brass sheet and strip sold on a toll account basis differed from trends for nontoll account sales. Comparing prices in the first period for which data were collected with those in the last period, fabrication prices for U.S.-produced brass sold on a toll account basis

1/ Total weighted-average selling prices reported by U.S. producers are presented in app. G.

generally increased for the toll account product categories from January-March 1983 to April-June 1986, whereas fabrication prices for nontoll account sales of U.S.-produced brass generally declined over the same period.

Toll account sales.--Fabrication price data reported by several domestic producers on their largest quarterly toll account sales of a particular item provided good weighted-average price series for the two slitting stock specifications and a reroll specification, and one producer provided a price series for the automotive electrical product. These price data, presented in table 21, show that weighted-average quarterly fabrication prices of U.S.-produced brass sheet and strip sold on a toll account basis increased by 5 to *** percent for three of four product categories from January-March 1983 to April-June 1986. 1/ The remaining weighted-average fabrication price series, for the heavier gauge slitting stock specification, showed producers' prices at the same level during January-March 1983 and April-June 1986. Disaggregating the data also shows a clear trend of price increases for individual producers' toll account price series during 1983-86. 2/ U.S. producers' weighted-average prices for toll account sales of all products increased during 1984, when demand for brass sheet and strip was reportedly high. Continuing their upward trend, weighted-average fabrication prices for toll account sales of the slitting stock and reroll products peaked sometime in 1985 before declining in more recent periods to price levels at or above price levels experienced during January-March 1983.

Comparing January-March 1983 with April-June 1986, producers' weighted-average fabrication prices for the heavier gauge slitting stock product remained at $0.38 per pound, and producers' weighted-average fabrication prices for the lighter gauge slitting stock product increased from $0.39 to $0.41 per pound, or by approximately 5 percent, over the same period. 3/ The price series for these slitting stock products show similar trends. From January-March 1983 to July-September 1985, weighted-average fabrication prices for the two slitting stock products increased by 16 to 18 percent. From July-September 1985 to April-June 1986, however, fabrication prices for the slitting stock specifications experienced declines of 11 to 14 percent.

Producers' reported fabrication prices for .050"-.080" reroll are generally more than $0.10 per pound lower than fabrication prices for slitting stock. From January-March 1983 to April-June 1986, weighted-average fabrication prices for the U.S.-produced reroll product sold on a toll account basis increased from $0.24 to $0.27 per pound, or by almost 13 percent, despite a pattern of high underselling by importers in this product category. After declining slightly during late 1983 and early 1984, weighted-average fabrication prices for U.S.-produced reroll increased by nearly 32 percent during April-June 1984 through the January-March 1985. During April-June 1985, weighted-average fabrication prices for this product declined by 7 percent before remaining fairly steady through April-June 1986.

1/ * * * reported price data for toll account sales of the automotive electrical product show fabrication prices to one customer increasing * * *.

2/ At the Dec. 1, 1986, hearing, Olin's president stated that fabrication prices for toll account sales have decreased during the period under investigation. * * *. * * *.

3/ Trends for the heavier gauge slitting stock product differ from those shown in the prehearing report because of * * *.

Table 21.--Brass sheet and strip: Domestic producers' weighted-average delivered fabrication prices on their toll account sales, by products and by quarters, January 1983-June 1986

(Per pound)

Period	Slitting stock (.020"-.025" gauge) 1/	Slitting stock (.016"-.0199" gauge) 2/	Reroll (.050"-.080" gauge) 3/	Automotive electrical (.0061"-.012" gauge) 4/
1983:				
January-March....	$0.38	$0.39	$0.24	$***
April-June.....	.40	.40	.24	***
July-September.....	.40	.40	.24	***
October-December..	.39	.40	.23	***
1984:				
January-March.....	.40	.42	.22	***
April-June.....	.40	.42	.23	***
July-September.....	.41	.42	.25	***
October-December..	.39	.43	.27	***
1985:				
January-March.....	.42	.45	.29	***
April-June.....	.43	.45	.27	***
July-September.....	.44	.46	.27	***
October-December..	.42	.45	.26	***
1986:				
January-March.....	.39	.40	.26	***
April-June.....	.38	.41	.27	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .020"-.025" thick by maximum yield width (MYW).
2/ Slitting stock, CDA end-use classification 920, CDA Alloy 260, .016"-.0199" thick by MYW.
3/ Reroll, CDA end-use classification 910, CDA alloy 260, .050"-.080" thick by MYW.
4/ Automotive electrical, CDA end-use classification 320, CDA alloy 260, .0061"-.012" thick by 2"-12" in width.

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

Nontoll account sales.--Comparing toll account and nontoll account price data for the same products reveals that fabrication prices for nontoll account sales of a particular specification are generally higher than fabrication prices for toll account sales. Lower fabrication prices for toll account sales may be due to one or more of the following factors: the typically larger quantities involved in toll account sales, the greater customer commitment involved in toll account sales in terms of contractual arrangements or large amounts of metal owned by the purchaser, or the tendency for toll account customers to be among the more sophisticated brass sheet and strip customers, capable of more effective negotiating skills. Fabrication price data reported by U.S. producers for their nontoll sales provided usable weighted-average price series for the two slitting stock products, the builders' hardware product, and the heavier gauge communications and electronics product (product 4). These weighted-average price data, shown in table 22, together with individual producers' fabrication price series, indicate that fabrication prices for nontoll sales of brass sheet and strip fluctuated, but generally declined, from January-March 1983 to April-June 1986. Price movements during the period of investigation for nontoll sales of U.S.-produced slitting stock were more erratic than those for toll account sales, with larger increases during January-March 1984 and steeper declines in late 1985 to early 1986.

From January-March 1983 to April-June 1986, weighted-average fabrication price data for nontoll sales of U.S.-produced heavier gauge slitting stock (product 2) slipped from $0.43 per pound to $0.41 per pound, or by approximately 5 percent. Weighted-average fabrication price data for lighter gauge slitting stock (product 5) show prices of this product at $0.46 per pound during January-March 1983 and during April-June 1986, but conceal price declines experienced by most producers. 1/ Weighted-average fabrication prices for U.S. producers' nontoll sales of the builders' hardware specification moved erratically from $0.53 per pound during January-March 1983 to $0.49 per pound during April-June 1986, for an overall decline of nearly 8 percent.

Weighted-average fabrication prices for nontoll account sales of the U.S.-produced heavier gauge communications and electronics product are at least $*** per pound higher than weighted-average prices for the slitting stock and builders' hardware products for which price trends are discussed above. During the period under investigation, weighted-average fabrication prices for this high-end product were fairly steady but increased by approximately *** percent, despite a pattern of high underselling by importers for this product category.

Importers' price trends for nontoll account sales.--Because importers generally quote the total selling price rather than quote the two price components separately, total selling price data are used for the purposes of price trends. However, the reader should note that changes in total selling prices from quarter to quarter could be influenced by changing metal values. From January-March 1983 to April-June 1986, one could expect a decline in the total selling price of imported brass sheet and strip of roughly $0.04 to $0.07 per pound because of the fall in average prices of copper and

1/ * * *.

Table 22.--Brass sheet and strip: Domestic producers' weighted-average delivered fabrication prices on their nontoll sales, by products and by quarters, January 1983-June 1986

(Per pound)

Period	Slitting stock (.020"-.025" gauge) 1/	Slitting stock (.016"-.0199" gauge) 2/	Builders' hardware 3/	Communications and electronics (.016"-.020" gauge) 4/
1983:				
January-March	$0.43	$0.46	$0.53	$***
April-June	.42	.55	.52	***
July-September	.44	.50	.55	***
October-December	.43	.46	.57	***
1984:				
January-March	.52	.53	.55	***
April-June	.50	.54	.58	***
July-September	.50	.56	.59	***
October-December	.50	.53	.57	***
1985:				
January-March	.49	.56	.54	***
April-June	.48	.53	.58	***
July-September	.48	.50	.55	***
October-December	.48	.45	.48	***
1986:				
January-March	.44	.49	.50	***
April-June	.41	.46	.49	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .020"-.025" thick by maximum yield width (MYW).
2/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .016"-0199" thick by MYW.
3/ Builders' hardware, CDA end-use classification 110, CDA alloy 260, .016"-.032" thick by 2"-12" in width.
4/ Communications and electronics, CDA end-use classification 430, CDA alloy 260, .016-.020" thick by .75"-2" in width, traverse wound, not tin coated.

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

A-57

zinc. 1/ 2/ Although price data reported by importers on their largest quarterly spot sales of brass sheet and strip produced in the subject countries do not allow a thorough analysis of importers' price trends, price data available for imports from Brazil, Canada, and Korea, and price data for the other countries subject to current investigations suggest that importers' total selling prices generally fell during the period under investigation. Importers' weighted-average total selling prices are shown in appendix G.

The most complete price series for importers' prices of Brazilian brass sheet and strip products is the heavier gauge slitting stock product category. 3/ From October-December 1983 to April-June 1986, importers' weighted-average prices for this slitting stock product * * * $*** per pound, or by *** percent. Importers' weighted-average prices for Brazilian builders' hardware * * * $*** per pound, or by *** percent, from early 1984 to mid-1986, and importers' prices for the lighter gauge slitting stock product * * * $*** per pound, or by *** percent, from early 1984 to early 1986.

Total selling prices of imported Canadian slitting stock * * * by $*** to $*** per pound from January-March 1983 to the corresponding period of 1986, or by *** percent. In the second quarter of 1986, however, prices of the imported Canadian heavier gauge slitting stock * * * by $*** per pound, to almost the same price level as the level during January-March 1983. 4/

Price data for brass sheet and strip imported from Korea are primarily available for 1985-86. Importers' prices of Korean builders' hardware and heavier gauge slitting stock * * * by $*** to $*** per pound, or by *** percent, from January-March 1984 to April-June 1986. From early 1985 to mid-1986, prices for the imported Korean builders' hardware, heavier-gauge slitting stock, lighter-gauge communications and electronics, and lamp shells and sockets products * * * $*** to $*** per pound, or by *** percent, despite metal values that were roughly the same in both periods. The price data for imported Korean material * * *.

Price comparisons

When deciding among various potential suppliers, the total selling price is the price that matters to a purchaser of brass sheet and strip. Thus, this report compares weighted-average total delivered selling prices for nontoll sales of U.S.-produced brass sheet and strip shipped during a particular

---

1/ Based on monthly United Kingdom (London) prices for copper and zinc in U.S. dollars, International Monetary Fund, International Financial Statistics.

2/ This observation applies to importers who use LME-related metal values in setting their prices. Because importers of * * * brass sheet and strip use COMEX-related metal values, the expected decline in the total selling price would be closer to $0.11 per pound.

3/ Eluma, * * *, submitted an amended questionnaire response to staff on Nov. 21, 1986, because the company realized that it did not originally report prices in the manner requested by the Commission. In its first submission, Eluma * * *. Using the correct method to select transaction prices, there are now fewer transactions reported because * * *. Prices in some cases are higher than reported originally because the transactions are now the largest sale of a single consistent product within the product category.

4/ In addition, * * *, a Canadian producer, provided price data for U.S. sales of * * *. * * *.

quarter with total delivered selling prices of the subject imports shipped during the same quarter. 1/ 2/ 3/

The reported selling price data for producers' and importers' quarterly nontoll sales during January-March 1983 to April-June 1986 resulted in 80 direct quarterly price comparisons between weighted-average delivered prices of domestic and imported brass sheet and strip from Brazil, Canada, and Korea.

Price data for each of the countries subject to these investigations showed underselling by importers in the majority of price comparisons. Margins of underselling were generally the highest for the heavier gauge communications and electronics product. The builders' hardware and lighter-gauge slitting stock product categories showed the next highest margins of underselling. Price comparisons for the lamp shell and socket product category generally showed importers' prices only slightly below, or above, weighted-average prices of U.S. producers. Margins of underselling or (overselling) for products 1, 2, 4, 5, and 9 are presented in tables 23 through 26 and price comparisons are discussed by country below.

Because U.S. producers' reported prices for sales of brass sheet and strip varied considerably among suppliers in some instances, ranges of producers' and importers' prices for the two slitting stock product categories are presented next to weighted-average total selling prices in tables 27 and 28. 4/

Brazil.--Underselling by importers of brass sheet and strip was generally the highest for imports from Brazil based on comparisons of weighted-average prices. Of 27 price comparisons between domestic and imported Brazilian brass sheet and strip, 23 showed underselling by the imported products. The following tabulation presents a summary of the number of direct quarterly price comparisons that showed underselling by importers of Brazilian brass sheet and strip for each product category and the range of absolute and

---

1/ Respondents have argued that it is inappropriate to compare quarterly total selling prices reported by producers and importers because the metal value components for reported sales are established on different dates during a quarter. However, questionnaire price data received by the Commission indicate that average quarterly metal values reported by importers are generally lower than those reported by U.S. producers, especially for * * * brass sheet and strip. In addition, staff was told by three purchasers that importers' metal values are generally lower than those quoted by U.S. producers. Thus, comparing fabrication prices alone could mask an important aspect of price competition for sales of brass sheet and strip.

2/ Respondents have voiced other concerns about comparing producers' and importers' total selling prices. The issues raised concern items compared, level of sale, differences in quantities purchased, differences in leadtimes, and the effects of producers' scrap buy-back programs. A discussion of these issues appears in app. H.

3/ Comparisons of producers' toll account prices with importers' nontoll account prices are analyzed in the section on Purchasers' data.

4/ Counsel for Eluma, * * *, has argued that it is competing with a U.S. producer that sells at considerably lower prices than those offered by Olin.

Table 23.--Brass sheet and strip: The average margins by which imports of slitting stock of .020"-.025" gauge undersold or (oversold) the U.S.-produced product sold on a nontoll account basis, by countries of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	Brazil		Canada		Korea	
	Margin	Percent	Margin	Percent	Margin	Percent
1983:						
January-March.....	2/	2/	$***	***	2/	2/
April-June.....	2/	2/	***	***	2/	2/
July-September....	2/	2/	***	***	2/	2/
October-December.	$***	***	***	***	2/	2/
1984:						
January-March.....	***	***	***	***	$***	***
April-June.....	***	***	***	***	***	***
July-September....	***	***	***	***	***	***
October-December..	***	***	***	***	2/	2/
1985:						
January-March.....	***	***	***	***	***	***
April-June.....	***	***	***	***	***	***
July-September....	***	***	***	***	***	***
October-December..	3/	***	***	***	***	***
1986:						
January-March.....	***	***	***	***	***	***
April-June.....	***	***	***	***	***	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .020"-.025" thick by maximum yield width.
2/ Cannot be calculated.
3/ This price comparison showed * * *.

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

Table 24.--Brass sheet and strip: The average margins by which imports of slitting stock of .016"-.0199" gauge undersold or (oversold) the U.S.-produced product sold on a nontoll account basis, by countries of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	Brazil		Canada		Korea	
	Margin	Percent	Margin	Percent	Margin	Percent
1983:						
January-March.....	2/	2/	$***	***	2/	2/
April-June.....	2/	2/	***	***	2/	2/
July-September....	2/	2/	***	***	2/	2/
October-December..	2/	2/	***	***	2/	2/
1984:						
January-March.....$***		***	2/	2/	2/	2/
April-June.....	***	***	***	***	2/	2/
July-September....	***	***	***	***	2/	2/
October-December..	***	***	***	***	2/	2/
1985:						
January-March.....	***	***	2/	2/	2/	2/
April-June.....	2/	2/	***	***	2/	2/
July-September....	2/	2/	***	***	$***	***
October-December..	2/	2/	***	***	***	***
1986:						
January-March.....	***	***	***	***	2/	2/
April-June.....	2/	2/	2/	2/	***	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .016"-.0199" thick by maximum yield width.
2/ Cannot be calculated.

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

Table 25.--Brass sheet and strip: The average margins by which imports of builders' hardware undersold or (oversold) the U.S.-produced product sold on a nontoll account basis, by countries of origin and by quarters, January 1984-June 1986 1/

(Per pound)

Period	Brazil		Korea	
	Margin	Percent	Margin	Percent
1984:				
January-March	$***	***	$***	***
April-June	***	***	***	***
July-September	***	***	2/	2/
October-December	***	***	2/	2/
1985:				
January-March	***	***	3/	***
April-June	2/	2/	***	***
July-September	2/	2/	***	***
October-December	2/	2/	***	***
1986:				
January-March	2/	2/	***	***
April-June	***	***	***	***

1/ Builders hardware', CDA end-use classification 110, CDA alloy 260, 0.016"-0.032" thick by 2"-12" in width.
2/ Cannot be calculated.
3/ This price comparison showed * * *.

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

Table 26.--Brass sheet and strip: The average margins by which imports of the heavier-gauge communications and electronics and lamp shells and sockets products undersold or (oversold) the U.S.-produced products sold on a non-toll account basis, by product, by countries of origin, and by quarters, January 1984-June 1986

(Per pound)

Period	Communications and electronics 1/				Lamp shells and sockets 2/			
	Brazil		Korea		Brazil		Korea	
	Margin	Percent	Margin	Percent	Margin	Percent	Margin	Percent
1984:								
January-March....	$***	***	3/	3/	3/	3/	3/	3/
April-June.....	***	***	$***	***	$***	***	3/	3/
July-September....	3/	3/	3/	3/	3/	3/	3/	3/
October-December..	3/	3/	3/	3/	3/	3/	3/	3/
1985:								
January-March.....	3/	3/	3/	3/	3/	3/	$***	***
April-June.....	3/	3/	3/	3/	3/	3/	3/	3/
July-September....	***	***	***	***	3/	3/	3/	3/
October-December..	3/	3/	***	***	3/	3/	4/	***
1986:								
January-March.....	3/	3/	3/	3/	3/	3/	3/	3/
April-June.....	3/	3/	3/	3/	3/	3/	***	***

1/ Communications and electronics, CDA end-use classification 430, CDA alloy 260, .016"-.020" thick by .75"-2" in width, traverse wound, not tin coated.
2/ Lamp shells and sockets, CDA end-use classification 440, CDA alloy 260, .011"-.016" thick by 2"-12" in width.
3/ Cannot be calculated.
4/ This price comparison showed * * *.

