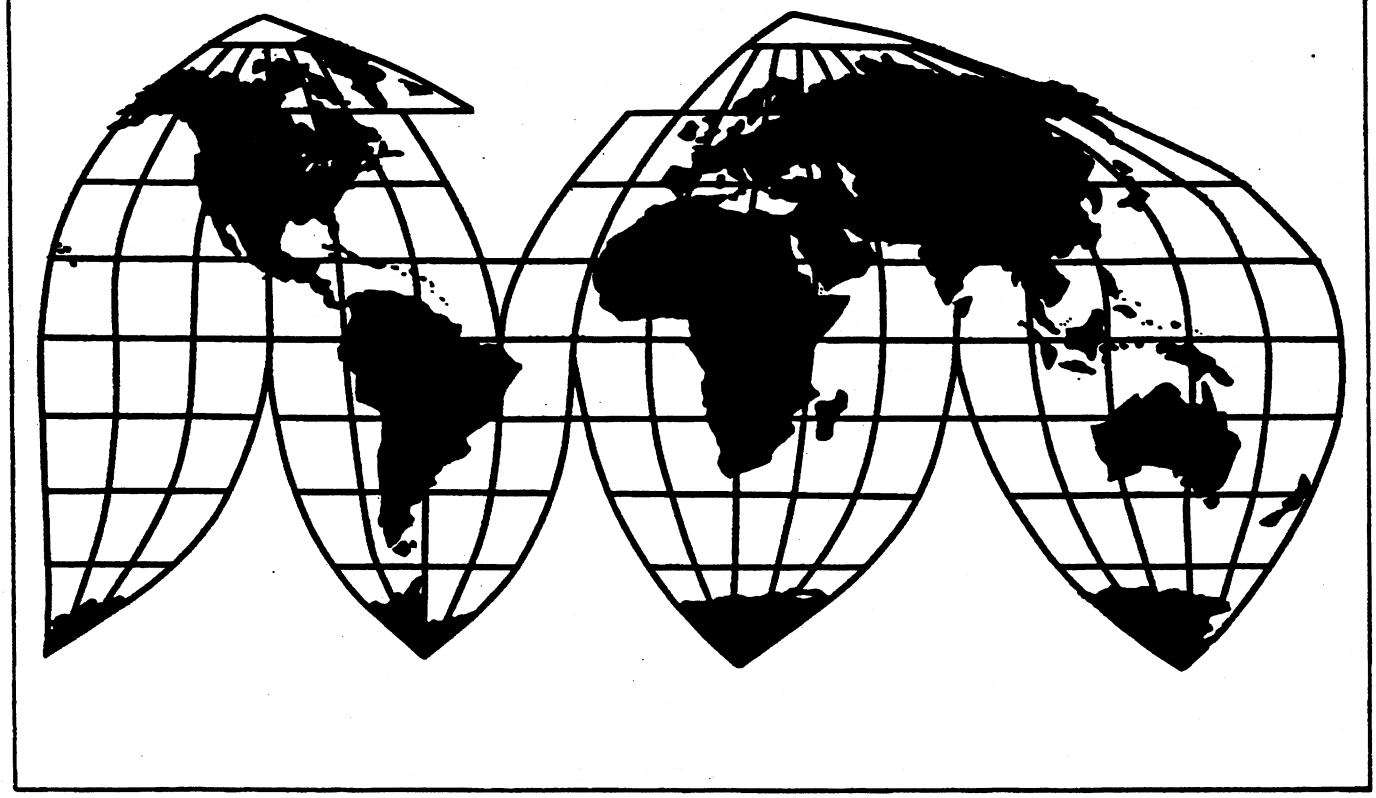
Stainless Steel Round Wire From Canada, India, Japan, Korea, Spain, and Taiwan

Investigations Nos. 731-TA-781-786 (Final)

Publication 3194 **May 1999**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Lynn M. Bragg, Chairman
Marcia E. Miller, Vice Chairman
Carol T. Crawford
Jennifer A. Hillman
Stephen Koplan
Thelma J. Askey

Robert A. Rogowsky
Director of Operations

Staff Assigned:

Diane J. Mazur, Investigator
Mitchell Ginsburg, Economist
Tracy Quilter, Industry Analyst
James Stewart, Accountant
Willis Martyn, Attorney

Robert Eninger, Supervisory Investigator

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436

Stainless Steel Round Wire From Canada, India, Japan, Korea, Spain, and Taiwan

Publication 3194

May 1999

CONTENTS

CONTENTS

Appendixes

ii

CONTENTS

Page

Figures

iii

CONTENTS

CONTENTS

CONTENTS

Page

Tables–Continued

CONTENTS

Page

Tables–Continued

CONTENTS

Page

Tables–Continued

NOTE

Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

GLOSSARY OF ABBREVIATIONS

ABS	American Bureau of Shipping
Acerinox	Acerinox USA, Inc.
ACS	ACS Industries, Inc.
AISI	American Iron and Steel Institute
Al Tech	Al Tech Specialty Steel Corp.
Arcos	Arcos Alloys
Asada	Asada Corp.
ASTM	American Society for Testing and Materials
AWPA	American Wire Producers' Association
AWS	American Welding Society
Branford	The Branford Wire & Manufacturing Co.
Carpenter	Carpenter Technology Corp.
Central Wire	Central Wire Industries, Inc.
C.i.f	Cost, insurance, freight
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
CTR	Transcript of the conference
Daido	Daido Stainless Steel Co., Ltd.
EPQ	Electro-polishing quality
Ergste Westig	Ergste Westig of America Inc.
F.o.b.	Free on board
FR	*Federal Register*
Greening Donald	Greening Donald Co., Ltd.
Handy & Harman	Handy & Harman Specialty Wire Group
Hi Specialty	Hi Specialty America, Division of Hitachi Metals America, Ltd.
HQ	Heading quality
HTR	Transcript of the hearing
HTS	Harmonized Tariff Schedule
Illini	Illini Wire Mill, Inc.
Industrial Alloys	Industrial Alloys, Inc.
Indwisco	Indwisco, Ltd.
Inoxfil	Inoxfil, S.A.
ISO	International Standards Organization
ITW-Hobart	ITW-Hobart Brothers Co.
Jewel	Jewel Wire Co.
Kanthal	Kanthal Corp.
Korea Sangsa	Korea Sangsa Co., Ltd.
Korea Welding	Korea Welding Electrode
Kuang Tai	Kuang Tai Metal Industrial Co., Ltd.
L	Low carbon
Loos	Loos & Co., Inc.-Wire Division
LTFV	Less than fair value
Maryland Specialty	Maryland Specialty Wire, Inc.
MIG	Metal inert gas
Mukand	Mukand, Ltd.
NAFTA	North American Free Trade Agreement

National Standard	National Standard Co.
Nippon Seisen	Nippon Seisen Co., Ltd.
PRWs	Production and related workers
Psi	Pounds per square inch
QR	Questionnaire response
R&D	Research and development
Raajratna	Raajratna Metal Industries, Ltd.
Richsteel	Richsteel Corp.
Rodex	Rodex Fasteners Corp.
Sandvik	Sandvik Steel Co.
SG&A	Selling, general, and administrative
SSRW	Stainless steel round wire
Sumiden	Sumiden Wire Products Corp.
Sunset	Sunset Wire & Steel, Inc.
Suzuki	Suzuki Metal Industry Co., Ltd.
Talley	Talley Metals Technology, Inc.
Techalloy	Techalloy Co., Inc.
The Act	The Tariff Act of 1930, as amended
Tien Tai	Tien Tai Electrode Co., Ltd.
Treasury	U.S. Treasury Department
Ulbrich	Ulbrich Shaped Wire, Inc.
Venus	Venus Wire Industries, Ltd.
Willing B. Wire	Willing B. Wire Co.
Wire Industries	Wire Industries, Inc.
Yieh Mau	Yieh Mau Corp.
Yuen Neng	Yuen Neng Co., Ltd.
Yung Ho Iron	Yung Ho Iron Wire Co., Ltd.
Zapp	Zapp USA, Inc., Ergste Westig South Carolina LP

x

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-781-786 (Final)

STAINLESS STEEL ROUND WIRE FROM CANADA, INDIA, JAPAN, THE REPUBLIC OF KOREA, SPAIN, AND TAIWAN

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission unanimously determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Canada, India, Japan, Korea, Spain, and Taiwan of stainless steel round wire[2] that 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 these investigations effective November 16, 1998, following receipt of a petition filed with the Commission and the Department of Commerce by ACS Industries, Inc., Woonsocket, RI; Al Tech Specialty Steel Corp., Dunkirk, NY; Branford Wire & Manufacturing Co., Mountain Home, NC; Carpenter Technology Corp., Reading, PA; Handy & Harman Specialty Wire Group, Cockeysville, MD; Industrial Alloys, Inc., Pomona, CA; Loos & Co., Inc., Pomfret, CT; Sandvik Steel Co., Clarks Summit, PA; Sumiden Wire Products Corp., Dickson, TN; and Techalloy Co., Inc., Mahwah, NJ. The final phase of these investigations was scheduled by the Commission following notification of preliminary determinations by the Department of Commerce that imports of stainless steel round wire from Canada, India, Japan, Korea, Spain, and Taiwan were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling 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 December 2, 1998 (63 FR 66577). The hearing was held in Washington, DC, on April 6, 1999, and all persons who requested the opportunity were permitted to appear in person or by counsel.

---

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

[2] For purposes of these investigations, Commerce has defined the subject stainless steel round wire (SSRW) as "any cold-formed (i.e., cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied." (*See e.g., Final Determination of Sales at Less Than Fair Value– Stainless Steel Round Wire from Japan* (64 FR 17318, Apr. 9, 1999.)

These products, if imported are currently covered by statistical reporting numbers 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTS).

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that an industry in the United States is not materially injured or threatened with material injury by reason of imports of stainless steel round wire ("SSRW") from Canada, India, Japan, Korea, Spain, and Taiwan that have been found by the Department of Commerce ("Commerce") to be sold at less than fair value ("LTFV").

I. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[1] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[2] In turn, the Act defines "domestic like product" as: "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[3]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[4] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[5] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[6] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[7]

---

[1] 19 U.S.C. § 1677(4)(A).

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(10).

[4] See, e.g.,Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[5] See, e.g., Nippon Steel, 19 CIT at 454-55.

[6] Torrington, 747 F. Supp. at 748-49.

[7] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

B. Product Description

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

> stainless steel round wire (SSRW). SSRW is any cold-formed (i.e. cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.[8]

The subject merchandise is an intermediate product used to make a multitude of wire products, such as fasteners, springs, wire mesh, strand, wire rope, welding wire, medical instruments, and wire of other cross sections. Producers provide SSRW in a wide range of diameters, grades, mechanical properties and tensile strengths to meet customer specifications. SSRW is favored over carbon and lower alloy steels for its corrosion resistance and strength under extreme conditions. SSRW sold in the United States ranges from 0.003 to 0.703 inch (0.08 to 18 mm) in diameter, with the primary grades (chemical composition) being 302, 304, 302HQ, 316, and 430.[9]

In the preliminary phase of these investigations, the Commission determined that there was one like product. We have been presented with no new arguments or new evidence to change that finding in this final phase of these investigations. Accordingly, for the same reasons articulated in the preliminary phase -- the common physical characteristics, channels of distribution, manufacturing facilities and production employees, interchangeability, and customer perceptions -- we determine that there is one domestic like product in these investigations, consisting of all SSRW, as defined in Commerce's scope determination.

C. Domestic Industry

The domestic industry is defined as "the producers as a [w]hole of a domestic like product . . . ."[10] In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[11] Based on our finding that the domestic like product consists of all SSRW, we define the corresponding domestic industry as all producers of SSRW in the United States, as the Commission did in the preliminary determination.[12]

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B). That provision of the statute allows

---

[8] See, e.g., Stainless Steel Round Wire From Canada, 64 Fed. Reg. 17324 (DOC, Apr. 9, 1999); Final Staff Report on Investigations Nos. 731-TA-781 through 786 (Final) ("CR"), App. A.

[9] CR & PR at I-6.

[10] 19 U.S.C. § 1677(4)(A).

[11] See United States Steel Group v. United States, 873 F. Supp. 673, 681-684 (Ct. Int'l Trade 1994), aff'd, 96 F. 3d 1352 (Fed. Cir. 1996).

[12] Stainless Steel Round Wire From Canada, India, Japan, Korea, Spain, and Taiwan, Invs. Nos. 731-TA-781-786 (Preliminary), USITC Pub. 3111 at 5 ("Preliminary Determination").

the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or which are themselves importers. Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.[13]

In the preliminary phase of these investigations, the Commission found that five producers were related parties: Al Tech, as a company controlled by Korean SSRW exporter Sammi Steel; *** as importers of the subject merchandise, and Wire Industries and Sumiden, as both importers of the subject merchandise ***.[14] Therefore, we may exclude these companies[15] from the domestic industry if "appropriate circumstances" exist.[16]

As in the preliminary phase of the investigations, we determine that appropriate circumstances do not exist to exclude any of these companies from the domestic industry. None of the parties argued for the exclusion of any company other than Sumiden. Subject imports did not represent a significant percentage of production for *** or Sumiden.[17] Al Tech ***, and supported the petition against Korea throughout the investigation. Sumiden supported the petition against Japan in its questionnaire response, asked to be treated as a petitioner, and testified that it had been injured by reason of subject imports.[18] This information suggests that these companies' primary interest lies with domestic production, rather

---

[13] See Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude such parties include:

> (1) the percentage of domestic production attributable to the importing producer;
> (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
> (3) the position of the related producer vis-à-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793, at I-7 - I-8 (July 1994).

[14] CR at III-6 - III-7, PR at III-4 - III-5.

[15] In the final phase of these investigations, *** reported that it was not an importer of record of subject merchandise during the investigation period, as it had reported in the preliminary phase, so it is not a related party.

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

[17] During 1998, imports represented *** percent of total sales for *** and *** percent for Sumiden. See Importer Questionnaire Responses of *** and Sumiden at 5. Although *** imports increased from 1997 to 1998, its profits decreased by ***.

[18] Tr. at 113-115, 194.

than importing.[19] We also note that each of the related parties accounted for a relatively small share of total domestic production, so their inclusion does not skew the overall industry data.[20] [21]

Accordingly, in this final phase of the investigations we determine that appropriate circumstances do not exist to exclude any of the related parties. We therefore define the domestic industry to consist of all domestic producers of SSRW.

II. NEGLIGIBILITY

Imports from a subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[22] By operation of law, a finding of negligibility terminates the Commission's investigations with respect to such imports.[23] The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility.[24]

The parties do not contest the Commission's findings in the preliminary phase of the investigations that imports from India, Japan, Korea, Spain, and Taiwan are not negligible, and the record indicates no reason to revisit those findings.[25] Canadian producers have argued that Commerce should have employed the standard test for determining the country of origin of carbon steel wire rod. Under this framework, Commerce would treat all of the SSRW drawn in Canada as the product of some other country, resulting in Canadian imports being negligible.[26] Commerce rejected this argument, and determined that the imports in question were subject imports.[27]

Section 735(b) of the Act states that "[t]he Commission shall make a final determination" of whether "injury, threat of injury, or material retardation to a domestic industry has occurred by reason of imports . . . with respect to which the administering authority has made an affirmative determination under subsection (a)(1)."[28] Accordingly, in light of Commerce's finding, we consider the imports

---

[19] Commissioners Crawford and Hillman observe in addition that Petitioners have not argued for the exclusion of Wire Industries and, thus, in light of their negative determinations they have included this company in the domestic industry.

[20] Shares of 1998 production were: Al Tech, *** percent; ***; Sumiden, *** percent; and Wire Industries, *** percent. CR & PR, Table III-1.

[21] Commissioner Crawford does not join in this sentence.

[22] 19 U.S.C. § 1677(24)(I).

[23] 19 U.S.C. § 1673d(b)(1).

[24] 19 U.S.C. § 1677(24)(C). See also The Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. 103-316, Vol. 1, at 856 (1994) ("SAA").

[25] The subject countries had the following shares of total imports in 1997: India, 4.9 percent; Japan, 7.8 percent, Korea, 16.4 percent; Spain, 3.6 percent; and Taiwan, 9.5 percent. CR & PR, Table IV-1. Spain accounted for 2.2 percent of total imports in 1998, but for the exact 12-month period preceding the filing of the petition in March 1998, it accounted for 3.5 percent of total imports. CR at IV-6, PR at IV-2.

[26] See Superior Wire v. United States, 669 F. Supp. 472 (Ct. Int'l Trade 1987).

[27] Stainless Steel Round Wire from Canada, 64 Fed. Reg. 17324, 17326 (Apr. 9, 1999) (Final), CR & PR, App. A.

[28] 19 U.S.C. § 1673d(b) (emphasis added).

described in that finding to be Canadian subject merchandise, and determine that imports from Canada are not negligible.[29]

III. CUMULATION

A. In General

Section 771(7)(G)(I) of the Act requires the Commission to cumulate imports from all countries as to which petitions were filed on the same day, if such imports compete with each other and with domestic like products in the United States market.[30]

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors:

> (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
> (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
> (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
> (4) whether the imports are simultaneously present in the market.[31]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.[32] Only a "reasonable overlap" of competition is required.[33]

B. Analysis

The petitions in these investigations were filed on the same day, so the first statutory test for cumulation is satisfied. Therefore, we are required to determine whether there is a reasonable overlap of competition both between the domestic like product and subject imports from each of the subject countries, and among the imports from the subject countries. In the preliminary phase of the

---

[29] Canadian imports represented 17.7 percent of total imports in 1997 and 13.0 percent in 1998. CR & PR, Table IV-1.

[30] 19 U.S.C. § 1677(7)(G)(I). There are four exceptions to the cumulation provision, none of which apply to these investigations.

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

[32] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[33] See Goss Graphic System, Inc. v. United States, 22 CIT ___, slip op. 98-147 at 8 (Oct. 16, 1998) ("cumulation does not require two products to be highly fungible"); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685-86 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

investigations, the Commission cumulated imports from all six countries subject to investigation.[34] It found that the subject imports had a significant degree of fungibility with each other and the domestic merchandise. Domestic producers and importers reported that the subject imports from the six countries were interchangeable with each other, as were the subject merchandise and the domestic like product.[35] The Commission also found that the domestic like product and imports from the subject countries compete in the same geographic markets, namely, throughout the United States.[36] The Commission further found an overlap in channels of distribution for the subject imports and domestic like product, which was primarily sales to end users, but also to distributors.[37] Finally, the record showed that LTFV imports from each of the subject countries were present in the U.S. market during each year of the investigation period.[38]

In the final phase of these investigations, we have obtained no contrary information that would lead to a different cumulation finding. In fact, the record provides further support for the finding that subject imports are fungible[39] both with each other and with the domestic like product.[40] Moreover, no party argued during the preliminary or final phases of the investigations that the Commission should not cumulate the subject imports from Canada, India, Korea, Spain, or Taiwan.

Japanese producer Suzuki Metal Industries Co., Ltd. argued that SSRW imported from Japan should not be cumulated because these imports consist primarily of niche products that have no counterparts among the domestic like product or the merchandise from other subject countries. The record in this final phase of the investigations shows, however, that such niche products accounted for only 36 percent of total imports from Japan over the entire investigation period, and 28 percent of such imports in 1998.[41] [42]

---

[34] Preliminary Determination at 8.

[35] Id.

[36] Id.

[37] Id.

[38] Id.

[39] Commissioner Crawford finds that substitutability, not fungibility, is a more accurate reflection of the statute. In these investigations, she finds there is sufficient substitutability to conclude there is a reasonable overlap of competition among the subject imports and between the subject imports and the domestic like product. Therefore, she concurs in the decision to cumulate the subject imports from all countries. See Dissenting Views of Commissioner Carol T. Crawford in Stainless Steel Bar from Brazil, India, Japan, and Spain, Inv. Nos. 731-TA-678, 679, 681, and 682 (Final), USITC Pub. 2856 (Feb. 1995), for a description of her views on cumulation.

[40] Purchasers, who were not queried during the preliminary phase of these investigations, generally found that the domestic and subject imports from Canada, India, Japan, Korea, Spain, and Taiwan were interchangeable. CR at II-12, PR at II-7.

[41] Further, Suzuki has understated the degree of competition that it faces from U.S. and Korean producers of one of the "niche" products, nickel-coated spring wire, which accounted for 21 percent of Japanese imports in 1998. Domestic producers sold *** of this product in the United States as Japanese producers did. CR & PR, Table F-1. Although Suzuki cited *** purchasers who rated domestic nickel-coated spring wire as unusable, the purchasers' questionnaires *** of Sumiden, the sole U.S. producer of this product, failing to meet certification requirements or being dropped for quality reasons. CR & PR, Table II-2. This statistic indicates that, as a general rule, domestic nickel-coated spring wire meets customers' demands, and does not have a large quality disadvantage against Japan. Korean producers also shipped nickel-coated spring wire to the United States throughout the investigation period, and their share of total sales of the product increased from 1996 to 1998. CR & PR, Table F-1. Since nickel-coated spring wire represented a not insignificant share of total Japanese imports, we find that these data demonstrate a

(continued...)

Suzuki also argues that imports from Japan outside of the niche product categories, which accounted for the majority of such imports, faced little or no competition from domestic merchandise or the remainder of the subject merchandise. The record shows otherwise. While most purchasers rated Japanese SSRW as superior to domestic in terms of product quality and consistency, they generally described Japanese products as interchangeable with both domestic and other subject merchandise.[43] In addition, Japanese SSRW was used in the same applications as SSRW from the other subject countries and the United States.[44]

Although Suzuki alleges that imports from Korea of nickel-coated spring wire "appear to be targeted towards a different customer base,"[45] the record shows that, overall, a sizable portion of total imports from Japan and Korea consisted of commercial shipments to end users.[46] Therefore, it appears that they are sold in the same channels of distribution.

Accordingly, we find that the domestic like product and subject merchandise are sufficiently fungible, were sold in the same geographic markets and similar channels of distribution, and were simultaneously present in the market. We therefore find a reasonable overlap of competition among the subject imports and between the subject imports and the domestic like product and have cumulated the LTFV imports from all six subject countries for our analysis of material injury by reason of the subject imports.

IV. NO MATERIAL INJURY BY REASON OF LTFV IMPORTS

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the dumped imports under

---

[41](...continued)
reasonable overlap in competition among domestic, Japanese, and Korean products. The record also showed that domestic resulfurized free-machining SSRW achieved levels of machinability comparable to those of Japanese leaded SSRW, which provides further evidence of an overlap of competition. Tr. at 80-81, Petitioners' prehearing brief at 8-9.

[42] Commissioner Askey notes that there were no imports of nickel-coated spring wire from Canada, India, Spain, or Taiwan and, therefore, does not find a reasonable overlap of competition for those niche products among imports from the subject countries. She nevertheless has cumulated imports from the subject countries because of the relatively small market share held by niche products.

[43] CR at II-10 - II-13, PR at II-6 - II-7. In addition, almost all importers and producers described the Japanese product as at least somewhat interchangeable with imports from the other countries, and a majority found them "always" interchangeable. CR at II-9 - II-10, PR at II-5 - II-6.

[44] Imports from Japan fell into four of the seven end-use types for which the Commission gathered data: (1) cold heading, which also included shipments of U.S., Canadian, Indian, Korean, and Taiwanese SSRW; (2) welding, which also included shipments of U.S., Canadian, Korean, and Taiwanese SSRW; (3) springs, which also included shipments of U.S., Canadian, Indian, Korean, and Spanish SSRW; and (4) weaving/braiding/knitting/tying, which also included shipments of U.S., Canadian, Indian, Korean, Spanish, and Taiwanese SSRW.

[45] Suzuki prehearing brief at 10.

[46] CR & PR, Table I-1.

investigation.[47] [48] In making these determinations, the Commission must consider the volume of the dumped imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[49] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[50] In assessing whether the domestic industry is materially injured by reason of dumped imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[51] No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[52] [53]

---

[47] 19 U.S.C. § 1673d(b).

[48] Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is materially injured "by reason of" LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of unfairly traded imports, not by reason of the unfairly traded imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports." S. Rep. No. 96-249 at 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep. No. 96-317 at 46-47 (1979). The Commission is not to determine if the unfairly traded imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74. Rather, it is to determine whether any injury "by reason of" the unfairly traded imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 100-71 at 116 (1987) (emphasis added); Gerald Metals v. United States, 132 F.3d 716 (Fed. Cir. 1997) (rehearing denied).

For a detailed description and application of Commissioner Crawford's analytical framework, *see* Certain Steel Wire Rod from Canada, Germany, Trinidad & Tobago, and Venezuela, Inv. Nos. 731-TA-763-766 (Final), USITC Pub. 3087 at 29 (March 1998) and Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 at 35 (April 1997). Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with Commissioner Crawford's mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, 1361 (Fed. Cir. 1996), aff'g 873 F. Supp. 673, 694-95 (Ct. Int'l Trade 1994).

[49] 19 U.S.C. § 1677(7)(B)(I). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[50] 19 U.S.C. § 1677(7)(A).

[51] 19 U.S.C. § 1677(7)(C)(iii).

[52] 19 U.S.C. § 1677(7)(C)(iii).

[53] Although Petitioners stress that they have not "formally requested" an extension of the three-year investigation period, they have suggested that information outside of that period "be utilized essentially as a benchmark" in our material injury and threat of material injury analyses. However, the record in these investigations does not present the circumstances that the Commission has previously cited as favoring an extended period of investigation. See, e.g., Portable Electric Typewriters From Singapore, Inv. No. 731-TA-515, USITC Pub. 2681 at 11 (Sept. 1993) (a five-year period "covers both the decline of Smith Corona's domestic production and the growth of BIUSA's domestic production, [which] is important to our evaluation of the changing nature of competition in the

(continued...)

For the reasons discussed below, we determine that the domestic stainless steel round wire industry is not materially injured by reason of dumped imports from the six subject countries.

A. Conditions of Competition

Several distinctive conditions of competition are relevant to our determination.[54] All parties agreed that SSRW consists of a multitude of permutations of grade, size, and end-use.[55] We note that some companies specialized in producing SSRW for particular end uses.[56] However, such specialization does not restrict competition to a significant degree because the merchandise is made to customer specifications, and each of the domestic producers is capable of making all or most of the specific products.[57] More than 40 companies produced SSRW during the investigation period,[58] suggesting a high degree of competition among domestic producers, even without LTFV and other imports.

We find that domestically produced SSRW and the subject merchandise are substitutable. Purchasers rated domestic products as comparable to most of the LTFV imports in several areas: product quality, product consistency, product range, packaging and discounts offered.[59] There were substantial quantities of domestic merchandise sold corresponding to each of the "niche product" categories identified by Respondents.[60] [61]

---

[53](...continued)
market"); Large Newspaper Printing Presses, Assembled or Unassembled, From Germany and Japan, Invs. Nos. 731-TA-736 & 737, Pub. 2988 at 8-9; Grain-Oriented Silicon Electrical Steel From Italy and Japan, Invs. Nos. 701-TA-355 and 731-TA-660 (Final), USITC Pub. 2778 at I-10 (May 1994). We also did not accede to Petitioners' request to consider data from 1995 "as a benchmark." The Commission was only able to obtain 1994 and 1995 data for a subset of the domestic producers that performed quite differently from the domestic industry as a whole in 1996-1998. Therefore, we found that the producers who submitted 1994 and 1995 data were not sufficiently representative for us to use their data to draw conclusions about the performance of the industry as a whole. Although the 1994 and 1995 data covered approximately 80 percent of domestic production, those producers had lower operating profits than the industry as a whole, and their profitability statistics for 1996-98 moved in different directions and by different degrees than the industry as a whole. Compare CR & PR, Table C-2 with CR & PR, Table C-1.

[54] Because only small amounts of SSRW are used internally to produce downstream products, we find that the captive production provision of the statute, 19 U.S.C. § 1677(7)(C)(iv), does not apply. See CR & PR, Table III-4.

[55] CR & PR at I-6; Petitioners' prehearing brief at 4; Respondents' joint prehearing brief at 18-19.

[56] Tr. at 75.

[57] CR at I-6 & I-8, PR at I-6 - I-7; Tr. at 76.

[58] CR & PR at III-1.

[59] CR & PR, Table II-3.

[60] See CR & PR, Table F-1. However, we note that the level of substitutability was somewhat lower for imports from Japan and Spain. See CR & PR, Table II-3.