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

A-63

Table 27.--Brass sheet and strip: The weighted-average and range of producers' and importers' total selling prices for nontoll account sales of the heavier-gauge slitting stock product, by countries of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	United States		Brazil		Canada		Korea	
	Average	Range	Average	Range	Average	Range	Average	Range
1983:								
January-March.....	$1.10	$***	2/	2/	$***	$***	2/	2/
April-June.....	1.10	***	2/	2/	***	***	2/	2/
July-September.....	1.11	***	2/	2/	***	***	2/	2/
October-December.....	1.06	***	$***	$***	***	***	2/	2/
1984:								
January-March.....	1.16	***	***	***	***	***	$***	$***
April-June.....	1.16	***	***	***	***	***	***	***
July-September.....	1.11	***	***	***	***	***	***	***
October-December.....	1.10	***	***	***	***	***	2/	2/
1985:								
January-March.....	1.09	***	***	***	***	***	***	***
April-June.....	1.10	***	***	***	***	***	***	***
July-September.....	1.07	***	***	***	***	***	***	***
October-December.....	1.06	***	***	***	***	***	***	***
1986:								
January-March.....	1.04	***	***	***	***	***	***	***
April-June.....	1.00	***	***	***	***	***	***	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .020"-.025" thick by maximum yield width.
2/ No data reported.

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

A-64

Table 28.--Brass sheet and strip: The weighted-average and range of producers' and importers' total selling prices for nontoll account sales of the lighter-gauge slitting stock product, by countries of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	United States		Brazil		Canada		Korea	
	Average	Range	Average	Range	Average	Range	Average	Range
1983:								
January-March.....	$1.14	$***	2/	2/	$***	$***	2/	2/
April-June.....	1.24	***	2/	2/	***	***	2/	2/
July-September.....	1.17	***	2/	2/	***	***	2/	2/
October-December.....	1.09	***	2/	2/	***	***	2/	2/
1984:								
January-March.....	1.18	***	$***	$***	2/	2/	2/	2/
April-June.....	1.20	***	***	***	***	***	2/	2/
July-September.....	1.17	***	***	***	***	***	2/	2/
October-December.....	1.13	***	***	***	***	***	2/	2/
1985:								
January-March.....	1.17	***	***	***	2/	2/	2/	2/
April-June.....	1.15	***	2/	2/	***	***	2/	2/
July-September.....	1.09	***	2/	2/	***	***	$***	$***
October-December.....	1.03	***	2/	2/	***	***	***	***
1986:								
January-March.....	1.09	***	***	***	***	***	2/	2/
April-June.....	1.06	***	2/	2/	2/	2/	***	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .016"-.0199" thick by maximum yield width.
2/ No data reported.

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

A-65

percentage margins by which the importers' weighted-average total selling price undersold the U.S. producers' weighted-average total selling price:

Product	Underselling/ total comparisons	Range of underselling Amount	Percent
Slitting stock, .020"-.025" ..	8/11	$0.01-0.20	0.8-17.2
Slitting stock, .016"-.0199"..	6/6	.11- .27	9.3-22.7
Builders' hardware.....	6/6	.17- .24	15.2-20.6
Comm. and elec., .016"-.020"..	3/3	.26- .46	18.4-31.5

Margins of underselling on importers' sales of Brazilian brass sheet and strip were the highest for the heavier gauge communications and electronics product category. One price comparison involving the lamp shells and sockets product shipped during April-June 1984 showed that the imported Brazilian product was higher priced by $*** per pound, or *** percent above the price of U.S. producers.

Comparing the lowest reported prices for U.S.-produced heavier gauge slitting stock with the lowest reported prices for Brazilian material reduces the instances of underselling for that product by one-half. However, a similar comparison for the lighter gauge slitting stock results in the same number of underselling instances.

Canada.--In 23 of 25 weighted-average total selling price comparisons for imports of brass sheet and strip from Canada, involving the slitting stock product categories, importers undersold U.S. producers. Margins of underselling were comparatively low for the subject imports from Canada. For the heavier gauge slitting stock product, underselling by importers on these sales ranged from $0.02 to $0.13 per pound, or 2.0 to 11.3 percent below U.S. producers' prices. For the lighter gauge slitting stock product, underselling by importers ranged from $0.04 to $0.16 per pound, or 3.8 to 13.1 percent below U.S. producers' prices.

Comparing the lowest reported prices for U.S.-produced heavier gauge slitting stock with the lowest reported prices for Canadian material reduces the instances of underselling for that product from 13 to 9 for 14 quarterly comparisons. A similar analysis for the lighter gauge slitting stock reduces the instances of underselling by a supplier of Canadian material from 10 to 6 out of 11 quarterly comparisons.

Korea.--Price data from importers of Korean brass sheet and strip resulted in 28 quarterly total selling price comparisons involving six product categories. Of these, 24 price comparisons on a weighted-average basis showed underselling by importers of Korean material. A summary of underselling by importers of Korean brass sheet and strip is presented below for 4 of 6 product categories:

Product	Underselling/ total comparisons	Range of underselling Amount	Percent
Slitting stock, .020"-.025"...	9/9	$0.01-0.15	0.8-13.6
Slitting stock, .016"-.0199"..	3/3	.07- .16	6.7-15.2
Builders hardware.....	8/8	see below	.3-18.3
Comm. and elec., .016"-.020"..	3/3	.35- .44	23.6-31.1

The few comparisons for the communication and electronics product category show the highest margins of underselling by imported Korean material. Regarding imports of Korean builders' hardware, price data indicate that importers undersold U.S. producers by less than $0.005 per pound to $0.22 per pound. Two price comparisons for the automotive electrical specification showed overselling by importers of the Korean product of 0.7 to 3.6 percent above U.S. producers' prices. With respect to the lamp shells and sockets category, importers of Korean material oversold U.S. producers by 0.4 to 7.2 percent in 2 of 3 quarters for which direct price comparisons are available. The imported Korean material was lower priced by $*** per pound, or by *** percent, during April-June 1986.

Comparing the lowest reported prices for U.S.-produced heavier gauge slitting stock with the lowest reported prices for Korean material reduces the instances of underselling for that product from 9 to 6 for 9 quarterly comparisons. A similar analysis for the lighter gauge slitting stock reduces the instances of underselling by a supplier of Korean material from 3 to 1 out of 3 quarterly comparisons.

Purchasers' data

The Commission received usable questionnaire responses from 36 purchasers, including 13 distributors and 23 end users of brass sheet and strip. The total purchases of these reporting brass customers accounted for 23.6 percent of apparent U.S. consumption of all brass sheet and strip in 1985. Regarding the subject imports, reporting purchasers had the most experience with brass sheet and strip produced in West Germany and the least experience with brass sheet and strip produced in France and Italy. The number of purchasers that reported purchasing C20000-series brass sheet and strip from each of the countries subject to these investigations is presented in the following tabulation:

Country	Number
Brazil	13
Canada	17
France	5
Italy	5
Korea	8
Sweden	6
West Germany	27

Factors pertinent to purchasers' source decisions.--Purchasers were asked to list, in order of importance, the three major factors used in deciding between suppliers of brass sheet and strip. Of the 36 purchasers, 64 percent cited product quality and 17 percent cited price as the most important purchasing determinant. Over 85 percent of the purchasers ranked price and quality among their top three factors. Next in importance to reporting brass customers was current availability/delivery, which was ranked among the top three factors by over 60 percent of the reporting purchasers. End users, which use brass sheet and strip to manufacture various products, generally

rated current availability/delivery more important than price when choosing between suppliers, whereas distributors generally rated delivery considerations less important than price. Conversations with end users and distributors support this pattern. Because distributors generally purchase to replenish inventories, distributors can usually accommodate their inventory planning to account for the variance in average leadtimes of suppliers. For manufacturers, long or unpredictable leadtimes increase raw materials inventory costs and can possibly disrupt production schedules.

Other factors that appear to play a major role in several distributors' and end users' purchasing decisions include traditional relationships with suppliers or existing contracts, purchasers' judgments as to the future stability of brass suppliers, or a preference for a particular method of handling the metal value component for purchases. Several of the largest brass customers purchase from 37 to 95 percent of their annual brass sheet and strip needs on a toll account basis. This preference undoubtedly frames their choice of suppliers because only a few U.S. producers make toll account sales. Some purchasers also reported a preference for pricing the metal value component of brass sheet and strip by date of order rather than date of shipment. This preference may cause some purchasers to buy more imported brass sheet and strip, since producers generally use the published price at date of shipment for the metal value. For end users, technical support can also be an important reason to maintain a purchasing relationship with particular suppliers.

Product quality.--The Commission requested brass sheet and strip purchasers to compare the product quality of imported brass from the subject countries with U.S.-produced brass purchased since 1983. Although opinions on the comparative product quality of brass sheet and strip imported from the subject countries relative to U.S.-produced brass sheet and strip varied among purchasers; on average, reporting purchasers reported that brass imported from the subject countries is not inferior to U.S.-produced brass sheet and strip. On the contrary, some purchasers believe that the quality of imported brass is better than that produced in the United States. For example, approximately one-half of commenting purchasers stated that imported Korean brass sheet and strip is superior to U.S.-produced brass.

For brass sheet and strip, the most important quality considerations appear to be how closely a shipment matches the specifications desired and surface quality or finish. The most important quality factor for many purchasers is gauge control. Because purchasers of brass sheet and strip pay by the pound, variations from the gauge specified can result in the end user paying for unnecessary poundage. Several purchasers commented that the quality of U.S.-produced brass varies considerably and that brass produced by Olin is superior to that produced by some other domestic mills. Olin has made numerous efforts to upgrade its quality control techniques in recent years and is generally considered in the same quality class as the West German producer Wieland, whose product quality was highly praised by several purchasers.

Leadtimes.--The Commission asked purchasers to report the average leadtime in weeks between the date they placed orders for brass sheet and strip and the date of delivery to their establishments for brass sheet and strip produced in the United States and in the subject countries. The range

and median of the purchasers' responses are shown, by country of origin, in the following tabulation (in weeks): 1/

Country	Range	Median
United States	1-12	5
Brazil	2-16	12
Canada	2-16	7
Korea	8-16	12

Prices.--Purchasers were also requested to state whether, since 1983, the prices of imported C20000-series brass sheet and strip purchased from Brazil, Canada, and Korea have generally been lower than, approximately equal to, or higher than those for U.S.-produced brass sheet and strip.

To analyze price competition during the period under investigation, staff compared purchaser responses concerning the relative prices of imported brass sheet and strip vis-a-vis U.S.-produced brass sheet and strip with responses concerning the relative qualities of the merchandise from the various sources. For imports produced in Brazil, Canada, and Korea, about one-half of the responses for each country indicate that imported brass sheet and strip of quality equal to or better than U.S.-produced brass sheet and strip generally undersold U.S.-produced brass sheet and strip during the period under investigation. In addition, one purchaser of Korean brass sheet and strip reported buying imported material of superior quality at prices approximately equal to those for U.S.-produced brass sheet and strip.

One factor that may play an indirect role in price competition between U.S. producers and importers is U.S. producers' scrap buy-back programs. Purchasers were requested to describe scrap buy-back programs offered by U.S. producers and to state whether or not these programs affect competition between U.S. producers and importers of brass sheet and strip. Distributors and end users generate scrap in slitting and manufacturing operations, and the percentage of a purchaser's total brass sheet and strip purchases that is left over as scrap can be as high as 30 to 50 percent for some end users. Fifteen purchasers stated that U.S. producers pay more for scrap than do scrap dealers, and 5 purchasers indicated that there is no real difference in the prices paid; 16 purchasers did not indicate whether or not the scrap prices differ. 2/ Estimates of the premium paid by U.S. producers for scrap ranged from $0.03 to $0.10 per pound. Five purchasers stated that U.S. producers' scrap buy-back programs give U.S. producers a slight edge over suppliers of imported brass sheet and strip. Two purchasers specifically stated that, because of producers' scrap buy-back programs, importers' selling prices must be slightly lower than those of U.S. producers.

1/ For calculation of the median response, staff computed an average in instances where purchasers' responses were reported as average ranges, e.g., 12 to 16 weeks.

2/ Those purchasers who did not provide a response to this question typically either left it blank, stated they did not sell scrap to producers, or answered "no effect" or "unknown."

Distributors of brass sheet and strip were also asked to provide quarterly price data for their nontoll account and toll account purchases of slitting stock from January 1985-June 1986. Nontoll account price data provided by distributors resulted in 11 direct quarterly comparisons between U.S.-produced brass sheet and strip and imported brass sheet and strip from Brazil, Canada, and Korea. All 11 price comparisons showed underselling by the subject imports. The number of direct price comparisons and the range of underselling, by amount and as a percent of the U.S. producer's price, are shown in following tabulation:

Country of origin	Number of comparisons	Range of underselling	
		Amount	Percent
Brazil	7	$0.11-0.23	9.9-22.3
Canada	1	.03	3.0
Korea	3	.08- .21	7.0-18.7

In addition, distributors' price data provided six direct quarterly price comparisons involving distributors' purchases of U.S.-produced brass sheet and strip on a toll account basis with those distributors' purchases of imported brass sheet and strip on a nontoll basis. These price comparisons indicate that the price advantage of imports is reduced or eliminated for purchasers that buy brass sheet and strip on a toll account basis. The savings for a purchaser of U.S.-produced brass sheet and strip on a toll account basis appear to be the result of both lower metal costs and lower fabrication prices for these purchases. During * * *, one distributor purchased U.S.-produced and imported * * * slitting stock on a nontoll account basis. Using the nontoll account U.S. price for comparison, the imported * * * slitting stock undersold U.S.-produced material by 19 percent. The same distributor also made a toll account purchase of U.S.-produced slitting stock during * * *. Using the toll account U.S. price for comparison, the supplier of * * * material undersold a U.S. producer by 12 percent. Six comparisons were provided by a distributor that purchases U.S.-produced brass strip on a toll account basis and * * * material on a nontoll account basis. This distributor paid nearly the same price for U.S.-produced and * * * brass strip in two quarters of 1985 (within 2 percent) and paid 7 to 11 percent more for * * * brass strip in the first two quarters of 1986. Underselling by a supplier of imported brass strip from * * * was 14 percent of the total purchase price paid for U.S.-produced brass bought on a toll account basis, however, even though the quantity of imported * * * material purchased was roughly one-fourth the size of the U.S.-produced toll shipment.

Trends in purchasing patterns.--For 1984 and 1985, the Commission requested all purchasers to report the percentage of their total annual brass sheet and strip purchases (in pounds) accounted for by U.S.-produced brass sheet and strip. Of 17 purchasers that bought more than 1 million pounds of brass sheet and strip in 1984 or 1985, the percentage of total annual purchases accounted for by U.S.-produced brass sheet and strip declined from 1984 to 1985 for 8 purchasers, remained fairly steady for 7 purchasers, and increased for 2 purchasers. Percentage point declines ranged from 5 to 23 points; increases ranged from 9 to 21 points.

Consistent with the trend in apparent U.S. consumption, total annual purchases of brass sheet and strip (in pounds) reported by all purchasers declined by approximately 16 percent from 1984 to 1985. * * * large reporting purchasers, * * *, accounted for more than 94 percent of the decline reported by the sample of purchasers. The purchasers that showed large declines in 1985 * * *. Even though the percentage of each of these large purchasers' annual purchases accounted for by U.S.-produced brass generally did not change dramatically from 1984-85, the fall in purchases by these * * * purchasers would be expected to reduce U.S. producers' domestic shipments by approximately 14.6 million pounds from 1984 to 1985. 1/

Exchange rates

Table 29 presents nominal- and real-exchange-rate indexes between the U.S. dollar and the Brazilian cruzado, Canadian dollar, and the Korean won, by quarters, from January-March 1983 (the base period) to April-June 1986. Based on dollars per unit of foreign currency, the exchange rate indexes approximate changes in average prices or price levels of foreign products purchased with U.S. dollars. 2/

The currencies of all three countries depreciated relative to the U.S. dollar between 1983 and early 1985. From January-March 1983 to April-June 1986, nominal depreciation for the subject currencies vis-a-vis the U.S. dollar was 98 percent for the Brazilian cruzado, 11 percent for the Canadian dollar, and 15 percent for the Korean won.

As a result of varying rates of inflation in the countries covered in these investigations and in the United States, the nominal-exchange-rate indexes do not explain changes in the real values of the subject currencies. Adjusted for inflation, the real value of the Brazilian cruzado fluctuated considerably relative to the U.S. dollar during the period under investigation. At its lowest point during April-June 1983, the real value of the cruzado was 10 percent lower in real terms than during the base period. Since April-June 1985, the real value of the cruzado relative to the dollar has increased on a quarterly basis, climbing to approximately 7 percent above its base period value by April-June 1986.

Relative to the U.S. dollar, the real value of the Canadian dollar fluctuated within a relatively narrow range during the period under investigation. As of April-June 1986, the real value of the Canadian dollar had fallen by 3 percent against the dollar since the base period.

1/ One of these large customers showed a ***-percentage-point decline in the share of total shipments accounted for by U.S.-produced brass from 1984 to 1985, but this purchaser also showed a decline of about *** percent in toll account shipments.

2/ The nominal-exchange-rate index uses quarterly period-average exchange rates between the dollar and the foreign country's currency as a rough estimate of quarterly changes in the average prices of foreign goods sold at a constant price if purchased with U.S. dollars. Adjusted for relative changes in the wholesale price levels in the United States and in the subject foreign country, the real-exchange-rate index more accurately reflects real changes in average wholesale price levels of foreign goods if purchased with U.S. dollars.

Table 29.—Indexes of the nominal and real exchange rates among the U.S. dollar, the Brazilian cruzado, the Canadian dollar, and the Korean won, by quarters, January 1983-June 1986 1/ 2/

(January-March 1983=100)

Period	Brazilian cruzado		Canadian dollar		Korean won	
	Nominal	Real	Nominal	Real	Nominal	Real
1983:						
Jan.-Mar....	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June...	68.5	90.3	99.7	100.9	97.9	96.8
July-Sept...	51.1	95.6	99.6	100.6	96.0	93.7
Oct.-Dec....	37.6	98.6	99.1	100.1	94.8	92.1
1984:						
Jan.-Mar....	28.6	97.7	97.8	99.3	94.7	91.4
Apr.-June...	21.5	97.2	95.0	96.9	94.4	90.8
July-Sept...	16.3	98.2	93.4	96.2	93.0	90.4
Oct.-Dec....	11.9	100.9	93.1	96.3	91.9	89.7
1985:						
Jan.-Mar....	8.7	101.2	90.7	95.1	89.8	87.8
Apr.-June...	6.2	93.0	89.6	94.5	86.9	84.9
July-Sept...	4.8	94.7	90.2	95.8	85.3	84.2
Oct.-Dec....	3.6	100.5	89.0	94.6	84.5	83.3
1986:						
Jan.-Mar....	2.6	107.8	87.4	95.4	84.9	84.1
Apr.-June...	2.4	107.2	88.7	97.4	84.9	83.9

1/ Exchange rates are expressed in U.S. dollars per unit of foreign currency.
2/ The real-exchange-rate indexes are derived from nominal exchange rates adjusted by the Producer Price Indexes for the United States and for the subject foreign countries. These indexes are presented in line 63 of the International Financial Statistics.

Source: International Monetary Fund, International Financial Statistics.

On a quarterly basis, the real value of the Korean won fell steadily against the dollar during 1983-1985. At its lowest point during October-December 1985, the real value of the won was 17 percent below its base period value. The real value of the won then remained fairly steady relative to the dollar from October-December 1985 to April-June 1986.

Lost sales and lost revenues

Six U.S. producers provided lost sales and lost revenue allegations for these investigations. Nineteen purchasers were cited in 27 allegations of sales lost because of price competition from imports from Brazil, Canada, and Korea. Fourteen purchasers were cited in 16 allegations of sales revenues lost to avoid losing sales to imports from the subject countries. Most of the lost revenues and lost sales allegations were for 1985 and 1986, but there were allegations for the entire period of 1983 through September 1986. Alleged sales lost to imports from Brazil, Canada, and Korea from 1983 through July-September 1986 totaled approximately 3.3 million pounds or $3.4 million. Alleged revenues lost making price reductions necessary to avoid losing sales to imports from Brazil, Canada, and Korea were approximately $62,000. Although the vast majority of allegations involved import competition in CDA Alloy 260 products (cartridge brass), other alloys, such as yellow brass, guilding brass, commercial bronze, and red brass were cited in a few instances. The number and type of allegations cited for each country subject to these investigations is shown in the following tabulation:

Country of origin	Alleged lost sales	Alleged lost revenues
Brazil.....	***	***
Canada.....	***	***
Korea.....	***	***

Information obtained from purchasers contacted is summarized below.

Purchaser 1.--* * * named * * * in allegations of sales lost in * * *, involving a total of * * * pounds, to suppliers of Brazilian brass sheet and strip. A spokesman for this * * * stated that, since the mid-to-late 1960's, * * * has obtained roughly one-half of its brass sheet and strip from U.S. producers and has imported the remainder from * * *. * * * is the purchaser's current major domestic supplier. Prices of brass sheet and strip imported from * * * are reportedly "always identical" to those of U.S.-produced material bought from * * *. In early 1986, * * * also ordered * * * pounds of Brazilian brass sheet and strip (* * *) because the Brazilian material was lower priced than U.S.-produced material and * * * brass sheet and strip by approximately $0.10 per pound. The spokesman commented that * * * would not have imported the * * * containers of Brazilian material if the price was the same as that for U.S.- or * * * brass because of Brazil's reputation for unpredictable delivery of up to 6 months late. The spokesman estimated that, given the uncertain delivery of the Brazilian material, he would expect it to be priced $0.05 per pound below the U.S.-produced material, and stated his belief that the purchases of Brazilian material most likely displaced more * * * material than U.S. material from * * *. * * * has just recently placed orders with * * * for U.S.-produced brass sheet and strip. With respect to

the quality of the Brazilian material, the spokesman stated that it performed fine, but noted that the firm's quality requirements are not very demanding.

Purchaser 2.--* * * was cited by * * * in an allegation of a sale lost during * * * involving * * * pounds of brass sheet and strip allegedly purchased instead from suppliers of Brazilian brass sheet and strip. The cited * * * returned a questionnaire response to the Commission indicating that it has not purchased brass sheet and strip imported from Brazil during 1983-86. Regarding the period of the allegation, the purchasing manager for the company stated that he had received samples of Brazilian material during that period but denied that a U.S. producer lost a sale to a supplier of imported brass sheet and strip. During * * *, * * * was negotiating with * * * U.S. producers, including * * *. * * * of these producers could not provide the desired specifications, which were for material of * * *. Of the * * * remaining producers, the lower priced U.S. producer made the sale. The purchasing manager would not elaborate further on the specific allegation.

During the period under investigation, * * * has purchased C20000-series brass sheet and strip imported from * * *. The percentage of the firm's total purchases of C20000-series brass sheet and strip in 1984 accounted for by purchases of U.S.-produced material was estimated at *** percent; the comparable percentage for 1985 was *** percent.

The three major factors in this purchaser's source decisions are prearranged contracts, a preference for purchasing * * * on a toll account basis, and * * *. In its purchaser's questionnaire response, * * * reported that it has purchased imported brass sheet and strip in lieu of domestic brass partly because the specifications desired are not available domestically. Asked to comment further, the purchasing manager stated that U.S. producers can actually provide the bulk of * * *'s requirements for particular gauges and widths but imported brass sheet and strip produced in * * * has "tighter" tolerances than does the U.S.-produced material it purchases. The spokesman explained that gauge control, a producer's ability to produce brass sheet and strip as close as possible to the gauge specified, is desirable because the firm does not want to purchase unnecessary poundage. * * * does not purchase brass sheet and strip from * * * because * * *. * * *'s purchasing manager reported that, as of October 1986, brass sheet and strip from * * * is priced approximately 10 percent below prices of its U.S. suppliers.

Purchaser 3.--* * * alleged that it lost revenues on a * * * sale of * * * pounds of brass sheet and strip to * * * because of price competition from imported Canadian brass sheet and strip. A spokesman for this * * * denied that it received a price reduction from a U.S. producer because of price competition from Canadian brass sheet and strip during * * *. In recent years, * * *'s major suppliers have been * * * and * * *, a supplier of Canadian brass sheet and strip. The spokesman explained that * * *, and that * * * has not purchased much Canadian material since then because U.S.-produced brass sheet and strip has been priced very competitively. Currently, * * *'s major supplier is * * *, but the firm's spokesman stated that it also bought limited quantities of brass sheet and strip from * * * in the first and fourth quarters of 1986. The company's purchaser questionnaire response indicates that in the first two quarters of 1986 it was purchasing one specification of brass sheet and strip from * * * at prices lower than those for Canadian material purchased * * *.

Purchaser 4.--* * * was cited in a lost sales allegation by * * *. Refusing * * * offer of $*** per pound, * * * allegedly purchased * * * from a supplier of Korean brass for approximately $*** per pound. About 5 years ago, * * * stopped purchasing from * * *, its major supplier for *** years, because * * * could no longer remain price competitive. The purchasing agent for * * * stated that the company has purchased mostly Japanese material since that period. The company's major suppliers of U.S.-produced brass sheet and strip are * * *.

Regarding imported Korean brass sheet and strip, * * * purchased a sample of *** pounds of Korean brass sheet and strip in * * * 1985 for approximately $*** per pound. The price for the Korean material was not considered lower than that for U.S.-produced brass sheet and strip purchased in that period and price was not the reason for the purchase. In * * * 1985, * * * also purchased samples of brass sheet and strip produced in * * *. In * * * 1985, the company decided to "stay with Japan" for most of its brass sheet and strip needs. The company generally purchases * * *.

The major purchasing determinants for this company are reportedly price and quality. In thinner gauges, brass sheet and strip produced in Japan is lower priced by $0.05 to $0.25 per pound. The brass sheet and strip * * * purchases from * * * is of different gauges, presumably thicker. The spokesman stated that in gauges of .025"-.040", U.S.-produced material can be lower priced for the same level of quality.

Purchaser 5.--* * * named * * * in a lost sales allegation involving *** pounds of * * * material allegedly purchased from a supplier of Canadian brass sheet and strip in * * *. * * *'s suppliers of U.S.-produced brass sheet and strip include * * *. The company also imports brass sheet and strip from * * *. The purchasing agent for * * * could not recall the competitive situation during * * *. The spokesman stated that Canadian material has been lower priced than U.S.-produced brass sheet and strip on certain occasions, but noted that it has not been consistently lower priced during the period under investigation. Price is not the only reason to purchase imported brass sheet and strip, the spokesman added. Apparently, current availability has influenced particular purchasing decisions between U.S.-produced and imported brass sheet and strip in both directions. Average leadtimes for U.S.-produced brass are 4 to 5 weeks, compared with 3 to 5 weeks for Canadian brass. * * * returned * * * questionnaire to the Commission, stating that, in 1985, the company * * *. In 1986, the company * * *.

Purchaser 6.--* * * made * * * lost sales allegations involving * * *. * * * alleged that in * * * it lost sales of * * * because * * * purchased Brazilian material instead for $*** to $*** per pound below * * *'s price quotes of $*** to $*** per pound. The purchasing agent for * * * denied purchasing any imported brass sheet and strip during the period of the allegation. The * * *'s suppliers of U.S.-produced brass sheet and strip include * * *. The company's spokesman recalled purchasing approximately *** pounds of U.S.-produced brass sheet and strip from * * * during April 1986, in lieu of a higher priced offer from * * *.

The major determinants in the company's source decisions are price and quality. * * * has purchased limited amounts of imported * * * brass sheet and strip in recent years. Since approximately March 1986, imported brass

sheet and strip from these countries has been higher priced than U.S.-produced brass sheet and strip. The spokesman stated that U.S. producers have cut their prices considerably in 1986. Imported brass sheet and strip has to be about $0.05 per pound lower priced than U.S.-produced material because the company simply prefers to "buy American." Asked about delivery considerations, the spokesman stated that brass from offshore often has better delivery than U.S.-produced brass sheet and strip. For example, * * * can get * * * material in 5 to 7 weeks, whereas U.S.-produced material can take 7 to 12 weeks for delivery. * * *'s supplier of * * * material maintains some U.S. inventory for its customers.

Purchaser 7.--* * * was cited by * * * in an allegation of revenues lost in * * * because of price competition from suppliers of Korean brass sheet and strip. The U.S. producer's price was allegedly reduced from $*** per pound to $*** per pound in response to a price quote for Korean material of $*** per pound. The company's purchasing agent could not recall the instance and denied that * * * has ever purchased Korean brass sheet and strip. Of the countries subject to the Commission's investigations, the firm has purchased some * * * brass sheet and strip on a spot basis.

Purchaser 8.--* * * was named in a lost sales allegation by * * * involving *** pounds of brass sheet and strip allegedly purchased around * * * from a supplier of Korean material for $*** less per pound than * * * offer based on fabrication prices. A spokesman for * * * denied that it has ever purchased Korean brass sheet and strip, but he could not recall if the company had purchased imports from another country around * * *. * * *'s suppliers of U.S.-produced brass sheet and strip include * * *.

According to its purchaser's questionnaire response, * * * has also purchased brass sheet and strip from * * * during the period of investigation. During 1983, 1984, and part of 1985, imported brass sheet and strip from these countries was approximately 10 percent lower priced than U.S.-produced material. Currently, imports from these countries are only 2 to 3 percent lower priced than U.S.-produced material. U.S. producers are offering * * * price quotes of $0.91 to $0.93 per pound and some importers of Italian and West German brass sheet and strip are quoting price quotes of approximately $0.88 to $0.90 per pound. At these price levels, it is no longer worthwhile to purchase imported material because of the longer leadtimes involved. * * * is reportedly no longer even being considered as a supplier because of the high LTFV margins assessed by Commerce. The company's spokesman stated that the percentage of its brass sheet and strip purchases accounted for by U.S.-produced brass sheet and strip has increased from 1984 to date.

Purchaser 9.--* * * alleged a sale lost to * * * in * * *, involving *** pounds of * * * brass sheet and strip allegedly purchased from a supplier of Canadian material because it was $*** lower priced than the * * * offer. A spokesman for * * * stated that most of the brass sheet and strip it purchases is * * *. Although * * * was its primary supplier for brass sheet and strip, * * * reportedly also purchases material from * * *. The spokesman stated that * * * has purchased less than *** pounds of Canadian material in order to * * * but could not recall when it was purchased.

Purchaser 10.--* * * cited * * * in an allegation of sales lost in * * * to imports of Canadian and * * * brass sheet and strip. The allegation involved * * *. The purchasing agent for this * * * estimated that * * * purchases approximately *** pounds of * * * brass sheet and strip per year. The firm has not purchased any U.S.-produced brass sheet and strip for about * * * years. Previously, U.S.-produced brass sheet and strip was purchased through distributors and never directly from U.S. producers. Since * * *, the company has purchased all of its * * * from a supplier of imported West German material. Prior to purchasing West German material, the company purchased imported Canadian material for about * * * years. In * * *, * * * started purchasing Candian material because it was lower priced and because of delivery problems with U.S.-produced brass, which was made to order but then bought from local distributors. U.S.-produced * * * was selling for around $1.35 to $1.45 per pound, and Canadian * * * was selling for approximately $1.25 to $1.30 per pound. 1/ At that time, average leadtimes for U.S.-produced brass were 10 to 12 weeks, and U.S. mills often had trouble meeting scheduled delivery dates. The leadtime for Canadian material was 8 to 9 weeks, and it arrived on schedule. The purchasing agent believed that prices of U.S.-produced * * * have fallen to approximately $1.30 to $1.35 per pound in 1986.

Purchaser 11.--* * * was cited in a lost revenue allegation involving price reductions of $*** per pound on * * * pounds of brass sheet and strip sold in * * * because of price competition from suppliers of Korean brass sheet and strip. * * * purchases from a number of U.S. producers, including * * *, and also purchases imported brass sheet and strip produced in * * *. The purchasing agent for * * * stated that he routinely gets price reductions on price quotes from all his suppliers * * *. He also stated that he * * *. The purchasing agent would not comment on the specific allegation but noted that it is likely that Korean brass sheet and strip has been lower priced than U.S.-produced material or otherwise he would not have purchased it. * * * has paid a slight premium for U.S.-produced brass sheet and strip because it cannot always wait for imported brass sheet and strip. The purchasing agent reported that leadtimes are often more important than price in deciding between suppliers. The purchasing agent could not estimate the value of shorter lead- times from domestic producers in terms of the price of brass sheet and strip.

1/ * * *.

APPENDIX A

NOTICES OF FINAL LTFV DETERMINATIONS BY THE DEPARTMENT OF COMMERCE ON BRAZIL AND KOREA

International Trade Administration

[A-351-603]

Final Determination of Sales at Less Than Fair Value; Brass Sheet and Strip From Brazil

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined the brass sheet and strip from Brazil are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: November 10, 1986.

FOR FURTHER INFORMATION CONTACT: Jess Bratton or Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-3963 or 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that brass sheet and strip from Brazil are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)). We made fair value comparisons on sales of the class or kind or merchandise to the United

States by the sole respondent during the period of investigation, October 1, 1985 through March 31, 1986. Comparisons were based on United States price and foreign market value, furnished by petitioners. We have found the average margin for the company investigated to be 40.62 percent, *ad valorem*.

Case History

On March 10, 1986, we received a petition in proper form filed by American Brass, Bridgeport Brass Company, Chase Brass and Copper Company, Hussey Metals Division, the Miller Company, Olin Corporation—Brass Group, and Revere Copper Products, Inc., domestic manufacturers of brass sheet and strip, and by the International Association of Machinists and Aerospace Workers, International Union—Allied Industrial Workers of America (AFL–CIO), Mechanic Educational Society of America (Local 56), and United Steelworkers of America (AFL/CIO–CLC). The petition was filed on behalf of the U.S. industry that casts, rolls, and finishes brass sheet and strip. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act and that these imports materially injure, or threaten material injury to, a U.S. industry.

We determined that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on March 31, 1986 (51 FR 11774, April 7, 1986), and notified the ITC of our action. On April 24, 1986, the ITC determined that there is a reasonable indication that imports of brass sheet and strip from Brazil materially injure a U.S. industry (USITC Pub. No. 1837).

On April 18, 1986, we presented an antidumping duty questionnaire to Eluma Corporation (Eluma), which accounts for virtually all exports of the subject merchandise to the United States. We requested a response in 30 days. On May 19, 1986, at the request of Eluma, we granted a 14-day extension of the due date for the questionnaire response. We received a response on June 5. On June 26, we requested additional information from Eluma. We received supplemental responses on July 10, August 4, and August 15, 1986.