[61] As discussed previously, Commissioner Crawford concurs that Japanese imports are sufficiently substitutable to constitute a reasonable overlap of competition for cumulation purposes, even though a portion of Japanese imports consists of niche products. Nonetheless, the substitutability of Japanese imports is reduced by these niche products, particularly nickel-coated spring wire. For this reason, Commissioner Crawford finds that the subject imports from Japan are only moderate substitutes for the domestic product and the other subject imports. She finds that the domestic product and the subject imports from the other countries are all fairly good substitutes for each other.

Costs for raw materials have a direct effect on the prices charged by the domestic industry. Surcharges were one mechanism by which raw materials influenced prices. On approximately three-quarters of the sales made by domestic suppliers during the investigation period, purchasers paid surcharges tied to the prevailing market price for their suppliers' main raw material inputs, including stainless steel wire rod, chromium, nickel, and molybdenum.[62] Therefore, when raw material prices increased or decreased, prices for sales subject to surcharges automatically increased or decreased by the same amount, as stipulated in purchasers' contracts. Aggregate domestic industry data showed that average unit values generally changed by the same amount as the average unit cost of goods sold,[63] suggesting that price movements as driven by surcharges were emblematic of a larger tendency within the industry for prices to move in tandem with costs, whether or not the particular cost item was subject to a surcharge or the producers opted to impose one.[64]

Finally, demand for SSRW is derived from the demand for the products in which SSRW is used,[65] such as springs, fasteners, knitted mesh for auto exhaust systems, and welding, which are themselves inputs into much larger products. Thus, SSRW generally accounts for a small share of the cost of most of the final end-use products in which it is used,[66] and demand for SSRW is not greatly affected by changes in SSRW prices.[67]

B. Volume of the Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[68]

The quantity and value of the subject imports increased over the investigation period. On a quantity basis, the cumulated subject imports increased from 24.3 million pounds in 1994 to 32.5 million pounds in 1998, an increase of 34 percent. On a value basis, the cumulated subject imports increased from $50 million to $55.7 million from 1996 to 1998, an increase of 11.4 percent.[69] The market share held by subject imports increased from 12.3 percent of apparent domestic consumption, as measured by volume sold, in 1996 to 14.9 percent in 1997, and then to 15.8 percent in 1998. As measured by value,

---

[62] CR & PR, Table I-1.

[63] See CR & PR, Table VI-3.

[64] Raw material prices declined rapidly during the investigation period, which not only depressed prices, but also served to depress domestic profitability through an "inventory effect." This effect occurred because SSRW sold at the time of declining raw material prices had been manufactured with raw materials that cost the producer more than the then-prevalent market price. Once raw material prices level off, as occurred at the very end of the investigation period, this depressive effect should cease. Vice Chairman Miller and Commissioner Hillman do not join this footnote.

[65] CR & PR at II-2.

[66] CR at II-2 - II-3, PR at II-2.

[67] CR at II-3, PR at II-2.

[68] 19 U.S.C. § 1677(7)(C)(I).

[69] CR & PR, Table IV-3.

subject import market share rose from 11.2 percent in 1996 to 12.3 percent in 1997, and then 12.9 percent in 1998.[70]

Although these increases were sizable, we find that they were not significant.[71] [72] Domestic demand increased by almost the same amount as the cumulated subject imports from 1996 to 1998, so the domestic market share changed by a relatively small amount. In fact, the greatest increase in cumulated subject import volume, which occurred from 1996 to 1997, was accompanied by an even greater increase in the volume of U.S. shipments, both of which came at the expense of nonsubject merchandise. Domestic producers' market share remained unchanged.[73] From 1997 to 1998, the volume of subject imports increased in conjunction with a decrease in U.S. producers' shipments.[74] However, the changes were relatively small, leaving the domestic producers' volume of shipments 3 million pounds greater than in 1996 and their market share lower than in 1996 by only slightly more than one percentage point.[75]

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports,

> the Commission shall consider whether -- (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[76]

---

[70] CR & PR, Table IV-4.

[71] Chairman Bragg notes that, when viewed in isolation, the increasing volume of subject imports can be considered significant. However, in light of the price and non-price factors discussed below, and based upon the entirety of the record in these investigations, she finds that the increasing volume of subject imports is not significant.

[72] Commissioner Crawford joins only in the factual, numerical discussion of the volume of imports here. She does not rely on any analysis of trends in the market share of subject imports or other factors in her determination of material injury by reason of the subject imports. She makes her finding of the significance of volume in the context of the price effects and impact of the subject imports. For the reasons discussed below, she finds that the volume of subject imports is not significant in light of its price effects and impact.

[73] See CR & PR, Table IV-3.

[74] We considered whether the decreases in Canadian and Spanish imports from 1997 to 1998 were "related to the pendency of the investigation," and should consequently be accorded diminished weight, pursuant to Section 771(7)(I) of the Act. However, Petitioners requested that we cumulatively assess the volume and price effects of subject imports pursuant to Section 771(7)(G) of the Act and, as noted above, we do so here. The aggregate volume of subject imports continued to increase after the filing of the petition, giving us no reason to conclude that importers or foreign producers changed their marketing practices in response to the pendency of these investigations. In addition, we note that the volumes of subject imports from different countries did not move in lock step prior to the filing of the petition, so that the differing volume trends following the filing of the petition are not in themselves incongruous. Therefore, in our analyses of volume, price, and impact, we did not accord lesser weight to data pertaining to the period after the filing of the petition

[75] CR & PR, Table IV-4.

[76] 19 U.S.C. § 1677(7)(C)(ii).

Given the substitutability of the domestic merchandise and the subject imports, price was a factor in purchasing decisions, but not the only factor. Important non-price factors noted by purchasers included quality, reliability, and delivery time.[77] [78]

We note that the prices for subject merchandise and the domestic like product declined throughout the investigation period, both as measured by the quarterly pricing data reported by the parties and by average unit values.[79] We find that this trend was not due, to a significant degree, to the subject imports. The average unit value of domestic merchandise, which provides a useful aggregate measurement of changes in prices, declined by 11.2 cents from 1996 to 1997, and by 4.2 cents from 1997 to 1998. The domestic producers' average unit cost of raw materials declined by 9.6 cents from 1996 to 1997 and by 3.2 cents from 1997 to 1998,[80] while their average cost of goods sold per unit declined by

---

[77] CR & PR, Table II-1.

[78] Commissioner Crawford concurs that the subject imports are not having significant effects on domestic prices. To evaluate the effects of dumped imports on domestic prices, Commissioner Crawford compares the domestic prices that existed when the imports were dumped with what domestic prices would have been had the imports been fairly traded. In most cases, if the subject imports had not been dumped, their prices in the U.S. market would have increased. In these investigations, the market share of cumulated subject imports was 15.8 percent in 1998. However, at fairly traded prices only a small amount of this demand would have shifted away from the subject imports. The subject imports from Korea and Taiwan held a combined market share of 8.2 percent in 1998, the majority of the market share of the cumulated subject imports, and the dumping margins for these two sources are very small, only 3 percent and less than 5 percent, respectively. Given these very small margins, it is likely that all or nearly all of the subject imports from Korea and Taiwan would have continued to be sold in the U.S. market at fairly traded prices, and thus there would not have been a shift in demand away from these subject imports. Similarly, with margins of less than 12 percent, only some portion of the 1998 market share of 3.4 percent for the subject imports from Canada likely would have shifted away from this source of subject imports. As noted previously, Japanese imports are only moderate substitutes for the domestic product and the other subject imports. Therefore, even with margins ranging from about 15 - 30 percent, only some portion of the Japanese 1998 market share of 2.1 percent likely would have shifted away from this source of subject imports, had they been fairly traded. With margins of almost 19 percent, it is likely that a larger portion of the 1998 market share of 1.5 percent for the subject imports from India would have shifted away from this source of subject imports. With margins exceeding 25 percent, it is likely that most of the 1998 market share of 0.6 percent for the subject imports from Spain would have shifted away from this source of subject imports. Therefore, the shift in demand away from the cumulated subject imports would have consisted of little or none of the combined 8.2 percent market share of the subject imports from Korea and Taiwan; only some of the 3.4 percent market share of the subject imports from Canada; only some of the 2.1 percent market share of the subject imports from Japan; a larger portion of the 1.5 percent market share of the subject imports from India; and most of the 0.6 percent market share of the subject imports from Spain. Overall, the total shift in demand away from the cumulated subject imports would have been small. Nonsubject imports accounted for 10.3 percent of the market in 1998, and thus represented some competition in the market in that year, so it is likely that they would have captured some of the small shift in demand away from the subject imports. Given the small shift in demand away from the subject imports and the competition from nonsubject imports, the shift in demand towards the domestic product would not have been significant. Absent a significant increase in demand for its product, the domestic industry would not have been able to raise its prices. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of the subject imports. Consequently, Commissioner Crawford finds that subject imports are not having significant effects on prices for domestic SSRW.

[79] See CR at V-15 - V-17, PR at V-10 - V-11, CR & PR Table C-1.

[80] CR & PR, Table VI-3.

11.5 cents from 1996 to 1997, and by 3.2 cents from 1997 to 1998.[81] As we note above, one element of the domestic industry's cost structure is expressly tied to price through the mechanism of raw material surcharges. This linkage of cost and price, along with the high degree of competition among domestic producers, caused prices to change roughly in parallel with changes in the cost of goods sold. Therefore, we find that these factors unrelated to imports were primarily responsible for the decline in prices that occurred during the investigation period.

We considered whether the subject imports prevented the industry from halting the downward trend in prices engendered by its falling cost of goods sold. The record contains no indication that domestic producers made a sustained effort to stabilize or raise prices, either through announced changes to list prices or by contacting individual customers. We also note that there appeared to be little correlation between changes in volume and average unit values of subject imports and the average unit values of domestic merchandise. When subject imports' volume increased and unit values decreased from 1996 to 1997, domestic producers' unit values decreased by a far smaller amount, unit COGS fell by more than average unit values, and domestic producers' operating profit margin increased.[82] Thus, the domestic industry appears to have been able to slow the decline in prices somewhat in spite of a growing subject import presence.

From 1997 to 1998, domestic producers' average unit values again tracked unit cost of goods sold, but the domestic producers' operating profit margins decreased because SG&A costs increased.[83] The increase in volume and decrease in average unit values of subject imports were far less in 1998 than in 1997, and there were also far fewer instances of underselling by the subject imports.[84] Since we concluded that imports did not prevent the domestic industry from lessening the degree of price erosion in 1997, we find that the lower incidence of underselling, lower rate of increase in volume, and lower rate of decrease in price that occurred in 1998 are not responsible for the fact that the domestic industry did not pass increased SG&A expenses on to its customers.

Despite the relative frequency of underselling, we do not find it to be significant. We note that purchasers placed importance on non-price factors, such as quality and reliability, in their purchasing decisions, which would limit price-based competition between subject imports and the domestic merchandise to some degree. In addition, changes in the pattern of underselling in these investigations appear to be unrelated to any adverse impact on the domestic industry. When the frequency of underselling increased by 18 percent in 1997, the domestic industry's operating profit margin actually increased, and when the incidence of underselling fell back to near its previous level in 1998, the operating profit margin decreased. Furthermore, while Petitioners made a large number of lost sales and lost revenue allegations, purchasers who were contacted by the Commission staff denied most of the allegations.[85] Accordingly, we find that the subject imports did not adversely affect prices for the domestic like product to a significant degree.

---

[81] CR & PR, Table VI-3.

[82] CR & PR, Table C-1.

[83] See, e.g., Certain Pasta From Italy and Turkey, 701-TA-365-366, 731-TA-734-735, Pub. 2977 at 26 and 30 (July 1996).

[84] See generally CR, App. G.

[85] See generally CR at V-19 - V-27, PR at V-13 - V-16.

D. Impact of the Subject Imports on the Domestic Industry

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[86] [87] [88]

Almost all of the relevant indicators of the domestic industry's performance changed only slightly over the investigation period, and many improved. The domestic industry produced 153 million pounds of SSRW in 1996, 163 million pounds in 1997, and 159 million pounds in 1998, maintaining a capacity utilization of between 71 and 74 percent.[89] The domestic industry's total U.S. shipments began the period at 148 million pounds, increased in 1997 to 155 million pounds and then decreased slightly to 152 million pounds in 1998. The value of these shipments began the period at $346 million, increased to $350 million in 1997, and then decreased to $339 million in 1998.[90] The number of production and related workers decreased slightly, but productivity increased.[91]

Operating income was $10.2 million in 1996, $12 million in 1997, and $8.3 million in 1998, which represented operating income margins of 2.9 percent in 1996, 3.4 percent in 1997, and 2.4 percent in 1998. Thus, margins increased by 0.5 percent from 1996 to 1997, and then decreased by 1 percent in 1998, for a net decrease of 0.5 percent. Net income was positive in 1996 and 1997, but fell to a loss in 1998.[92] The industry's cash flow remained positive throughout the investigation period. Capital expenditures remained high and, although they declined slightly from 1996 to 1997, the value of fixed assets and domestic production capacity increased from 1996 to 1998,[93] which indicates that the

---

[86] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25, n.148 (Feb. 1999).

[87] As part of its consideration of the impact of imports, the statute specifies that the Commission is to consider "the magnitude of the margin of dumping" in an antidumping proceeding. 19 U.S.C. § 1677(7)(C)(iii)(V). Commerce found dumping margins within the following ranges for the subject countries: Canada, 11.18 to 11.79 percent; India, 18.64 percent; Japan, 15.2 to 29.56 percent; Korea, 3.07 percent; Spain, 24.40 to 35.80 percent; and Taiwan, 3.94 to 4.75 percent. CR & PR at I-4.

[88] Chairman Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

[89] See CR & PR, Tables III-3 and III-4.

[90] CR & PR, Table III-4.

[91] CR & PR, Table III-6. The domestic industry reported 1,491 production and related workers in 1996, which decreased to 1,475 in 1997, and 1,458 in 1998. Productivity stood at 48.3 lbs./hr. in 1996, increased to 51.9 lbs./hr. in 1997, and then decreased to 50.9 lbs./hr. in 1998.

[92] CR & PR, Table VI-1.

[93] CR & PR, Tables III-3 and VI-5.

domestic industry maintained and even improved its physical plant. Research and development expenses were relatively small and stable throughout the period.[94]

This fairly steady level of performance occurred at the same time that the volume of subject imports increased by 34 percent and their average unit value decreased by 16.8 percent.[95] [96] The fact that the domestic industry registered a slight improvement in operating income in 1997, when subject import volume increased the most, average unit values decreased the most, and underselling was the highest, indicates that subject imports did not have a significant effect on the domestic industry.[97]

While domestic revenues declined over the period of investigation, the unit cost of goods sold declined even faster, leaving the industry with a higher gross profit in 1998 than it had in 1996. These data, in combination with our conclusion that domestic price decreases occurred primarily because of changes in the cost of goods sold and the high degree of competition among domestic producers, lead us to conclude that these factors, rather than subject imports, caused the decline in operating income.

For all of the foregoing reasons, we determine that the domestic industry producing stainless steel round wire is not materially injured by reason of dumped imports from Canada, India, Japan, Korea, Spain, and Taiwan.

---

[94] CR & PR, Table VI-5.

[95] CR & PR, Table C-1.

[96] Commissioner Crawford does not rely on any analysis of the trends in either the statutory impact factors or the volume of the subject imports in her determination of material injury by reason of the subject imports. However, she concurs in the conclusion that the subject imports are not having a significant impact on the domestic industry. In her analysis of material injury by reason of dumped imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when imports were dumped with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors, as required by 19 U.S.C. § 1677(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As she noted earlier, Commissioner Crawford finds that the domestic industry would not have been able to increase its prices had the subject imports been priced fairly. Therefore, any impact on the domestic industry would have been on the domestic industry's output and sales. As noted, at fairly traded prices the shift in demand away from the subject imports would have been small, and the increase in demand for the domestic product would not have been significant. Absent a significant increase in the demand for its product, the domestic industry would not have been able to increase its production and sales, and therefore its revenues, significantly had the subject imports not been dumped. Therefore, the domestic industry would not have been materially better off if the subject imports had been fairly traded. Consequently, Commissioner Crawford determines that the domestic industry is not materially injured by reason of the subject imports.

[97] The negative net income in 1998 occurred only because of ***. See CR & PR, Table VI-2, note 1. If imports were responsible for ***, imports of *** products should have increased in 1998 as they displaced ***'s product. Instead, subject imports of *** wire decreased by *** percent, which is roughly equivalent to the *** percent decrease in domestic producers' shipments of *** wire. These figures indicate that domestic consumption of *** wire had fallen and that this decline in consumption motivated the ***.

V. NO THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS

A. Cumulation for Purposes of Threat Analysis

In determining whether a domestic industry is threatened with material injury by reason of imports from two or more countries, the Commission has the discretion to cumulate the volume and price effects of such imports if they meet the requirements for cumulation for present material injury.[98] In addition to considering the four cumulation factors described above,[99] the Commission may also consider the similarity of trends in the volume and price of subject imports from the countries under investigation.[100] We have exercised our discretion to cumulate all subject imports for purposes of our threat analysis. The fact that Canadian and Spanish imports decreased while the other subject countries' imports increased in 1998 is one factor that could suggest that cumulation is not appropriate here. However, we would not have changed our determination if we had decided not to cumulate any or all of the subject countries.

B. Statutory Factors

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[101] The Commission may not make such a determination "on the basis of mere conjecture or supposition,"[102] and considers the threat factors

---

[98] 19 U.S.C. § 1677(7)(H).

[99] See supra.

[100] See Torrington Co. v. United States, 790 F. Supp. 1161, 1172 (Ct. Int'l Trade 1992) (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

[101] 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii).

[102] 19 U.S.C. §1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

"as a whole."[103] In making our determination, we have considered all factors[104] that are relevant to these investigations.[105]

We find no likelihood of substantially increased imports.[106] As discussed in our analysis of no material injury by reason of the subject imports, the volume of subject imports increased from 1996 to 1998, which resulted in an increase of 3.4 percentage points in the market penetration of subject imports during the same period.[107] Most of this increase, however, occurred between 1996 and 1997, when import volume increased by 26.9 percent. Import volume increased by only 5.6 percent from 1997 to 1998. This indicates that the rate of increase has leveled off and that a further significant increase is unlikely.

Furthermore, there is no indication of increased capacity or excess production capacity in the subject countries that would suggest the likelihood of substantially increased imports. Producers in India, Japan, Korea, Spain, and Taiwan all reported high levels of capacity utilization at the end of the investigation period, and projected similar levels in the future.[108] Korean producers reported a somewhat lower capacity utilization rate than these other countries. However, they projected that increased sales in the future would be directed primarily to export markets outside the United States, and that the volume of their shipments to the United States would decrease slightly.[109] Although Canadian producers report a relatively low level of capacity utilization,[110] this figure remained at the same level throughout the investigation period without a substantial increase in Canadian exports to the United States. Thus, we conclude that Canadian capacity does not suggest the likelihood of substantially increased imports. Indeed, Canadian producers forecast a decrease in shipments once ***.[111]

We find that there is unlikely to be a significant degree of product shifting in the countries of exportation. Several of the producers are incapable of shifting into or out of SSRW production because they produce few or no other products.[112] Petitioners allege that antidumping duties imposed on stainless steel wire rod from several countries in 1998[113] would lead producers in those countries to circumvent

---

[103] While the language referring to imports being imminent (instead of "actual injury" being imminent and the threat being "real") is a change from the prior provision, the SAA indicates the "new language is fully consistent with the Commission's practice, the existing statutory language, and judicial precedent interpreting the statute." SAA at 184.

[104] The statutory factors have been amended to track more closely the language concerning threat of material injury determinations in the Antidumping and Subsidies Agreements, although "{n}o substantive change in Commission threat analysis is required." SAA at 185.

[105] 19 U.S.C. § 1677(7)(F)(i). Factor I regarding countervailable subsidies and Factor VII regarding raw and processed agriculture products are inapplicable to the product at issue. See 19 U.S.C. § 1677(7)(F)(i)(I) and (VII).

[106] 19 U.S.C. § 1677(7)(F)(i)(III).

[107] CR & PR, Table IV-4.

[108] CR & PR, Tables VII-1, VII-2, VII-3, VII-4, VII-5, and VII-6.

[109] CR & PR, Table VII-4. This projection is consistent with our finding that the rate of increase in the volume of subject imports will level off.

[110] CR & PR, Table VII-1.

[111] CR & PR at VII-4.

[112] See Respondents' joint prehearing brief at 45.

[113] Antidumping duties were imposed on stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. See 63 Fed. Reg. 49327-49335 (Sept. 15, 1998)

the orders by drawing their wire rod into wire and shipping the wire to the United States.[114] However, Petitioners admitted that the imposition of the wire rod orders did not in fact lead to the decline in the supply of wire rod that they predicted, suggesting that there was no significant shifting of production from stainless steel wire rod to SSRW.[115] Therefore, we decline to speculate that these foreign producers will shift to SSRW production. Consequently, we do not find that "further dumped . . . imports are imminent."[116]

We do not find that imports of the subject merchandise are likely to enter the U.S. market at prices that are likely to depress or suppress domestic prices to a significant degree. None of the parties has suggested that the nature of competition between subject imports and domestic merchandise will change in the future. We find that imports of SSRW from Canada, India, Japan, Korea, Spain, and Taiwan are not having significant effects on domestic prices, and we have no evidence to suggest such effects in the imminent future.

We note that U.S. importers' volume of inventories of the subject merchandise was a relatively small fraction of total subject imports. The absolute volume of inventories increased, but so did the total volume of subject imports, with the result that the ratio of subject import inventories to subject imports did not change appreciably from 1996 to 1998.[117] Therefore, we conclude that U.S. inventories of the subject merchandise do not indicate the likelihood that material injury will occur unless an order is issued.

Finally, because research and development expenditures fluctuated only slightly during the investigation period,[118] we conclude that the subject imports are not likely to have negative effects on the domestic industry's existing development and production efforts or on "efforts to develop a derivative or more advanced version of the domestic like product."[119] We also find no evidence of "any other demonstrable adverse trends" that indicate that there is likely to be material injury by reason of the subject imports from Canada, India, Japan, Korea, Spain, and Taiwan.[120] Therefore, we do not find that material injury "would occur unless an order is issued or a suspension agreement is accepted."[121] [122]

---

[114] Tr. at 47.

[115] Tr. at 60.

[116] 19 U.S.C. § 1677(7)(F)(ii).

[117] CR & PR, Table VII-7.

[118] CR & PR, Table VI-5.

[119] Tariff Act of 1930, § 771(7)(F)(I)(VIII), 19 U.S.C. § 1677(7)(F)(I)(VIII).

[120] We have considered the present condition of the domestic industry as among the "relevant economic factors" in our threat of material injury analysis.

[121] 19 U.S.C. § 1677(7)(F)(iii).

[122] The European Union recently imposed provisional antidumping and countervailing duties on certain SSRW from India and Korea. Official Journal of the European Communities, 24 March 1999 at L 79/1-79. Section 771(7)(F)(iii) of the Act requires the Commission to consider whether "dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets . . .) suggests a threat of material injury to the domestic industry." 19 U.S.C. § 1677(7)(F)(iii)(I). We note that the EU remedy is provisional and therefore is subject to change. We also note that India and Korea account for 26.4 percent of total U.S. imports and there is no indication that Indian and Korean exporters are diverting shipments from the EU to the United States. CR & PR, Table IV-1. Accordingly, we do not find that the provisional EU remedy suggests a threat of material injury to the domestic industry.

For the reasons discussed above, we find that the domestic industry producing SSRW is not threatened with material injury by reason of subject imports from Canada, India, Japan, Korea, Spain, and Taiwan.

CONCLUSION

For the foregoing reasons, we determine that the domestic industry producing certain stainless steel round wire is neither materially injured nor threatened with material injury by reason of imports of stainless steel round wire from Canada, India, Japan, Korea, Spain, and Taiwan, that were found to be sold in the United States at less than fair value.

21

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by ACS Industries, Inc., Woonsocket, RI; Al Tech Specialty Steel Corp., Dunkirk, NY; Branford Wire & Manufacturing Co., Mountain Home, NC; Carpenter Technology Corp., Reading, PA; Handy & Harman Specialty Wire Group, Cockeysville, MD; Industrial Alloys, Inc., Pomona, CA; Loos & Co., Inc., Pomfret, CT; Sandvik Steel Co., Clarks Summit, PA; Sumiden Wire Products Corp., Dickson, TN; and Techalloy Co., Inc., Mahwah, NJ, on March 27, 1998, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of stainless steel round wire[1] from Canada,[2] India, Japan,[3] Korea, Spain, and Taiwan. Information relating to the background of the investigations is provided below.[4]

Effective Date	Action	*Federal Register* Citation
Mar. 27, 1998	Petition filed with Commission; Commission institutes investigations	63 FR 16827, Apr. 6, 1998
May 12, 1998	Initiation of investigations by Commerce	63 FR 26150, May 12, 1998
June 11, 1998	Commission's preliminary determinations	63 FR 33393, June 18, 1998
Nov. 16, 1998	Commerce's preliminary determinations and postponement of final determinations[1]	63 FR 64042, Nov. 18, 1998
Nov. 16, 1998	Scheduling of final phase of the Commission's investigations	63 FR 66577, Dec. 2, 1998

Continued on next page.

[1] For purposes of these investigations, Commerce has defined the subject stainless steel round wire (SSRW) as "any cold-formed (i.e., cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied." SSRW is provided for in subheading 7223.00.10 (statistical reporting numbers 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075) of the HTS, with a 1999 normal trade relations or general duty rate of 4.6 percent *ad valorem*, applicable to imports from the subject countries. A complete description of the imported products subject to investigation is presented in *The Product* section of this part of the report.

[2] Carpenter and Techalloy are not petitioners in the Canadian investigation.

[3] Sumiden was not a petitioner in the Japanese investigation during the Commerce proceeding. However, the firm has indicated its support for the petition (Sumiden questionnaire response ("QR"), p. 3, and hearing transcript ("HTR"), pp. 113-114). In addition, the firm currently wishes to be considered as a petitioner in the investigation involving Japan, but has been unable to amend the petition because Commerce's record has closed (Apr. 8, 1999, submission of Robert Olson, President, Sumiden Wire Products Corp.).

[4] *Federal Register* notices cited in the tabulation since Commerce's initiation are presented in app. A.

Effective Date	Action–*Continued*	*Federal Register* Citation
Apr. 2, 1999	Commerce's final determinations	64 FR 17317, Apr. 9, 1999
Apr. 6, 1999	Commission's public hearing[2]	Not applicable
May 10, 1999	Commission's vote	Not applicable
May 18, 1999	Commission determinations due to Commerce	Not applicable

[1] Commerce granted petitioners' request for a 50-day postponement of its preliminary determinations in these investigations (63 FR 46999, Sept. 3, 1998).
[2] A list of witnesses that appeared at the hearing is presented in app. B.

ORGANIZATION OF THIS REPORT

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

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

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

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*
> . . .
> *In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to*

. . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in [an antidumping investigation], the magnitude of the margin of dumping.

Information on the subject merchandise, margins of dumping, and domestic like product are presented in Part I. Information on conditions of competition and other relevant economic factors are presented in Part II. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. The volume and pricing of imports of the subject merchandise are presented in Parts IV and V, respectively. Part VI presents information on the financial experience of U.S. producers.

The statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury are presented in Part VII.

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C.[5] Except as noted, U.S. industry data are based on questionnaire responses of 24 firms that accounted for approximately 85 percent of U.S. production of SSRW during 1997. U.S. imports are based principally on official statistics of Commerce.[6]

PREVIOUS INVESTIGATIONS

Previous petitions for import relief for SSRW products were filed pursuant to section 201 of the Trade Act of 1974 (19 U.S.C. § 2411) and pursuant to the Antidumping Act of 1921 (19 U.S.C. § 160). The 201 action began on December 12, 1975, when the domestic industry filed a petition with the Commission seeking relief from imports of SSRW. In June 1976, the Commission found that SSRW was not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry.[7] On July 14, 1978, the U.S. industry filed an antidumping petition with the U.S. Treasury Department concerning imports of SSRW from Japan. On April 17, 1979, petitioners asked that the petition be withdrawn because the "trigger price mechanism" program that was being administered by Treasury covered SSRW. On May 3, 1979, Treasury published a notice terminating the antidumping investigation.[8]

---

[5] Available summary data concerning SSRW for the period 1994-98 is presented in table C-2.