On August 18, 1986, we made an affirmative preliminary determination (August 22, 1986, 51 FR 30092).

On September 11, 1986, Eluma requested that the final determination be postponed until 135 days after the preliminary determination and that verification of the questionnaire response also be postponed. On October 3, 1986, counsel for Eluma wrote to notify us that Eluma was not prepared to participate in a verification of its response and was, therefore, withdrawing its request for a postponement of the final determination.

As required by the Act, we afforded interested parties an opportunity to submit oral and written comments. No request for a hearing was made.

Scope of Investigation

The products covered by this investigation are brass sheet and strip, other than leaded brass and tin brass sheet and strip, currently provided for under the *Tariff Schedules of the United States Annotated, (TSUSA)* item numbers 612.3960, 612.3982, and 612.3986.

The chemical composition of the products under investigation is currently defined in the Copper Development Association (C.D.A.) 200 series or the Unified Numbering System (U.N.S.) C20000 series. Products whose chemical composition are defined by other C.D.A. or U.N.S. series are not covered by this investigation.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price, based on the best information available, with the foreign market value, also based on the best information available. We used the best information available as required by section 776(b) of the Act, because we did not receive a verifiable response.

United States Price.

We calculated the purchase price of brass and strip on the basis of the best information available which is the ex-factory prices provided by petitioners. These prices were based on actual sales or offers made by a Brazilian producer and on monthly average unit values derived from the Bureau of Census import statistics. Petitioners arrived at ex-factory prices by deducting, where appropriate, estimated charges for ocean freight, insurance, and U.S. inland freight.

Foreign Market Value

We calculated the foreign market value of brass sheet and strip on the basis of the best information available which is the ex-factory prices furnished by petitioners. These prices were based on a Brazilian producer's ex-factory prices in the home market. After having reviewed the petition, we determined that it contained sufficient information on which to make a circumstance of sale adjustment for credit expenses. Accordingly, we made an adjustment for difference in circumstance of sales for credit expenses pursuant to § 353.15 of our regulations.

Verification

Respondent did not permit the verification of its response as required by section 776(a) of the Act.

Petitioners' Comments

Comment No. 1: Petitioners argue that, in the absence of a verifiable response, the final determination in this case must be based upon the best information otherwise available. The petitioners recommend that the data contained in their petition be used for this purpose, as was done in the preliminary determination, and that the preliminary rate of 42.25 percent be adopted as the final weighted-average margin of dumping as well.

DOC Response: We agree that the data contained in the petition should be used as the best information available. A review of the petition, however, reveals that it contains sufficient information on which to make a circumstance of sale adjustment. (See "Foreign Market Value" section of this notice.)

Comment No. 2: Petitioners argue that the Department erred when, after the preliminary determination, it directed the United States Customs Service to reduce the bond requirement for antidumping duties by the amount of the *de minimis* export subsidy preliminarily found in the companion countervailing duty investigation of brass sheet and strip from Brazil since there was no bonding requirement for the export subsidy in that case. Petitioners request that this error be rectified and not be repeated after the final determination.

DOC Position: The export subsidy found in the final determination of the countervailing duty investigation of brass sheet and strip from Brazil, issued concurrently herewith, is not *de minimis*. Therefore, we must direct the United States Customs Service to reduce the bond requirement for antidumping duties by this amount. (See the "Suspension of Liquidation" section of this notice.)

Suspension of Liquidation

In accordance with section 735(d) of the Act, we are directing the U.S.

Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond on all such entries equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price, which was 40.62 percent of the entered value of the merchandise. The suspension of liquidation will remain in effect until further notice.

Article VI.5 of the General Agreement on Tariffs and Trade provides that "[n]o product shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act, which prohibits assessing dumping duties on the portion of the margin attributable to export subsidies. In the final countervailing duty determination on brass sheet and strip from Brazil, issued concurrently herewith, we have found export subsidies. Since dumping cannot be assessed on the portion of the margin attributable to export subsidies, there is no reason to require a cash deposit or bond for that amount. Thus, the amount of the export subsidies will be subtracted for deposit or bonding purposes from the dumping margins.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms in writing that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten to injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on brass sheet and strip from Brazil entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

November 3, 1986.

[FR Doc. 86-25386 Filed 11-7-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-580-603]

Final Determination of Sales at Less Than Fair Value; Brass Sheet and Strip From the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that brass sheet and strip from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from the Republic of Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: November 10, 1986.

FOR FURTHER INFORMATION CONTACT: John J. Kenkel or John Brinkmann, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-5404 or 377-3965.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that brass sheet and strip from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(d) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673b). We made fair value comparisons on sales of the class or kind of merchandise to the United States by the sole respondent during the period of investigation, October 1, 1985 through March 31, 1986. Comparisons were based on United States price and foreign market value, based on home market prices. We have found the weighted-average margin for the company investigated to be 7.17 percent, *ad valorem*.

Case History

On March 10, 1986, we received a petition in proper form filed by American Brass, Bridgeport Brass Company, Chase Brass and Copper Company, Hussey Metals Division, the Miller Company, Olin Corporation—Brass Group, and Revere Copper Products, Inc., domestic manufactures of brass sheet and strip, and by the International Union—Allied Industrial Workers of America (AFL-CIO), Mechanics Educational Society of America (Local 56), and United Steelworkers of America (AFL/CIO-CLC). The petition was filed on behalf of the U.S. industry that casts, rolls, and finishes brass sheet and strip. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

We determined that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on March 31, 1986 (51 FR 11775, April 7, 1986), and notified the ITC of our action. On April 24, 1986, the ITC determined that there is a reasonable indication that imports of brass sheet and strip from the Republic of Korea materially injure a U.S. industry (USITC Pub. No. 1837).

On April 18, 1986, we presented an antidumping duty questionnaire to Poongsan Metal Corporation (PMC), which accounts for at least 60 percent of exports of the subject merchandise to the United States. We requested a response in 30 days. On May 19, 1986, at the request of PMC, we granted an extension of the due date for the questionnaire response until June 9, 1986. We received a response on June 9. On July 1, 1986, we requested additional information from PMC. We received supplemental information on July 14, 1986.

On August 18, 1986, we made an affirmative preliminary determination (August 22, 1986, 51 FR 30086).

As required by the Act, we afforded interested parties an opportunity to submit oral and written comments. None of the parties requested a hearing. However, they did submit written briefs addressing the issues in this investigation.

Scope of Investigation

The products covered by this investigation are brass sheet and strip, other than leaded brass and tin brass sheet and strip, currently provided for under the *Tariff Schedules of the United States Annotated, (TSUSA)* item numbers 612.3960, 612.3982, and 612.3986.

The chemical composition of the products under investigation is currently defined in the Copper Development Association (C.D.A.) 200 series or the Unified Numbering System (U.N.S.) C20000 series. Products whose chemical composition are defined by other C.D.A. or U.N.S. series are not covered by this investigation.

Fair Value Comparison

In order to determine whether sales of the subject merchandise to the United States were made at less than fair value, we compared the United States purchase price with the foreign market value, based on home market prices.

For this merchandise, there are two types of sales: tolled and non-tolled. In tolled sales, the brass mill's customer provides the mill with the copper and/or zinc, or scrap, purchased from another source, which the mill converts into brass sheet or strip. The mill charges its customer only for the value of the conversion. In non-tolled sales, the brass mill produces brass sheet and strip from its own stocks of copper and zinc.

We have decided that the most accurate comparison is, when possible, to compare tolled sales to tolled sales and non-tolled sales to non-tolled sales. This type of "apples-to-apples" comparison achieves the most accurate results. If we were to compare the prices of tolled to non-tolled sales, extensive adjustments would have to be made. For example, if the U.S. transaction is a non-tolled sale, we would have to adjust home market prices for tolled sales so that they would reflect in addition the cost of the metal inputs. In the opposite situation, home market prices for non-tolled sales would somehow have to be adjusted downward.

These adjustments would present a serious administrative burden and raise methodological issues. Moreover, the tolling charge appears to be directly dependent on the quality of the metal inputs. Thus, to make the adjustment would require us to examine each transaction to determine the quality of the inputs. On methodological grounds, such adjustments raise the issue of how to allocate profit between the material inputs and processing activities when adding or subtracting material costs.

Accordingly, since there were no tolled sales in the United States, we did not ask the respondent to provide information on home market tolled sales. Therefore, we compared prices of non-tolled sales in the United States to non-tolled sales in the home market.

United States Price

As provided for in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price, since the merchandise was sold to unrelated purchasers prior to inportation into the United States. We calculated the purchase price based on the c.i.f., packed price to unrelated purchasers in the United States.

We made deductions, where appropriate, for foreign inland freight and insurance, brokerage in the Republic of Korea and the United States, ocean freight, marine insurance, bank charges, and U.S. inland freight. We added duty drawback to the United States price.

Foreign Market Value

In accordance with section 773(a) of the Act, we calculated foreign market value based on c. & f. packed home market prices. We made deductions, where appropriate, for inland freight. We made adjustments for differences in circumstances of sale for credit expenses, advertising and warranty costs pursuant to § 353.15 of our regulations. We subtracted home packing cost and added U.S. packing cost.

We established separate categories of "such or similar" merchandise, pursuant to section 771(16)(C) of the Act, on the basis of form of material (sheets or strips). In order to select the most similar products within a "such or similar" category, we grouped the merchandise on the basis of grade (chemical composition), dimensions, and special finishes. We also compared merchandise that is sold to the United States in coil form with the merchandise that is sold in the home market in coil form. Similarily, we compared U.S. sales of cut-to-length merchandise with home market sales of cut-to-length merchandise.

Where there were no identical products in the home market with which to compare products to the United States, we made adjustments to similar merchandise to account for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

Certain claims were disallowed in calculating foreign market value. PMC claimed an adjustment in the home market for a handling fee paid to a related company. Because of their relationship, we consider the claimed expenses to be indirect selling expenses of PMC and we did not adjust for it.

The petitioners requested that we made an adjustment for U.S. warehousing expenses. We found that these expenses were indirect in nature and, accordingly, we did not make an adjustment.

Currency Conversion

In calculating foreign market value, we made currency conversions from Korean won to U.S. dollars in accordance with § 353.56(a) of our regulations, using the certified daily exchange rates furnished by the Federal Reserve Bank of New York.

Verification

As provided in section 776(a) of the Act, we verified all information provided by the respondent, using standard verification procedures, including examination of accounting records and original source documents containing relevant information on selected sales.

Petitioners' Comments

Comment #1: Petitioners contend that the Department should have requested information from the other Korean producer of brass sheet and strip. Also, the Department should have included all of Poongsan's U.S. sales transactions in its analysis. The Department cannot justify sampling the U.S. sales transactions in this investigation in light of the requirements of section 620 of the Trade and Tariff Act of 1984.

DOC Response: We disagree. There is no requirement that the Department examine all relevant exporters or sales. The Department's regulations merely require that we examine at least 60 percent of the imports in question, 19 CFR 353.38, and we have done so in this proceeding. In this investigation, Poongsan represented over 97 percent of all imports of brass sheet and strip. Thus, there is no need to examine all the

exporters. Secondly, we do not view allowing the respondent not to report exporter's sales price and other small sales for certain alloys as sampling. We disregarded these sales for reasons of administrative convenience, having concluded that these few sales would not add to the accuracy of our analysis.

Comment #2: Alloy 85/15 (85 percent copper and 15 percent zinc) sold in the United States is not sold in the home market. The Department should, for comparison purposes, use the 90/10 alloy in the home market which is most like, in terms of alloy content and from a technical standpoint, the product sold in the United States, instead of alloy 70/30 which was used in the preliminary determination.

DOC Response: We disagree. In accordance with the statute, we have decided that alloy 70/30 is "similar" merchandise to alloy 85/15. The content of zinc and copper in the alloys is not determinative by itself of whether one alloy is more similar to another. Also, 90/10 alloy produced by Poongsan is not more like 85/15 than 70/30 from a technical standpoint. Rather, 70/30 and 90/10 produced by Poongsan are equally similar to 85/15 from a technical standpoint.

Moreover, Poongsan's production runs for 85/15 are closer in size to those of 70/30 than to 90/10. The larger production runs of the 70/30 are more appropriate than smaller runs of 90/10, which would show higher costs in part because of the small size of the runs rather than solely because of the differences in the physical characteristics of the merchandise itself.

Comment #3: The respondent's gauge groupings are too broad and do not accurately reflect the physical differences in merchandise or the manufacturing costs associated with producing the merchandise. Therefore, petitioners urge the Department to use petitioners' gauge cost data as the best information available.

DOC Response: We disagree. The overwhelming majority of sales by Poongsan are of the smaller gauge groupings. These smaller gauge groupings, as delineated by Poongsan, are comparable to those suggested by the petitioners. The larger gauges represent few sales by Poongsan; moreover, Poongsan's gauge groupings appear to reflect accurately the costs and associated physical differences of the merchandise.

Comment #4: The Department should not allow Poongsan's duty drawback claim since it has failed to demonstrate that the amount of the duty drawback refund is tied directly to payment of import duties on inputs contained in the merchandise. In addition, Poongsan has failed to show that it used only imported dutiable inputs. Finally, Poongsan has not accounted for wastage and domestically-sourced scrap in the production process in calculating its claim.

DOC Response: We disagree. Poongsan established a sufficient link between the import duties paid and the refund granted. *Huff Corp.* v. *United States* 632 F. Supp. 50 (C.I.T., 1986). We thoroughly verified Poongsan's duty drawback claim and found no discrepancies. No domestic scrap is used in the manufacture of the product—only imported dutiable inputs are utilized. Wastage is provided for in the computation of duty drawback. Therefore, we used Poongsan's figure in our analysis.

Comment #5: Poongsan's claimed physical difference in merchandise adjustment for material costs may not be net of all duties. If not, then they should be deducted before making any comparisons.

DOC Response: We disagree. At verification we found that Poongsan's journals, invoices and records detailed the costs of the materials exclusive of duties. In accordance with our practice, we added the Korean import duty into the cost of the product before calculating the proper adjustment for physical differences in the merchandise.

Comment #6. The Department should deny Poongsan's home market warranty expense claim because it could not substantiate the fabrication costs associated with remaking returned merchandise.

DOC Response: We disagree. However, since we could not directly verify the fabrication expense associated with warranty costs, we have used the best information available instead. We subtracted materials cost, which was verified, and our statutory minimum 10 percent for selling, general and administrative expenses and eight percent for profit. We considered the remainder as the fabrication cost and used it in our calculation of the home market warranty costs.

Comment #7: The Department should reject Poongsan's home market advertising expense claim to the extent that it is based on advertising of a general nature.

DOC Response: We disagree. An exception to the "directly related" requirement exists for advertising expenditures. Advertising expenses which are deductible from foreign market value may be of a fixed or variable nature and may be institutional in nature or tied to the specific product, but they must be expenses which are undertaken on behalf of the ultimate customer. We verified that certain advertising expenses met these criteria. Therefore, we have allowed those expenses.

Comment #8: The Department should make a circumstance of sale adjustment for U.S. warehousing expenses on a sale-by-sale basis instead of averaging the costs over all sales.

DOC Response: We disagree. The warehousing of merchandise was not done under contractual obligation to the purchasers but merely to position the merchandise for immediate delivery into the U.S. market. Therefore, we do not consider it to be a direct selling expense and have not made any adjustment for it.

Comment #9: Petitioners believe that all U.S. inland freight charges may not be included in the data submitted by Poongsan. Specifically, they question whether inland freight charges from the U.S. port to the warehouse and from the warehouse to the customer have been included. If not, the Department should use the best information available in calculating this adjustment.

DOC Response: We verified that all U.S. inland freight charges are included in the response. In a number of instances, U.S. inland freight is included in the ocean freight charge.

Comment #10: In calculating the credit expense on U.S. sales, the Department should use Poongsan's interest rate in Korea, not the rate obtained by Pan Metal in the United States, and that rate should only cover the period of investigation. Since Poongsan appears to be financing these sales, its interest rate is the appropriate one to use.

DOC Response: We agree. When making comparisons based on purchase price, it is generally our policy to use the home market interest rate to compute the U.S. credit expense and then only for the period of investigation.

Comment #11: The Department should be certain that all short-term loans in the home market are included in the home market interest rate, especially any loans denominated in U.S. dollars.

DOC Response: The average short-term interest rate used by the Department in its calculations included all of Poongsan's short-term debt that was outstanding during the period of investigation.

Comment #12: Poongsan's average turnover ratio of accounts receivable should be based only on the products under investigation and should not include other items, particularly if they enjoyed a longer payment period.

DOC Response: The average turnover ratio may include some products other than brass sheet and strip. However, given the manner in which payment records were maintained, there was no way of determining the payment periods attributable to individual products nor was there any way to exclude payment records relating to products other than brass sheet and strip.

Comment No. 13: The Department should adjust downward the age of Poongsan's accounts receivable to account for the average time between reciept of payment and payment of taxes.

DOC Response: We agree. This is the methodology used by the respondent and we accepted it.

Comment No. 14: The Department should deny the commission paid by Poongsan to a related company to cover its expenses for document handling charges because it is merely an intracompany transfer of funds. If the Department does allow it, then it should be offset by U.S. indirect selling expenses in accordance with § 353.15(c) of the Commerce regulations.

DOC Response: We agree. The Department generally has not permitted circumstance of sale adjustments for such things as handling fees paid to related parties. The Department generally permits adjustments for commissions directly related to specific sales only when the sales are made at arm's-length and deemed to be a direct selling expense. In this situation, we found that this was neither an arm's length transaction nor a direct selling expense.

Comment No. 15: The Department should deduct the fee paid by Poongsan for its export licenses from the U.S. sales price.