[6] For further discussion of the use of official import statistics see the *U.S. Imports* section of Part IV of this report.

[7] *Round Stainless Steel Wire*, USITC Pub. 779, Inv. No. TA-201-13 (June 1976).

[8] Petition, pp. 7-8.

THE NATURE AND EXTENT OF SALES AT LTFV

Commerce determined that the subject products from Canada, India, Japan, Korea, Spain, and Taiwan are being, or are likely to be, sold in the United States at LTFV. The following tabulation provides the weighted-average dumping margins (in percent *ad valorem*) determined by Commerce for countries and companies subject to these investigations:[9]

Country and company	Dumping margins--[1] Preliminary	Final
	(percent ad valorem)	
Canada--		
Central Wire	11.89	11.79
Greening Donald	5.30	11.18
All others	10.23	11.64
India--		
Raajratna	18.97[2]	18.64
All others	18.97	18.64
Japan--		
Nippon Seisen	29.56[2]	29.56
Suzuki	29.56[2]	29.56
All others	15.20	15.20
Korea--		
Korea Sangsa	1.33[3]	3.07
All others	0.00	3.07
Spain--		
Inoxfil	35.80[2]	35.80
All others	24.40	24.40
Taiwan--		
Rodex	3.95	3.94
Tien Tai	1.83[3]	4.75
All others	3.95	4.47

[1] Commerce's period of investigation was January 1, 1997, through December 31, 1997.
[2] Adverse facts available rate; the firms failed to respond to Commerce's questionnaire.
[3] *De minimis.*

[9] As indicated, Commerce made a negative preliminary determination with respect to imports from Korea. Pending Commerce's final determination, however, the final phase of the Commission's investigation with respect to imports from Korea was scheduled, for purposes of efficiency.

THE PRODUCT

Commerce has defined the imported stainless steel round wire subject to the scope of its investigations as--[10]

> *"any cold-formed (i.e., cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.*

Commerce also determined that "stainless steel wire rod cold-drawn in Canada to produce stainless steel round wire is substantially transformed into a Canadian product and is within the scope of the investigation, regardless of the origin of the stainless steel wire rod input."[11]

DOMESTIC LIKE PRODUCT

During the preliminary phase of these investigations the Commission found a single domestic like product consisting of stainless steel round wire.[12] The Commission noted that "(w)hile there are numerous distinctions among the many specifications for SSRW, the record describes a broad continuum of products without any clear dividing lines."[13] During these final investigations no party has argued for an alternative definition of the domestic like product.[14] Information gathered during these investigations concerning the like product factors, for both imported and domestically-produced SSRW, is presented below.

---

[10] See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value–Stainless Steel Round Wire From Japan;* 64 FR 17318, Apr. 9, 1999.

[11] See, *Notice of Final Determination of Sales at Less Than Fair Value–Stainless Steel Round Wire From Canada;* 64 FR 17326, Apr. 9, 1999.

[12] The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors, including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price. Pricing information is presented in Part V of this report.

[13] See, *Stainless Steel Round Wire from Canada, India, Japan, Korea, Spain, and Taiwan*, Invs. Nos. 731-TA-781 through 786 (Preliminary), USITC Pub. 3111 (June 1998), p. 4, hereinafter referred to as "Preliminary Report."

[14] During these investigations petitioners and respondents agreed that there is one domestic like product (petition, pp. 53-56, and conference transcript (CTR), p. 120). SSRW is considered to be a continuum product with numerous overlapping variations in chemistry and end use; nevertheless, it is recognized within the industry as the same basic product. However, respondents identified several submarkets requiring SSRW with different characteristics and qualities based on end use, and suggested that this attenuates to a significant degree any impact that the prices of one type of imported SSRW used in one submarket will have on any other type of domestic SSRW used in another submarket (prehearing brief of Wilkie Farr & Gallagher (for Suzuki and Daido), pp. 9-14). See the section entitled *Cumulation Considerations* in Part IV of this report for a further discussion of product groups, types, and niche/specialty classifications.

Physical Characteristics and Uses

SSRW is an intermediate product used to make a multitude of wire products including, but not limited to, fasteners, springs, wire mesh, strand, wire rope, welding wire, medical instruments, and wire of other cross sections. SSRW is available in a wide range of diameters, grades, mechanical properties, and tensile strengths as determined by customer specifications.[15] The domestic industry reportedly produces wire along the entire spectrum of SSRW.[16] Stainless steel is used in place of carbon and other lower grade alloy steels primarily for its corrosion resistance and strength under extreme conditions, including elevated temperature. The size range of SSRW produced in the United States is from 0.003 inch to 0.703 inch (0.08 to 18 mm) in diameter, with the primary grades (chemical composition) being 302, 304, 302HQ, 316, and 430.[17]

Several finishes for SSRW can be applied, depending on the additional processing requirements of the downstream wire products. As stated at the conference during the preliminary phase of these investigations, "it is possible to produce a variety of surface finishes by varying the precoat, drawing lubricants, and drawing dies to meet the customers' surface finish requirements."[18] These finishes are oil (or grease) drawn, diamond drawn, copper-coated, tinned, or lead-coated.[19] Coatings such as copper or nickel add further lubrication to the wire for additional processing. ***.

Manufacturing Facilities and Production Employees

SSRW is produced by cold finishing[20] coiled, hot-rolled, and annealed stainless steel wire rod. The manufacture of SSRW follows a general production process that consists of several sequential steps. Stainless steel wire rod, a coiled, hot-rolled product, is first annealed to soften the material and then pickled in an acid bath to remove the scale.[21] The rod is coated with lime or borax to prepare it for the drawing process. This "cold"[22] process consists of several passes through sequentially narrower dies to, in effect, stretch the rod down to a smaller diameter wire. The dies are generally made from tungsten carbide, diamonds, or synthetic diamonds, depending on the size and finish desired. The friction caused by the passage of the wire through a die is controlled by either a soap-based (dry) or oil-based (wet) lubricant, depending on the size of the wire.[23] If the heat generated from the friction is not controlled, the dies will have a short life and the product surface will suffer.[24] The dies are water-cooled throughout the process.

---

[15] HTR, p. 19.

[16] Ibid., p. 26.

[17] Ibid., p. 19.

[18] CTR, p. 26.

[19] Specialty Steel Industry of North America, "Designer Handbook: Finishes for Stainless Steel," undated publication, p. 9.

[20] Cold finishing includes cold drawing and cold rolling.

[21] ***; fieldtrip notes of Valerie Newkirk and Tracy Quilter, Apr. 10, 1998, and telephone interview with Carpenter officials, May 19, 1998.

[22] Cold-drawn refers to the fact that the manufacturing process takes place at ambient temperature.

[23] Tungsten carbide dies are generally used for larger diameter wires, while diamond (or synthetic diamond) dies are used for fine wires with diameters of less than 0.05 inch; petition, p. 52. The finer sizes are drawn using a wet lubricant.

[24] Mark Marselli, "Lubrication for wiredrawing," *Wire Journal International*, Apr. 1995, p. 38.

After the wire passes through the dies, it is coiled or spooled. If further processing is required to draw it down to a finer size, the wire is then annealed, cleaned, and cold-drawn through another set of dies. This process can be repeated several times, as needed.[25]

Producers of SSRW obtain stainless steel wire rod from both domestic and foreign sources. Carpenter and Al Tech are integrated specialty steelmakers that produce stainless steel wire rod, some of which is captively consumed to make wire. Independent wire drawers buy stainless steel wire rod from Carpenter, Al Tech, or Republic[26] and/or from many foreign suppliers.[27] A third segment of the industry purchases SSRW for further processing.[28]

The petitioners have stated that the "process by which these different types of stainless steel round wire are produced is virtually identical."[29] The domestic industry uses the same general types of production facilities and employees; however, modifications to the machinery are made by individual companies to increase efficiencies. For example, ***. This is also true of some foreign producers. Greening Donald of Canada noted that in addition to general wire-producing equipment and methods, its measuring line ***.[30] In addition to the rod chemistry, the choice of dies and lubricants determines the end use of the wire. Allocation of production capabilities depends on market factors. Companies may focus their production on certain market segments. For example, ***.[31] The equipment and facilities used to produce SSRW can be used to produce other types of wire, such as ***.[32]

SSRW can also be made by cold-rolling wire rod into rough cold-finished or cold-formed wire that is not suitable for finished products. The wire rod is rolled through continuous sets of rolls, rather than passed through dies.[33] Cold-rolling is considered an intermediate process and reportedly accounts for only a small percentage of total SSRW production.[34]

---

[25] HTR, p. 20.

[26] Carpenter purchased a fourth rod producer, Talley, in early 1998.

[27] See U.S. International Trade Commission, *Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan*, USITC publication 3060, Sept. 1997. The seven countries subject to those investigations supplied 92 percent of aggregate U.S. imports of stainless steel wire rod in 1997.

[28] Data submitted in response to the Commission's questionnaires indicate that rod as a share of the total cost to produce SSRW ranged from *** to *** percent for coarse wire, with a weighted average of 60 percent; and from *** to *** percent for fine wire, with a weighted average of 48 percent. Data from *** producers of SSRW manufactured from redraw wire indicate that the redraw SSRW as a share of the total cost to produce SSRW accounted for a weighted average of *** percent for coarse wire, and a weighted average of *** percent for fine wire.

[29] HTR, pp. 19-20.

[30] Postconference brief of Coudert Brothers, app. 12-3.

[31] Fieldtrip notes of Valerie Newkirk and Tracy Quilter, Apr. 10, 1998.

[32] Producer QR of ***, p. 4.

[33] The advances in technology provided by the Morgan-Koch 12-hole machine largely eliminate the cost advantages of the cold-rolling process as a finer diameter can be achieved without first cold-rolling the wire rod.

[34] CTR, p. 68.

Interchangeability and Customer and Producer Perceptions

Generally, foreign and domestic SSRW can be used interchangeably, depending on the specifications set out by the customer. The qualities of SSRW vary in grade, size, tensile strength, and end use. Not all producers make all types of SSRW. Counsel for two Japanese producers has argued that two specialty, lead-containing grades of SSRW (SF20T and DSR16FA) are imported only from Japan and are not produced domestically."[35] Counsel argues that these leaded products are used in the production of ball point pens, ***.[36] Respondents suggest that in these applications, these two grades of SSRW may be more interchangeable with brass wire than with other forms of SSRW.[37]

Channels of Distribution

Table I-1 presents data relating to the channels of distribution of SSRW. As shown, U.S. producers and importers from the subject countries sell to both distributors and end users. The vast majority of sales are to end users by both U.S. producers (approximately 75 percent of U.S. shipments) and U.S. importers (approximately 70 percent of shipments).

Some domestic producers own their distribution system, while others may sell to independent steel service centers. For example, Carpenter owns its own distribution company with 25 locations worldwide. Wire redrawers, who are both consumers and producers of SSRW, purchase SSRW for further processing before selling to end users or distributors. Generally, the industry does not target particular regions; however, some customers are concentrated in specific areas. For example, a large number of cold-heading SSRW customers are located in the Northeastern United States, where there is significant standard fastener production. The aerospace industry in California is another important customer base.[38]

---

[35] Prehearing brief of Willkie Farr & Gallagher (for Suzuki), p. 4.

[36] Ibid., pp. 5-6.

[37] Ibid.

[38] Fieldtrip notes of Valerie Newkirk and Tracy Quilter, Apr. 10, 1998.

Table I-1
SSRW: Shares of U.S. shipments to distributors and end users, 1998

Item	Distributors	End-users		
		Commercial shipments	Internal consumption	Total end-users
	(*in percent*)			
Domestic Product	25.2	69.9	5.0	74.8
Imported product from--				
Canada	10.0	55.9	34.0	90.0
India	43.1	56.2	0.7	56.9
Japan	1.4	95.3	3.3	98.6
Korea	55.9	36.3	7.8	44.1
Spain	8.1	91.9	0.0	91.9
Taiwan	54.6	28.6	16.8	45.4
Total subject imports	32.1	51.9	16.1	67.9

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

I-9

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

MARKET SEGMENTS

Most SSRW is sold to end users for the manufacture of an almost infinite number of products, including fasteners and other cold-headed products, automotive products, springs, strand, rope, welding wire, woven and knitted products, lashing wire, etc.[1] These products are critical elements in industries including aerospace, automotive, chemical, marine, petrochemical, medical, communications, and food-processing, and in other consumer and industrial applications.[2] SSRW, because of its inherent metallurgical characteristics, such as its hardness, noncorrosiveness, and resistance to very high temperatures, is required or preferred for particular end-use applications.

U.S. producers reported that in 1998, 74.8 percent of shipments were to end users and 25.2 percent were to distributors. Importers of SSRW from the subject countries reported that in 1998, 67.9 percent of shipments were to end users and 32.1 percent were to distributors.[3]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

The sensitivity of the domestic supply of SSRW to changes in price depends upon such factors as the existence of excess capacity, the levels of inventories in relation to sales, the ease of shifting facilities to the production of other products, and the existence of export markets. Most evidence indicates that the supply is fairly sensitive to changes in price. U.S. producers of SSRW manufacture virtually the entire range of wire (almost every grade, size, and type) that is consumed worldwide.[4] U.S. capacity utilization rates increased from 71.2 percent in 1996 to 72.2 percent in 1998, indicating that the industry has the ability to expand output in response to changes in price. The availability of inventories also points to some flexibility in adjusting output in response to price changes. The ratio of end-of-period inventories to U.S. shipments was 16.0 percent in 1996, 15.9 percent in 1997, and 16.4 percent in 1998. In addition, the largest U.S. producers are able to shift their facilities from production of SSRW to other products in response to changing market conditions. Ten producers, which accounted for over 76 percent of U.S. shipments of SSRW in 1998, reported that the machinery and equipment they used in making SSRW is also used to make other products, including stainless steel bar and rod, high nickel alloy wire, and antenna wire. All of these producers reported that they have never shifted from SSRW to other products in response to price changes. However, *** said that during the past 3 years it has attempted to develop more nickel alloy business because of decreasing prices received for SSRW. *** indicated that it ceased manufacturing all 300 series SSRW and now purchases it instead. This firm found this process to be more cost effective than manufacturing SSRW itself due to price competition and process restrictions.

The export data indicate that producers have little flexibility in diverting shipments to or from export markets in response to changes in the price of SSRW. Exports account for a relatively small share of total shipments, ranging between 3.1 percent and 3.6 percent annually during 1996-98. Therefore, exports are not a significant factor that increases the sensitivity of supply to changes in price.

---

[1] CTR, p. 11.
[2] HTR, p. 25.
[3] Importers sell the same range of SSRW to the same types of end users as do domestic producers.
[4] Individual producers, however, do not produce the entire range of products. HTR, pp. 75-76.

U.S. Demand

The demand for SSRW depends upon the demand in a wide variety of end-use applications by major industrial consumers, including the U.S. auto industry and others.[5] When asked to list the most common end uses of this product, producers and importers frequently reported that it is used in the production of springs, fasteners, knitted wire mesh for auto exhaust systems, lashing wire, and welding applications. When asked how overall demand for SSRW has changed in the United States since 1996, the majority of producers and importers reported that demand has remained stable or has increased during this period. Of the 16 producers that responded, 6 reported an increase in demand, 6 reported that demand has been stable, and 4 stated that it has decreased.[6] Of the 27 importers that responded, 9 said that demand has increased, 9 reported that it has been stable, 3 stated that it has decreased, and 6 reported that they did not know.[7] One of the producers and 2 of the importers that reported reduced overall demand attributed the decrease to a sharp fall in sales to the airbag industry, which had previously been a major consumer of SSRW. Since 1995 this industry has shifted from the use of SSRW to the use of carbon steel wire in the production of airbags.[8]

The sensitivity of the overall demand for SSRW to changes in price depends upon the availability of substitute products and the cost of this wire as an input in final products. Since much of the SSRW marketed in the United States faces little, if any, competition from wire made from other materials, the demand for SSRW is probably relatively insensitive to changes in its price. At the same time, SSRW generally accounts for a small share of the cost of most of the final end-use products in which it is used as an input.

Substitute Products

Although there are substitutes for SSRW, the potential for substitution is limited in many cases by the special properties of SSRW. In fact, some producers and the majority of importers and purchasers stated that there are no substitutes. One producer stated that its unique properties of strength and corrosion resistance make SSRW superior to carbon steel, aluminum, copper, plastic, and plastic-coated steel wire. Galvanized steel wire can be a substitute in some applications, but once the galvanized coating is nicked or worn away the base metal may rust. Nickel alloy is similar to SSRW in corrosion resistance and strength but is much more expensive.

---

[5] Overall demand for SSRW has increased in recent years due to the strength of the economy and the use of SSRW in new applications to replace carbon steel products. For example, ***; postconference brief, Coudert Brothers, p. 35.

[6] *** responded that demand had declined based on its sales and not on the market as a whole. Two producers estimated the annual growth to be between 2 and 3 percent while a third producer estimated that demand has increased between 6 and 7 percent since 1996.

[7] Five importers estimated the growth to be between 3 and 5 percent annually.

[8] Respondents testified at the conference that there was a surge in demand and a shortage of supply for the type of SSRW used in airbags in 1995; CTR, p. 87. A witness for the Canadian respondents testified that in late 1996 the airbag industry developed a new design for driver side inflators, permitting the industry to move away from stainless steel mesh in favor of cheaper carbon steel. This caused a significant drop in demand for SSRW in the automotive industry, which may have been compensated for by increasing demand in other industry sectors; CTR, pp. 107-110 and 123.

Cost Share

Since SSRW is sold to industrial consumers for use in the production of a wide range of final products, it is difficult to generalize concerning its typical cost share in final products. The cost share accounted for by SSRW can vary greatly by application. Purchasers reported cost shares that ranged from less than *** percent for applications such as automotive exhaust systems and teflon hoses to *** percent for fasteners.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchases

Some purchasers (20 of 40) stated that they attempt to maintain several sources of SSRW. The major reasons were to maintain competitive pricing and to ensure availability of wire when needed. One purchaser responded that it maintains several sources because domestic producers refused to supply the firm in 1996 and 1997. It also stated that it needs to have several sources of product because of its larger alloy band requirements.

For those firms that purchased from a single supplier or country, many purchased from the United States. Reasons for purchasing solely from the United States included: the United States is the only qualified source, the amount of purchases is small so it is not worth looking for other suppliers, competitive pricing, and delivery convenience.

Twenty-eight of 59 purchasers reported that they specifically order SSRW from one producer or country over other possible sources of supply. Purchasers have selected the U.S. product for its shorter delivery times, long relationships with U.S. suppliers, only qualified source for welding grades purchased, preference for U.S. products since a U.S. citizen, transport costs have made imports non-competitive, and extremely low volume does not pay to shop around. One purchaser selected Canadian product since it meets AWS specs and has been consistent over time. Another purchaser prefers Canadian product for its quality, technical service, and reliability. Purchasers elected to purchase from Japan for its better quality and specific products, 0.014 inch diamond-drawn nickel-coated and nickel-coated diamond-drawn bright, which are not available from domestic mills. Reasons for the selection of Spanish product included that it is all the firm knows, the stainless steel is less expensive from Spain, and the firm has not had any quality problems with the Spanish product. Two firms prefer to purchase from the non-subject country of Sweden. One purchases proprietary product from Sweden and the other purchases the Swedish product since the industry has a distinct preference for Swedish material for non-aerosol sprayer springs.

Purchasers were asked to rate the importance of 14 different factors in their purchase decisions. Table II-1 lists the factors and provides the average of the purchasers' responses by country.

Quality was named by 54 of 61 purchasers as one of the top three factors generally considered in deciding from whom to purchase SSRW, with 40 naming quality as the number one factor. Price was named by 52 purchasers, 8 of which named it as the most important factor. Availability and delivery were also cited as important factors by a large number of purchasers.

Purchasers were asked if the lowest-priced SSRW will always win a sale--2 reported this is always true, 18 reported usually, 34 reported sometimes, and 5 reported never. Purchasers reported that they consider a number of other factors, particularly quality, delivery, availability, manufacturer's reputation, reliability, packaging available, and technical services.

Table II-1
SSRW: Purchaser ratings of purchase factors

Factor	United States	Canada	India	Japan	Korea	Spain	Taiwan
Availability	2.9	2.8	2.8	2.8	2.9	2.7	2.8
Delivery terms	2.5	2.4	2.8	2.5	2.6	2.5	2.4
Delivery time	2.9	2.7	2.8	2.7	2.8	2.3	2.7
Discounts offered	2.1	2.5	2.6	2.2	2.4	2.3	2.7
Lower price	2.4	2.4	2.8	2.6	2.8	2.9	2.8
Minimum qty requirements	2.3	2.4	2.5	2.3	2.5	2.0	2.7
Packaging	2.3	2.4	2.5	2.7	2.6	2.0	2.2
Product consistency	3.0	2.9	3.0	3.0	3.0	2.9	2.9
Product quality	3.0	3.0	3.0	3.0	3.0	3.0	2.9
Product range	2.1	2.3	2.5	2.4	2.4	2.3	2.3
Reliability of supply	2.9	2.8	3.0	2.9	2.9	2.7	2.8
Technical support/service	2.4	2.3	2.0	2.4	2.4	2.3	2.0
Transportation network	2.1	2.1	2.5	2.3	2.3	2.2	1.8
U.S. transportation costs	2.2	2.2	2.7	2.2	2.3	3.0	2.2

Note: 3=Very important, 2=Somewhat important, 1=Not important.

Source: Purchasers' questionnaire responses.

Purchasers provided a variety of answers to the question of what characteristics does your firm consider when determining the quality of a supplier's SSRW. The most common characteristics were the surface finish, tensile strength, chemical analysis, spooling/coiling capabilities, and delivery. Many purchasers also listed specific industry specifications such as ABS approvals and conformance to ASTM and AWS specifications.

The majority of producers and importers reported that purchasers often require some form of product certification before buying SSRW from a supplier of the product being sold.[9] Most of the requirements consist of standards set by independent organizations such as the ASTM, the AISI, and others. Some producers and importers stated that their customers require that the product meet standards set by the ISO, the International Organization for Standards, which develops world-wide standards for a wide range of industrial products. In some cases suppliers are required to submit samples for a qualification process. This process may range from a few weeks to as much as 2 years.

[9] Twenty-six of 35 purchasers confirmed that they require suppliers to become certified or prequalified with respect to the quality, chemistry, strength, or other performance characteristics of the SSRW. According to the purchasers, the time to qualify a new supplier ranged from 1 week to 2 years.

Purchasers were then asked if any domestic or foreign producers failed in their attempts to qualify their SSRW or if any producers lost their approved status. Fourteen of 51 purchasers stated that a supplier has either failed or lost approval status. Table II-2 provides information on suppliers that failed certification, lost certification approval, or were dropped by a purchaser.

Table II-2
SSRW: Suppliers that failed certification or were dropped by a purchaser

* * * * * * *

Comparisons of the Domestic Products to the Subject Imports

U.S. producers of SSRW frequently compete for sales with imports of similar products from Canada, India, Japan, Korea, Spain, and Taiwan even though some factors limit the competition. Imported SSRW from these countries is considered broadly interchangeable in use with domestically produced products by most producers and importers.[10] Despite the similarities, questionnaire respondents frequently reported that they consider the imports to be different from domestic SSRW in one or more categories, such as quality, availability, or product range. There are also differences in lead times in delivery.

U.S.-produced SSRW is marketed throughout the United States, as are the imports from most of the subject countries. When asked to describe the geographic area in which their firm sells SSRW, 13 U.S. producers that responded said that it is sold nationwide and another 6 responded that it is sold throughout the continental United States. Fourteen importers indicated that they sell SSRW nationwide, 6 indicated they sell it throughout the continental United States, and 13 reported their sales are limited to particular areas such as the East Coast or West Coast or the Southeast or Northeast.

Most producers considered SSRW from the six countries largely interchangeable with domestically produced SSRW. Fourteen of 15 producers that compared the U.S. and Canadian products reported that they can be used interchangeably and the other producer reported that some grades can be used interchangeably. Three U.S. producers reported that the U.S. product and the Indian product are interchangeable, one reported some grades are interchangeable, and two indicated the two products cannot be used interchangeably. Twelve of the 13 firms that compared the U.S. and Japanese products reported the U.S. and Japanese product to be used interchangeably; 1 reported that the two products are not interchangeable. Fifteen of the 16 U.S. producers that compared the U.S. and Korean products indicated that the products can be used interchangeably; 1 reported the two products are not interchangeable. Eleven of 12 producers that compared the U.S. and Spanish products reported they can be used interchangeably; 1 reported that they are not interchangeable. Eleven of 12 U.S. producers indicated that the U.S. and Taiwanese products can be used interchangeable; 1 reported they cannot be used interchangeably. However, imports are not regarded as identical to domestic SSRW in all respects. One U.S. producer indicated that the Canadian alloys are usually of higher quality than those produced/manufactured in the United States. One U.S. producer said that the Indian products are of lower quality and only used in non-critical applications. Another stated that chemistry inconsistencies limit the interchangeability between the United States and India, Japan, Korea, Spain, and Taiwan.

[10] See also CTR, pp. 7-28.

As with U.S. producers, most importers consider SSRW from the six countries interchangeable with the domestic product. Twelve of the 15 importers that compared Canadian SSRW with the domestic product viewed the two products as interchangeable, 2 reported that some grades can be used interchangeably, and 1 indicated that the two products were not interchangeable. Nine of the 14 importers that compared the United States and India reported that the two products were interchangeable, 4 indicated some grades were interchangeable, and 1 stated the two products were not interchangeable. Twelve of the 16 that compared the U.S. product with the Japanese product reported the two were interchangeable, 2 indicated that some grades could be used interchangeably, and 2 stated the two products were not interchangeable. Eleven of the 14 importers that compared the U.S. and Korean products reported that they are interchangeable and 3 indicated that some grades can be used interchangeably. Eight of the 11 comparing the products from the United States and Spain reported the two are interchangeable, 2 indicated that some grades are interchangeable, and 1 stated the two products cannot be used interchangeably. Eleven of 14 importers reported that the U.S. and Taiwanese products are interchangeable and 3 indicated that some grades are interchangeable. Similarly to the U.S. producers, importers did not view the imported SSRW as identical to the domestic product. One importer stated that poor quality and unreliable delivery are problems with imports from Korea and Taiwan. Another importer stated that Indian wire is limited by poor quality. However, one importer stated that India is the only source capable of EPQ production. One importer said that the majority of its Japanese purchases are of a proprietary chemistry that makes it a strong steel with good non-magnetic and anti-galling properties which is cold formable to produce fasteners for special applications. Another importer indicated that Canadian product can meet its product specifications for tensile strength, surface quality, and finish that domestic mills do not meet. Due to poor quality domestic cold-heading wire, one importer indicated he switched purchases to Taiwan, where two mills can produce good quality cold-heading wire.

In addition to the questions relating to interchangeability, producers and importers were also asked whether factors other than price, such as quality, availability, transportation networks, product ranges, or technical support, were important in sales competition between U.S.-produced SSRW and imported SSRW from each of the six countries. U.S. producers generally indicated that these other factors are not important.[11] However, one U.S. producer said that Canada has a reputation as having an excellent product that allows them access to customers at similar or higher prices. In addition, Indian wire quality and delivery quantities and times are issues. This same U.S. producer stated that Japan has limited product ranges and that Korea requires large quantities and long delivery lead times.[12]

Importers were much more likely than producers to consider factors other than price important in sales competition between U.S. producers and importers.[13] Six importers stated that the Japanese product was superior to the domestic product. For example, one importer stated that Japanese cold-heading wire and welding wire are of better quality than can be purchased from domestic producers. In addition, the welding wire is in special grades that U.S. mills do not like to produce. Another importer stated that the Japanese nickel-coated spring wire is superior in quality and generally unavailable from domestic producers. One importer stated disadvantages with the Indian and Taiwan products as their

---

[11] Factors other than price were not considered significant by 11 of 14 producers with respect to Canadian imports, 7 of 10 with respect to Indian imports, 12 of 15 with respect to Japanese imports, 13 of 16 with respect to Korean imports, 12 of 13 with respect to Spanish imports, and 10 of 12 with respect to imports from Taiwan.

[12] This response was provided by ***, which is owned by ***, an importer of ***.