DOC Response: We disagree. Poongsan did not pay any fee for its export licenses.

Comment No. 16: Poongsan, in its revised computer printout, has failed to include document handling charges paid to U.S. banks. The Department should include these charges in its analysis.

DOC Response: We disagree. Poongsan provided all data concerning bank charges and we included them in our analysis.

Comment No. 17: Poongsan has failed on a number of U.S. sales to provide brokerage charges and to submit full U.S. inland freight expenses. If this information is not provided, the Department should use the best information available.

DOC Response: We disagree. Poongsan has reported and we have verified all data.

Respondent's Comments

Comment No. 1: Korean won is the appropriate currency for reporting home market sales to original equipment manufacturers because PMC actually received won. To the extent these values are denominated in U.S. dollars, it is solely for the administrative convenience of the purchasers.

DOC Response: We disagree. The documentation reviewed at verification clearly shows that the sales in question were made in U.S. dollars. Merely because Poongsan chose to convert the dollars to won does not alter this fact.

Comment No. 2: Home market warranty costs are properly calculated and should be used by the Department in its analysis. The Department should deduct the fabrication cost and selling, general and administrative expenses as the warranty cost.

DOC Response: We disagree. We have allowed a home market warranty expense but in the absence of verified data, we have subtracted from the selling price of the brass sheet and strip the statutory minimum 10 percent selling, general and administrative expense and eight percent profit in addition to the actual material cost to arrive at a figure for fabrication expense.

Comment No. 3: The Department's verification report states the incorrect U.S. interest rate. Respondent contends that a slightly lower rate, as shown in the verification exhibits, was the number actually verified and should be used. Also, the interest rate should not be calculated solely for the period of investigation but should include the later period in which payments by U.S. cutomers were made.

DOC Response: The Department has not used the U.S. interest expense of Pan Metal. Rather, we have followed our normal practice in purchase price situations and used Poongsan's average home market interest expense for short-term loans outstanding during the period of investigation.

Comment No. 4: The Department correctly used alloy 70/30 sold in the home market as the basis for difference in merchandise adjustments regarding U.S. sales of alloy 85/15. Petitioners wrongly assert that the annealing processes of 70/30 and 90/10 are different, when, in fact, they are the same. The only manufacturing difference between 70/30 and 90/10 is in the relative content of copper and zinc. One is not different than the other from a technical standpoint. In addition, the costs for 90/10 are distorted by the very small volume produced and short production runs, whereas the production runs of 70/30 and 85/15 are more similar and less distortive.

DOC Response: We agree. See our response to Petitioners' *Comment No. 2.*

Comment No. 5: Subsequent to verification, respondent has discovered that one U.S. transaction was incorrectly included in the sales list. Respondent contends that the size of this item does not fall within the scope of investigation and, therefore, should not be included in the Department's calculations.

DOC Response: We disagree. We have included it in our calculations because it does fall within the scope of the investigation.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from the Republic of Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**. The United States Customs Service shall require a cash deposit or the posting of a bond on all such entries to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price, as shown in the table below. The suspension of liquidation will remain in effect until further notice. The margins are follows:

Manufacturer / seller / exporter	Weighted average margin percentage
Poongsan Metal Corporation	7.17
All others	7.17

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms in writing that it will not dislose such information either publicly or under an administrative protective order, without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on brass sheet and strip from the Republic of Korea entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

November 3, 1986.

[FR Doc. 86-25385 Filed 11-7-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

NOTICE OF A FINAL SUBSIDY DETERMINATION BY THE DEPARTMENT OF COMMERCE ON BRAZIL

[C-351-604]

Final Affirmative Countervailing Duty Determination; Brass Sheet and Strip From Brazil

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip. The estimated net subsidy is 6.13 percent *ad valorem*. However, consistent with our policy of taking into account program-wide changes that occur before our preliminary determination, we are adjusting the cash deposit rate to reflect changes in the Preferential Working Capital Financing for Exports program. We have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to suspend liquidation of all entries of brass sheet and strip from Brazil that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice, and to require a cash deposit or bond equal to 3.47 percent *ad valorem*.

EFFECTIVE DATE: November 10, 1986.

FOR FURTHER INFORMATION CONTACT: Thomas Bombelles, Bradford Ward or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-3174, 377-2239 or 377-2438.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we determine that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip. For purposes of this investigation, the following programs are found to confer subsidies:

- Preferential Working Capital Financing for Exports;
- Income Tax Exemption for Export Earnings;
- Export Financing Under the CIC-CREGE 14-11 Circular; and
- Import Duty Exemption Under Decree-Law 1189 of 1979.

We determine the estimated net subsidy to be 6.13 percent *ad valorem*, and the cash deposit rate to be 3.47 percent *ad valorem*, for all manufacturers, producers, or exporters of brass sheet and strip from Brazil.

Case History

On March 10, 1986, we received a petition in proper form from American Brass, Bridgeport Brass Corporation, Chase Brass & Copper Company, Hussey Copper Ltd., the Miller Company, Olin Corporation-Brass Group, and Revere Copper Products, Inc., domestic manufacturers of brass sheet and strip, and from the International Association of Machinists and Aerospace Workers, International Union—Allied Industrial Workers of America (AFL-CIO), Mechanics Educational Society of America (Local 56), and the United Steelworkers of America (AFL-CIO/CLC), filed on behalf of the United States industry producing brass sheet and strip.

In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleged that manufacturers, producers, or exporters in Brazil of brass sheet and strip, directly or indirectly, receive subsidies within the meaning of section 701 of the Act, and that these imports materially injure, or threaten material injury to, a United States industry.

We found that the petition contained sufficient grounds upon which to initiate a countervailing duty investigation, and on March 31, 1986, we initated such an investigation (51 FR 11776, April 7, 1986). We stated that we expected to issue a preliminary determination by June 9, 1986.

Since Brazil is entitled to an injury determination under section 701(b) of the Act, the ITC is required to determine whether imports of the subject merchandise from Brazil materially injure, or threaten material injury to, a United States industry. Therefore, we notified the ITC of our initiation. On April 24, 1986, the ITC preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil of brass sheet and strip (51 FR 16235, May 1, 1986).

On April 9, 1986, we presented a questionaire to the Government of Brazil in Washington, DC, concerning the petitioner's allegations, and we requested a response by May 9, 1986. On April 30, 1986, upon request of respondent, we granted additional time to submit a response. On May 16, 1986, we received a response to our questionaire.

We received information on two producers and exporters in Brazil of brass sheet and strip that exported to the United States during the review period. These are Laminacao Nacional de Metais S.A. (Laminacao) and Eluma S.A. Industria e Comercio (Eluma). Based on information obtained at verification, Laminacao and Eluma account for substantially all exports of brass sheet and strip to the United States.

We issued a negative preliminary determination on June 3, 1986 (51 FR 20864, June 9, 1986).

On June 6, 1986, petitioners filed a request for extension of the deadline of the final determination in this investigation to correspond with the date of the final determination in the antidumping duty investigation of the same products from Brazil. Pursuant to section 705(a)(1) of the Act, as amended by section 606 of the Trade and Tariff Act of 1984, on July 3, 1986, we granted an extension of the deadline date for the final determination to coincide with the deadline for the final determination in the antidumping duty investigation of the same products from Brazil (51 FR 25360, July 14, 1986). We verified the questionaire response in Brazil from June 23 through June 27, 1986. Petitioners and respondents submitted briefs on September 26 and October 3, 1986, addressing the issues arising in this investigation. B-10

Scope of Investigation

The products covered by this investigation are brass sheet and strip, other than leaded brass and tin brass

sheet and strip, currently provided for under the *Tariff Schedules of the United States Annotated* (TSUSA) item numbers 612.3960, 612.3982, and 612.3986. The chemical compositions of the products under investigation are currently defined in the Copper Development Association (C.D.A.) 200 series or the Unified Numbering Systems (U.N.S.) C20000 series. Products whose chemical compositions are defined by other C.D.A. or U.N.S. series are not covered by this investigation.

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of the current investigation. These general principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order" (49 FR 18006, April 26, 1984).

For purposes of this final determination, the period for which we are measuring subsidies ("the review period") is calendar year 1985. Based upon our analysis of the petition, the responses to our questionnaire, our verification, and the comments filed by the parties, we determine the following:

I. Programs Determined to Constitute Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip under the following programs:

A. *Preferential Working Capital Financing for Exports.* The Carteria do Comercio Exterior (Foreign Trade Department or CACEX) of the Banco do Brasil administers a program of short-term working capital financing for the purchase of inputs. These working capital loans were originally authorized by Resolution 674. On January 1, 1984, Resolution 674 was superseded by Resolution 882, which was itself substantially amended by Resolution 950 on August 21, 1984 and by Resolution 1009 in May 1985.

Eligibility for this type of financing is determined on the basis of past export performance or an acceptable export plan. The amount of available financing is calculated by making a series of adjustments to the dollar value of exports. During the review period, the maximum level of eligibility for such financing was 20 percent of the adjusted value of exports.

Following approval by CACEX of their applications, participants in the program receive certificates representing portions of the total dollar amount for which they are eligible. The certificates are presented to banks in return for cruzeiros at the exchange rate in effect on the date of presentation. Certificates must be used within 12 months of the date of issue and loans incurred as a result of their use must be repaid within 18 months of that date. Use of a certificate establishes a loan obligation with a term of up to one year (360 days).

The interest rate ceiling was raised from 40 to 60 percent on loans obtained under Resolution 674 on June 11, 1983. This interest rate is well below our commercial benchmark rate for short-term loans in Brazil, which is the short-term discount rate for accounts receivable in Brazil, published in *Analise/Business Trends* magazine. On January 1, 1984, Resolution 882 changed the payment date for both the principal and interest to the expiration date of the loan.

On August 21, 1984, Resolution 950 made this working capital financing available from commercial banks at prevailing market rates, with interest calculated at the time of repayment. Under Resolution 950, the Banco do Brasil paid the lending institution an equalization fee of up to 10 percent of the interest (after monetary correction). Resolution 950 was amended by Resolution 1009 in May 1985 and the equalization fee was increased to 15 percent of the interest (after monetary correction). Therefore, if the interest rate charged to the borrower is less than full monetary correction plus 15 percent, the Banco do Brasil pays the lending bank the difference, up to 15 percent. The lending bank passes the 15 percent equalization fee on to the borrower in the form of a reduction in the interest due. Receipt of the equalization fee by the borrower reduces the interest rate on these working capital loans below the commercial rate of interest. Resolution 950/1009 loans are also exempt from the Imposto sobre Operacoes Financieras (Tax on Financial Operations or IOF), a tax charged on all domestic financial transactions in Brazil.

Since receipt of working-capital financing under Resolution 674/950/1009 is contingent on export performance, and provides funds to borrowers at preferential rates, we determine that this program confers an export subsidy.

During the review period, one exporter of brass sheet and strip repaid loans on the criteria set forth in Resolution 674. To determine the *ad valorem* subsidy bestowed by this program during the review period, we compared the interest paid by the respondent during the review period to what would have been paid under the benchmark. We allocated the benefit over total exports of the two brass sheet and strip producers, which resulted in an estimated net subsidy of 5.40 percent *ad valorem*.

During the review period, this same exporter received new loans under this program whose terms were set by Resolution 950/1009. Interest on these loans were payable after the review period. It is the Department's policy to take into account program-wide changes in calculating a duty deposit rate when complete information on that program is available, in order to reflect the most current rate of subsidization. Therefore, we have calculated a subsidy rate for duty deposit purposes based on the interest rate rebate provided for under Resolution 950/1009. See "Certain Carbon Steel Products from Brazil: Final Affirmative Countervailing Duty Determination" (49 FR 17988, April 26, 1984).

At verification, we found that the company that had received Resolution 674/950/1009 loans used the maximum amount of financing for which it is eligible. Therefore, in order to calculate the benefit for duty deposit purposes, we multiplied the value of this company's 1985 exports by the 20 percent eligibility rate and the sum of the equalization fee and the IOF. We then allocated the benefit over the total value of all 1985 exports, resulting in an estimated net subsidy of 2.74 percent *ad valorem* for duty deposit purposes.

B. *Income Tax Exemption for Export Earnings.* Under Decree-Laws 1158 and 1721, Brazilian exporters are eligible for an exemption from income tax on the portion of profits attributable to export revenue. Because this exemption is tied to exports and is not available for domestic sales, we determine that it constitutes an export subsidy.

Both of the respondent companies used this exemption on their corporate income tax forms filed in 1985. The companies determined their net taxable income and deducted the exemption for export earnings from that income to lower their tax liability. They then used losses carried forward from previous years to offset further tax liability. Because both companies used the income tax exemption for export earnings to reduce their taxable income, as reported on their tax returns filed during the review period, we determined that both companies received a countervailable benefit.

In order to calculate the benefit from this program, we multiplied the value of the reduction in taxable income through use of the exemption by the nominal corporate income tax rate of 35 percent.

We allocated that benefit over the total value of all exports, resulting in an estimated net subsidy of 0.84 percent *ad valorem*.

C. *Export Financing Under the CIC-CREGE 14–11 Circular.* Under its CIC-CREGE 14–11 Circular (14–11), the Banco do Brasil authorizes 180- and 360-day cruzeiro loans for export financing, on the condition that companies applying for these loans negotiate fixed-level exchange contracts with the bank. Companies obtaining a 360-day loan must negotiate exchange contracts with the bank in an amount equal to twice the value of the loan. Companies obtaining a 180-day loan must negotiate an exchange contract equal to the amount of the loan. Loans under this program are also exempt from the IOF.

One company received one 14–11 loan on which interest was paid during the review period. We compared the interest charged on the 14–11 loan to our short-term loan benchmark for Brazil, *i.e.*, the nominal discount rate on accounts receivable. This comparison shows that the rate on the 14–11 loan is below the benchmark. Because 14–11 loans are available only to exporters and since the interest charged is less than the benchmark, we determine that the 14–11 loan constitutes an export subsidy.

In order to calculate the benefit from this program, we multiplied the principal of the 14–11 loan by the difference between our benchmark rate and the interest rate charged on the 14–11 loan, adjusted by the value of the IOF exemption. We allocated that benefit over the total value of all exports, resulting in an estimated net subsidy of 0.02 percent *ad valorem*.

D. *Import Duty Exemption Under Decree-Law 1189 of 1979.* At verification, we discovered that one of the companies under investigation had imported spare parts for machinery and certain other equipment free of the normal import duty. This duty exemption was granted under a provision of Decree-Law 1189 of 1979, which allows for the duty-free importation of certain merchandise which will be used in the production of export goods. Decree-Law 1189 has since been repealed, but one of the respondents had a certain value of unexpired eligibility which it used during the review period.

Because the exemption from import duty is contingent upon export production, we determine that this program constitutes an export subsidy. In order to calculate the benefit, we divided the total value of import duties not paid by the total value of all 1985 exports, resulting in an estimated net subsidy of 0.07 percent *ad valorem*.

II. Program Determined not to Constitute a Subsidy

We determine that subsidies are not being provided to manufacturers, producers, or exporters in Brazil of brass sheet and strip under the following program:

A. *Regional Bank Financing.* Petitioners alleged that the Government of Brazil provides financing on terms inconsistent with commercial considerations to the brass sheet and strip industry through regional development banks, such as the Banco do Desenvolimento de Espirito Santo (Development Band of Espirito Santo or BANDES). According to information gathered at verification, neither company had BANDES loans.

However, also at verification, we discovered that one of the companies under investigation had a loan from the Banco Do Desenvolvimento de Estado de Sao Paulo (the Development Bank of the State of Sao Paulo, or BADESP). This was a loan for a pollution control project for which the funds came partly from the World Bank and partly from BADESP.

We verified that these loans are made to all types of companies in the state of Sao Paulo to control air, water and/or solid waste pollution. Because such financing is not limited to a specific enterprise or industry, or group of enterprises or industries, we determine that this loan does not constitute a subsidy.

III. Programs Determined Not to be Used

We determine that manufacturers, producers, or exporters in Brazil of brass sheet and strip did not use the following programs which were listed in our notice of "Initiation of Countervailing Duty Investigation: Brass Sheet and Strip from Brazil" (51 FR 11776, April 7, 1986):

A. *Resolution 330 of the Banco Central do Brasil.* Resolution 330 provides financing for up to 80 percent of the value of the merchandise placed in a specified bonded warehouse and destined for export. We verified that neither of the respondents received benefits under this program during the review period.

B. *The BEFIEX Program.* The Comissao para a Consessao de Beneficios Fiscais a Programas Especiais de Exportacao (Commission for the Granting of Fiscal Benefits to Special Export Programs or BEFIEX) grants at least three categories of benefits to Brazilian exporters:

- First, under Decree-Law 77.065, BEFIEX may reduce by 70 to 90 percent import duties and the Imposto sobre Produtos Industrializados (Tax on Industrial Products or IPI) on the importation of machinery, equipment, apparatus, instruments, accessories and tools necessary for special export programs approved by the Ministry of Industry and Trade, and may reduce by 50 percent import duties and the IPI tax on imports of components, raw materials and intermediary products;
- Second, under article 13 of Decree No. 72.1219, BEFIEX may extend the carry-forward period for tax losses from four to six years; and
- Third, under Article 14 of the same decree, BEFIEX may allow special amortization of pre-operational expenses related to approved products.

We verified that neither of the respondents used this program during the review period.

C. *The CIEX Program.* Decree-Law 1428 authorized the Comissao para Incentivos a Exportacao (Commission for Export Incentives or CIEX) to reduce import taxes and the IPI tax up to ten percent on certain equipment for use in export production.

We verified that neither of the respondents used this program during the review period.