[13] Factors other than price were not considered significant by 7 of 10 importers with respect to Canadian imports, 8 of 11 with respect to Indian imports, 5 of 13 with respect to Japanese imports, 5 of 10 with respect to Korean imports, 2 of 6 with respect to Spanish imports, and 4 of 9 with respect to imports from Taiwan.

availability, long lead time, and transportation. The Indian product also has the disadvantages of quality limitations and lack of technical support. A second importer also questioned the quality and delivery performance of the Indian product. One importer stated that superior quality, wide range of the products, and on-time delivery of Korean SSRW are significant factors in the firm's sales. However, another importer stated that Korea requires large quantities and has long lead times.

The lead times for delivery of U.S.-produced SSRW and imported SSRW from Canada are generally shorter than for imports from India, Korea, Japan, Spain, or Taiwan. U.S. producers' lead times ranged from half a day to 48 days from the time a customer placed an order to the date of delivery. For Canada, the delivery lead times ranged from 2 to 15 days. Most importers reported lead times that ranged from 90 to 180 days for India,[14] 60 to 180 days for Japan,[15] 12 to 131 days for Korea, 90 to 120 days for Spain, and 12 to 150 days for Taiwan.[16]

Purchasers, like the U.S. producers and importers, generally found the domestic and subject imports from Canada, India, Japan, Korea, Spain, and Taiwan interchangeable. A summary of purchaser responses concerning comparisons of domestic and subject imports of SSRW is shown in table II-3. In general, for most of the 14 factors for which purchasers were asked to compare domestic and subject imported products, the majority of purchasers rated the domestic and subject imported products as comparable. However, there were some clear differences in some factors. The majority found the United States superior for delivery time in comparison to all subject countries except Canada, for which it was found to be comparable. The majority also reported that the United States was superior to Korea, Spain, and Taiwan for the minimum quantity requirement. The United States was found to be superior to India, Korea, and Taiwan for technical support. However, the United States was reported to be inferior to India, Korea, Spain, and Taiwan for lowest price. Also, the United States was reported to be inferior to Japan for product consistency and product quality.

Comparisons of Subject Products From Different Subject Countries

Producers, importers, and purchasers were asked to compare differences in imported SSRW among the six subject countries. In general, producers reported that imports from all six countries can be used interchangeably.[17] In fact only one producer reported that the subject imports were not interchangeable due to chemistry inconsistencies. Although the other U.S. producers indicated that the subject imports are interchangeable, the producers did not view the subject imports as identical. In addition to the lead time advantage over other import sources noted above, one producer said that Canadian quality is better than that of imports from India and that Canada offers a wider product range than does Japan.[18] This producer also said that, unlike Canada, Korea imposes very large purchase requirements on buyers when making a sale and has long lead times in delivery.

---

[14] One importer that imports from India and other countries provided an average lead time of 4 days.

[15] One importer that imports from Japan and other countries provided an average lead time of 5 days.

[16] One importer reported 2 days and another reported 4 days. Both imported from multiple countries.

[17] Specifically, producers with knowledge of the various country pairs responded as follows: Canada and India, 5-always, 1-no; Canada and Japan, 9-always; Canada and Korea, 9-always, 1-no; Canada and Spain, 7-always, 1-no; Canada and Taiwan, 7-always, 1-no; India and Japan, 5-always, 1-no; India and Korea, 5-always, 1-no; India and Spain, 5-always, 1-no; India and Taiwan, 4-always, 1-no; Japan and Korea, 10-always, 1-no; Japan and Spain, 8-always, 1-no; Japan and Taiwan, 7-always, 1-no; Korea and Spain, 9-always, 1-no; Korea and Taiwan, 6-always, 1-no; and Spain and Taiwan, 6-always, 1-no.

[18] This response was by ***. A similar response was offered by its parent company, ***.

Table II-3
SSRW: Comparisons of U.S.-produced and subject imported product

Factor	U.S. vs. Canada			U.S. vs. India			U.S. vs. Japan			U.S. vs. Korea			U.S. vs. Spain			U.S. vs. Taiwan		
	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I
Availability	3	11	2	1	3	0	7	4	0	8	5	1	3	1	0	5	2	1
Delivery terms	4	11	1	3	1	0	6	5	0	7	5	2	1	2	0	4	3	1
Delivery time	2	10	2	4	0	0	7	3	1	10	2	2	3	1	0	6	0	2
Discounts offered	2	11	0	0	3	0	2	8	0	3	10	0	0	2	2	1	5	1
Lower price	5	7	4	0	0	3	2	8	1	1	4	9	0	1	3	0	2	7
Minimum qty. requirement	2	11	3	1	1	0	4	6	1	8	4	2	3	1	0	4	1	3
Packaging	0	14	2	1	3	0	0	9	3	2	13	0	1	3	0	2	6	0
Product consistency	2	12	2	1	3	0	0	3	8	1	11	2	0	4	0	2	6	0
Product quality	3	11	2	1	3	0	0	4	7	3	9	2	0	4	0	2	6	0
Product range	2	12	2	1	3	0	0	10	1	3	9	1	1	3	0	1	7	0
Reliability of supply	4	10	2	1	3	0	3	7	1	3	9	2	2	2	0	1	6	1
Technical support/service	5	8	3	2	1	1	4	6	1	9	5	0	1	3	0	6	1	1
Transportation network	5	11	0	2	1	0	5	5	1	7	7	0	1	2	0	4	4	0
U.S. trans-portation costs	3	10	2	1	1	1	2	8	1	5	6	3	0	2	2	0	7	1

Note: S= Superior, C= Comparable, I= Inferior.

Source: Purchasers' questionnaire responses.

Importers, like the U.S. producers, generally found the subject imports to be interchangeable.[19] Importers indicated some differences that would prevent some interchangeability. One importer indicated that only Japan and Korea produce nickel-coated spring wire and that the Japanese product is superior. Another importer said that Japan had a quality advantage over any of the other subject import

[19] Specifically, importers that had knowledge of the various country pairs responded as follows: Canada and India, 4-always, 2-some, 1-no; Canada and Japan, 7-always; Canada and Korea, 6-always, 1-some; Canada and Spain, 5-always, 1-some; Canada and Taiwan, 6-always, 3-some; India and Japan, 5-always, 1-some; India and Korea, 5-always, 2-some; India and Spain, 4-always, 2-some; India and Taiwan, 5-always, 3-some; Japan and Korea, 6-always, 3-some; Japan and Spain, 5-always, 1-some, 1-no; Japan and Taiwan, 6-always, 1-some; Korea and Spain, 4-always; Korea and Taiwan, 8-always; and Spain and Taiwan, 6-always.

sources. One importer stated that it believed that Canada was the only subject country to produce measuring lines used by oil and gas companies. One importer stated some Indian mills have acceptable quality while others do not. The interchangeability depends on the particular mill and also the type of wire being discussed.

Purchasers also responded that the subject imports are interchangeable. For all the country pairs, except for Japan and Spain, the majority that indicated knowledge of the possible pairings reported that the products were always interchangeable.[20] As with the U.S. producers and importers, purchasers reported differences between the subject imports. One purchaser stated that the packaging from Taiwan is superior to the Korean product and works better with its operations. One purchaser stated that the Japanese product has better quality than any other source.

Comparisons of the Domestic Products and the Subject Imports to the Products from Non-Subject Countries

Very little information was available in the questionnaires for comparing imports from the subject countries with non-subject imports. One importer said that the quality of the SSRW from China is superior to the U.S. product and imports from the six subject countries. One purchaser stated that the Chinese packaging is superior to that of Korea. Two purchasers stated that Swedish wire is more consistent and is preferred for aerosol and non-aerosol springs. One purchaser stated that, generally, pricing from mills and distributors in the United States has been comparable or even lower than mill-direct foreign SSRW, with the major difference being quality. Another purchaser reported that, in general, the material imported is purchased because of quality or unavailability in the United States. This purchaser added that most items would be impossible to replace from a domestic source.

ELASTICITY ESTIMATES

This section discusses the elasticity estimates used in the COMPAS analysis in appendix D.

U.S. Supply Elasticity[21]

The domestic supply elasticity for SSRW measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of SSRW. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced SSRW.[22] Analysis of these factors indicates that the U.S. industry has a moderate ability to increase or decrease shipments to the U.S. market. Staff estimates that the supply elasticity is between 2 and 4.

---

[20] Specifically, purchasers with knowledge of the various country pairs responded as follows: Canada and India, 5-always, 2-no; Canada and Japan, 7-always, 1-some; Canada and Korea, 9-always, 2-some, 1-no; Canada and Spain, 3-always, 1-some, 1-no; Canada and Taiwan, 6-always, 1-some, 1-no; India and Japan, 4-always, 1-no; India and Korea, 5-always, 1-no; India and Spain, 2-always, 1-no; India and Taiwan, 3-always, 1-no; Japan and Korea, 8-always, 1-no; Japan and Spain, 2-always, 2-no; Japan and Taiwan, 3-always, 1-no; Korea and Spain, 6-always, 1-no; Korea and Taiwan, 6-always, 1-no; and Spain and Taiwan, 3-always, 1-no.

[21] A supply function is not defined in the case of a non-competitive market.

[22] Domestic supply response is assumed to be symmetrical for both an increase and a decrease in demand for the domestic product. Therefore, factors affecting increased quantity supplied to the U.S. market also affect decreased quantity supplied to the same extent.

U.S. Demand Elasticity

The U.S. demand elasticity for SSRW measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of SSRW. This estimate depends on factors discussed earlier, such as the existence, availability, and commercial viability of substitute products, as well as the component share of SSRW in the production of downstream products. Based on available information, the demand elasticity for SSRW is likely to be in the range of -0.5 to -1.2. Purchasers would not likely be very sensitive to changes in the price of SSRW and would continue to demand fairly constant quantities over a considerably wide range of prices.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[23] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, surfaces, etc.) and conditions of sale. Based on available information, the elasticity of substitution between domestic and subject product is likely to be moderately elastic and in the range of 2 to 4.

[23] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: CONDITION OF THE U.S. INDUSTRY

Information on capacity, production, shipments, inventories, and employment is presented in this section of the report, and is based on the questionnaire responses of 24 firms that accounted for an estimated 85 percent of U.S. production of SSRW during 1997.[1]

U.S. PRODUCERS[2]

Overview of Industry

U.S. producers of SSRW are located throughout the United States but are concentrated in the Northeast and Southeast regions. In the United States, production of SSRW is performed by three fairly distinct types of firms: (1) the integrated producers (Carpenter and Al Tech);[3] (2) the independent wire drawers[4] (which constitute the majority of known U.S. producers of SSRW); and (3) the small producers that maintain facilities that allow them merely to re-draw SSRW into finer diameters.[5] The two integrated SSRW producers produce wire rod within the plants in which they draw SSRW. The independent wire drawers purchase their wire rod from U.S. producers or foreign sources and then draw the SSRW.[6] The integrated producers and the wire drawers specialize in the sizes of SSRW they produce and the end uses to which they sell.

Table III-1 presents a list of U.S. producers, with each company's position on the petition, share of 1998 U.S. production of stainless steel round wire, and production locations.

---

[1] Total U.S. production in 1997 was calculated from data provided by Commerce based on its polling of the industry and responses to the Commission's producer questionnaire. The 10 petitioning firms accounted for approximately 70 percent of the estimated total production of SSRW in 1997.

[2] The total number of U.S. producers of SSRW as ascertained by Commerce is estimated to be 50 firms. The Commission sent questionnaires to the firms identified. In addition to the 24 usable questionnaire responses, 6 firms indicated that they did not produce SSRW during the period of investigation.

[3] The two integrated producers accounted for approximately *** percent of the reporting firms' aggregate production in 1998.

[4] These firms maintain annealing capability and break-down equipment used to convert wire rod into large diameter SSRW.

[5] These small re-drawers do not have annealing capability or break-down machines and, therefore, must purchase redraw wire that they then re-draw into finer wire.

[6] The independent wire drawers may also purchase SSRW for further reduction from the integrated producers, from other wire drawers, or from foreign sources; CTR, p. 95, and postconference brief of Wilkie Farr & Gallagher (for Central Wire), pp. 18-19.

Table III-1
SSRW: U.S. producers, positions on the petition, shares of 1998 total U.S. production, and U.S. production locations

Firm	Position on petition	Share of total U.S. production[1] (*percent*)	U.S. production location(s)
ACS	Petitioner	***	Woonsocket, RI
Al Tech	Petitioner	***	Dunkirk, NY
Branford	Petitioner	***	Mountain Home, NC
Carpenter	Petitioner	***	Reading, PA, and Orangeburg, SC
Handy & Harman	Petitioner	***	Cockeysville, MD, and Willingboro, NJ
Industrial Alloys	Petitioner	***	Pomona, CA
Loos	Petitioner	***	Pomfret, CT
Sandvik	Petitioner	***	Scranton, PA
Sumiden	Petitioner	***	Dickson, TN
Techalloy	Petitioner	***	Union, IL; Northampton, MA; Baltimore, MD; and Atlanta, GA[2]
Subtotal		84.0	
Arcos	***	***	Mt. Carmel, PA
National Standard	***	***	Niles, MI
Ulbrich	***	***	North Haven, CT
Wire Industries	***	***	Dumas, AR
Other producers/ redrawers (10)[3]	***	***	AR, CA, CT, IL, MI, OH, PA, SC

[1] Compiled from table III-2.
[2] The Atlanta, GA, plant was closed in March 1998.
[3] Other producers/redrawers responding to the Commission's questionnaires include ***.

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

III-2

Company Profiles

Carpenter

Carpenter, the *** U.S. producer of SSRW[7] (see table III-2), specializes in SSRW for making cold-headed products such as fasteners, wire belts, and welding consumables. Carpenter produces over 450 different types of stainless steels, high temperature (iron-nickel-cobalt-base) alloys, electronic alloys, tool steels, wrought and powder high-speed steels, and other special purpose metals in many product forms, including bar, rod, wire, strip, and billet, in its Reading, PA, and Orangeburg, SC, plants. These alloys are used in a wide variety of applications, including advanced automotive, aerospace, electronic, power generation, medical, industrial and durable goods components, etc.[8] Carpenter sells the vast majority of its production through company-owned distributor outlets. The firm sells the remainder of its output to unrelated end users.

Table III-2
SSRW: U.S. producers' production, by firms, 1996-98

* * * * * * *

Carpenter has over 14,000 customers worldwide, having recently expanded its base in the United States to Europe, Asia, and Mexico.[9] In 1996, Carpenter acquired Dynamet, Inc., a leading producer of titanium bar and wire, and in early 1998 Carpenter acquired Talley, whose metal businesses will expand Carpenter's capacity to produce stainless steels and specialty alloys.[10] Talley will also add another domestic distribution system to Carpenter's network of 18 service centers in the United States, Canada, and Europe, and its master distributorship, Green Bay Supply.[11] Carpenter owns a *** percent share in Walsin-CarTech, a stainless steel wire rod producer in Taiwan.[12]

---

[7] On the basis of the quantity of SSRW produced in 1998.

[8] Carpenter often assists its customers in designing specifications based on the end use in question.

[9] Carpenter's new European Service Center offers warehouse, sales, and technical support, primarily to aerospace, automotive, electronics, medical, and other consumer product manufacturers. Carpenter's specialty alloys sales efforts in Asia focus on aerospace, automotive, electronics, medical, and oil and gas industries. The areas of greatest activity are Korea, Japan, India, China, Taiwan, and Singapore.

[10] With Talley, Carpenter has completed 11 acquisitions in the past 5 years. Talley produced stainless steel wire rod, but not SSRW.

[11] Green Bay Supply is a wholesale purchaser of stainless steel bar which it then resells to independent distributors in the United States.

[12] Carpenter imports stainless steel wire rod from this facility.

III-3

Techalloy

Techalloy, Mahwah, NJ, a large independent wire drawer and the *** SSRW producer in 1998, makes stainless steel welding wire and electrodes, high nickel alloy wire, spring wire, fine wire, weaving wire, forming wire, and cold heading and EPQ wire. Some end uses for its SSRW are fasteners, springs, welding of chemical and food equipment, manufacture of wire baskets and conveyor belts, braided flexible hoses, fine mesh for filtration, etc. Techalloy operates four manufacturing plants in Illinois,[13] Massachusetts, Maryland,[14] and Georgia. Techalloy's Atlanta plant reportedly suffered lost business and Techalloy decided to close it in March 1998.[15]

Handy & Harman

Handy & Harman, an independent wire drawer and the *** U.S. producer, focuses on the manufacture of corrosion- and heat-resistant specialty wire and cable products, with special expertise in fine wire diameters. Its Maryland Specialty/Willing B. Wire operations[16] provide a wire package suitable for the production of automotive airbags. Maryland Specialty is also a supplier to the oilfield services industry, which consumes large quantities of stainless and nickel-based alloy wire for use in highly corrosive environments. This wire is used to fabricate petroleum well screens to prevent the flow of silt, grit, and other particles into the product pipeline, where it can cause damage to valves and controls. In 1996, Maryland Specialty installed a new high-speed intermediate wire drawing machine with the technology to provide the highest quality spring wire for the aerosol and pump industry.[17] Willing B. Wire completed a major plant re-alignment in 1996 to optimize product flow, increase production efficiencies, and improve quality.[18]

Other Producers/Redrawers

Questionnaire responses with usable data were received from the following non-petitioning firms: Arcos Alloys, Mt. Carmel, PA; Hi Specialty America, Irwin, PA; Illini Wire, Batavia, IL; ITW-Hobart, Troy, OH; Jewel Wire, Pomfret, CT; Kanthal Alloys, Bethel, CT; National-Standard, Niles, MI; Sunset Wire, City of Industry, CA; Ulbrich Wire, North Haven, CT; Wire Industries, Dumas, AR; and Zapp (formerly Ergste Westig), Summerville, SC. ***.

Several of the responding producers of SSRW are owned in whole or in part by foreign entities. Al Tech is *** percent owned by Sammi Al Tech of Torrance, CA, which in turn is a *** subsidiary of Sammi Steel, Seoul, Korea;[19] Techalloy is owned by the French company, Ugine, one of the world's

---

[13] This plant manufactures spring wire, wire for cold-heading applications, and forming wire; CTR, p. 14.

[14] This facility produces welding wire and electrodes. The Massachusetts and Georgia operations produce fine wire, weaving wire, and forming wire; Ibid.

[15] Techalloy's aggregate U.S. production of SSRW, *** (see table III-2).

[16] Handy & Harman is a subsidiary of the WHX Corp. Maryland Specialty and Willing B. Wire are part of the Handy & Harman Specialty Wire Group. Maryland Specialty specializes in the types of SSRW suitable for making ***. Willing B. Wire mainly produces ***. Fieldtrip, Apr. 7, 1998.

[17] CTR, p. 12.

[18] *Handy & Harman*, 1996 Annual Report, p. 6.

[19] Al Tech filed for Chapter 11 bankruptcy protection on Dec. 31, 1997.

largest producers of stainless steel and a subsidiary of the Usinor Group; Sandvik is a ***; Sumiden is ***; Hi Specialty America is a ***; Zapp is a ***; and Wire Industries is a ***.

A number of the petitioning firms produce other products on the same equipment and using the same PRWs as those used to produce SSRW. *** produces stainless steel bar and rod and other alloy steels. *** produce stainless steel bar and rod on the same rolling mill used for SSRW production. *** produces nickel alloy wire and antenna wire on the same equipment and with the same PRWs used to produce SSRW. *** produces high-nickel alloy wire, and *** produces high-nickel alloys and low-alloy steels on the same equipment used to produce SSRW.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-3. Total U.S. production of SSRW increased during 1996-97 and then decreased in 1998, but to a level greater than that in 1996. During 1996-98, U.S. capacity to produce SSRW increased by 1.5 percent: 10 firms increased capacity,[20] 3 firms decreased capacity,[21] and 9 firms maintained the same level of production capacity. Capacity utilization increased between 1996 and 1997 and decreased during 1998, but to a level greater than in 1996.

Table III-3
SSRW: U.S. producers' capacity, production, and capacity utilization, 1996-98

Item	Calendar year		
	1996	1997	1998
Capacity (*1,000 pounds*)	212,962	217,198	216,066
Production (*1,000 pounds*)[1]	153,452	162,920	158,698
Capacity utilization (*percent*)[2]	71.2	74.0	72.2

[1] Production shown in this table is slightly less than that shown in table III-2 because *** toll production is excluded from this table.
[2] Includes only firms reporting both production and capacity data.

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

U.S. PRODUCERS' DOMESTIC AND EXPORT SHIPMENTS

Data provided by U.S. producers on their domestic and export shipments of SSRW during 1996-98 are shown in table III-4. U.S. shipments of SSRW, by quantity, increased between 1996 and 1997 and then decreased in 1998, but to a level higher than that in 1996. The average unit values of U.S. shipments declined throughout 1996-98. Export shipments of SSRW, by quantity, increased from 1996 to 1997 but then declined in 1998 to a level lower than that in 1996.

[20] ***.

[21] The firms included ***.

III-5

Table III-4 SSRW: U.S. producers' shipments, by types, 1996-98			
Item	Calendar year		
	1996	1997	1998
	Quantity (*1,000 pounds*)		
Commercial shipments	***	***	***
Internal shipments	***	***	***
U.S. shipments	***	***	***
Less purchases	***	***	***
U.S. shipments adjusted for purchases	148,242	155,072	152,217
Export shipments	5,246	5,802	4,875
Total	153,488	160,874	157,092
	Value (*1,000 dollars*)		
Commercial shipments	***	***	***
Internal shipments	***	***	***
U.S. shipments	***	***	***
Less purchases	***	***	***
U.S. shipments adjusted for purchases	345,802	350,073	338,631
Export shipments	14,796	16,336	13,276
Total	360,598	366,409	351,907
	Unit value (*per pound*)		
Commercial shipments	***	***	***
Internal shipments	***	***	***
U.S. shipments	***	***	***
Less purchases	***	***	***
U.S. shipments adjusted for purchases	$2.33	$2.26	$2.22
Export shipments	2.82	2.82	2.72
Total	2.35	2.28	2.24
Source: Compiled from data submitted in response to questionnaires of the Commission.			

III-6

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of SSRW for the 3-year period are presented in table III-5. Such inventories increased during 1996-98. The ratio of end-of-period inventories to U.S. shipments remained stable during 1996-97, but rose in 1998. U.S. producers reported no unusual occurrences that would have an impact on inventory levels. Generally, U.S. producers do not produce for inventory but rather to customer specifications depending on end use.[22]

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of PRWs engaged in the production of SSRW, the total hours worked by such workers, and wages paid to such PRWs during 1996-98 are presented in table III-6. The average number of and hours worked by PRWs fell by approximately 2 percent between 1996 and 1998, and wages paid to such employees increased by 0.2 percent. Hourly wages increased during 1996-98 (by 3 percent), as did productivity (5 percent), while unit costs declined (by 3 percent).

Techalloy noted that it began curtailing production in 1998 with the termination of 23 PRWs. In March 1998, Techalloy announced that it would be forced to close its Atlanta, GA, facility before the end of the year, resulting in 48 additional PRWs being terminated.[23]

---

[22] ***.

[23] CTR, pp. 15-16, and postconference brief of Collier, Shannon, p. 22. Techalloy has 3 other plants that produce SSRW.

Table III-5
SSRW: U.S. producers' end-of-period inventories, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*1,000 pounds*)		
Inventories	23,778	24,719	25,039
	Ratios (*percent*)		
Inventories to--			
Production	15.5	15.2	15.8
U.S. shipments	16.0	15.9	16.4
Total shipments	15.5	15.4	15.9

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

Table III-6
Average number of production and related workers (PRWs) producing SSRW, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1996-98

Item	Calendar year		
	1996	1997	1998
PRWs (*number*)	1,491	1,475	1,458
Hours worked (*1,000*)	3,138	3,096	3,064
Wages paid (*$1,000*)	54,695	55,502	54,793
Hourly wages	$17.45	$17.98	$17.93
Productivity (*pounds per hour*)	48.3	51.9	50.9
Unit labor costs (*per pound*)	$0.36	$0.35	$0.35

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

III-8

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

U.S. IMPORTERS

The Commission sent questionnaires to 60 firms believed to be importers of SSRW from the subject countries; 46 of these firms supplied questionnaire data.[1] The responding firms accounted for 79 percent of subject imports in 1998 (see appendix E, table E-2). Three of the responding firms are also petitioners in these investigations. ***. Although located throughout the United States, the importing firms are concentrated in the Northeast and Southeast. The majority of the reporting importers are end users, including wire redrawers, who use the imported SSRW in their downstream manufacturing operations. The number of importers reporting data, by country, is shown in the following tabulation:

Country	Number of importers
Canada	7
India	10
Japan	12
Korea	4
Spain	2
Taiwan	15
Other sources	12
Total	46[2]

U.S. IMPORTS

U.S. import data presented in the body of this report are based on official Commerce statistics. The HTS subheadings covered by the official statistics are specific to the scope of these investigations, and responses to the Commission's questionnaires from importers and foreign producers have not been complete.[3]

During these final investigations counsel for respondents from Canada and Japan have argued that because of the differences in treatment of country-of-origin by Commerce[4] and Customs[5], use of

---

[1] The Commission sent questionnaires to those firms identified in the petition, along with several firms that, based on a review of the Customs Net Import File, may have imported SSRW during the period. The Commission also sent an importer questionnaire to producers of SSRW.

[2] Total does not add because many importers imported from more than one country.

[3] Additional data on imports compiled from importers' and foreign producers' questionnaire responses, as well as differences in questionnaire responses and official statistics, are presented in app. E.

[4] Commerce has determined that stainless steel wire rod cold-drawn in Canada to produce stainless steel round wire is substantially transformed into a Canadian product and is within the scope of the investigation, regardless of the origin of the stainless steel wire rod input (64 FR 17326, Apr. 9, 1999).

[5] Counsel reported that Customs has ruled that drawing stainless steel wire rod into SSRW is not substantial transformation so as to change the country of origin for purposes of customs classification of imports. Prehearing brief of Coudert Brothers, pp. 2-3, and Feb. 17, 1999, submission of Willkie Farr & Gallagher, p. 1.

IV-1

official Commerce statistics regarding imports of SSRW may result in double-counting or misrepresentation of subject and non-subject imports.[6] Adjustments to official Commerce statistics have, therefore, been made based on information regarding country-of-origin reported by ***.[7] Table IV-1 presents U.S. imports of SSRW.[8] In addition, figure IV-1 provides a graphic presentation of quarterly U.S. imports, by subject sources.

The Question of Negligible Imports

Data presented in table IV-1 with respect to shares of total imports (based on quantity) of SSRW by the subject countries, indicates that Spain accounted for 2.2 percent of total imports of the subject product during 1998. The statute (section 771 (24)(A)(i) of the Act) provides that imports from a subject country corresponding to the domestic like product are negligible if such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition. During March 1997 through February1998, the 12-month period preceding the filing of the petition, imports of SSRW from Spain accounted for approximately 1.8 million pounds, or 3.5 percent of total imports of SSRW from all countries.[9]

---

[6] Counsel reported that Greening Donald has consistently applied the Customs methodology to its treatment of imports of SSRW from Canada during 1996-98, while Central Wire did not implement this methodology until *** 1998. From 1996 through *** 1998, Central Wire had declared its SSRW manufactured from non-Canadian stainless steel wire rod as a product of Canada pursuant to erroneous advice received from Customs. In addition, counsel reported that imports of SSRW from Greening Donald "manufactured from U.S.-origin rod have been declared as originating from Canada for practical reasons (i.e., to receive the preferential NAFTA duty rate under the NAFTA Preference Override Regulation)." Posthearing brief of Coudert Brothers, pp. 6-7.

[7] Information reported in the *** indicates that ***. Differences recorded for other countries in a limited number of situations related to ***. For example, imports of SSRW ***. Apr. 8, 1999, telephone interview with ***. In addition, counsel for Japanese respondents ***.

[8] See app. E, table E-3, for detailed data regarding adjustments to official import statistics.

[9] Data regarding imports were compiled from monthly official Commerce statistics. There were ***.