D. *Accelerated Depreciation for Brazilian-Made Capital Equipment.* Pursuant to Decree-Law 1137, any company which purchases Brazilian-made capital equipment and has an expansion project approved by the Conselho do Desenvolvimento Industrial (Industrial Development Council or CDI) may depreciate this equipment at twice the rate normally permitted under Brazilian tax laws.

We verified that neither of the respondents used this program during the review period.

E. *Incentives for Trading Companies.* Under Resolution 643 of the Banco Central do Brasil, trading companies can obtain export financing similar to that obtained by manufacturers under Resolution 950.

We verified that neither of the respondents used this program during the review period.

F. *The PROEX Program.* Short-term credits for exports are available under the Programa de Financiamento a Producao para a Exportacao (Export Production Financing Program or PROEX), a loan program operated by Banco Nacional do Desenvolvimento Economico e Social (National Bank of Economic and Social Development or BNDES).

We verified that neither of the respondents used this program during the review period.

G. *Resolutions 68 and 509 (FINEX) Financing.* Resolutions 68 and 509 of the Conselho Nacional Do Comercio Exterior (National Foreign Trade Council or CONCEX) provide that CACEX may draw upon the resources of the Fundo de Financiamento a Exportacao (Export Financing Fund or FINEX) to extent dollar-denominated loans to both exporters and United States buyers of Brazilian goods. Financing is granted on a transaction-by-transaction basis.

We verified that neither of the respondents used this program during the review period.

H. *Loans Through the Apoio o Desenvolvimento Technologica a Empresa Nacional (ADTEN).* Petitioners allege that the Government of Brazil maintains, through the Financiadora de Estudos Projectos (Financing of Research Projects or FINEP), a loan program, ADTEN (Support of the Technological Development of National Enterprises), the provides long-term loans on terms inconsistent with commercial considerations to encourage the growth of industries and development of technology.

We verified that neither of the respondents used this program during the review period.

I. *Exemption of IPI Tax and Customs Duties on Imported Equipment (CDI).* Under Decree-Law 1428, the Conselho do Desenvolvimento Industrial (Industrial Development Council or CDI) provides for the exemption of 80 to 100 percent of the customs duties and 80 to 100 percent of the IPI tax on certain imported machinery for projects approved by the CDI. The recipient must demonstrate that the machinery or equipment for which an exemption is sought was not available from a Brazilian producer. The investment project must deemed to be feasible and the recipient must demonstrate that there is a need for added capacity in Brazil.

We verified that neither of the respondents used this program during the review period.

IV. Program Determined To Have Been Terminated

IPI Export Credit Premium

Until recently, Brazilian exporters of manufactured products were eligible for a tax credit on the IPI. The IPI export credit premium, a cash reimbursement paid to the exporter upon the export of otherwise taxable industrial products, was found to constitute a subsidy in previous countervailing duty investigations involving Brazilian products. After having suspended this program in December 1979, the Government of Brazil reinstated it on April 1, 1981.

Subsequent to April 1, 1981, the credit premium was gradually phased out in accordance with Brazil's commitment pursuant to Article 14 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs, and Trade ("the Subsidies Code"). Under the terms of "Portaria" (Notice) of the Ministry of Finance No. 176 of September 12, 1984, the credit premium was eliminated effective May 1, 1985. We verified that the companies under investigation received no IPI export credit premiums after that date.

Accordingly, we determine that this program has been terminated and no benefits under the program are accruing to current exports of brass sheet and strip to the United States.

V. Program Determined Not To Exist

Preferential Pricing for Electricity

Petitioners alleged that the Government of Brazil provides electricity at preferential prices to manufacturers, producers, and exporters of brass sheet and strip in Brazil. According to information gathered at verification, the brass sheet and strip producers under investigation paid normal published rates for all electricity consumed and we found no evidence of the existence of any schedule of preferential electricity rates.

Petitioners' Comments

Comment 1: Citing to the Court of International Trade's decision in *Carlisle Tire & Rubber Co. v. United States* (Ct. Int'l Trade, 1986), petitioners assert that if the final determination were to yield an *ad volorem* subsidy amount of less than 0.50 percent, and were the amount considered *de minimis*, then the Department would be required to explain why it had reached this conclusion. Petitioners also request that, if the final determination in this investigation is affirmative, the Department suspend liquidation retroactive to the publication of the preliminary determination.

DOC Position: Since the *ad valorem* subsidy rate is greater than 0.50 percent, the issue of whether a rate of less than 0.50 percent would be *de minimis* in this case is moot. Further the Department does not believe that it has the authority to suspend liquidation retroactively under these circumstances, nor have petitioners cited any statutory provision which might confer such authority.

Comment 2: Petitioners argue that the Department improperly deducted the preliminary countervailing duty subsidy amount for the antidumping duty margain for purposes of the bonding requirements after the preliminary determination, even though the countervailing duty rate was *de minimis* and no bonding was required.

DOC Position: This issue is addressed in the comment section of the final determination in the antidumping duty investigation of brass sheet and strip from Brazil published concurrently with this notice.

Comment 3: Petitioners argue that the companies' use of the income tax exemption for export earnings resulted in a countervailable benefit. Petitioners contend that the benefit to the companies is the value of the exemption claimed multiplied by the corporate tax rate of 35 percent instead of an effective tax rate of 25.9 percent.

DOC Position: We agree. See our response to Respondents' Comment 6, *Infra*.

Comment 4: Petitioners argue that the Department should find the loan issued pursuant to the Banco do Brasil's CIC-CREGE 14-11 circular to be countervailable in our final determination. Petitioners further contend that the Department should calculate the benefit by multiplying the interest rate differential (the difference between the CIC-CREGE interest rate and the sum of the benchmark and the 1.5 percent of IOF tax on financial transactions) by the loan amount and duration of the loan.

DOC Position: We agree that this loan is countervailable. For discussion of our subsidy calculation, see "Export Financing Under the CIC-CREGE 14-11 Circular," *supra*.

Comment 5: Petitioners argue that the loans issued to the respondent companies by the Banco Nacional de Habitacao (National Housing Bank or BNH) are countervailable domestic subsidies because they are targeted to the "industry that produces construction materials" and because such loans are provided on terms inconsistent with commercial considerations. Petitioners contend that the loans should be countervailed by allocating the benefit over the total sales of Eluma's non-ferrous sector.

DOC Position: We disagree. BNH financing is extended not only to companies directly involved in construction but also to firms which manufacture, transport and supply any type of construction material. Thus,

eligible firms are members of a wide variety of industries involved in wide-ranging economic activities.

Therefore, these loans are not provided to "a specific enterprise or industry, or group of enterprises or industries" under the countervailing duty law. Accordingly, we do not find that BNH loans are countervailable and, therefore, need not address whether the loans are provided on terms inconsistent with commercial considerations.

Comment 6: Petitioners argue that the respondent companies apparently adjust their sales revenues for inflation thereby artificially diluting the impact of the countervailable subsidies they receive.

DOC Position: Petitioners have misinterpreted our verification reports. Respondents' export sales are adjusted for an exchange gain resulting from the lag in fixing the dollar-cruzeiro exchange rate between the date of export and the date of receipt of funds. Continued devaluation of the Brazilian cruzeiro against the dollar increases the number of cruzeiros per dollar between the date of export and the date the exchange contract is concluded. This is standard accounting practice for foreign exchange transactions. Respondents' domestic sales are not adjusted in this manner nor are they adjusted for inflation.

Comment 7: Petitioners argue that the loan to one respondent for pollution control should be countervailed, at least to the extent that the funds are provided from BADESP monies. Petitioners contend that these loans are not generally available within the state of Sao Paulo.

DOC Position: We disagree. We verified that pollution control loans under this program are not limited to a specific enterprise or industry, or group thereof. Therefore, these loans are not countervailable. See also our discussion under "Regional Bank Financing," *supra*.

Comment 8: Petitioners argue that the Department improperly limited its verification of alleged subsidization of capital equipment to the review period and did not inquire as to whether benefits were received on capital equipment purchased before that time. Petitioners also contend that, because verification was not conducted at the companies' facilities, the Department was prevented from identifying foreign equipment and verifying whether all normal import charges were paid.

DOC Position: The programs referred to by petitioners are those providing an exemption or reduction in import duties and/or taxes on imported capital equipment. Consistent with our policy, we have only investigated whether benefits were provided in the review period because these are recurring benefits. Recipients of duty and tax reductions or exemptions under BEFIEX, CIEX, and CDI could anticipate receiving the benefits year after year. Therefore, we allocate benefits under programs like these to the year of receipt with the result that there is no need to investigate or verify possible benefits received in years preceding the review period. For a discussion of our treatment of recurring benefits see "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" (50 FR 25097, 25099, June 17, 1985).

With regard to petitioners' argument concerning verification at company facilities, we obtained sufficient documentation at verification to establish that no import charges and/or taxes were exempted for imports of equipment under the BEFIEX, CIEX, or CDI program.

Comment 9: Petitioners argue that the Department should countervail the benefit received by the respondent companies under the IPI export credit premium. Petitioners contend that despite the Department's policy reasons for not countervailing a programwide change, the respondents did in fact receive a competitive advantage for one-third of the review period.

DOC Position: We disagree. The IPI export credit premium was terminated effective May 1, 1985 and neither company receive benefits under this program after April 1985. When a subsidy program is terminated prior to our initiation, and companies may no longer received benefits as of the date of the termination, we do not include the value of the benefits received under such terminated programs from our subsidy calculations because any entries potentially subject to duties are not benefitting from the program. Also, such treatment encourages the termination of subsidy programs by countries subject to investigation.

Comment 10: Petitioners argue that the Department should subtract the value of the IPI export credit premium received during the review period from export and total sales before calculating the subsidy rates in this investigation.

DOC Position: We agree. Consistent with our practice in past Brazilian countervailing duty investigations, we have deducted the value of the IPI export credit premium from sales values in calculating our subsidy rate.

Comment 11: Petitioners argue that the respondents might be subsidized through duty suspension and excessive allowance or rebates of import duties on imported raw materials.

DOC Position: This allegation was not submitted to the Department until approximately three months after our verification of the questionnaire response and one month before our final determination was due. Accordingly, we were unable to verify the existence of such potential subsidization for this final determination. However, petitioners may resubmit this allegation during any administrative review under section 751 of the Act that may be requested.

Comment 12: Petitioners argue that the Department's "program-wide change" policy should not prevent us from calculating the benefit from the loans under the Resolution 674 program according to their actual interest rates rather than using the 15 percent interest rate differential of the Resolution 950/1009 program. Petitioners also contend that the Department should include the value of the IOF tax in calculating the benefit from these loans.

DOC Position: Since we verified that Resolution 674/950/1009 loans were used during the review period, we have calculated a subsidy rate measuring the benefit received during the review period from these loans. However, as we have done in past Brazilian countervailing duty investigations, we have taken into account the program-wide change in this program and set the duty deposit rate on the basis of the Resolution 950/1009 program. Both calculations included the amount of the IOF exemption in valuing the subsidy. See "Final Affirmative Countervailing Duty Determination: Certain Heavy Iron Construction Castings from Brazil" (51 FR 9491, March 19, 1986).

Respondents' Comments

Comment 1: Respondents argue that the Department correctly calculated the benefit from the loans under Resolution 674/950/1009 in our preliminary determination except insofar as the value of the IOF tax was included in the amount of interest savings. Respondents contend that if the IOF tax were applicable to these working capital loans, it would be an indirect tax on exports not countervailable under the General Agreement on Tariffs and Trade.

DOC Position: We disagree that the value of the IOF tax exemption should not be included in our benefit calculation. Since all domestic financing transactions are subject to the IOF tax, it is appropriate that we reflect the exemption of Resolution 674 and 950 loans from the IOF as part of the subsidy in order to measure the full benefit provided under this program.

Moreover, we do not view the IOF as a tax on the production or distribution of the product. See also our discussion under "Preferential Working Capital Financing for Exports," *supra*.

Comment 2: Respondents argue that the Department appropriately used an "historic" utilization rate in calculating the benefit from loans issued under the Resolution 950 export financing program instead of an unverified potential maximum eligibility in the preliminary determination. Respondents further argue that the Department should not use short-term commercial rates as its benchmark for calculating the benefit from the Resolution 950 export financing program as suggested by petitioners. Respondents contend that the 15 percent equalization fee is the maximum benefit the borrower can receive, making the stated interest rate on the loan irrelevant.

DOC Position: At verification we saw that the one company which used this program borrowed the maximum amount for which it was eligible. Therefore, in this case, the "historic" utilization is the same as the maximum eligibility rate established in Resolution 950 (*i.e.*, 20 percent of the adjusted value of exports). As we have in prior Brazilian countervailing duty investigations, we have calculated the duty deposit rate on the basis of the 15 percent interest equalization fee, plus the one and one-half percent IOF tax exemption.

Comment 3: Respondents argue that loans issued pursuant to the Banco do Brasil's CIC-CREGE 14-11 circular do not constitute a government program and, therefore, cannot confer a subsidy on exports of the subject merchandise. Respondents contend that the Banco do Brasil receives no financial support from the Government of Brazil and operates the program consistently with commercial considerations. Respondents further argue that the Department incorrectly valued the subsidy in the preliminary determination by including the IOF tax, and by using an average annual interest rate, based on a monthly compounded rate.

DOC Position: We disagree. Our determination that the CIC-CREGE 14-11 program provides countervailable benefits is based on (1) the fact that under Brazilian law the Banco do Brasil, which administers this program, acts as the Government of Brazil's financial agent, and (2) respondents' failure to demonstrate that the program does not provide preferential loans to exporters. Furthermore, we consider that it is appropriate to include the IOF tax in our benchmark since the IOF tax is imposed on all domestic financial transactions. With respect to the benchmark, consistent with our past methodology and the "Subsidies Appendix," we used an average annual benchmark rate against which to compare the interest rate on this loan.

Comment 4: Respondents assert that the Department correctly concluded in the preliminary determination that there is no countervailable benefit from the income tax exemption for export earnings because (a) the previous years' tax losses of the companies were not generated by this exemption, (b) the companies did not use this exemption to reduce their tax liability, and (c) no cash savings accrued to the companies during the review period.

DOC Position: We disagree. The fact that the respondent companies did not pay any corporate income taxes in 1985 is irrelevant. The income tax exemption for export earnings was used to reduce taxable income before any tax liability was calculated. Therefore, use of the exemption benefitted exports during the review period.

Further, the effect of a loss carry-forward provision is also irrelevant in determining the benefit since the companies opted to use the countervailable program, rather than a generally available loss carry-forward program, to reduce taxable income. Lastly, countervailable benefits are not limited to cash savings. See section 771(5) of the Act. See also our discussion under "Income Tax Exemption for Export Earnings," *supra*.

Comment 5: Respondents argue that the carry forward of tax losses for four years is generally available and therefore not countervailable.

DOC Position: We agree. We are not countervailing the use of the loss carry-forward provisions of the Brazilian tax law.

Comment 6: Respondents argue that, if the Department finds the income tax exemption for export earnings to be countervailable, we should calculate the benefit using the effective corporate tax rate of 25.9 percent instead of the stated rate of 35 percent. Respondents contend that all Brazilian companies with taxable income may invest in corporate funds as allowed by Brazilian law, effectively reducing their income tax rate. Respondents further argue the Department should use total sales as the denominator in calculating any benefits instead of export sales.

DOC Position: We disagree. The respondent companies paid no taxes during the review period, and, therefore, did not take advantage of those elements of the tax system which allow the effective rate to differ from the nominal tax rate. Whether the companies would have invested in funds to reduce their effective tax rate if they had had any tax liability is entirely speculative. Therefore, we used the nominal tax rate of 35 percent in our calculation of the benefit from this program.

With regard to allocating the tax benefits over total sales, as we have stated in prior Brazilian determinations, when a firm must report to be eligible for benefits under a subsidy program, and when the amount of the benefit received is tied directly or indirectly to the firm's level of exports, that program confers an export subsidy. Therefore, the Department will continue to allocate the benefits under this program over export revenues instead of total revenues.

Comment 7: Respondents argue that the loans from the BNH are not countervailable because they are not limited to a specific enterprise or industry or group of enterprises or industries, and are made on terms consistent with commercial considerations.

DOC Position: We agree that the BNH loans held by respondents are not limited to a specific enterprise or industry, or group thereof. See our response to Petitioners' Comment 5, *supra*.

Comment 8: Respondents argue that the Department correctly issued a negative preliminary determination in this investigation based on a finding of a *de minimis* subsidy despite petitioners' arguments citing *Carlisle Tire & Rubber Co. v. United States*.

DOC Position: As noted in our response to Petitioners' Comment 1, *supra*, this issue is moot.

Comment 9: Respondents argue that the Department has no authority to suspend liquidation retroactively to the publication date of its preliminary determination, as suggested by petitioners.

DOC Position: We agree that the Department has no authority under these circumstances to suspend liquidation retroactively.

Comment 10: Respondents argue that the adjustments made to the companies' export sales receipts are proper and in accord with accepted accounting principles. The adjustments are made to account for the difference between the nominal amount of the sale and the actual amount of cruzerios received as a result of the lag in fixing the foreign currency-cruzerio exchange rate.

DOC Position: We agree. See our response to Petitioners' Comment 6, *supra*.

Comment 11: Respondents argue that the regional development bank loan held by one respondent is not countervailable because it was given under a pollution control project which is not limited to a specific enterprise or industry or group of enterprises or industries.

DOC Position: We agree that the loan supplied by BADESP is not countervailable. See our response to Petitioners' Comment 7 supra, and our determination on this program under "Program Determined Not to Constitute a Subsidy," *supra*.