IV-2

Table IV-1 SSRW: U.S. imports, by principal sources, 1996-98			
Source	Calendar year		
	1996	1997	1998
	Quantity (*1,000 pounds*)		
Canada	8,581	9,136	6,997
India	701	2,511	3,009
Japan	3,625	3,998	4,323
Korea	5,747	8,435	11,198
Spain	1,490	1,850	1,163
Taiwan	4,130	4,870	5,829
Subtotal, subject countries	24,276	30,799	32,520
Other sources	24,300	20,736	21,303
Total	48,576	51,535	53,823
	Value (*1,000 dollars*)		
Canada	19,775	19,811	15,009
India	874	2,795	3,277
Japan	9,208	9,212	9,435
Korea	10,894	13,693	17,344
Spain	2,328	2,613	1,736
Taiwan	6,946	7,519	8,926
Subtotal, subject countries	50,025	55,643	55,726
Other sources	52,504	47,058	44,919
Total	102,529	102,701	100,645
	Unit value (*per pound*)		
Canada	$2.30	$2.17	$2.14
India	1.25	1.11	1.09
Japan	2.54	2.30	2.18
Korea	1.90	1.62	1.55
Spain	1.56	1.41	1.49
Taiwan	1.68	1.54	1.53
Subtotal, subject countries	2.06	1.81	1.71
Other sources	2.16	2.27	2.11
Total	2.11	1.99	1.87

– continued on next page.

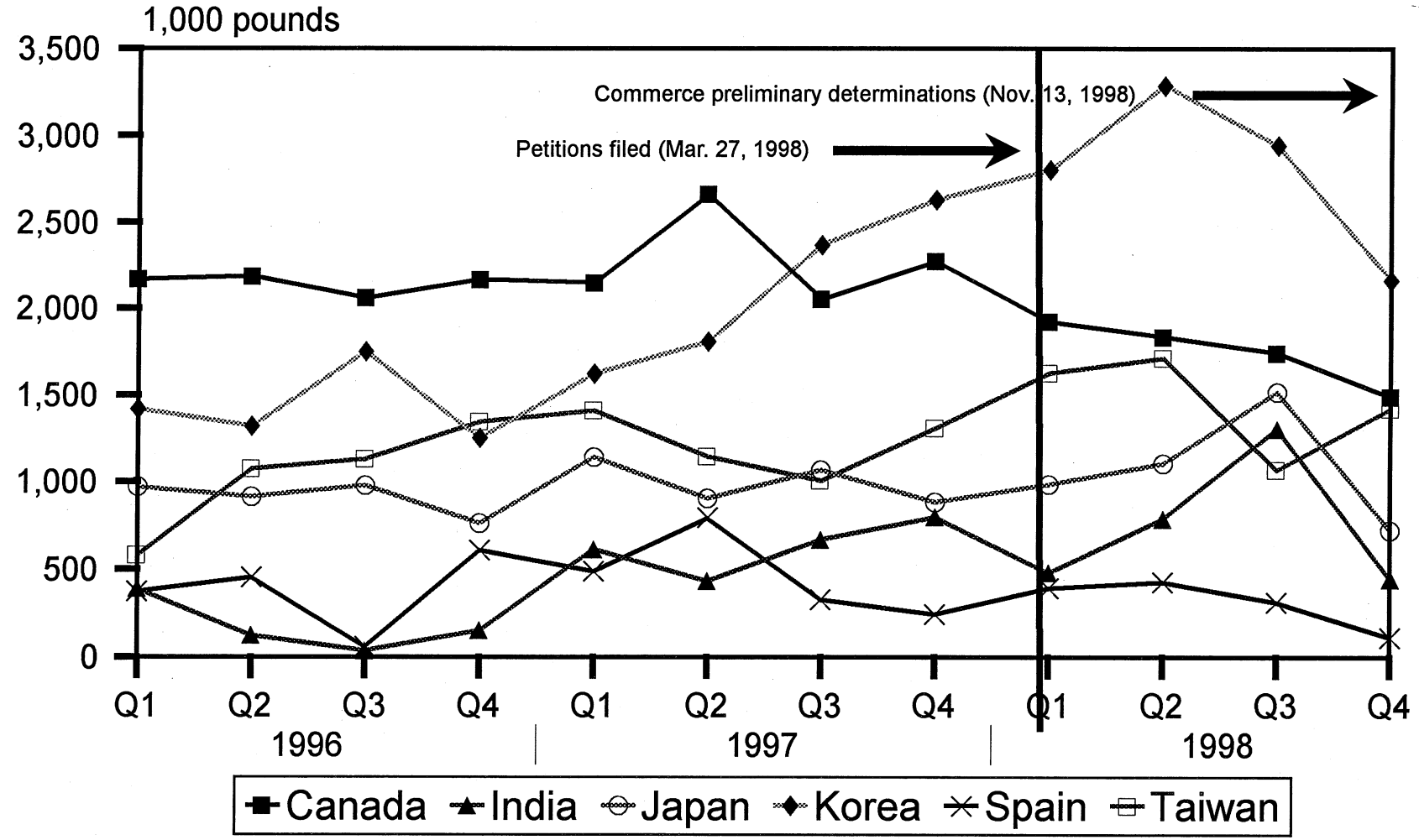
IV-3

Table IV-1--Continued SSRW: U.S. imports, by principal sources, 1996-98			
Source	Calendar year		
	1996	1997	1998
	Share of total quantity (*percent*)		
Canada	17.7	17.7	13.0
India	1.4	4.9	5.6
Japan	7.5	7.8	8.0
Korea	11.8	16.4	20.8
Spain	3.1	3.6	2.2
Taiwan	8.5	9.5	10.8
Subtotal, subject countries	50.0	59.8	60.4
Other sources	50.0	40.2	39.6
Total	100.0	100.0	100
	Share of total value (*percent*)		
Canada	19.3	19.3	14.9
India	0.9	2.7	3.3
Japan	9.0	9.0	9.4
Korea	10.6	13.3	17.2
Spain	2.3	2.5	1.7
Taiwan	6.8	7.3	8.9
Subtotal, subject countries	48.8	54.2	55.4
Other sources	51.2	45.8	44.6
Total	100.0	100.0	100.0
Source: Compiled from official Commerce statistics, adjusted for changes in country-of-origin based on rod source (as reported in ***).			

IV-4

Figure IV-1

SSRW: U.S. imports by source, by quarters, 1996-98



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

IV-5

CUMULATION CONSIDERATIONS

The Commission cumulates subject imports if there is a reasonable overlap of competition.[10] Channels of distribution are discussed in Part I of this report and issues of fungibility, geographic markets, and presence in the market are generally addressed in Part II.

During the preliminary phase of these investigations, petitioners argued that imports from each of the subject countries competed with imports from the other subject countries. Counsel for the Japanese respondents contended that the two Japanese niche SSRW products that contain lead, SF20T and DSR16FA, are not imported from other countries and are not produced in the United States; there is no reasonable overlap of competition between imports of nickel-coated spring wire and other imports from Japan and either domestic like products or imports from other subject countries; and imports from Japan have different prices and volumes and are sold in different submarkets than either other imported or domestically-produced SSRW.[11]

During the final phase of these investigations, the Commission requested information in its questionnaires as to shipments of SSRW by group (2 different diameters of wire), by type (8 categories of wire), by niche/specialty classifications (5 different products), and for redraw wire (see appendix F). Shares of shipments/imports for these product groups are presented in table IV-2. In general, the data indicate that U.S. producers had significant shipments in all product categories. Data provided by importers indicate that niche/specialty products accounted for varying degrees of total imports from each country during 1998 as follows: (1) leaded SSRW–7.2 percent of total imports from Japan; (2) non-leaded, free-machining SSRW–1.3 percent of total imports from India; (3) nickel-coated SSRW–20.5 percent of total imports from Japan and 6.5 percent from Korea; and (4) measuring-line SSRW–0.2 percent of total imports from Canada.

APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES

Apparent U.S. consumption and respective market shares of U.S. producers' shipments and imports are shown in tables IV-3 and IV-4.

---

[10] Factors considered include (1) the degree of fungibility between imports from different countries and between imports and the domestic like product; (2) the presence of sales or offers to sell in the same geographic markets; (3) the existence of common or similar channels of distribution; and (4) the simultaneous presence of imports in the marketplace.

[11] Prehearing brief of Wilkie Farr & Gallagher (for Suzuki), pp. 5-6.

Table IV-2
SSRW: Shares of U.S. shipments by U.S. producers and importers, by groups, types, and niche/specialty products, 1998

Item	Domestic product	Imported product from--							Total U.S. shipments/ imports
		Canada	India	Japan	Korea	Spain	Taiwan	Total subject	
By Group:[1]	Share of U.S. shipments (*in percent*)								
Coarse	81.8	79.5	100.0	78.0	63.6	99.6	88.3	77.0	81.2
Fine	18.2	20.5	0.0	22.0	36.4	0.4	11.7	23.0	18.8
By Type:	Share of U.S. shipments (*in percent*)								
Cold-heading wire	22.0	5.4	3.1	20.0	27.6	0.0	33.2	17.0	21.3
Welding wire	12.9	8.2	0.0	2.3	2.3	0.0	49.4	10.8	12.6
Spring wire	21.3	2.5	10.6	56.8	23.9	10.2	0.0	14.5	20.4
Weaving/braiding/ knitting/tie wire	10.8	16.7	49.2	5.0	24.9	12.9	17.3	20.1	12.0
Electro-polishing quality	6.5	0.0	13.9	0.0	0.0	0.7	0.0	1.0	5.8
Rope wire	1.5	0.0	1.3	0.0	0.1	0.0	0.1	0.1	1.3
Lashing wire	5.6	16.8	0.0	0.0	4.5	1.9	0.0	7.2	5.8
Other wire[2]	19.4	50.4	22.0	16.0	16.7	74.3	0.0	29.3	20.7
Niche/specialty products:	Share of U.S. shipments (*In percent*)	Share of imports (*in percent*)							
Free-cutting/machining	1.3	0.0	1.3	7.2	0.0	0.0	0.0	1.1	1.3
Nickel-coated	2.3	0.0	0.0	20.5	6.5	0.0	0.0	5.0	2.7
Measuring line	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total niche/specialty	3.7	0.2	1.3	27.6	6.5	0.0	0.0	6.1	4.1
Redraw wire	3.6	35.0	14.0	0.0	0.4	0.0	10.6	10.9	4.9

[1] Coarse wire is defined as 0.884 mm (0.0348 in.) or greater in diameter and fine wire is defined as less than 0.884 mm in diameter.
[2] Other product types include forming, shaping, metalizing, medical and surgical, and general purpose wire.

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

Table IV-3
SSRW: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*1,000 pounds*)		
U.S. producers' U.S. shipments (adj.)	148,242	155,072	152,217
U.S. imports (adj.) from--			
Canada	8,581	9,136	6,997
India	701	2,511	3,009
Japan	3,625	3,998	4,323
Korea	5,747	8,435	11,198
Spain	1,490	1,850	1,163
Taiwan	4,130	4,870	5,829
Subtotal, subject countries	24,276	30,799	32,520
Other sources	24,300	20,736	21,303
Total imports	48,576	51,535	53,823
Apparent consumption	196,818	206,607	206,040
	Value (*1,000 dollars*)		
U.S. producers' U.S. shipments (adj.)	345,802	350,073	338,631
U.S. imports (adj.) from--			
Canada	19,775	19,811	15,009
India	874	2,795	3,277
Japan	9,208	9,212	9,435
Korea	10,894	13,693	17,344
Spain	2,328	2,613	1,736
Taiwan	6,946	7,519	8,926
Subtotal, subject countries	50,025	55,643	55,726
Other sources	52,504	47,058	44,919
Total imports	102,529	102,701	100,645
Apparent consumption	448,331	452,774	439,276

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

IV-8

Table IV-4
SSRW: Apparent U.S. consumption and market shares, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*1,000 pounds*)		
Apparent consumption	196,818	206,607	206,040
	Value (*1,000 dollars*)		
Apparent consumption	448,331	452,774	439,276
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	75.3	75.1	73.9
U.S. imports from--			
Canada	4.4	4.4	3.4
India	0.4	1.2	1.5
Japan	1.8	1.9	2.1
Korea	2.9	4.1	5.4
Spain	0.8	0.9	0.6
Taiwan	2.1	2.4	2.8
Subtotal, subject countries	12.3	14.9	15.8
Other sources	12.3	10.0	10.3
Total imports	24.7	24.9	26.1
Apparent consumption	100.0	100.0	100.0
	Share of value (*percent*)		
U.S. producers' U.S. shipments	77.1	77.3	77.1
U.S. imports from--			
Canada	4.4	4.4	3.4
India	0.2	0.6	0.7
Japan	2.1	2.0	2.1
Korea	2.4	3.0	3.9
Spain	0.5	0.6	0.4
Taiwan	1.5	1.7	2.0
Subtotal, subject countries	11.2	12.3	12.7
Other sources	11.7	10.4	10.2
Total imports	22.9	22.7	22.9
Apparent consumption	100.0	100.0	100.0

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

IV-9

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

Raw Material Costs

Stainless steel wire rod is the predominant material input used in the production of SSRW. Major alloying elements used in the production of stainless steel include nickel, chromium, and molybdenum, which together account for a large share of its total cost.[1] Industry sources have reported that stainless steel wire rod often accounts for about 70 percent of the total production cost of SSRW, and is equal to about 50 percent of its final selling price. However, the percentages can be lower for certain categories of wire where the production process is complex and costly.[2] Available information indicates that the cost of stainless steel wire rod declined during 1995-98.[3]

As a result of fluctuations in the market price of nickel, chromium, and molybdenum, which caused fluctuations in the cost of stainless steel, some U.S. producers of stainless steel products, including rod, introduced a surcharge program in 1995 to reflect the increased costs. The costs were then passed on to SSRW producers who, in turn, passed them on to their customers at the time of shipment. In theory, this program allowed for monthly charges, which could either increase or decrease depending upon the monthly average cost of the alloying elements.[4] Six of 19 producers and 5 of 31 importers reported including raw material surcharges in their pricing of SSRW. Producers were more likely to calculate their own formula for the surcharge than were importers, who would either use published price lists for the surcharge or a pass through from the rod supplier.[5] Importers have argued that declines in prices of these elements since 1995 have resulted in lower costs of stainless steel, including rod, and this has led to lower prices of SSRW. However, one U.S. producer stated that some surcharges were attempted in 1996 but the market would not tolerate them.

Purchasers were asked the impact of the surcharges. For a majority of the purchasers that responded, the impact has been slight. Twenty-four of 54 purchasers reported that the surcharges had no to little impact. One firm estimated that the surcharges in 1998 accounted for less than *** percent of total dollars spent. Another estimated that material costs increase approximately *** percent when the surcharges are realized. However, a few firms indicated that the surcharges affected their business. One purchaser reported that the surcharges resulted in lost business to overseas competitors. Another purchaser reported that the surcharges would limit its ability to compete in the marketplace, and therefore it has not purchased wire from any country on the surcharge list since surcharges have been imposed. There was no consensus on whether surcharges are still being implemented. One purchaser indicated that all producers except the Japanese and Koreans have imposed surcharges for approximately 4 years. Four purchasers reported that domestic firms charged surcharges, but by 1997 they had ended the surcharges. However, one purchaser stated that both domestic and importer suppliers have imposed surcharges since December 1994 and have continued to do so in 1999.

---

[1] Postconference brief of Willkie Farr & Gallagher (for Central Wire), p. 10.

[2] Discussion with company officials at ***.

[3] HTR, p. 99.

[4] Postconference brief of Collier, Shannon, pp. 30 and 31; and postconference brief of Wilkie Farr & Gallagher (for Central Wire), pp. 11 and 12.

[5] Usually the formula used by U.S. producers was a variant on the following: (Actual cost of alloy-base cost of alloy) X alloy percentage X yield ratio.

U.S. producers and importers were asked to provide surcharges imposed on the various pricing products as part of these investigations. U.S. producers provided surcharge data on shipments to both distributors and end users on the following products: 4, 5, 6, 7, 8, 18, 19, and 20 (see pp. V-8 and V-9 for product list). In addition, U.S. producers also provided data on surcharges for shipments to distributors for products 25 and 26 and surcharge data for shipments to end users for products 9, 10, 11, 12, 13, 14, 15, 16, 17, 22, and 24. Importers provided surcharge data on distributor shipments for products 25 and 26 and on shipments to end users for products 10, 12, 22, 23, and 25. For many products, the surcharge data do not cover every quarter during the period of investigation, especially the data provided by importers. Raw material surcharges are shown in figures V-1 through V-8.

Figure V-1
Weighted-average net surcharge (per pound) of grade 302/304 soap coated wire (product 4), by quarters, 1996-98

* * * * * * *

Figure V-2
Weighted-average net surcharge (per pound) of grade 302 cold heading wire (products 5-7), by quarters, 1996-98

* * * * * * *

Figure V-3
Weighted-average net surcharge (per pound) of 304 braiding/knitting/weaving wire (products 8 and 9) and 304/316L shaping wire (products 13 and 14), by quarters, 1996-98

* * * * * * *

Figure V-4
Weighted-average net surcharges (per pound) of grade 304 redraw wire (products 10-12), by quarters, 1996-98

* * * * * * *

Figure V-5
Weighted-average net surcharge (per pound) of grade 304 EPQ wire (products 15 and 16) and grade 304 weaving/belt wire (product 17) by quarters, 1996-98

* * * * * * *

Figure V-6
Weighted-average net surcharge (per pound) of grade 308L wire (products 18 and 19), by quarters, 1996-98

* * * * * * *

Figure V-7
Weighted-average net surcharge (per pound) of grade 316 wire (products 20 and 26), by quarters, 1996-98

* * * * * * *

Figure V-8
Weighted-average net surcharge (per pound) of grade 430 wire (product 25), grade 304 weaving wire (product 22), and grade 304 soft annealed wire (product 24), by quarters, 1996-98

* * * * * * *

Transportation Costs to the U.S. Market

Transportation charges from subject countries to the U.S. market in 1998 are estimated to be the following percentages of custom values: Canada, 1.2 percent; India, 5.2 percent; Japan, 4.0 percent; Korea, 4.8 percent; Spain, 3.2 percent; and Taiwan, 2.9 percent. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared to a customs value basis.[6]

U.S. Inland Transportation Costs

Inland transportation costs generally account for a small share of the delivered price of SSRW. For U.S. producers, estimates ranged from less than 1.0 percent to as much as 8.0 percent. Similarly, importers estimated that U.S. inland transportation costs for shipments of imports from all six of the subject countries fell within a range of less than 1.0 percent to 7.0 percent of the delivered price. Purchasers estimated that U.S. inland transportation costs for both domestic products and imports ranged from 0.5 percent to 8.0 percent.

U.S. producers tend to ship SSRW longer inland distances in the United States than do importers. Questionnaire responses indicate that about 12 percent of U.S. producers' shipments are for distances of less than 100 miles, 39 percent are for distances of 100 to 500 miles, and 49 percent are for more than 500 miles. In the case of imports, 43 percent are shipped distances of less than 100 miles, 39 percent are shipped 100 to 500 miles, and 18 percent of shipments exceed 500 miles.

Exchange Rates

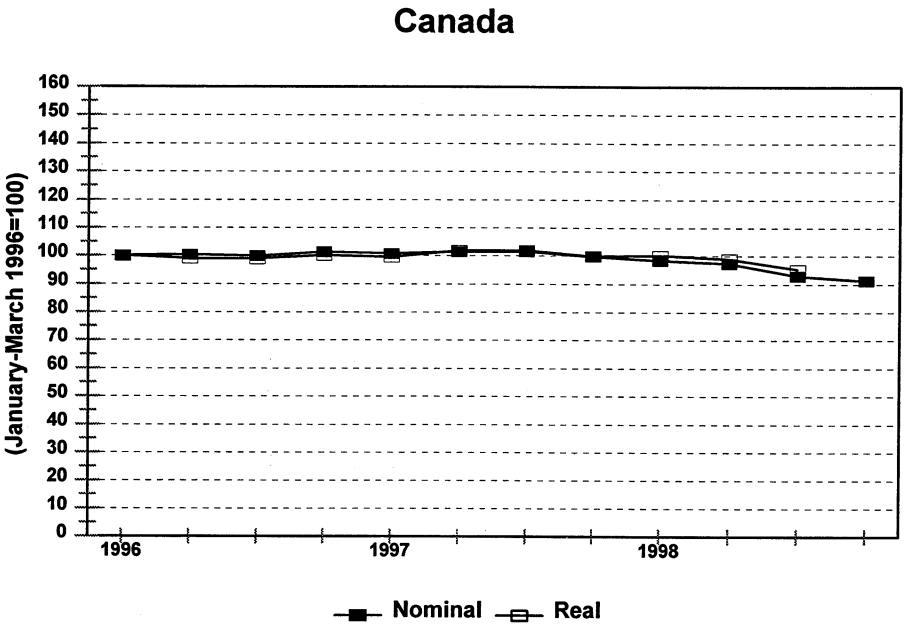
Nominal and real exchange rate data for Canada, India, Japan, Korea, Spain, and Taiwan are presented on a quarterly basis in figure V-9.[7] The nominal exchange rates were available for Canada, India, Japan, Korea and Spain for the entire 1996-98 period, and real exchange rate data for Japan and Korea were also available for the entire period. Real exchange rates were only available through the second quarter of 1998 for India and through the third quarter of 1998 for Canada and Spain. For Taiwan, data on nominal and real exchange rates were only available through the second quarter of 1998.

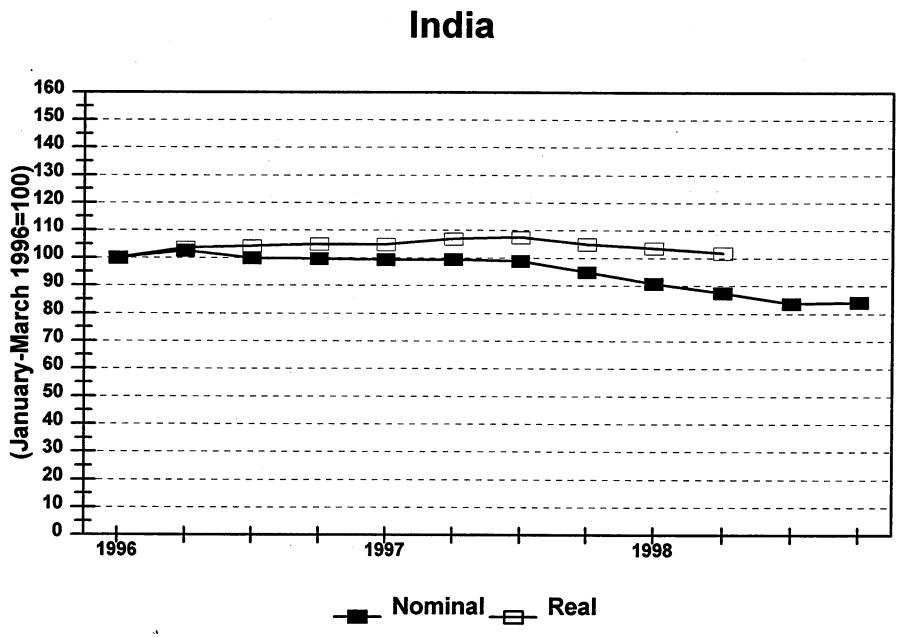
---

[6] These estimates were derived using data for HTS number 7223.00.10.

[7] Real exchange rates are calculated by adjusting the nominal rates for movements in producer prices in the United States and the respective foreign country.

Figure V-9
Exchange rates: Indexes of the nominal and real exchange rates of the currencies of Canada, India, Japan, Korea, Spain, and Taiwan in relation to the U.S. dollar, by quarters, 1996-98

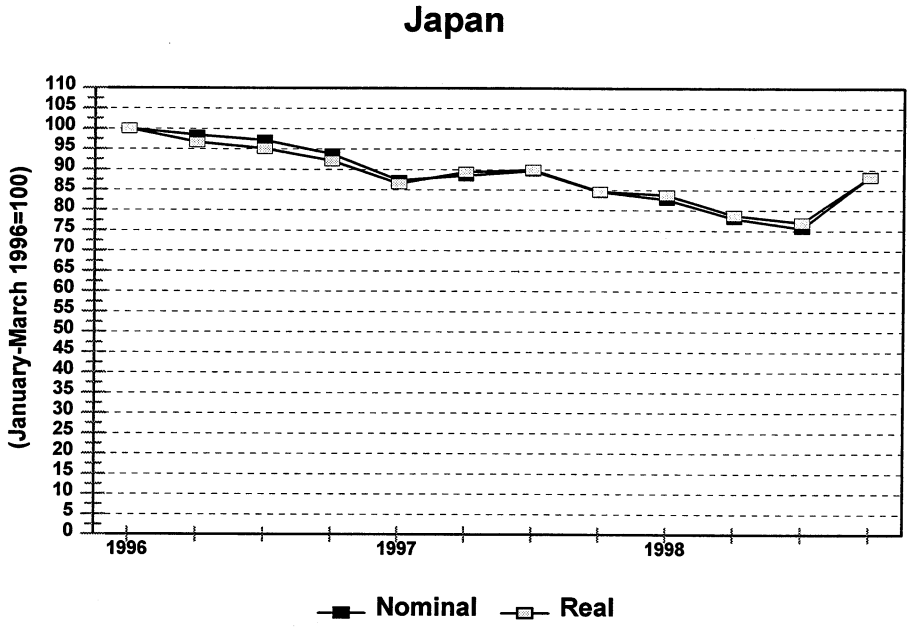


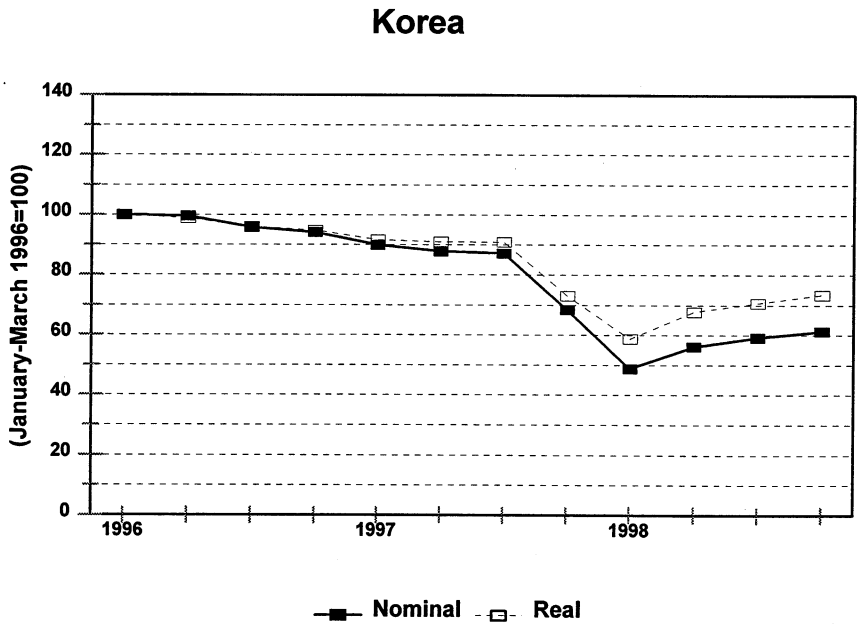


Continued on the following page.