Comment 12: Respondents argue that the Department has verified that no imports of capital equipment received a partial or full exemption of the IPI tax and import duties. Respondents also contend that any alleged exemptions from import taxes or duties in years prior to the period of investigation are irrelevant to this investigation according to the Department's current practice.

DOC Position: We verified that no benefits under any of the import duty exemption programs were received by the companies under investigation during the review period except as discussed under "Import Duty Exemption Under Decree-Law 1189 of 1979," *supra*.

Comment 13: Respondents argue that the Department has verified that the IPI export credit premium was eliminated effective May 1, 1985, and that the companies under investigation did not receive funds under this program beyond the cessation date of the program. Therefore, respondents contend that the IPI export credit premium is properly not countervailable.

DOC Position: We agree. See our response to Petitioners' Comment 12 and our discussion under "Program Determined to Have Been Terminated," *supra*.

Comment 14: Respondents argue that the duty-suspension program or rebates on the import of raw matrials are not countervailable. Respondents contend that petitioners' allegations that raw material imports are either not physically incorporated or benefit from excessive rebates of import charges are unsupported by the record. Furthermore, respondents argue that petitioners' new allegations concerning duty drawback and other programs are untimely and improper as they have not been filed with the International Trade Commission as required by 19 CFR 355.26(e).

DOC Position: Petitioners' allegations were untimely and could not be considered for the purpose of this final determination. See our response to Petitioners' Comment 11, *supra*.

Verification

In accordance with section 776(a) of the Act, we verified the informaton used in making our final determination. During verification, we followed standard verification procedures, including meeting with government officials, inspection of documents and ledgers, and tracing the information in the responses to source documents, accounting ledgers, and financial statements.

Suspension of Liquidation

In accordance with section 705(c)(1)(B) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of the subject merchandise from Brazil which are entered, or wthdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register and to require a cash deposit or bond equal to 3.47 percent *ad valorem* for each entry of this merchandise.

ITC Notification

In accordance with section 705(c) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 75 days after the date of this determination. If the ITC determines that material injury, or the threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the supension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury exists, we will issue a contervailing duty order, directing Customs officers to assess a countervailing duty on all entries of brass sheet and strip from Brazil entered, or withdrawn from warehouse, for consumption as described in the "Suspension of Liquidation" section of this notice.

This notice is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

November 3, 1986.

[FR Doc. 86-25388 Filed 11-7-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX C

NOTICE OF A FINAL LTFV DETERMINATION BY THE DEPARTMENT OF COMMERCE ON CANADA

Notices

Federal Register
Vol. 51, No. 236
Tuesday, December 9, 1986

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-601]

Final Determination of Sales at Less than Fair Value; Brass Sheet and Strip from Canada

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that brass sheet and strip from Canada are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from Canada that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: December 9, 1986.

FOR FURTHER INFORMATION CONTACT: Steven Lim or Charles Wilson, Office of Investigatons, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1776 or 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that brass sheet and strip from Canada are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d). We made fair value comparisons on sales of the class or kind of merchandise to the United States by Arrowhead Metals Limited (Arrowhead) and Noranda Metal Industries Limited (Noranda) during the period of investigation, October 1, 1985 through March 31, 1986. Comparisons were based on United States price and foreign market value, based on home market prices. The weighted-average margins for individual companies investigated are listed in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On March 10, 1986, we received a petition in proper form filed by American Brass, Bridgeport Brass Company, Chase Brass and Copper Company, Hussey Metals Division, the Miller Company, Olin Corporation-Brass Group, and Revere Copper Products, Inc., domestic manufacturers of brass sheet and strip, and by the International Association of Machinists and Aerospace Workers, International Union-Allied Industrial Workers of America (AFL-CIO), and Mechanics Educational Society of America (Local 56). The petition was filed on behalf of the U.S. industry that casts, rolls, and finishes brass sheet and strip.

In compliance with the filing requirements of secton 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

We determined that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on March 31, 1986 (51 FR 11771, April 7, 1986), and notified the ITC of our action. On April 24, 1986, the ITC determined that there is a reasonable indication that imports of brass sheet and strip from Canada materially injure a U.S. industry (USITC Pub. No. 1837).

On April 29, 1986, we presented an antidumping duty questionnaire to Arrowhead Metals Limited (Arrowhead) and to Noranda Metal Industries Limited (Noranda) which account for at least 80 percent of exports of the subject merchandise to the United States. We requested responses in 30 days. On May 22 and 28, 1986, at the request of respondents, we granted a 14-day extension of the due date for the questionnaire responses. We received responses from Noranda and Arrowhead on June 12. On June 24, and 27, we requested additional information from Noranda and Arrowhead on July 7, 1986.

On August 18, 1986, we made an affirmative preliminary determination (51 FR 30093, August 22, 1986).

On September 22, 1986, the repondents requested a postponement of the final determination. We granted this request and postponed the due date for the final determination until not later then December 3, 1986 (51 FR 36419, October 10, 1986).

Ratcliffs filed a voluntary response. This response was incomplete and, therefore, was not used.

As required by the Act, we afforded interested parties an opportunity to submit oral and written comments, and on September 19, 1986, a hearing was held to allow parties to address the issues arising in this investigation.

Scope of Investigation

The products covered by this investigation are brass sheet and strip, other than leaded brass and tin brass sheet and strip, currently provided for under item numbers 612.3960, 612.3982, and 612.3986 of the *Tariff Schedules of the United States Annotated (TSUSA).*

The chemical composition of the products under investigation is currently defined in the Copper Development Association (C.D.A.) 200 series or the Unifed Numbering System (U.N.S.) C2000 series. Products whose chemical composition are defined by other C.D.A. or U.N.S. series are not covered by this investigation.

Fair Value Comparison

In order to determine whether sales of the subject merchandise to the United States were made at less than fair value, we compared the United States price with the foreign market value, based on home market prices.

For this merchandise, there are two types of sales: tolled and non-tolled. In tolled sales, the brass mill's customer provides the mill with the copper and/or zinc, or scrap, purchased from another source, which the mill converts into

brass sheet or strip. The mill charges its customer only for the value of the conversion. In non-tolled sales, the brass mill produces brass sheet and strip from its own stocks of copper and zinc.

We have decided that the most accurate comparison is, when possible, to compare tolled sales to tolled sales and non-tolled sales to non-tolled sales. This type of "apples-to-apples" comparison achieves the most accurate results.

When there were a significant number of tolled sales in the United States, we asked the respondents to provide information on home market tolled sales. whenever possible, we compared prices of tolled sales in the United States to tolled sales in the home market. Similarly, we compared prices of non-tolled sales in the United States to non-tolled sales in the home market.

In this investigation, both respondents had a significant number of tolled sales to the United States. However, Noranda had no tolled sales in the home market.

For many tolled sales to the United States by Noranda, we were able to determine the component of Norand's United States price attributable to metal value in the U.S. sale from home market prices of non-tolled sales of products having the same alloy content. Altough tolling charges may vary depending on the quality of the metal input, we do not have information on the quality of the copper or zinc used. Accordingly, we have compared U.S. tolled sales to adjusted home market non-tolled sales of the product using the same alloy content as the best infomation available.

In deducting the metal cost from the home market non-tolled sale, we do not have information on whether some component of the profit on the home market sales my be attributable to the metal cost. Consequently, we are not deducting any profit.

For those tolled sales to the United States where we could not determine the component of Noranda's price attributable to metal value, we compared the U.S. tolled sale including the metal value to unadjusted home market non-tolled sales of merchandise with the same alloy content as the best information available. These sales comparisons are made for a very small percentage of Noranda's U.S. sales.

United States Price

As provided for in section 772(b) of the Act, we used the purchaser price of the subject merchandise to represent the United States price for sales by Arrowhead and most sales by Noranda because, except for certain transactions made by Noranda, the merchandise was sold by these producers to unrelated purchasers prior to importation into the United States. For some of Noranda's transactions we used the exporter's sales price of the subject merchandise as provided for in section 772(c) of the Act, for the United States price.

We calculated the purchase price based on the c.&f. delivered, duty paid, packed price to urelated customers in the United States. We made deductions, where appropriate, for discounts, foreign inland freight, U.S. duty, U.S. brokerage, and U.S. inland freight. We disallowed Noranda's claim for an increase in the purchase price for a slitting cost incurred by an unrelated U.S. distributor, because the cost was not incurred by Noranda and, hence, it is an inappropriate addition to purchase price. We calculated exporter's sales price by deducting, where appropriate, discounts, foreign inland freight, U.S. duty, U.S. brokerage and U.S. inland freight. We aslso made a deduction for credit expenses.

Foreign Market Value

In accordane with section 773(a) of the Act, we calulated foreign market value based on f.o.b. packed home market prices to unrelated purchases. We made deductions, where appropriate, for discounts, rebates and foreign inland freight. We made an adjustment for differences in circumstance of sales for credit expenses, pursuant to § 353.15 of our regulations. We subtracted home market packing cost and added U.S. packing cost.

Where U.S. purchase price sales involved unrelated party commission, indirect selling expenses were granted as an offset for the U.S. commission expenses, in accordance with § 353.15(c) of the Commerce Regulations.

We established separate categories of "such or similar" merchandise, pursuant to section 771(16) of the Act. In order to select the most similar products, we made comparisons of merchandise groups based on form of material (sheet or strip), grade (chemical composition), dimensions, special finishes, and traverse wound coils.

For those categories where there were no identical products in the home market with which to compare products sold to the United States, we made adjustments to similar merchandise to account for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(C) of the Act. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

For Noranda's sales, we made the difference in merchandise adjustments except for the cost of alloy content, based on cost differences supplied by petitioners, since Noranda was unable to provide us with these other cost differences.

Currency Conversion

For comparisons involving purchase price transactions, when calculating foreign market value, we made currency conversions from Canadian dollars to U.S. dollars in accordance with § 353.56(a) of our regulations, using the certified daily exchange rates furnished by the Federal Reserve Bank of New York. For comparisons involving exporter's sales price transactions, we used the official exchange rate for the date of purchase pursuant to section 615 of the trade and Tariff Act of 1984. We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations, as it supercedes that section of the regulations.

Verification

As provided in section 776(a) of the Act, we verified all information provided by the respondents, using standard verification procedures, including examination of accounting records and original source documents containing relevant information on selected sales.

Petitioners' Comments

Comment 1: Petitioners assert that the Department should reject the response submitted by Noranda as inadequate and, therefore, should use the best information otherwise available.

DOC Position: We disagree. Based on our verification of the response submitted by Noranda, we are satisfied that the information provided is adequate for the purpose of making fair value comparisons.

Comment 2: Petitioners contend that Noranda and Arrowhead provided overly broad product groupings for proper comparison between the U.S. and home market sales. Therefore, the Department should reject both companies' suggestions for comparison groups.

DOC Position: We disagree. The product groupings suggested by respondents were based on their pricing practices and were in accordance with their cost records. Therefore, we determined that they were reasonable and used them for comparison purposes.

Comment 3: Petitioners argue that Noranda failed to provide appropriate cost adjustments for physical differences of the merchandise.

DOC Position: We agree. Since Noranda did not provide production cost data on which to base adjustments for physical differences of the merchandise, we used information provided by petitioners as best information available in making these adjustments.

Comment 4: Petitioners contend that the Department should disallow Noranda's claimed rebate expenses in the home market as it did in its preliminary determination. This contention is based on petitioners' claim that year-end rebates cannot be related to individual sales throughout the year.

DOC Position: We disagree. We verified that the year-end rebate expenses were provided for in the terms at the time of sale and, therefore, were directly related to the sales under consideration.

Accordingly, we deducted the rebate amount applicable to each individual sale.

Comment 5: Petitioners maintain that the Department should reject Noranda's claim for a level of trade adjustment based on a price differential between customers who slit the material and those who do not.

DOC Position: We agree. Level of trade adjustments may be made under certain circumstances in order to compare sales at the same commerical level of trade in the United States and the home market. Noranda's sales were at the same commercial level of trade in both markets. Moreover, Noranda did not quantify the price difference between the slitting and non-slitting customers.

Comment 6: Petitioners contend that the Department should reject Noranda's corrected sales information submitted during the verification because this data has not been verified.

DOC Position: We disagree. During the verification, Noranda submitted revised data which were verified.

Comment 7: Petitioners contend that the Department should reject Noranda's claim that all of its exporter's sales price, "trial" sales and certain home market sales in which a surcharge was included should be excluded as not in the ordinary course of trade.

DOC Position: We agree. The Department has determined that the prices of these sales were based on the company's price list, and that there were sufficient commercial transactions of these particular sales in the home market as well as in the U.S. market during the period of investigation. Therefore, we included these sales in our comparisons.

Comment 8: Petitioners contend that Noranda and Arrowhead should not have used average credit cost and that the Department should use credit cost incurred relative to individual sales.

DOC Position: We agree. During verification, the Department established that each company did not average credit costs but calculated the credit cost on each sale by basing it on the actual number of days from the date of shipment to the date of receipt of payment.

Comment 9: Petitioners argue that the Department should reject Arrowhead's contention that tolled sales be excluded in our calculations, since they reflect sale of a service not the merchandise under investigation.

DOC Position: We agree. While U.S. purchasers provided materials to respondents for the manufacture of the merchandise under investigation. respondents are the manufacturers of the product exported to the United States, and their sales of this product are the appropriate subject of our investigation (Certain Small Diameter Welded Carbon Steel Pipes and Tubes from the Philippines, 51 FR 33099, September 18, 1986).

Comment 10: Petitioners claim that in its preliminary determination, the Department made programming errors with regard to credit, commissions and difference in merchandise adjustments in calculating foreign market value and United States price.

DOC Position: We agree. We have received our data base and have made appropriate corrections with regard to credit, commissions and difference in merchandise adjustments for our final determination.

Comment 11: Petitioners argue that Arrowhead failed to consider width as a factor in its product comparisons.

DOC Position: We disagree. We have been provided by Arrowhead with product comparisons based in part on width and have used these product comparisons in making our final determination.

Comment 12: Petitioners assert that Arrowhead's non-tolled sales are not accounted for in product comparisons.

DOC Position: We disagree. These particular sales have been considered.

Comment 13: Petitioners argue that Arrowhead's product groupings do not compare groups of identical alloy composition.

DOC Positions: We disagree. We have determined that Arrowhead's product groupings compare groups of identical alloy composition.

Respondent's Comments

Noranda

Comment 1: Noranda argues that the Department should exclude exporter's sales price transactions from its fair value comparisons, because they were not made in the ordinary course of trade. Noranda states that if the Department includes these sales, separate margins should be calculated for exporter's sales price and for purchase price sales.

DOC Position: We disagree. The term "ordinary course of trade" pertains only to home market sales. In fair value investigations, the Department calculates one margin for a class or kind of merchandise whether the sales were purchase price or exporter's sales price.

Comment 2: Noranda claims that products such as cut to length, traverse wound and coated brass sold in the home market should be disregarded when comparisons are made between the U.S. market and the home market.

DOC Position: We disagree. We consider these products similar to the U.S. products. See "Foreign Market Value" section of this notice.

Comment 3: Noranda argues that the Department in making its credit adjustment should not deduct imputed interest expenses on exporter's sales price sales.

DOC Position: Since the company incurred actual credit expenses, it was unnecessary to impute credit expenses. Accordingly, the Department followed its usual policy of computing credit expense deductions based on actual credit terms for U.S. sales to unrelated purchasers. For these sales, the period considered was the time the merchandise left the warehouse in the United States until the time payment was made by the U.S. purchaser.

Comment 4: Noranda maintains that an adjustment for differences in level of trade should be made, for a differential between a price paid by customers who slit the material and a price paid by those who do not.

DOC Position: We disagree. See our response to petitioners' Comment 5.

Comment 5: Noranda argues that certain home market sales which have a surcharge are not in the ordinary course of trade and should be excluded from our fair value comparisons.

DOC Position: We disagree. See our response to petitioners' Comment 7.

Comment 6: Noranda states that the Department should adjust the foreign market value to reflect rebates incurred in the home market.

DOC Position: We agree. See our response to petitioners' Comment 4.

Comment 7: Noranda argues that the Department should use an average of U.S. sales prices in its final determination.

DOC Position: We disagree. The only authority we have to average U.S. prices is contained in section 777A of the 1984 amendments to the Act (19 U.S.C. 1677f-1). This authority only extends, however, to situations in which a "significant volume of sales is involved or a significant number of adjustments to prices is required." In this proceeding we do not find the number of sales (less than 175) or the number of adjustments to be so large as to authorize us to average U.S. price.

Arrowhead

Comment 1: Arrowhead argues that the Department should exclude "tolled" sales in its calculations because it was only performing a conversion service rather than the sale of a finished product.

DOC Position: We disagree. See our response to petitioners' Comment 9.

Comment 2: Arrowhead argues that the Department should not extend the scope of this investigation to include the brass strip that is 1.25 inches or less in width unless it includes the brass strip that is equal to or less than 0.006 inches in thickness. Arrowhead asserts that the petitioners were being selective in including brass strips that were 1.25 inches or less in width and excluding those that were less than 0.006 inches in thickness.

DOC Position: We disagree. The scope of this investigation accords with the wishes of the petitioners. Item numbers 612.3982 and 612.3986 of the *TSUSA* include brass strips less than 1.25 inches in width. The *TSUSA* does not exclude from its definition of brass strip a product less than 1.25 inches in width unless it is flat wire. In order to be considered flat wire, the product must meet all of the requirements for flat wire. Respondent has not demonstrated that sales of a product less than 1.25 inches in width are sales of flat wire instead of strip. However, a product less than 0.006 inch in thickness is no longer brass strip, rather it is defined as brass foil by the *TSUSA*. Neither brass flat wire nor brass foil are within the scope of this investigation.

Comment 3: Arrowhead argues that petitioners proposed product groupings should be rejected and that we should use Arrowhead's product groupings.

DOC Position: We agree. See our response to petitioners' Comment 2.

Comment 4: Arrowhead argues that petitioners' November 3, 1986, submission should be rejected as untimely.

DOC Position: We disagree. We have exercised our discretion under 19 CFR 353.46 to accept these comments because they contributed towards a more accurate result in our investigation. We allowed respondents time to comment on the submission.

Ratcliffs

Ratcliffs argues that the Department's refusal to verify its voluntary response is arbitrary and violates the Antidumping Code as enacted into U.S. law because (a) absent a finding of a price differential with respect to a particular company there can be no finding of dumping and (b) interested parties should be given an opportunity to present evidence. Ratcliffs also argues that its voluntary response should be used as best information available. Ratcliffs has supplied the Department with information that it has no less than fair sales and should be excluded.

DOC Position: By regulation (19 CFR 353.38), and consistent practice, we are only required to examine 60 percent of the merchandise exported to the United States during the period of investigation. Noranda and Arrowhead account for considerably more than 60 percent of the exports of the product under investigation. We advised counsel for Ratcliffs prior to its submission that we would accept and consider a voluntary response only if it were free of deficiencies. If we advise a voluntary respondent that its first response is deficient, as a practical matter, we become engaged in explaining the deficiencies, reexamining the corrected response, and possibly repeating this procedure. Our administrative resources would be eroded to the point where our ability to meet statutory deadlines would be impaired. Ratcliffs was given an opportunity to submit information, but its submission was seriously deficient. We have no need to resort to Ratcliffs' response for best information available because we have verified information from Noranda and Arrowhead. The information submitted by Ratcliffs was not sufficient. Consequently, it was not verified and cannot form the basis for exclusion.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of brass sheet and strip from Canada that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The United States Customs Service shall require a cash deposit or the posting of a bond on all such entries equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/seller/exporter	*Weighted-average margins (percentage)*
Arrowhead	2.51
Noranda	11.54
All Others	8.10

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms in writing that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on brass sheet and strip from Canada entered, or withdrawn from warehouse, for consumption on or after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 167d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

December 3, 1986.

[Fr. Doc. 86-27608 Filed 12-8-86; 8:45]

BILLING CODE 3510-DS-M

APPENDIX D

LIST OF PARTICIPANTS IN THE COMMISSION'S HEARING ON THE INVESTIGATIONS

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Brass Sheet and Strip from Brazil, Canada, France, Italy, the Republic of Korea, Sweden and West Germany

Invs. Nos. : 701-TA-269 and 270 and 731-TA-311 through 317 (Final)

Date and time: December 1, 1986 - 9:30 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the imposition of antidumping and/or countervailing duties:

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

American Brass, Bridgeport Brass Company, Chase Brass & Colper Company, Hussey Metals Division, The Miller Company, Olin Corporation, and Revere Copper Products, Inc., and the International Association of Machinist and Aerospace Workers, International Union, Allied Industrial Workers of America (AFL-CIO), Mechanics Educational Society of America (Local 56), and United Steelworkers of America (AFL-CIO/CLC)

Joseph Goodell, President, American Brass

James G. Hascall, President, Olin Brass

Nicholas D. Giordano, Assistant Director/Senior Economist, Georgetown Economic Services

Robert J. Tubbs, Group Counsel, Ammunition and Metals, Olin Brass

Collier, Shannon, Rill & Scott (Continued)

Daniel B. Becker, Director of Marketing, Olin Brass

Devin K. Denner, District Sales Manager, Olin Brass

Bruno H. Eisner, Vice President of Marketing and Sales, American Brass

Lisa Capell, Marketing Representative, American Brass

David A. Hartquist)
Jeffrey S. Beckington)--OF COUNSEL
Kathleen Weaver Cannon)

In opposition to the imposition of antidumping duties and/or countervailing duties:

O'Melveny & Myers--Counsel
Washington, D.C.
on behalf of

Eluma S.A. ("Eluma") (a Brazilian manufacturer and exporter)

Gary N. Horlick)--OF COUNSEL
James J.R. Talbot)

Arnold & Porter--Counsel
Washington, D.C.
on behalf of

Langenberg Kupfer-Und Messingwerke GmbH KG, Metallwerke Schwarzwald GmbH, William Prym-Werke KG, R & G Schmole Metallwerke GmbH and Co. KG, Schwermetall Halbzeugwerk GmbH and Co. KG, Stolberger Metallwerke GmbH and Co. KG, Wieland-Werke AG, and Diehl GmbH & Co.

Harold Kroener, Executive Assistant to the General Manager, Wieland-Weke AG

Richard A. Johnson)
Robert Herzstein)--OF COUNSEL
Grant Finlayson)

Erb and Madian, Inc., Washington, D.C.

Alan L. Madian, Managing Director

Taft, Stettinius & Hollister--Counsel
Washington, D.C.
on behalf of

Noranda Metal Industries Limited, Montreal, Canada
and
Ratcliffs (Canada) Limited

W. G. Deeks, President, Noranda Sales Corporation

W. J. Moloughney, Executive Vice President

P. K. Sutherland, Vice President, Finance Administration, Noranda Metal Industries Limited

William E. Wright, Commodity Analyst

James D. Williams, Jr.)
Ann Ottoson King) --OF COUNSEL

Sonnenberg, Anderson & O'Donnell--Counsel
Chicago, Illinois
on behalf of

Metallverken, Inc.

Johan Scheel, President

Paul S. Anderson--OF COUNSEL

Cleary, Gottlieb, Steen & Hamilton--Counsel
Washington, D.C.
on behalf of

La Metalli Industriale S.p.A. ("LMI"), Firenze, Italy

Daniel B. Silver)
Richard deC. Hinds)
Giovanni P. Prezioso) --OF COUNSEL
Victor P. Patrick)

- more -

Busby, Rehm and Leonard, P.C.--Counsel
Washington, D.C.
on behalf of

Trefimetaux, Paris, France

Cornelius L. Hudak, Manager, Copper Products Division,
Pechiney World Trade (USA), Inc.

Jacques Dubois, Vice President, Guggenheim Corporation

Will E. Leonard)
Philippe M. Bruno) --OF COUNSEL

Dow, Lohnes & Albertson--Counsel
Washington, D.C.
on behalf of

ArrowHead Metals Ltd., Toronto, Ontario, Canada

William Silverman)
Carrie A. Simon) --OF COUNSEL

APPENDIX E

TWO IMPORTERS' COMMENTS CONCERNING REROLL

* * * * * * *

* * * * * * *

APPENDIX F

AGGREGATE INCOME-AND-LOSS INFORMATION OF THREE BRASS MILLS ON THEIR OPERATIONS PRODUCING C20000-SERIES BRASS SHEET AND STRIP FOR REROLL

Aggregate income-and-loss data for the three brass mills producing C20000-series brass sheet and strip for reroll 1/ are presented in table F-1. Two of the three firms that provided financial data on such reroll operations reported their 1985 sales of C20000-series reroll to be approximately *** percent of the quantity and *** percent of the value of their total sales of C20000-series brass sheet and strip. * * *, however, reported the quantity of its 1985 sales of C20000-series reroll to be *** percent, and the value *** percent, of its total C20000-series sales. * * * accounted for *** percent of the quantity and for *** percent of the value 2/ of reroll sales in 1985 reported in table F-1.

Net sales declined from $*** in 1983 to $*** during 1984, or by *** percent, then fell further to $*** in 1985 for a decrease of *** percent. Operating losses lessened from $*** in 1983 to $*** in 1984 before increasing again in 1985 to $***. The operating loss ratios during the 1983-85 period were *** percent, *** percent, and *** percent, respectively. * * *.

Net sales of C20000-series brass sheet and strip for reroll increased from $*** during interim 1985 to $*** during interim 1986, or by *** percent. In spite of the increase in sales from interim 1985 to interim 1986, operating losses increased to $*** during interim 1986, up *** percent from a $*** loss reported during interim 1985. The increase in operating losses was due to * * *. The operating loss margins during interim periods 1985-86 were *** percent and *** percent, respectively.

* * *, representing *** percent of the value of the three brass mills' aggregate C20000-series reroll sales reported during 1985, * * * reported for the reroll operations. A company official of * * * indicated that although its reroll products are * * *. * * * further reported that * * * C20000-series reroll.

1/ The firms are * * *. They accounted for *** percent of the reported quantity of shipments of reroll by U.S. brass mills in 1985.
2/ The value ratio is higher than the quantity ratio because * * * has * * *.

Table F-1.--Income-and-loss experience of 3 U.S. brass mills on their operations producing C20000-series brass sheet and strip for reroll, accounting years 1983-85, and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30-- 1985	1986
Net sales 1/....1,000 dollars..	***	***	***	***	***
Cost of goods sold 1/....do....	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars..	***	***	***	***	***
Operating (loss).....do....	(***)	(***)	(***)	(***)	(***)
Interest expense .....do....	***	***	***	***	***
Other income or (expense), net.....1,000 dollars..	***	(***)	(***)	***	***
Net (loss) before income taxes.....1,000 dollars..	(***)	(***)	(***)	(***)	(***)
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	***	***
Cash flow .....do....	(***)	***	***	***	(***)
As a share of net sales:					
Cost of goods sold..percent..	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating (loss).....do....	(***)	(***)	(***)	(***)	(***)
Net (loss) before income taxes.....percent..	(***)	(***)	(***)	(***)	(***)
Number of firms reporting operating losses.....	***	***	***	***	***
Number of firms reporting.....	3	3	3	3	3

1/ * * *, accounting for *** percent of the value of the 3 brass mills' C20000-series reroll sales in 1985, provided value data in the income-and-loss section of its questionnaire, which included the metal value for toll sales. The metal values were reflected both in the cost of goods sold and the dollar value of sales.

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

APPENDIX G

PRODUCERS' AND IMPORTERS' WEIGHTED-AVERAGE TOTAL SELLING PRICES

Table G-1.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the builders' hardware product, by country of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	United States	Brazil	France	Italy	Korea	Sweden	West Germany
1983:							
January-March.....	$1.12	2/	2/	2/	2/	2/	***
April-June.....	1.18	2/	2/	2/	2/	2/	***
July-September.....	1.20	2/	***	2/	2/	2/	***
October-December...	1.19	2/	2/	2/	2/	2/	***
1984:							
January-March.....	1.19	***	***	***	***	2/	***
April-June.....	1.26	***	***	***	***	2/	***
July-September.....	1.21	***	***	2/	2/	2/	***
October-December...	1.18	***	2/	2/	2/	2/	***
1985:							
January-March.....	1.12	***	2/	2/	***	2/	***
April-June.....	1.20	2/	***	***	***	***	***
July-September.....	1.14	2/	2/	2/	***	2/	***
October-December...	1.06	2/	2/	2/	***	2/	***
1986:							
January-March.....	1.09	2/	2/	2/	***	***	***
April-June.....	1.08	***	2/	2/	***	2/	***

1/ Builders' hardware, CDA end-use classification 110, CDA alloy 260, .016-032" thick by 2-12" in width.
2/ No data reported.

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

Table G-2.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the heavier-gauge slitting stock product, by country of origin and by quarters, January 1983-June 1986 1/

(Per pound)

Period	United States	Brazil	Canada	France	Italy	Korea	Sweden	West Germany
1983:								
January-March.....	$1.10	2/	***	2/	2/	2/	2/	***
April-June.....	1.10	2/	***	2/	2/	2/	2/	***
July-September.....	1.11	2/	***	2/	2/	2/	2/	***
October-December...	1.06	***	***	2/	2/	2/	2/	***
1984:								
January-March.....	1.16	***	***	***	***	***	2/	***
April-June.....	1.16	***	***	2/	2/	***	2/	***
July-September.....	1.11	***	***	***	2/	***	2/	***
October-December...	1.10	***	***	***	2/	2/	***	***
1985:								
January-March.....	1.09	***	***	***	2/	***	***	***
April-June.....	1.10	***	***	***	***	***	***	***
July-September.....	1.07	***	***	***	2/	***	***	***
October-December...	1.06	***	***	***	2/	***	2/	***
1986:								
January-March.....	1.04	***	***	***	2/	***	2/	***
April-June.....	1.00	***	***	***	2/	***	2/	***

1/ Slitting stock, CDA end-use classification 920, CDA alloy 260, .020-.025" thick by maximum yield width.
2/ No data reported.

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

Table G-3.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the lighter-gauge communications and electronics product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

Table G-4.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the heavier-gauge communications and electronics product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

Table G-5.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the lighter-gauge slitting stock product, by country of origin and by quarters, January 1983-June 1986 1/

(Per pound)

	United States	Brazil	Canada	Korea	Sweden	West Germany
1983:						
January-March	$1.14	2/	***	2/	2/	2/
April-June	1.24	2/	***	2/	2/	2/
July-September	1.17	2/	***	2/	2/	2/
October-December	1.09	2/	***	2/	2/	***
1984:						
January-March	1.18	***	2/	2/	2/	***
April-June	1.20	***	***	2/	2/	***
July-September	1.17	***	***	2/	2/	***
October-December	1.13	***	***	2/	***	***
1985:						
January-March	1.17	***	2/	2/	2/	***
April-June	1.15	2/	***	2/	2/	***
July-September	1.09	2/	***	***	2/	***
October-December	1.03	2/	***	***	2/	***
1986:						
January-March	1.09	***	***	2/	2/	***
April-June	1.06	2/	2/	***	2/	***

1/ Slitting Stock, CDA end-use classification 920, CDA alloy 260, .016-.0199" thick by maximum yield width.
2/ No data reported.

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

Table G-6.--Producers' and importers' weighted-average total selling prices for nontoll account sales of the lighter-gauge reroll product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

Table G-7.--Importers' weighted-average total selling prices for non-toll account sales of the heavier-gauge reroll product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

Table G-8.--Producers' and importers' weighted-average total selling prices for non-toll account sales of the automotive electrical product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

Table G-9.--Producers' and importers' weighted-average total selling prices for non-toll account sales of the lamp shells and sockets product, by country of origin and by quarters, January 1983-June 1986 1/

* * * * * * *

APPENDIX H

DISCUSSION OF CERTAIN ISSUES RELATED TO PRICE COMPARISONS

Respondents have voiced several concerns about the adequacy of comparing producers' and importers' total selling prices, relating to items compared, level of sale, differences in quantities purchased, differences in lead times, and the effects of producers' scrap buy-back programs. Staff defined the product categories for which price data were collected so that, within a particular product category, an additional annealing step would not normally be required in the reduction of the brass sheet and strip from the thickest gauge to the thinnest gauge. Since price increases are more closely related to the number of annealing steps required rather than to the exact gauge of the product, prices for different gauges within a particular product category should be equivalent, all other factors being equal. 1/ The product definitions were also defined to control for level of sale. For example, slitting stock is sold to distributors, whereas builders' hardware is sold to manufacturers of hardware products. Producers and importers adhered to the levels of sale as requested in the majority of instances. In a few quarters, importers reported sales of "end-user" products to distributors. However, for these importers, staff determined that prices did not show consistent variations by market sector. Industry sources confirm that importers generally do not vary their prices based on market sector. 2/

Regarding differences in quantities purchased from U.S. producers relative to quantities purchased from importers, staff notes that there were several instances in which reported quantities were less than producers' and importers' stated minimums. Generally, explanations offered were that the customer could order several different items to make up the minimum quantity requirements. Thus, differences in transaction quantities are not necessarily meaningful indicators of quantity discounts received by customers. Nevertheless, average transaction quantities calculated for each product category and country suggest that importers of Brazilian and Korean brass sheet and strip may have sold slitting stock in larger quantities than did U.S. producers. Importers of Canadian slitting stock reported transaction quantities very similar to those of U.S. producers. For sales of builders' hardware, average transaction quantities for U.S.-produced brass sheet and strip are actually larger than those for imported Brazilian and Korean brass sheet and strip.

Respondents have argued that importers' prices must be lower than U.S. producers' prices to compensate for importers' longer leadtimes and the fact that U.S. producers offer scrap buy-back programs which lower the net price of U.S.-produced brass sheet and strip. First, staff notes that any such effects of these factors should influence distributor price comparisons less than enduser price comparisons. Because distributors generally purchase for their own inventory, they can more easily incorporate importers' longer leadtimes into their purchasing operations. Because slitting operations produce less

---

1/ In certain cases where product specifications other than gauge appeared to be causing "abnormal" prices, staff did not use those prices for the purposes of obtaining weighted-average prices.

2/ Staff meeting with * * *.

scrap than do manufacturing operations, scrap is also less of a consideration for distributors. Secondly, median leadtimes reported by purchasers of Canadian brass sheet and strip were quite close to those for U.S. producers. Thus, one would not expect prices of Canadian brass sheet and strip to be discounted much because of longer leadtimes.

As discussed in the "Purchasers' data" and "Lost sales and lost revenues" sections, some purchasers of brass sheet and strip have stated that importers' prices must be lower because of leadtimes and producers' beneficial scrap buy-back programs. However, one large end user reported that, in many instances, it cannot buy imported brass sheet and strip even if it is lower priced than U.S.-produced brass sheet and strip because the longer leadtimes for imported material would disrupt production schedules. Additionally, the fact that some purchasers have stated a preference for the manner in which importers of Brazilian and Korean brass sheet and strip establish the metal value could arguably be a factor that would cause purchasers to pay a higher price for imported material, other factors being equal. Because individual purchasers' observations vary as to the existence or precise amount of a margin by which importers' prices must be lower than prices of U.S. producers' prices, the staff cannot make arbitrary price adjustments to producers' or importers' weighted-average prices.