V-4

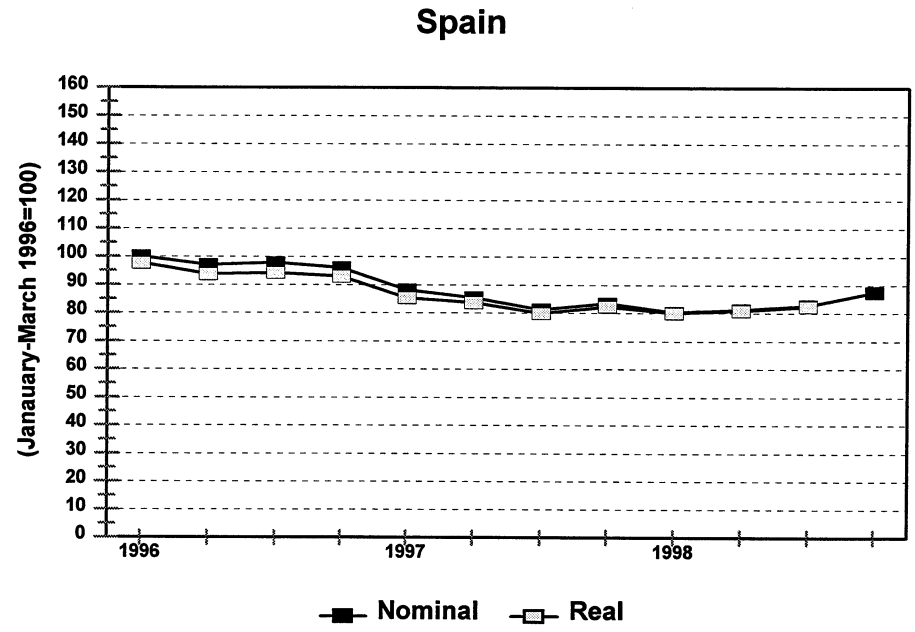
Figure V-9--Continued
Exchange rates: Indexes of the nominal and real exchange rates of the currencies of Canada, India, Japan, Korea, Spain, and Taiwan in relation to the U.S. dollar, by quarters, 1996-98

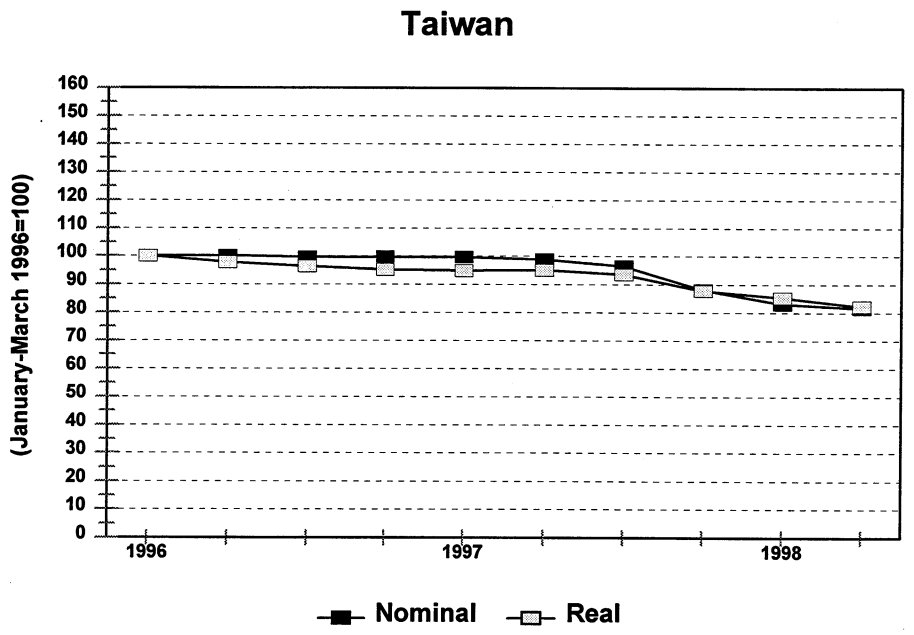




Continued on the following page.

Figure V-9--Continued
Exchange rates: Indexes of the nominal and real exchange rates of the currencies of Canada, India, Japan, Korea, Spain, and Taiwan in relation to the U.S. dollar, by quarters, 1996-98





Source: IMF, *International Financial Statistics*, May 1998 and the December 1998 issue of *Financial Statistics* published by Taiwan's central bank.

PRICING PRACTICES

Methods of arriving at prices for stainless steel round wire vary. Published price lists for SSRW are often provided by producers and importers, although this practice varies from company to company. While prices are sometimes set directly from price lists, they are frequently determined through negotiations between buyers and sellers. In fact, one producer reported that market conditions have eroded price lists to non-use. Many producers and importers use multiple methods to arrive at prices.

Eight U.S. producers and two importers reported that they use price lists. Transaction-by-transaction negotiations are used by 9 U.S. producers and 21 importers. Six U.S. producers and five importers reported that they use contracts, usually for multiple shipments.

U.S. producers generally quote prices on an f.o.b. basis, whereas importers are more likely to quote on a delivered basis. Fourteen of 21 U.S. producers reported that they normally quote on an f.o.b. plant or warehouse basis, 5 stated that their quotes are on a delivered basis, and 3 said that they quote both ways. Among importers, 15 reported that they quote on a delivered basis, 7 stated that they quote on an f.o.b. warehouse basis, 3 said they quote on both a delivered and f.o.b. warehouse basis, 1 reported quoting on a delivered, but duty due basis, 1 said it quotes on a f.o.b. port basis, 1 said it quotes on either a delivered or ex-dock duty paid at port basis, 1 reported that it quotes on an f.o.b. mill basis, and 1 reported that it quotes either on a delivered or f.o.b. dock basis.

Some U.S. producers and importers reported giving discounts based upon such factors as the quantity involved in an individual sale, the total purchase volumes by a particular customer over an annual period, and the prices offered by competitors (both foreign and domestic). One importer indicated that it offers a cash discount of 1 percent if paid within 10 days.

Both U.S. producers and importers sell stainless steel round wire either by contract or on a spot basis. Three of 17 U.S. producers reported that contract sales make up 50 percent or more of their total sales, 7 said that contracts account for 35 percent or less, and 7 said that all sales are on a spot basis. Among the largest producers (***), contract sales account for *** percent, *** percent, and *** percent of total sales, respectively. Among importers, 9 reported that contract sales accounted for 60 percent or more of total sales, of which 4 stated that contracts account for all sales, and 16 said that spot sales accounted for at least 90 percent of total sales, 14 of which said all sales were on a spot basis.

Although contract terms are fairly similar for those producers and importers that sell on a contract basis, U.S. producer contracts tend to be longer, generally a year in duration, while importer contracts are typically for periods of 1 to 6 months. Prices and quantities are usually fixed in the contracts during the contract period and minimum quantity requirements are more likely to be in U.S. producers' contracts than importer contracts. However, one importer indicated that its contracts fix price but include a plus-or-minus 10 percent allowance on quantity. In addition, some contracts contain meet-or release provisions.

PRICE DATA

Selecting the product categories needed to collect representative price data from producers and importers is difficult in the case of SSRW because of the thousands of product specifications available. In the case of cold-heading wire alone, for example, there are over 100 product categories.[8] The product categories were chosen after conversations with petitioners' and respondents' representatives. U.S. producers and importers of SSRW were requested to provide quarterly quantity and value data on an f.o.b. basis for 1996-98 on their shipments of each of 26 common product categories for use in

[8] Conversation with the petitioners' economist, May 13, 1998.

determining average quarterly prices. Data were requested separately for shipments to distributors and to end users. The product categories are as follows:

Product 1.--Grade 302 Nickel-Coated Spring Wire, 0.026 to 0.030 inch (0.65 go 0.762 mm), full hard

Product 2.--Grade 302 Nickel-Coated Spring Wire, 0.091 to 0.100 inch (2.3114 to 2.54 mm), full hard

Product 3.--Grade 302 Nickel-Coated Spring Wire, 0.051 to 0.060 inch (1.295 to 1.524 mm), full hard

Product 4.--Grade 302/304 Soap-Coated Spring Wire, 0.060 to 0.065 inch (1.524 to 1.651 mm), full hard

Product 5. -- Grade 302 HQ Cold-Heading Wire, 0.099 to 0.127 inch (2.515 to 3.226 mm), annealed

Product 6.--Grade 302 HQ Cold-Heading Wire, 0.128 to 0.154 inch (3.251 to 3.912 mm), annealed

Product 7.--Grade 302 HQ Cold-Heading Wire, 0.155 to 0.199 inch (3.937 to 5.055 mm), annealed

Product 8.--Grade 304 Braiding/Knitting/Weaving Wire, 0.007 to 0.009 inch (0.1778 to 0.2286 mm), annealed

Product 9.--Grade 304 Braiding/Knitting/Weaving Wire, 0.014 to 0.018 inch (0.3556 to 0.4572 mm), annealed

Product 10.--Grade 304 Redraw/Knitting/Weaving Wire, 0.060 to 0.065 inch (1.524 to 1.651 mm), annealed

Product 11.--Grade 304 Redraw/Knitting/Weaving Wire, 0.117 to 0.123 inch (2.9718 to 3.1242 mm), annealed

Product 12.--Grade 304 Redraw/Knitting/Weaving Wire, 0.039 to 0.048 inch (0.9606 to 1.2192 mm), annealed

Product 13.--Grade 304 Shaping (Forming) Wire, 0.084 to 0.088 inch (2.1336 to 2.2352 mm), annealed

Product 14.--Grade 316L Shaping (Forming) Wire, 0.084 to 0.088 inch (2.1336 to 2.2352 mm), annealed

Product 15.--Grade 304 EPQ Wire, 0.245 to 0.255 inch (6.223 to 6.477 mm), 1/4 hard

Product 16.--Grade 304 EPQ Wire, 0.182 to 0.192 inch (4.6228 to 4.8768 mm), 1/4 hard

Product 17.--Grade 304 Weaving/Belt Wire, 0.078 to 0.082 inch (1.9812 to 2.0828 mm), 1/4 to 1/2 hard

Product 18.--Grade 308L/LSI (aka LHS) MIG Welding Wire, 0.033 to 0.037 inch (0.8382 to 0.9398 mm), full hard

Product 19.--Grade 308L/LSI (aka LHS) MIG Welding Wire, 0.043 to 0.048 inch (1.0922 to 1.2191 mm), full hard

Product 20.--Grade 316 MIG Welding Wire, 0.033 to 0.037 inch (0.8322 to 0.9398 mm), 1/4 hard

Product 21.--Grade 302 Nickel Coated Spring Wire, 0.02 1 inch (0.53 mm), tensile 296/326,000 psi

Product 22.--Grade 304 Weaving Wire, 0.105 inch (2.7 mm), tensile 120,000 psi max

Product 23.--Grade 304 Knitting Wire, 0.010 to 0.012 inch (0.254 to 0.3048 mm), tensile 120,000 psi max

Product 24.--Grade 304 Soft Annealed Redraw Wire, 0.090 inch (2.29 mm), tensile 98,000 psi max

Product 25.--Grade 430 Lashing Wire, 0.045 inch, annealed, 1,200 foot coils

Product 26. --Grade 316 Wire Lines (Measuring Line), 0.090 to 0.109 inches, hard

Fourteen U.S. producers and 25 importers provided pricing data for sales of the requested products, although none of the firms reported sales of all 26 products in all quarters. Pricing data reported by U.S. producers accounted for 12.6 percent of U.S. commercial shipments of SSRW between 1996 and 1998. The import pricing data accounted for 17.7 percent of imports from Canada, 13.7 percent from India, 10.0 percent from Japan, 19.2 percent from Korea, 24.6 percent from Spain, and 16.7 percent from Taiwan for the period 1996-98. Table V-1 tabulates the pricing product data provided by country and type of customer, distributor or end user.

As table V-1 demonstrates, in most cases more data on pricing were received on shipments to end users than to distributors. Price comparisons between U.S.-produced and imported stainless steel round wire were computed for the following products in the distributor channel of distribution: 1, 3, 5, 6, 7, 9, 12, 18, 19, 20, 25, and 26. Price comparisons were also computed for the following products in the end user channel of distribution: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25.

V-9

Table V-1 SSRW: Tabulation of pricing data reported for product categories by country of origin and customer type		
Country	Distributors	End users
United States	1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 18, 19, 20, 21, 22, 25, 26	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26
Canada	10, 18, 19, 25, 26	7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 20, 22, 23, 25
India	5, 6, 7, 10, 12, 15, 16	5, 6, 7, 11, 13, 14, 17, 24
Japan		1, 2, 3, 5, 7, 9, 21
Korea	1, 3, 4, 5, 6, 7, 9, 18, 19, 20, 23	1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 22, 23
Spain	12, 15	4, 10, 11, 12, 13, 14, 16, 22
Taiwan	5, 6, 7, 9, 18, 19, 20	3, 5, 6, 7, 8, 9, 13, 15, 19, 24
Source: Compiled from data submitted in response to the Commission's questionnaires.		

Price Trends

Weighted-average prices and margins of underselling/overselling for U.S.-produced and imported SSRW are shown in tables G-1 through G-27 and figures G-1 through G-29 in appendix G on a quarterly basis for 1996-98.[9] In appendix H, figures H-1 through H-8 show weighted-average prices reported by U.S. producers without reported surcharges.

United States

In general, prices for U.S.-produced SSRW declined in both channels of distribution during the period of investigation. The few exceptions to this trend were products 2, 19, and 22. Between the first quarter of 1996 and the first quarter of 1998, product 2 sold to end users increased in price. Between the first quarter of 1996 and the fourth quarter of 1998, the price of product 19 remained the same for sales to distributors and increased for sales to end users. Product 22 was the same price in the third quarter of 1996, the first quarter of data for this product, as in the fourth quarter of 1998 for sales to distributors.

Canada

For the products for which pricing data were provided, the general trend was for decreasing prices during the period of investigation. The few exceptions to this trend were products 12, 14, 18, 19, 23, and 25. Product 12 sold to end users, product 14 sold to end users, product 18 sold to distributors,

[9] Tables and figures are only provided for those products for which there were at least four pricing comparisons from a single subject country.

product 19 sold to distributors, and product 23 sold to end users had a price increase between the first quarter of 1997, the first quarter for which data were provided, and the fourth quarter of 1998. For product 25 sold to distributors, the price was the same in the first quarter of 1996 and the second quarter of 1998, the last quarter of data provided.

India

Establishing a trend is a bit harder with the Indian data. For most products, only 4 or fewer quarters of data were provided. Using what was provided, it appears that prices for Indian product also declined during the period of investigation. Only one product, product 5 sold to distributors, showed a price increase when comparing the first quarter of available data to the last quarter of available data.

Japan

For the products for which pricing data were provided, prices generally declined for shipments to end users during the period of investigation.[10] The one exception to this trend was product 2, whose price increased from the first quarter of 1996 to the fourth quarter of 1998.

Korea

For the products for which pricing data were provided, prices generally declined in both channels of distribution during the period of investigation. In fact, for all products for which at least 4 quarters of data were provided, prices declined except for product 8, which increased.

Spain

Establishing a trend is a bit harder with the Spanish data. For many products, 3 or fewer quarters of data were provided. Based on the three products sold to end users that had at least 5 quarters of data, two products (products 13 and 14) had a price decline between the first quarter of provided data and the last quarter of provided data and one product (product 12) had a price increase.

Taiwan

For the products for which data were provided, the general trend is that prices declined in both channels of distribution during the period of investigation. In fact, for all products with at least 4 quarters of data except for product 8, prices declined between the first quarter of data and the last quarter of data.

Price Comparisons

Overall, there were 462 quarterly price comparisons between U.S.-produced SSRW and SSRW imported from Canada, India, Japan, Korea, Spain, and Taiwan. Imports undersold domestic product in 302 quarters, with underselling margins ranging from *** percent to *** percent, and oversold domestic product in 155 quarters with overselling margins ranging from *** percent to *** percent. In 4 quarters, the domestic and import prices were identical.

[10] All pricing data for Japan were in the end-user channel of distribution.

Canada

Ninety-nine direct price comparisons were made between U.S.-produced SSRW and Canadian-produced SSRW. Price comparisons were made on the following products: 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 22, 23, 25, and 26. In all, Canadian products undersold the U.S. product in 65 comparisons, oversold the U.S. product in 33 instances, and were the same in 1 quarter. The margins of underselling ranged from *** percent to *** percent and the margins of overselling ranged from *** percent to *** percent.

India

Twenty-five direct price comparisons were made between U.S.-produced SSRW and Indian-produced SSRW. Price comparisons were made on the following products: 5, 6, 7, 11, 13, 14, 17, and 24. In all 25 comparisons the Indian product undersold the U.S. product, with underselling margins ranging from *** percent to *** percent.

Japan

Fifty-three direct price comparisons were made between U.S.-produced SSRW and Japanese-produced SSRW. Price comparisons were made on the following products: 1, 2, 3, 5, 7, 9, and 21. In all, Japanese products undersold the U.S. product in 11 instances, oversold the U.S. product in 41 instances, and were the same in 1 quarter. The margins of underselling ranged from *** percent to *** percent and the margins of overselling ranged from *** percent to *** percent.

Korea

One hundred and fifty-five direct price comparisons were made between U.S.-produced SSRW and Korean-produced SSRW. Price comparisons were made on the following products: 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 18, 20, 22, and 23. In all, Korean products undersold the U.S. product in 123 comparisons, oversold the U.S. product in 31 instances, and were the same in 1 quarter. The margins of underselling ranged from *** percent to *** percent and the margins of overselling ranged from *** percent to *** percent.

Spain

Twenty-five direct price comparisons were made between U.S.-produced SSRW and Spanish-produced SSRW. Price comparisons were made on the following products: 4, 10, 11, 12, 13, 14, 16, and 22. In all, Spanish products undersold U.S. products in 19 occasions and oversold U.S. products in 6 instances. The margins of underselling ranged from *** percent to *** percent and the margins of overselling ranged from *** percent to *** percent.[11]

[11] The overselling margin of *** was for product 16, EPQ Wire, 0.182 to 0.192 inches sold to end users. The U.S. reported weighted-average price for the first quarter of 1997 was *** and the Spain-produced weighted-average price was ***.

Taiwan

One hundred and five direct price comparisons were made between U.S.-produced SSRW and Taiwan-produced SSRW. Price comparisons were made on the following products: 3, 5, 6, 7, 8, 9, 13, 15, 18, 19, 20, and 24. In all, Taiwan products undersold U.S. products in 60 instances, oversold U.S. products in 44 instances, and were the same in 1 quarter. The margins of underselling ranged from *** percent to *** percent and the margins of overselling ranged from *** percent to *** percent.

LOST SALES AND LOST REVENUES

Producers were asked to report any instances of lost sales or revenues they experienced due to competition from SSRW from Canada, India, Japan, Korea, Taiwan, or Spain. Eight U.S. producers reported that they lost sales of SSRW products due to competition with imports from one or more of the six countries, and seven producers stated that they had to either reduce prices or roll back announced price increases in order to avoid losing sales to competitors selling SSRW imported from these countries.

Altogether, 131 detailed allegations of lost sales and 42 detailed allegations of lost revenues relating to SSRW were submitted. The lost sales allegations totaled approximately $22 million and involved over 5,000 tons of SSRW. The 11 lost sales allegations involving Canadian imports amounted to $1.4 million, the 7 involving India totaled $0.7 million, the 20 concerning Japan were valued at $1.9 million, the 63 involving Korea totaled over $16 million, the 11 relating to Spain were valued at $1.1 million, and the 19 concerning Taiwan involved about $1.0 million. The lost revenue allegations were valued at more than $1 million. Thirty-three of the lost revenue allegations concerned Korea and 9 concerned Japan. The Commission contacted purchasers and investigated 65 of the lost sales allegations and 31 of the lost revenue allegations.

*** and *** both provided lost sales allegations relating to ***, a distributor of SSRW. ***. ***, the spokesman for ***, denied the allegations. He said that the majority of the SSRW that his company buys is purchased from domestic producers. He acknowledged buying the *** but said that price was not the primary consideration. He said that his company has long purchased the *** because of ***. He also said that the *** do not have a price advantage over ***, which *** believes is the only domestic producer of *** wire. *** said that his company also buys significant amounts of this product from ***. *** also acknowledged purchasing the imported *** wire from *** but denied that the products were competing directly with the domestic product. He said that the imports from *** are not always a superior product.

*** provided a combined total of *** lost sales allegations and *** lost revenue allegations relating to ***. *** allegedly lost revenues of *** on a sale of *** million pounds of SSRW in 1996 due to competition from imports from Korea. *** alleged that it lost *** sales involving *** pounds of SSRW valued at *** during the *** due to competition from imports from Japan. *** further alleged that it lost revenue of *** on *** transactions involving *** pounds of SSRW during the *** and the *** due to competition from Japan and that it lost revenue of *** on *** transactions involving *** pounds during *** as a result of Korean competition. *** allegedly lost a sale of *** pounds valued at *** in the *** due to competition from imports from Spain. ***, the president of ***, denied all of the allegations. He said that the Japanese imports were purchased because of their high quality rather than price, and consisted mainly of products that are not available in the United States. Therefore, they did not compete with U.S. producers. He said that prices of the Japanese products are 20 to 25 percent higher than prices of similar domestic products in some cases. *** said that the recent purchases of the imported SSRW from *** and are still sitting in his warehouse. They were not purchased as an alternative to domestic SSRW. In the case of the Korean products, *** denied that they were used to

bid down domestic prices, although he said that Korean prices are sometimes slightly lower than domestic prices.

*** said that *** is the *** of SSRW in the United States and that his company buys *** of its stainless steel wire from domestic producers. He said that imported wire from *** is generally priced lower than comparable domestic products, but that imports from these sources are relatively new in the market. He also said that imports from *** tend to be very low-priced, but that he does not buy *** imports because of their low quality.

*** addressed an additional *** lost revenue allegations provided by ***. *** of the allegations involved *** wire from Japan for a value of *** and *** allegations involved *** wire from Korea for a value of ***. *** disagreed with all the allegations except for *** allegation involving ***. He reported that his firm was not aware of the quotations except for the allegation he confirmed. The confirmed allegation was for *** pounds and lost revenue of ***.

*** provided *** lost revenue allegation of *** involving *** for *** pounds and *** lost revenue allegation of *** involving *** for *** pounds due to competition from Korea. *** responded that per corporate policy of their parent company, these companies are not allowed to purchase any foreign-drawn stainless steel wire.

*** alleged *** lost revenue to *** in *** involving *** pounds valued at ***. *** agreed to the information of the allegation. He added that his firm's decision to investigate Korean wire was primarily based upon the quality and delivery problems he experienced with domestic manufacturers. The Korean product has been of higher quality.

*** provided *** lost revenue allegations to *** for *** pounds of SSRW valued at *** due to imports from Japan and Korea. *** denied *** allegations and confirmed *** allegations. The *** allegations that he confirmed were due to Korean imports and the lost revenue of these allegations was ***. *** alleged that it lost a sale to *** in *** of *** pounds of SSRW valued at *** due to competition from imports from Korea and that it lost revenue of *** on a sale of *** tons in the *** also due to competition from imports from Korea. ***, the director of marketing for ***, denied the allegations. He said that *** has never purchased or seriously considered purchasing SSRW from Korea, although it has bought other types of wire from Korea. *** is an importer/distributor that imports SSRW primarily from ***, and to a lesser extent from *** and ***. It also purchases SSRW from domestic sources and importers.

*** alleged that it lost *** sales to *** in *** totaling *** pounds of SSRW valued at *** due to competition from imports from India. ***, the spokesman for ***, did acknowledge that an importer of Indian material was the low bidder on the transactions described in the allegation, and that Indian imports did get the business in those particular cases. However, he emphasized that his company always solicits bids from different sources when making purchases. He said that *** recently made a large purchase of SSRW from a U.S. producer who was the low bidder in a competition involving India and other import sources.

*** provided a combined *** lost sales to ***. *** alleged that it lost *** sale in *** for *** tons valued at *** due to imports from Japan. *** alleged that it lost *** sale for *** pounds valued at *** due to imports from Canada. *** alleged that it lost *** sales to *** in *** totaling *** pounds monthly at a total monthly cost of *** due to competition from imports from Canada. *** of *** said that his company does not purchase *** as alleged in the *** allegation nor did it purchase any of the specified products as alleged by ***, which consisted of *** with different thicknesses, either from Canadian suppliers or from domestic sources during that time period. *** also denied the *** allegation. He stated that he requested quotes on *** pounds of *** wire as ***. No purchase was made from this bid. *** added that delivery time is also important in a sale. The lowest price is not beneficial if the delivery time is after the date his company needs the product.

V-14

*** alleged that it lost *** sales to *** during *** to competition from imports from Taiwan. *** of the allegations involved total monthly sales losses of *** pounds valued at more than *** while a *** involved a one-time loss of *** pounds valued at ***. *** of *** did not directly address the allegations. However, he said that ***.

*** alleged that it lost *** sales to *** involving *** pounds of SSRW valued at *** during *** to competition from imports from Spain. *** of *** denied the allegation. He said that his company did not purchase any imports from Spain during ***. However, *** did purchase *** of SSRW from Spain from an importer early in ***. *** said that the price of these imports is lower than the domestic price, but that lead times in delivery are extremely long compared to the U.S. product. Therefore, *** continues to rely on the domestic product to meet a large part of its needs.

*** provided a combined total of *** lost sales to ***. *** alleged that it lost *** sales involving *** pounds of SSRW valued at *** in the *** due to imports from Taiwan. *** alleged that it lost *** sale involving *** tons valued at *** in *** due to imports from Taiwan. *** denied all *** allegations. He stated that the accepted quote for imported product is higher than what he is paying for domestic SSRW. He added that he cannot get all products from domestic mills since the domestics cannot always produce at the quality level he needs. Finally, he stated that if imported steel was not allowed or duties were imposed, U.S. manufacturers would not be able to get material on a timely basis, at a pricing level that they need to compete with imported parts, and some alloys would not be available. Also, "the mills that are bringing these allegations could not provide the quality, service, or products my customers need to run their business and that is why distributors exist, because domestic mills cannot provide the product in the quantities, quality, and in a timely manner."

*** alleged *** lost sales to *** involving *** tons valued at *** in *** due to imports from Taiwan. *** denied the allegations. *** explained that his company is small and needs to purchase per manufacturing order, which could range from *** pounds to *** pounds. He stated that domestic mills were inflexible in terms of minimum orders, ranging from *** pounds to *** pounds. These levels were too large for his company. Therefore, his company purchases from a distributor, ***, that provides materials produced by both domestic and foreign mills and allows for smaller orders. Finally it is his belief that any market share lost by U.S. producers is the result of their inability to adapt to changing markets, inflexibility, inability to decrease manufacturing costs and overhead, and a total disregard for the customer with a "here it is or leave it" attitude.[12]

*** alleged *** lost sales to *** in *** involving *** pounds per month valued at *** per month due to imports from Korea. *** denied the allegations. He stated that the quality of the Korean product is superior to the domestic product. In fact, he would be willing to pay a premium to get the Korean product, but luckily, it is cheaper than the domestic wire. *** stated that with the domestic product, for every *** pounds purchased, he was rejecting *** pounds due to poor quality. In comparison, for the Korean product, he only rejects approximately *** pounds per *** pounds purchased.

*** alleged *** lost sale of *** pounds valued at *** due to imports from Taiwan and *** lost revenue valued at *** for *** pounds to *** due to imports from Japan. *** disagreed with the allegations.

*** alleged *** lost sales to *** involving *** tons valued at *** due to imports from Japan. *** denied the allegation, stating that his firm has never received a price quote from ***.

---

[12] *** was under the impression that the domestic mill that made the allegation was ***. In a follow up telephone conversation on Apr. 14, 1998, he stated that other domestic mills were also inflexible with minimum order requirements.

*** alleged *** lost sales to *** in *** involving *** pounds valued at *** due to imports from Korea. *** disagreed with the allegations. He stated that the prices provided in the allegation are for unlike products. He believes that the domestic mill prices are for copper-coated wire whereas the foreign prices provided are for non-copper-coated wire. *** stated that the copper-coated product is more costly per pound, plus there is a substantial additional cost to remove the copper coating after manufacturing.

*** alleged *** lost sale to *** in *** involving *** tons valued at *** due to imports from Japan. *** stated the allegation was not entirely true. He reported that *** purchased less than *** tons at *** per ton, but from Korea, not Japan as alleged. Previously the domestic price was *** per ton in early 1996, but both domestic and foreign prices fell since 1996 and he did not have quote records for 1997.

*** alleged *** lost sales to *** in *** involving *** pounds valued at *** and *** pounds per month valued at *** per month, respectively, due to imports from Canada. *** denied both allegations. He reported that his firm does not purchase the specified product in the first allegation, *** wire. *** disagreed with the second allegation, stating that his firm did not purchase from *** in ***.

*** alleged *** lost sale to *** in *** involving *** pounds valued at *** due to imports from Korea. *** confirmed the allegation.

*** alleged *** lost sales to *** in *** involving *** pounds per month valued at *** per month. *** believed the allegations to be untrue but would need to know the source of the allegation. He stated that his firm does not sell the quantities listed in the allegations. He added that quality is more important than price. In fact his firm has received lower bid prices but rejected the offers because the product did not meet his firm's quality requirements.

*** provided a combined *** lost sales allegations concerning *** due to imports from Korea. *** alleged *** lost sales involving *** tons and ***lost sale of *** tons per month valued at *** and *** per month, respectively. *** alleged *** lost sale involving *** pounds in ***, *** lost sale of *** pounds per month in ***, and *** lost sale of *** pounds per year in *** valued at ***, *** per month, and *** per year, respectively. *** disagreed with all the allegations. He stated that sales were lost due to problems with quality and delivery. The Korean product has been consistently better.

*** alleged *** lost sale to *** for *** tons of SSRW valued at *** due to imports from Japan. *** disagreed with the allegation. He stated that initially his firm manufactured ***. The supplier of *** is different than for the ***. He added that his firm has no knowledge of the country of origin of the ***.

*** alleged *** lost sales to *** for *** per year valued at *** due to imports from Korea. *** denied the allegation involving *** grade wire valued at *** and agreed to the remaining allegations. He denied the allegation involving *** grade wire, stating that his firm does not use that wire product.

*** provided *** lost revenue allegations due to imports from Korea and alleged *** lost sales to *** for various diameters of grades *** and *** wire due to imports from Korea and Taiwan. *** denied the lost revenue allegations valued at *** per month for *** tons per month of SSRW. He stated that the quantities are incorrect, the import quote is incorrect and that his firm does not import from Korea. *** denied the ***lost sales allegations involving *** wire valued at *** per month, stating that his firm does not use this grade of wire. He also denied the remaining *** lost sales allegations involving *** wire from Taiwan valued at ***, reporting that his firm does not import wire for *** from any foreign source directly.

V-16

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Seventeen producers,[1] accounting for approximately 82 percent of U.S. production of SSRW in 1998, provided usable financial data. Data for Techalloy were verified by the Commission staff, resulting in changes to the financial and trade data.

OPERATIONS ON STAINLESS STEEL ROUND WIRE

The results of SSRW operations of the U.S. producers are presented in table VI-1. Total sales values for the combined companies increased slightly in 1997 compared to 1996 and then decreased in 1998 to a level below 1996. The operating income margin for the combined companies followed a similar pattern, increasing in 1997 compared to 1996 and then decreasing to a level in 1998 below 1996. As shown in the results of operations summary data by firm in table VI-2, 8 of the 17 companies incurred decreased operating income margins in 1997 compared to 1996, while the remaining 9 firms had increased operating income margins in 1997. Eight companies had decreasing operating income margins in 1998 compared to 1997, while nine showed improvement. The average per-pound [2] sales value decreased one-half of a cent more than the decrease in cost of goods sold from 1996 to 1998, as shown in table VI-3 and SG&A expenses increased one cent per pound in 1998 compared to 1996, resulting in a decrease in the operating income of one and one-half cents per pound.

Some stainless steel wire rod producers (domestic and foreign) began adding surcharges, as discussed in the postconference briefs of the parties, on their sales in 1995 to recover the increase in costs of raw material alloys, such as nickel and chromium. The surcharges paid by the SSRW producers are included in the raw material costs and any surcharges passed on to the SSRW customers are included in the net sales value. The SSRW producers may produce their own stainless steel wire rod and/or purchase domestic and/or foreign stainless steel wire rod. Data collected on surcharges from the producers are presented in appendix I.

The producers were requested to provide the quantity and value of the raw materials used to produce SSRW. The per-pound values for the various raw material inputs are summarized in appendix J.

A variance analysis showing the effects of prices and volume on the producers' net sales of SSRW and of costs and volume on their total cost is shown in table VI-4. The analysis shows that the small change in operating income during the period was mostly attributable to the cost/expense variance offsetting the price variance.

The variance analysis may be affected by the mix of the various grades and sizes of SSRW within a company and between companies.

---

[1] Nine of the producers have fiscal yearends of Dec. 31; two have Sept. 30; two have Oct. 31 and one each has Mar. 31, April 30, June 30, and July 31.

[2] Any analysis of per-pound values may be affected by the mix of the various grades and sizes of SSRW within a company and between companies.

Table VI-1
Results of operations of U.S. producers in the production of SSRW, fiscal years 1996-98

Item	1996	1997	1998
	Quantity (*1,000 pounds*)		
Trade sales	***	***	***
Company transfers	***	***	***
Total sales	148,195	156,176	154,262
	Value (*$1,000*)		
Trade sales	***	***	***
Company transfers	***	***	***
Total sales	349,572	350,996	340,263
Cost of goods sold	309,005	307,679	298,854
Gross profit	40,567	43,317	41,409
SG&A expenses	30,412	31,332	33,151
Operating income or (loss)	10,155	11,985	8,258
Interest expense	6,955	6,858	7,078
Other expense [1]	***	***	***
Other income items	***	***	***
Net income or (loss)	2,937	4,460	(1,223)
Depreciation/amortization	11,291	12,044	12,139
Cash flow	14,228	16,504	10,916
	Ratio to net sales (*percent*)		
Cost of goods sold	88.4	87.7	87.8
Gross profit	11.6	12.3	12.2
SG&A expenses	8.7	8.9	9.7
Operating income or (loss)	2.9	3.4	2.4
Net income or (loss)	0.8	1.3	(0.4)
	Number of firms reporting		
Operating losses	4	5	3
Data	17	17	17

[1] ***.

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

VI-2

Table VI-2
Results of operations of U.S. producers (by firm) in the production of SSRW, fiscal years 1996-98

* * * * * * *

Table VI-3
Results of operations (per pound) [1] of U.S. producers in the production of SSRW, fiscal years 1996-98

Item	1996	1997	1998
Net sales	$2.3589	$2.2474	$2.2057
Cost of goods sold:			
Raw materials	1.1751	1.0794	1.0470
Direct labor	0.1991	0.2014	0.2101
Other factory costs [2]	0.7110	0.6892	0.6802
Total cost of goods sold	2.0851	1.9701	1.9373
Gross profit	0.2737	0.2774	0.2684
SG&A expenses	0.2052	0.2006	0.2149
Operating income or (loss)	0.0685	0.0767	0.0535

[1] The per-pound data are presented rounded to four decimal points because of the closeness of the changes in the data categories.
[2] *** only provided total cost of goods sold, which is included in other factory costs.

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

VI-3

Table VI-4
Variance analysis for SSRW operations, fiscal years 1996-98

Item	1996-98	1996-97	1997-98
	Value (*$1,000*)		
Trade sales:			
Price variance	***	***	***
Volume variance	***	***	***
Trade sales variance	***	***	***
Company transfers:			
Price variance	***	***	***
Volume variance	***	***	***
Transfer variance	***	***	***
Total net sales:			
Price variance	(23,620)	(17,402)	(6,431)
Volume variance	14,311	18,826	(4,302)
Total net sales variance	(9,309)	1,424	(10,733)
Cost of sales:			
Cost variance	22,801	17,967	5,054
Volume variance	(12,650)	(16,641)	3,771
Total cost variance	10,151	1,326	8,825
Gross profit variance	842	2,750	(1,908)
SG&A expenses:			
Expense variance	(1,494)	718	(2,203)
Volume variance	(1,245)	(1,638)	384
Total SG&A variance	(2,739)	(920)	(1,819)
Operating income variance	(1,897)	1,830	(3,727)
Summarized as:			
Price variance	(23,620)	(17,402)	(6,431)
Net cost/expense variance	21,307	18,685	2,851
Net volume variance	416	547	(147)

Note: Unfavorable variances are shown in parentheses; all others are favorable.

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

VI-4

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

Capital expenditures, R&D expenses, and the original cost and book value of property, plant, and equipment used in the production of SSRW are shown in table VI-5. Capital expenditures decreased somewhat each year from 1996 to 1998. R&D expenses decreased in 1997, compared to 1996, and then increased slightly in 1998. The original cost and book value of fixed assets increased each year as a result of capital expenditures.

Table VI-5
Capital expenditures, research and development expenses, and value of assets of U.S. producers of SSRW, fiscal years 1996-98

Item	1996	1997	1998
	Value (*$1,000*)		
Capital expenditures [1]	19,309	17,881	17,511
R&D expenses [2]	1,867	1,746	1,813
Fixed assets: [3]			
Original cost	265,135	277,897	290,743
Book value	117,575	125,114	130,324

[1] Fifteen companies provided data on capital expenditures.
[2] Seven companies provided data on R&D expenses.
[3] Seventeen companies provided data on fixed assets.

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

The producers were requested to identify the source(s) of funds for the investments and expenditures reported above, and to include a discussion of the extent to which their reported R&D expenditures are dependent on parent company approval, and the share of the firm's R&D that is undertaken by the parent company. The responses are included in appendix K.

CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of SSRW from Canada, India, Japan, Korea, Spain, and/or Taiwan on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix L.

VI-5

PART VII: THREAT CONSIDERATIONS

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

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*
>
> *(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
>
> *(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1)*

---

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

VII-1

or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

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

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

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

THE QUESTION OF DUMPING/SUBSIDIES IN THIRD-COUNTRY MARKETS

Information has been received during the course of these investigations that the European Communities are conducting antidumping and countervailing duty[3] investigations concerning stainless steel wire from India and Korea. Antidumping investigations of stainless steel wire from India, having a diameter of 1 mm or more, and from Korea, having a diameter of less than 1 mm; and countervailing duty investigations of stainless steel wire having diameters less than 1 mm and diameters of 1 mm or more, from both India and Korea; were initiated in June 1998 by the Commission of the European Communities. On March 23, 1999, the European Communities imposed provisional (preliminary) anti-dumping and countervailing duties (expressed as a percentage of the c.i.f. Community border price, customs duty unpaid) on those subject products as follows:[4]

---

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

[3] Although section 771(7)(F)(iii) does not require consideration of the effect of countervailing duty measures imposed by other WTO member markets, information on the existence of such measures is being presented in this section to assist the Commission in its consideration of the question of threat of material injury.

[4] *Official Journal of the European Communities*, 24 Mar., 1999, pp. L 79/1-79.

VII-2

Country and company	Antidumping duties		Countervailing duties	
	< 1 mm	≥ 1 mm	< 1 mm	≥ 1 mm
	(percent)			
India:				
Bhansali Bright Bars	(1)	0	(1)	24.4
Devidayal Industries	(1)	2.4	(1)	18.4
Drawnet Wires	(1)	(1)	14.5	(1)
Indore Wire	(1)	25.3	(1)	19.3
Isibars Ltd.	(1)	0	(1)	13.2
Isinox Steels	(1)	(1)	10.1	13.2
Kei Industries	(1)	32.2	0	0
Macro Bars and Wires	(1)	0	25.4	25.4
Mukand Ltd.	(1)	10.1	13.2	13.2
Raajratna	(1)	0	42.9	28.6
Triveni Shinton	(1)	(1)	(1)	0
Venus Wire	(1)	0	35.4	(1)
All others	(1)	55.6	48.9	48.9
Korea:				
Dae Sung Rope Mfg.	0	(1)	0	0
Korea Sangsa	0	(1)	0	0
Korea Welding	0	(1)	0	0
Kowel Special Steel Wire	17.0	(1)	0	0
Myung Jin Co.	(1)	(1)	0	0
SeAH Metal Products	0	(1)	2.4	2.4
Shine Metal	0	(1)	2.7	2.6
All others	17.0	(1)	6.0	6.0

[1] Not applicable.

THE INDUSTRY IN CANADA

The industry in Canada consists of three producers of SSRW: Central Wire, Perth, Ontario; Greening Donald, Orangeville, Ontario; and Indwisco, Markham, Ontario. Central Wire and Greening Donald are the two largest producers of SSRW, jointly accounting for *** percent of Canada's reported production of SSRW during the period. Greening Donald had *** percent of reported home market shipments while Central Wire had *** percent of reported exports to the United States in 1998. Central Wire reported that SSRW accounts for *** percent of its total sales. *** is a wholly-owned firm of Central Wire that produces SSRW in the United States. Central Wire is a producer of high-quality fine soft-annealed wire used mainly in weaving and knitting. In recent years, Central Wire ***.[5] Central Wire added ***.[6] In addition, Central Wire is reportedly ***.[7]

---

[5] ***; postconference brief of Wilkie Farr & Gallagher (for Central Wire), exh. 30, attachment 1.

[6] Greening Donald ***. The company is also a ***; postconference brief of Coudert Brothers, p. 43, and annex 12, p. 3.

[7] Posthearing brief of Willkie Farr & Gallagher (for Central Wire), p. 14, fn. 10. Regarding its *** (Feb., 19, 1999, foreign producer QR, I.6., p. 5). Central Wire further reported that *** (Mar. 1, 1999, supplemental foreign producer QR).

VII-3

Greening Donald reported that SSRW accounts for *** percent of its total sales. In 1996 *** .[8] Greening Donald draws SSRW from rod purchased from ***.[9] Greening Donald produces ***, and other types of wire for the Canadian market.[10] Data provided by the three firms in response to the Commission's foreign producer's questionnaire are presented in table VII-1.

Table VII-1
SSRW: Canada's capacity, production, inventories, capacity utilization, and shipments, 1996-98, and projections for 1999-2000

* * * * * * *

THE INDUSTRY IN INDIA

The SSRW industry in India is comprised of integrated producers and independent wire drawers, both of which serve the domestic and international markets. Mukand is one of the largest stainless steel producers in India, operating at Kalwe the largest electric-arc-furnace-based steelworks in India.[11] Its products include stainless steel wire rod, round bars, bright bars, and wire. Other producers, such as Venus and Raajratna, produce a much more limited range of products, including SSRW and stainless steel bright bars. The domestic market for SSRW depends on the overall health of the Indian economy and the development of an industry-supporting infrastructure. Production of SSRW in India has fluctuated throughout the 1990s as growth and demand have slowed.[12] Because demand in India has slowed, Indian manufacturers of SSRW have been seeking new markets abroad.[13] Data provided by the three firms in response to the Commission's questionnaire are presented in table VII-2.

Table VII-2
SSRW: India's capacity, production, inventories, capacity utilization, and shipments, 1996-98, and projections for 1999-2000

* * * * * * *

---

[8] Greening Donald's foreign producer QR, and CTR, p. 34. In its postconference brief of Greening Donald explained that ***; postconference brief of Coudert Brothers, p. 40.

[9] No firm reportedly produces stainless steel wire rod in Canada. Greening Donald reports that approximately *** percent of the rod it draws in Canada and exports to the United States is of U.S. origin (posthearing brief of Coudert Brothers, annex A). Central Wire reports that approximately *** percent of its SSRW exports to the United States were produced from U.S. stainless steel wire rod (Apr. 12, 1999, supplemental foreign producer QR, attachment).

[10] ***.

[11] Milton Nurse, "Stainless strides ahead," *Metal Bulletin Monthly*, Jan. 1992, p. 49.

[12] D.A. Chandekar, "Indian wire producers feel the pinch," *Metal Bulletin Monthly,* Apr. 1998, p. 41.

[13] CTR, p. 35, and postconference brief of Collier, Shannon, p. 41.

VII-4

THE INDUSTRY IN JAPAN

Daido Stainless Steel Co., Tokyo, Japan; Suzuki Metal Industry Co., Tokyo, Japan; and Asada Corp. (an exporter in Japan) provided data in response to the Commission's foreign producer questionnaire. Nippon Seisen (which reported in the preliminary investigations that it accounted for *** percent and *** percent, respectively, of total Japanese production and exports to the United States of SSRW in 1997), did not provide usable data in response to the Commission's questionnaire during the final phase of these investigations. The firm has previously reported that it exports mainly *** to the United States and that ***.[14] Data regarding SSRW operations in Japan are presented in table VII-3 for the period 1995-97, reflecting the more comprehensive data received during the preliminary phase of these investigations.

Table VII-3
SSRW: Japan's capacity, production, inventories, capacity utilization, and shipments, 1995-97, and projections for 1998-99

* * * * * * *

Daido reported that *** of its sales are SSRW. Daido reportedly accounted for *** percent and *** percent, respectively, of Japanese production and exports to the United States in 1997. Suzuki reported that sales of SSRW account for *** percent of its total sales. Suzuki responded that it accounted for *** percent and *** percent, respectively, of total production of SSRW in Japan and exports to the United States in 1997. The majority of reported other export markets for all three firms were located in the Far East.

Petitioners noted at the conference during the preliminary phase of these investigations that there is cause for concern about product shifting in Japan. Some Japanese SSRW producers (e.g., Daido) are allegedly affiliated with Japanese stainless steel wire rod producers identified during recent Commission investigations on that product.[15] Petitioners argue that due to those antidumping investigations on stainless steel wire rod, many foreign integrated producers have an incentive to export SSRW instead of stainless steel wire rod to avoid the imposition of antidumping duties on rod.[16]

While SSRW production appears to be similar throughout the world, the Japanese producers have established a process that is *** and is ***.[17] The Japanese producers of these special grades assert that there is no U.S. production of these grades, and that ***.[18]

---

[14] See also postconference brief of Collier, Shannon, pp. 38-39.

[15] USITC, *Stainless Steel Wire Rod From Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan,* (Investigations Nos. 701-TA-373 (Final) and 731-TA-769-775 (Final)), USITC publication 3126, Sept. 1998, pp. VII-3-5.

[16] Postconference brief of Collier, Shannon, p. 36.

[17] Postconference brief of Wilkie Farr & Gallagher (for Suzuki and Daido), app. 12, p. 5.

[18] Ibid, p. 15.

THE INDUSTRY IN KOREA

Two firms provided data in response to the Commission's questionnaire, Korea Sangsa and Korea Welding[19] (table VII-4). Korea Sangsa, a privately held business, is the larger of the two, with *** percent of reported SSRW production in 1998.[20] Korea Sangsa reported that SSRW accounts for *** percent of its total sales, with *** percent being production of *** that is produced on the same equipment. Korea Sangsa produces a full line of stainless steel wire products, including spring wire, scrubbing wire, cold-heading wire, weaving wire, and general purpose wire. Korea Sangsa maintains sales office in Korea, Japan, Germany, and the United States to service its customers.[21] ***. Korea Sangsa reported in its questionnaire response that it accounted for *** percent of Korea's aggregate SSRW production and *** percent of Korea's exports to the United States in 1997. ***. Korean capacity utilization *** throughout 1996-97, but ***.

Table VII-4
SSRW: Korea's capacity, production, inventories, capacity utilization, and shipments, 1996-98, and projections for 1999-2000

* * * * * * *

Petitioners argue that the potential for product shifting exists in Korea as integrated producers shift to production and sales of SSRW to circumvent any dumping duties on rod.[22] Counsel for respondents argues that there is very little unused capacity in Korea with which to increase production of SSRW and that the United States is not and has not been Korea's primary market for its sales of SSRW.[23]

THE INDUSTRY IN SPAIN

Spain's SSRW industry is comprised of two producers, Inoxfil, Igualada, Spain,[24] and Sandvik Espanola, Barcelona, Spain.[25] Inoxfil primarily produces wire in grades 304 and 316 and Sandvik Espanola primarily produces spring and welding wire.[26] Inoxfil is the only Spanish producer of SSRW that responded to the Commission's questionnaire (table VII-5). Inoxfil reported that SSRW ***.

---

[19] Korea Welding is a producer of a complete line of welding consumables and maintains sales office in Korea, Japan, and Malaysia.

[20] Korea Sangsa is also one of the largest producers of SSRW in the world; postconference brief of Powell, Goldstein, pp. 3-4.

[21] Ibid, p. 4.

[22] Postconference brief of Collier, Shannon, p. 42. Counsel for respondents argues that the machinery used to produce SSRW in Korea is ***; postconference brief of Powell, Goldstein, p. 17.

[23] Posthearing brief of Powell, Goldstein, p. 2.

[24] Inoxfil is a subsidiary of Roldan, which is the only known producer of stainless steel wire rod in Spain.

[25] Reportedly, the Sandvik Group, a Swedish steelmaking enterprise, produces wire in Sweden, the United States, South America, and Spain. ***.

[26] Petition, p. 75.

VII-6

Acerinox is its affiliated U.S. importer of SSRW.[27] Reportedly, Inoxfil accounted for *** percent of Spain's SSRW production and *** percent of Spain's exports to the United States in 1998. Over *** percent of its shipments are to other markets in ***. Capacity utilization was *** percent throughout the period, despite ***. Production of SSRW *** between 1996 and 1998, as did end-of-period inventories.

Table VII-5
SSRW: Spain's capacity, production, inventories, capacity utilization, and shipments, 1996-98, and projections for 1999-2000

* * * * * * *

According to petitioners, however, Spanish producers of SSRW are operating at low capacity utilization rates. These low rates, coupled with the potential for product shifting, could have a negative impact on U.S. producers of SSRW.[28]

The Commission's questionnaires in these final investigations inquired as to whether foreign producers had plans to add, expand, curtail, or shut down production capacity and/or production of SSRW in Spain. Inoxfil reported the following:[29] "***."

THE INDUSTRY IN TAIWAN

The petition listed eight firms in Taiwan that produced and exported SSRW to the United States during the period of investigation. Rodex, Yieh Mau, and Yuen Neng accounted for about 85 percent of the exports to the United States.[30] According to the petition, Rodex plans to increase its capacity from 6,614 tons per year to 7,937 tons per year during 1998. In addition, it is developing spring wire production technology that will lead to commercial production of spring wire sometime during 1998.[31] Yuen Neng plans to double its capacity from 794 tons per year to 1,587 tons per year. It plans to widen its product offering to fine wire, with a recent investment in a bright annealing furnace. Petitioners allege that these expansions in capacity and the financial crisis in Taiwan, with the dramatic devaluation of the Taiwan dollar, are likely to encourage Taiwan's producers to export their SSRW to the United States. In addition, there is the possibility of product shifting from exports of rod to exports of SSRW. In its postconference brief, counsel for Kuang Tai, Tien Tai, and Richsteel cited a recent article in the Wall Street Journal that Taiwan's economy grew 6 percent in the first quarter of 1998, while exports fell from the first quarter of 1997. Demand for SSRW in Taiwan is expected to remain strong.[32]

During the final phase of these investigations, the Commission did not receive responses to its foreign producers' questionnaire from Richsteel, Yieh Mau, Yuen Neng, and Yung Ho Iron. Counsel for Richsteel and Yieh Mau has reported that ***. Richsteel, Yuen Neng, and Yung Ho did respond to the

---

[27] ***.

[28] CTR, p. 36.

[29] Feb. 24, 1999, foreign producer QR, I.6., p. 5.

[30] Petition, p. 76.

[31] Rodex also produces stainless steel screws (a downstream product).

[32] Postconference brief of White & Case, p. 7.

VII-7

Commission's questionnaire during the preliminary phase of these investigations. Data for the manufacturers/exporters in Taiwan responding to the Commission's questionnaires are presented in table VII-6. Capacity to produce SSRW increased by *** percent during 1996-98 while SSRW production increased by *** percent during the period. Capacity utilization increased throughout the period. End-of-period inventories increased by *** percent during 1996-98, while home market shipments increased by *** percent, exports to the United States increased by *** percent, and exports to other markets increased by *** percent.

Table VII-6
SSRW: Taiwan's capacity, production, inventories, capacity utilization, and shipments, 1996-98, and projections for 1999-2000

* * * * * * *

U.S. INVENTORIES OF SSRW FROM CANADA, INDIA, JAPAN, KOREA, SPAIN, AND TAIWAN

Of the 46 firms that reported imports of SSRW, 10 reported having end-of-period inventories of product from the subject countries during all or part of the period examined (table VII-7).

Table VII-7
SSRW: End-of-period inventories of U.S. importers, by sources, 1996-98

* * * * * * *

APPENDIX A

FEDERAL REGISTER NOTICES

A-1

A-2

constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.* Based upon the comparison of the prices from the petition for the representative foreign like products to its adjusted costs of production, in accordance with section 773(b)(2)(A)(i) of the Act, we find the existence of "reasonable grounds to believe or suspect" that sales of these foreign like products in Taiwan were made below their respective COP's. Accordingly, the Department is initiating the requested country-wide cost investigation.

Initiation of Antidumping Investigation

We have examined the petition on DRAMs from Taiwan and have found that it meets the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair value. Therefore, we are initiating an antidumping duty investigation to determine whether imports of DRAMs from Taiwan are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determination by April 1, 1999.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the authorities of Taiwan. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition (as appropriate).

ITC Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine by December 7, 1998, whether there is a reasonable indication that imports of DRAMs from Taiwan are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination in the investigation will result in this investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 771 (i) of the Act.

Dated: November 12, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98-30855 Filed 11-17-98; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-814]

Pure Magnesium From Canada; Notice of Extension of Time Limit for Administrative Review

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

ACTION: Notice of extension of time limit.

SUMMARY: The Department of Commerce is extending the time limit for the final results of the fifth review of the antidumping duty order on pure magnesium from Canada. The period of review is August 1, 1996 through July 31, 1997. This extension is made pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act.

EFFECTIVE DATE: November 18, 1998.

FOR FURTHER INFORMATION CONTACT: Zak Smith, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington DC 20230; telephone (202) 482-0189.

SUPPLEMENTARY INFORMATION: Because it is not practicable to complete this review within the time limit mandated by section 751(a)(3)(A) of the Tariff Act of 1930, as amended (*i.e.*, November 9, 1998), the Department of Commerce ("the Department") is extending the time limit for completion of the final results to not later than March 8, 1999. *See* November 2, 1998 Memorandum from Deputy Assistant Secretary for AD/CVD Enforcement Richard W. Moreland to Assistant Secretary for Import Administration Robert LaRussa on file in the public file of the Central Records Unit, B-099 of the Department.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675 (a)(1)) and 19 CFR 351.213(h)(2).

Dated: November 4, 1998.

Susan Kuhbach,

Acting Deputy Assistant Secretary for AD/CVD Enforcement.

[FR Doc. 98-30854 Filed 11-17-98; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-829, A-533-814, A-588-844, A-580-830, A-469-808, A-583-829]

Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea

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

EFFECTIVE DATE: November 18, 1998.

FOR FURTHER INFORMATION CONTACT: Thomas Schauer (Canada, Spain) at (202) 482-4852; Diane Krawczun (India) at (202) 482-0198; Jarrod Goldfeder (Japan), at (202) 482-1784; or Gabriel Adler (the Republic of Korea, Taiwan) at (202) 482-1442, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR part 351 (April 1998).

Preliminary Determinations

We preliminarily determine that stainless steel round wire from Canada, India, Japan, Spain, and Taiwan is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. We also preliminarily determine that stainless steel round wire from the Republic of Korea (Korea) is not being sold, or is not likely to be sold, in the United States at less than fair value. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

These investigations were initiated on May 6, 1998. *See Initiation of Antidumping Duty Investigations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan,* 63 FR 26150

(May 12, 1998) (*Initiation Notice*). Since the initiation of the investigations, the following events have occurred:

On May 19, 1998, the Department invited interested parties to submit comments regarding model matching.

On June 5, 1998, the United States International Trade Commission (the ITC) preliminarily determined that there is a reasonable indication that imports of the products under these investigations are materially injuring the United States industry.

On June 12, 1998, the Department selected the following companies as respondents in these investigations: Central Wire Industries Ltd. (Central Wire) and Greening Donald Co. Ltd. (Greening Donald) in the Canada proceeding; Raajratna Metal Industries Limited (Raajratna) in the India proceeding; Suzuki Metal Industries Co., Ltd. (Suzuki) and Nippon Seisen Co., Ltd. (Nippon Seisen), in the Japan proceeding; Korea Sangsa in the Korea proceeding; Inoxfil S.A. in the Spain proceeding; and Tien Tai and Rodex in the Taiwan proceeding (collectively "respondents"). *See Selection of Respondents*, below. On June 15, 1998, the Department issued an antidumping questionnaire to each of the selected respondents.

The respondents submitted their initial responses to that questionnaire in July and August 1998. After analyzing these responses, we issued supplemental questionnaires to the respondents to clarify or correct the initial questionnaire responses. We also determined to treat Tien Tai and its affiliated producer Kuang Tai Metal Industrial Co., Ltd. (Kuang Tai), as a single entity (*i.e.*, to collapse the two producers) for purposes of the investigation of wire from Taiwan. *See* Memorandum to Richard W. Moreland, dated August 11, 1998. In addition, we determined to collapse Korea Sangsa with its affiliated producer Korea Welding Electrode Co., Ltd. (Koweld). *See* Memorandum to Richard W. Moreland, dated September 24, 1998. The Department required that both Tien Tai and Korea Sangsa resubmit their questionnaire responses, consolidating their sales and cost data with that of their respective affiliated parties.[1]

On August 24, 1998, the petitioners filed a timely request for a 50-day postponement of the preliminary determinations. We granted the request. *See Notice of Postponement of Preliminary Antidumping Determinations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan*, 63 FR 46999 (September 3, 1998).

Postponement of Final Determinations and Extension of Provisional Measures

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise or, if in the event of a negative preliminary determination, a request for such postponement is made by the petitioners. The Department's regulations, at 19 CFR 351.210(e)(2), require that requests by respondents for postponement of a final determination be accompanied by a request for extension of provisional measures from a four-month period to not more than six months.

We received requests from respondents for postponement of the final determinations in the Canada, India, Japan, Korea, Spain and Taiwan investigations. In their requests for an extension of the deadline for the final determinations, the respondents consented to the extension of provisional measures to no longer than six months. Because the preliminary determinations with respect to the Canada, India, Japan, Spain, and Taiwan investigations are affirmative, the respondents filing the requests account for a significant proportion of exports of the subject merchandise in their respective cases, and there is no compelling reason to deny the respondents' requests, we have extended the deadline for issuance of the final determinations for these cases until the 135th day after the date of publication of these preliminary determinations in the **Federal Register**.

We also received a request from the petitioners for a postponement of the final determination in the Korea investigation. Because the preliminary determination with respect to that investigation is negative and there is no compelling reason to deny the petitioners' request, we have extended the deadline for issuance of the final determination for this case until the 135th day after the date of publication of this preliminary determination in the **Federal Register**.

Period of Investigations

The period of the investigations (POI) is January 1, 1997 through December 31, 1997. This period corresponds to each respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

Scope of Investigation

The scope of these investigations covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to these investigations is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

On June 1, 1998, two Canadian producers of SSRW, Greening Donald and Central Wire, submitted comments on the scope of the investigation of stainless steel round wire from Canada in response to our solicitation of such comments in the Initiation Notice. These respondents argued in their submission that, because the stainless steel wire rod input used in producing the SSRW is not produced in Canada and because cold-drawing does not constitute "substantial transformation" of the wire rod, the SSRW is not "from Canada" and should not be the subject of an antidumping investigation. On June 5, 1998, the petitioners submitted rebuttal comments to the Canadian producers' argument. We have analyzed the two Canadian producers' comments and concluded that the product in question is within the scope of this investigation. *See* Memorandum to Richard W. Moreland, dated November 12, 1998, for a full discussion and analysis of this issue.

Selection of Respondents

Section 777A(c)(1) of the Act directs the Department to calculate individual dumping margins for each known exporter and producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department discretion, when faced with a large number of exporters/producers, to limit its examination to a reasonable number of such companies if it is not

[1] Unless otherwise specified, any references below to Tien Tai or Korea Sangsa should be understood to refer to the collapsed entities of Tien Tai/Kuang Tai and Korea Sangsa/Koweld, respectively.

practicable to examine all companies. Where it is not practicable to examine all known producers/exporters of subject merchandise, this provision permits the Department to investigate either: (1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or (2) exporters and producers accounting for the largest volume of the subject merchandise that can reasonably be examined.

After consideration of the complexities expected to arise in these proceedings (including issues of model matching) and the resources available to the Department, we determined that it was not practicable in these investigations to examine all known producers/exporters of subject merchandise. Instead, we found that, given our resources, we would be able to investigate the nine producers/exporters with the greatest export volume, as identified above. These companies accounted more than 50 percent of all known exports of the subject merchandise during the POI from their respective countries. For a more detailed discussion of respondent selection in these investigations, see Respondent Selection Memorandum dated June 12, 1998.

Facts Available

Suzuki (Japan), Nippon Seisen (Japan), and Inoxfil (Spain) failed to respond to our questionnaire. Section 776(a)(2) of the Act provides that, if an interested party (A) withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested subject to section 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding under the antidumping statute; or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination. Because these firms failed to respond to our questionnaire and because the relevant subsections of section 782 of the Act do not apply, we must use facts otherwise available to calculate the dumping margins for these companies.

Section 776(b) of the Act provides that adverse inferences may be used against a party that has failed to cooperate by not acting to the best of its ability to comply with the Department's requests for information. *See also* Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, Vol.1, 103d Cong., 2d Sess. 870 (1994) (SAA). The lack of response by Suzuki, Nippon Seisen, and Inoxfil to the Department's antidumping questionnaire constitutes a failure by these respondents to act to the best of their ability to comply with a request for information, within the meaning of section 776 of the Act. Thus, the Department has determined that, in selecting among the facts otherwise available, an adverse inference is warranted.

Because we were unable to calculate margins for the respondents in the Japan or Spain investigations, we assigned these respondents the highest margins in the respective petitions (recalculated by the Department, as appropriate). This approach is consistent with Department practice. *See Notice of Preliminary Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Germany*, 63 FR 10847 (March 5, 1998). The highest petition margins are 29.56 percent in the Japan investigation, and 35.80 percent in the Spain investigation.[2]

Section 776(b) states that an adverse inference may include reliance on information derived from the petition or any other information placed on the record. See also SAA at 829–831. Section 776(c) of the Act provides that, when the Department relies on secondary information (such as the petition) in using the facts otherwise available, it must, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.

During our pre-initiation analysis of the petition, we reviewed the adequacy and accuracy of the secondary information in the petition from which the margins were calculated, to the extent that appropriate information was available for this purpose. *See Initiation Notice* at 26151. However, with respect to certain data included in the margin calculations included in the petition (*e.g.*, gross U.S. and home market unit prices), the Department was provided no information by the respondents or other interested parties, and is aware of no other independent sources of information, that would enable it to further corroborate the remaining components of the margin calculation in the petition. The implementing regulation to section 776 of the Act, at 19 CFR 351.308(c), states "[t]he fact that corroboration may not be practicable in a given circumstance will not prevent the Secretary from applying an adverse inference as appropriate and using the secondary information in question." Additionally, we note that the SAA at 870 specifically states that, where "corroboration may not be practicable in a given circumstance", the Department may nevertheless apply an adverse inference. We note further that the Department has used as the facts available margins developed in the petition that are based in part on foreign market research in other cases. *See, e.g., Stainless Steel Wire Rod From Germany*, and *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Melamine Institutional Dinnerware Products From Indonesia*, 61 FR 43333 (August 22, 1996). Finally, we note that the margins calculated for respondents in the other round wire investigations are in many instances of the same order of magnitude as the margins in the corresponding petitions, suggesting that the information contained in the round wire petitions is generally reliable.

Product Comparisons

We have relied on five criteria to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product: grade, thickness, tensile strength, coating, and surface finish. A detailed description of the matching criteria, as well as our matching methodology, is contained in the Preliminary Determination Memorandum, dated November 12, 1998 (Preliminary Determination Memorandum).

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Canada, India, the Republic of Korea, and Taiwan[3] were made in the United States at less than fair value, we compared the export price (EP) or constructed export

[2] We note that, at the time of initiation, we did not accept the U.S. and home market packing data set forth in the petition with respect to the Japan case, and we revised the dumping margins in that petition so as to not reflect any adjustment for packing. In reviewing the petition margin calculations for the preliminary determination in the Japan case, we noted that the denominator for the margins was erroneously based on home market price, rather than U.S. price. We have revised the margins accordingly. *See* memorandum from Jarrod Goldfeder to the file, dated November 12, 1998.

With respect to the Spain investigation, we note that, at the time of initiation, we revised petition margins based on price-to-price comparisons because the petitioners had not provided sufficient support for the home market freight figures used in their calculations. We made no additional revisions to the petition margins in reviewing those calculations for the preliminary determination in the Spanish case.

[3] As stated above, because the respondents in the Japan and Spain proceedings did not respond to our requests for information, we based the margins for these respondents on total adverse facts available. *See Facts Available* above. Thus, the discussion of price adjustments in this section does not apply to the respondents in those proceedings.

price (CEP) to the normal value, as described in the *Export Price and Constructed Export Price* and *Normal Value* sections of this notice. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs and CEPs for comparison to weighted-average normal values.

Export Price and Constructed Export Price

In accordance with section 772 of the Act, we calculated either an EP or a CEP, depending on the nature of each sale. Section 772(a) of the Act defines EP as the price at which the subject merchandise is first sold before the date of importation by the exporter or producer outside the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States. Section 772(b) of the Act defines CEP as the price at which the subject merchandise is first sold in the United States before or after the date of importation, by or for the account of the producer or exporter of the merchandise or by a seller affiliated with the producer or exporter, to an unaffiliated purchaser, as adjusted under sections 772(c) and (d) of the Act.

Consistent with these definitions, we have found that Central Wire, Greening Donald, Raajratna, Korea Sangsa, Rodex, and Tien Tai made EP sales during the POI. These sales are properly classified as EP sales because they were made by the exporter or producer outside the United States to unaffiliated customers in the United States prior to the date of importation.

We also found that Central Wire and Korea Sangsa made CEP sales during the POI because they made sales through an affiliated reseller in the United States after the date of importation.

For all respondents, we calculated EP and CEP, as appropriate, based on packed prices charged to the first unaffiliated customer in the United States. (Where sales were made through consignment sellers, we did not consider the consignment seller to be the customer; rather, the relevant customer was the consignment seller's customer.) For all respondents except Rodex, we based the date of sale on the date of the invoice issued to the U.S. customer. For Rodex, we based the date of sale on the date of Rodex's sales confirmation to its U.S. customer, because the terms of U.S. sales were firmly set on this date.

In accordance with section 772(c)(2) of the Act, we reduced the EP and CEP by movement expenses and export taxes and duties, where appropriate. Section 772(d)(1) of the Act provides for additional adjustments to the CEP. Generally, where sales were made through an unaffiliated consignment seller for the account of the exporter, we deducted commissions from the CEP. Where sales were made through an affiliated reseller, we deducted direct and indirect selling expenses that related to commercial activity in the United States, *in lieu* of the commission paid to the affiliated reseller.

Section 772(d)(3) of the Act requires that the CEP be adjusted for the profit allocated to the selling expenses of a producer/exporter's affiliated reseller. For Central Wire and Korea Sangsa, which made sales through affiliated resellers, we calculated a CEP-profit ratio following the methodology set forth in section 772(f) of the Act.

We made company-specific adjustments as follows:

Central Wire (Canada)

We based EP and CEP on delivered and FOB prices to unaffiliated customers in the United States. For both EP and CEP sales, we made deductions from the starting price, where appropriate, for movement expenses, including foreign inland freight from the factory to the customer or to the U.S. affiliate, U.S. brokerage and handling fees, and Customs duties. We also made deductions for post-sale price adjustments corresponding to claims and billing errors.

In addition, for CEP sales, we made deductions for U.S. inland freight to the customer, imputed credit, commissions, indirect selling expenses and inventory carrying costs associated with commercial activity in the United States, U.S. repacking costs, and the cost of further processing the merchandise in the United States.

Greening Donald (Canada)

We based EP sales on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from factory to the customer, Customs duties, and U.S. brokerage and handling fees. We also increased the starting price by the amount of reported freight revenue.

Raajratna (India)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance. Although Raajratna reported duty drawback for its U.S. sales, we did not make an addition to EP for duty drawback because Raajratna failed to meet our two-pronged test for making such an adjustment.[4] *See* Raajratna Analysis Memorandum, dated November 12, 1998, for a full discussion of this issue.

Korea Sangsa (Korea)

We based EP and CEP on delivered and FOB prices to unaffiliated customers in the United States. For both EP and CEP sales, we made deductions from the starting price, where appropriate, for movement expenses including foreign brokerage and inland freight from the factory to the foreign port, and international freight. We also made adjustments for billing errors and early payment discounts, and we increased the starting price by the amount of duty drawback because it met our two-pronged test described above.

In addition, for CEP sales, we made deductions for U.S. movement expenses, including U.S. inland freight to the customer, U.S. warehousing, U.S. brokerage and handling fees, and Customs duties. We also made deductions for direct and indirect selling expenses associated with commercial activity in the United States, including imputed credit, warranty expenses, miscellaneous other direct selling expenses (such as bank charges), indirect selling expenses, and inventory carrying costs.

Rodex (Taiwan)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance. We also increased the starting price by the amount of duty drawback because it met our two-pronged test described above.

[4] Section 772(c)(1)(B) of the Act provides for an upward adjustment to U.S. price for duty drawback on import duties which have been rebated (or which have not been collected) by reason of the exportation of the subject merchandise to the United States. The Department applies a two-pronged test to determine whether a respondent has fulfilled the statutory requirements for a duty drawback adjustment. *See Steel Wire Rope from the Republic of Korea; Final Results of Antidumping Duty Administrative Review*, 61 FR 55965, 55968 (October 30, 1996). In accordance with this test, the Department grants a duty drawback adjustment if it finds that:

(1) import duties and rebates are directly linked to and are dependent upon one another, and

(2) the company claiming the adjustment can demonstrate that there are sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product.

Tien Tai (Taiwan)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance.

Normal Value

A. Selection of Comparison Markets

Section 773(a)(1) of the Act directs that normal value be based on the price at which the foreign like product is sold in the home market, provided that the merchandise is sold in sufficient quantities (or value, if quantity is inappropriate) and that there is no particular market situation that prevents a proper comparison with the EP or CEP. The statute contemplates that quantities (or value) will normally be considered insufficient if they are less than five percent of the aggregate quantity (or value) of sales of the subject merchandise to the United States.

All respondents had viable home markets of stainless steel round wire, and they reported home market sales data for purposes of the calculation of normal value. Although Raajratna reported its home market sales, it claimed that normal value should be based on third-country sales because, according to Raajratna, the merchandise sold to the United States is more similar to merchandise sold to third countries rather than merchandise sold in the home market. We disagreed with Raajratna because the merchandise sold in the home market provided an adequate basis for comparison, and, as discussed above, the Act directs us to base normal value on home market sales when possible. Therefore, we based normal value for Raajratna on home market sales. *See* Preliminary Determination Memorandum at 5.

Adjustments we made in deriving the normal values for each company are described in detail in *Calculation of Normal Value Based on Home-Market Prices* and *Calculation of Normal Value Based on Constructed Value,* below.

B. Cost of Production Analysis

Based on allegations contained in the petitions, and in accordance with section 773(b)(2)(A)(i) of the Act, we found reasonable grounds to believe or suspect that sales of stainless steel round wire made in Canada, India, the Republic of Korea, and Taiwan were made at prices below the cost of production (COP). *See Initiation Notice,* 63 FR at 26150, and Memorandum to Richard Moreland, dated May 6, 1998 (*Initiation Checklist*) at 7–14. As a result, the Department has conducted investigations to determine whether the respondents made sales in their respective home markets at prices below their respective COPs during the POI within the meaning of section 773(b) of the Act. We conducted the COP analysis described below.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP for stainless steel round wire, based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for the home-market general and administrative (G&A) expenses and packing costs. We relied on the COP data submitted by each respondent in its cost questionnaire response, except, as discussed below, in specific instances where the submitted costs were not appropriately quantified or valued.

Greening Donald

We disallowed certain offsets Greening Donald had made to its reported variable overhead expenses. We revised Greening Donald's fixed overhead expense to be on the same basis as its reported direct materials and variable overhead expenses. *See* Greening Donald Preliminary Determination Analysis Memorandum, dated November 12, 1998, for a more complete description of these changes.

Korea Sangsa

We revised the reported G&A by excluding dividend income, rental income, other miscellaneous income, and certain foreign exchange gains and losses. We also revised the reported net financing expense ratio to include net foreign exchange losses related to cash and borrowing.

Rodex

We increased Rodex's reported direct material costs (which are comprised exclusively of purchases of wire rod) to account for net foreign exchange losses during the POI. We made two adjustments to overhead costs: we increased Rodex's reported direct labor and fixed and variable overhead costs to account for a year-end auditor's adjustment, and we reclassified certain costs reported as variable overhead to fixed overhead, consistent with our examination of these costs at verification. We also increased the average per-kg. packing cost to account for an overstatement in the denominator (total weight of packed merchandise) used in the calculation of those costs.

Tien Tai

During the POI, respondent Kuang Tai (the collapsed affiliate of Tien Tai) became affiliated by virtue of stock ownership with a supplier of a major input in the production of round wire (*i.e.,* wire rod). In calculating cost of production, the respondent relied on the transfer price of the major input for all POI purchases. For purchases of wire rod from this supplier after the date on which Kuang Tai became an affiliate, we applied the major-input rule set forth in section 773(f)(3) of the Act and 19 CFR 351.407(b), and we relied on the greater of cost of production, transfer price, or market value.

In addition, we increased Tien Tai's reported G&A ratio to account for stock bonuses to employees.

2. Test of Home-Market Sales Prices

We compared the adjusted weighted-average COP for each respondent to the home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether these sales had been made at prices below the COP within an extended period of time (*i.e.,* a period of one year) in substantial quantities [5] and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time.

On a model-specific basis, we compared the revised COP to the home market prices, less any applicable movement charges, taxes, rebates, commissions and other direct and indirect selling expenses.

3. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product during the POI were at prices less than the COP, we determined such sales to have been made in "substantial quantities" within an extended period of time in accordance with section 773(b)(2)(B) or the Act. In such cases, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

[5] In accordance with section 773(b)(2)(C)(i) of the Act, we determined that sales made below the COP were made in substantial quantities if the volume of such sales represented 20 percent or more of the volume of sales under consideration for the determination of normal value.

Therefore, we disregarded the below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product.

We found that, for certain models of SSRW, more than 20 percent of the home-market sales of Central Wire, Greening Donald, Raajratna, Korea Sangsa, Tien Tai, and Rodex were made within an extended period of time at prices less than the COP. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act. For those U.S. sales of SSRW for which there were no comparable home-market sales in the ordinary course of trade, we compared EPs or CEPs to CV in accordance with section 773(a)(4) of the Act. *See Calculation of Normal Value Based on Constructed Value,* below.

C. Calculation of Normal Value Based on Home-Market Prices

We performed price-to-price comparisons where there were sales of comparable merchandise in the home market that did not fail the cost test.

Central Wire

We calculated normal value based on delivered or FOB prices and made deductions from the starting price, where appropriate, for movement expenses including inland freight and insurance. We also adjusted the starting price for claims and billing errors. In addition, we made circumstance-of-sale (COS) adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Central Wire claimed that a number of its sales were outside the ordinary course of trade and therefore not an appropriate basis for normal value. We examined Central Wire's claims and agreed that some of the home market sales were outside the ordinary course of trade. We therefore excluded these sales from our analysis. A full discussion of this issue requires reference to business-proprietary information; *see* Central Wire Preliminary Analysis Memorandum, dated November 12, 1998.

As discussed in the *Level of Trade/ CEP Offset* section of this notice below, we preliminarily determined that it was appropriate to make a CEP offset to normal value.

In a letter dated October 27, 1998, Central Wire argued that the Department should treat "quantity bands" as a matching criterion and, when comparing sales involving non-identical quantity bands, make a quantity adjustment. This proposal for an entirely new model-match criterion and quantity adjustment came too late in our preparations for these preliminary determinations. We may consider Central Wire's proposal in preparing our final determinations in these investigations.

Greening Donald

We calculated normal value based on delivered or FOB prices and made deductions from the starting price, where appropriate, for movement expenses including freight and freight revenue. We also adjusted the starting price for claims and billing errors. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Greening Donald claimed that a number of its sales were outside the ordinary course of trade and therefore not an appropriate basis for normal value. We examined Greening Donald's claims and agreed that certain home market sales were outside the ordinary course of trade. We therefore excluded these sales from our analysis. A full discussion of this issue requires reference to business-proprietary information; *see* Greening Donald Preliminary Analysis Memorandum, dated November 12, 1998.

Raajratna

We calculated normal value based on delivered, FOB or ex-factory prices and made deductions from the starting price, where appropriate, for inland freight. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These expenses included credit-insurance expenses and imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Korea Sangsa

We calculated normal value based on delivered or FOB prices, and we made deductions from the starting price, where appropriate, for movement expenses including inland freight and insurance. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included bank charges, processing fees, and imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

As discussed in the *Level of Trade/ CEP Offset* section of this notice below, we preliminarily determined that it was appropriate to make a CEP offset to normal value.

Rodex

We calculated normal value based on delivered prices. We made deductions from the starting price, where appropriate, for movement expenses including inland freight. We also adjusted the starting price for claims and billing errors. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit, bank charge, and warranty expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Tien Tai

We calculated normal value based on delivered and FOB prices. We made deductions from the starting price, where appropriate, for movement expenses including inland freight and warehousing. We also adjusted the starting price for early payment discounts. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

D. Calculation of Normal Value Based on Constructed Value

Section 773(a)(4) of the Act provides that, where normal value cannot be based on comparison-market sales, normal value may be based on constructed value. Accordingly, for those models of SSRW for which we could not determine the normal value based on comparison-market sales, either because there were no sales of a comparable product or all sales of the comparison products failed the COP test, we based normal value on constructed value.

Section 773(e)(1) of the Act provides that constructed value shall be based on the sum of the cost of materials and fabrication for the imported merchandise plus amounts for selling,

general, and administrative expenses (SG&A), profit, and U.S. packing costs. With the exception of Raajratna, we calculated the cost of materials and fabrication based on the methodology described in the *Calculation of COP* section of this notice, above. We based SG&A and profit for every respondent on the actual amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in the comparison market, in accordance with section 773(e)(2)(A) of the Act.

Raajratna's direct materials costs reported on its constructed-value database did not correspond with its supporting documents included in Raajratna's response. Therefore, we revised Raajratna's reported direct materials costs for constructed value to agree with its supporting documentation. As a result, we also revised the cost of manufacture, general and administrative expenses, and interest expenses accordingly. These revisions are described in further detail in Raajratna's Preliminary Analysis Memorandum, dated November 12, 1998.

In addition, for each respondent we used U.S. packing costs as described in the *Export Price and Constructed Export Price* section of this notice, above.

We made adjustments to constructed value for differences in COS in accordance with section 773(a)(8) of the Act and 19 CFR 351.410. For comparisons to EP, we made COS adjustments by deducting direct selling expenses incurred on home market sales from and adding U.S. direct selling expenses to constructed value. For comparisons to CEP, we made COS adjustments by deducting direct selling expenses incurred on home market sales from constructed value.

Level of Trade/CEP Offset

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine normal value based on sales in the comparison market at the same level of trade as the EP or CEP transaction. The normal-value level of trade is that of the starting-price sales in the comparison market or, when normal value is based on constructed value, that of the sales from which we derive SG&A expenses and profit. For EP, the U.S. level of trade is also the level of the starting-price sale, which is usually from exporter to importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether normal-value sales are at a different level of trade than EP or CEP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which normal value is based and comparison-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act. For CEP sales, if the normal-value level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between normal value and CEP affects price comparability, we adjust normal value under section 773(a)(7)(B) of the Act (the CEP-offset provision). *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

In implementing these principles in these investigations, we obtained information from each respondent about the marketing stages involved in the reported U.S. and home market sales, including a description of the selling activities performed by the respondents for each channel of distribution. In identifying levels of trade for EP and home market sales we considered the selling functions reflected in the starting price before any adjustments. For CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

With respect to each respondent's EP sales, in these investigations we found a single level of trade in the United States, and a single, identical level of trade in the home market. It was thus unnecessary to make any level-of-trade adjustment for comparison of EP and home market prices. Two respondents, Central Wire and Korea Sangsa, also made CEP sales. For Central Wire, we found that (1) the adjusted CEP level of trade was significantly less advanced than the single home market level of trade, (2) a level-of-trade adjustment could not be quantified, and (3) a CEP offset was appropriate. For Korea Sangsa, we found that the adjusted CEP level of trade was essentially the same as that of the single home market level of trade, such that no level-of-trade adjustment or CEP offset was necessary. For a detailed level-of-trade analysis with respect to each respondent, *see* Preliminary Determination Memorandum, dated November 12, 1998.

Currency Conversions

We made currency conversions in accordance with section 773A of the Act. The Department's preferred source for daily exchange rates is the Federal Reserve Bank.

Section 773A(a) of the Act directs the Department to use a daily exchange rate in order to convert foreign currencies into U.S. dollars unless the daily rate involves a fluctuation. It is the Department's practice to find that a fluctuation exists when the daily exchange rate differs from the benchmark rate by 2.25 percent. The benchmark is defined as the moving average of rates for the past 40 business days. When we determine a fluctuation to have existed, we generally substitute the benchmark rate for the daily rate, in accordance with established practice. (An exception to this rule is described below.) Further, section 773A(b) of the Act directs the Department to allow a 60-day adjustment period when a currency has undergone a sustained movement. A sustained movement is deemed to occur when the weekly average of actual daily rates exceeds the weekly average of benchmark rates by more than five percent for eight consecutive weeks. (For an explanation of this method, *see* Policy Bulletin 96–1: Currency Conversions (61 FR 9434, March 8, 1996).) Such an adjustment period is required only when a foreign currency is appreciating against the U.S. dollar. Since the Korean won did not appreciate against the U.S. dollar in a sustained manner during the POI, no such adjustment period was required.

Our preliminary analysis of Federal Reserve U.S. dollar-Korean won exchange rate data shows that the won declined rapidly at the end of 1997, losing over 40% of its value between the beginning of November and the end of December. The decline was, in both speed and magnitude, many times more severe than any change in the dollar-won exchange rate during the previous eight years. Had the won rebounded quickly enough to recover all or almost all of the initial loss, the Department might have considered the won's decline at the end of 1997 as nothing more than a sudden but only momentary drop, despite the magnitude of that drop. As it was, however, there was no significant rebound. Therefore, we have preliminarily determined that the decline in the won at the end of 1997 was so precipitous and large that the dollar-won exchange rate cannot reasonably be viewed as having simply fluctuated during this time, *i.e.*, as having experienced only a momentary drop in value. Therefore, in making this

preliminary determination, the Department used daily rates exclusively for currency-conversion purposes for home market sales matched to U.S. sales occurring between November 1, 1997, and December 31, 1997.

The Department welcomes comments from interested parties on all aspects of the above methodology. For the purposes of the final determination, we will also analyze the implications, if any, of the decline in the won during 1997 for price averaging and whether multiple averages are warranted. The Department is also considering this issue in the LTFV investigation on *Mushrooms from Indonesia. See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Preserved Mushrooms from Indonesia,* 63 FR 41783 (August 5, 1998).

Verification

In accordance with section 782(i) of the Act, we intend to verify all information relied upon in making our final determinations.[6]

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to suspend liquidation of all entries of stainless steel round wire from Canada, India, Japan, Spain, and Taiwan, except for subject merchandise produced and exported by Tien Tai (which has a *de minimis* weighted-average margin), that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We are also instructing the Customs Service to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP or CEP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice.

The weighted-average dumping margins are provided below. We note that, while the margin for Korea Sangsa is included in this list, that margin is *de minimis*, and we are not suspending liquidation of entries of stainless steel round wire from Korea:

Exporter/Manufacturer	Weighted-average margin percentage
Canada:	
Central Wire	11.89
Greening Donald	5.30
All Others	10.23
India:	
Raajratna	18.97
All Others	18.97
Japan:	
Nippon Seisen	29.56
Suzuki	29.56
All Others	15.20
Korea:	
Korea Sangsa	[1] 1.33
All Others	0.00
Spain:	
Inoxfil	35.80
All Others	24.40
Taiwan:	
Rodex	3.95
Tien Tai	[1] 1.83
All Others	3.95

[1] De Minimis.

Section 733(b)(3) of the Act directs the Department to exclude all zero and *de minimis* weighted-average dumping margins, as well as dumping margins determined entirely under facts available under section 776 of the Act, from the calculation of the "all others" rate. Accordingly, we have excluded the *de minimis* dumping margin for Tien Tai from the calculation of the "all others" rate for the Taiwan investigation.

Section 735(c)(5)(B) of the Act provides that, where the estimated weighted-average dumping margins established for all exporters and producers individually investigated are zero or *de minimis* margins or are determined entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated all-others rate for exporters and producers not individually investigated. This provision contemplates that we weight-average the facts-available margins to establish the all-others rate. Where the data do not permit weight-averaging of the facts-available rates, the SAA, at 873, provides that we may use other reasonable methods. Inasmuch as we do not have the data necessary to weight-average the respondents' facts-available rates, we have based the all-others rates for Japan and Spain on a simple average of the margins in the respective petitions, as we revised at the time of initiation of these investigations.

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determinations. If our final antidumping determinations are affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. The deadline for that ITC determination would be the later of 120 days after the date of these preliminary determinations or 45 days after the date of our final determinations.

Public Comment

For all round wire investigations, case briefs must be submitted no later than 110 days after the publication of this notice in the **Federal Register**. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes.

Section 774 of the Act provides that the Department will hold a hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by any interested party. If a request for a hearing is made in an investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. In the event that the Department receives requests for hearings from parties to several round wire cases, the Department may schedule a single hearing to encompass all those cases. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

If these investigations proceed normally, we will make our final determinations of these investigations no later than 135 days after the date of publication of this notice in the **Federal Register**.

These determinations are published pursuant to sections 733(f) and 777(i)(1) of the Act.

Dated: November 12, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98-30857 Filed 11-17-98; 8:45 am]
BILLING CODE 3510-DS-P

[6] We were able to conduct sales and cost verifications of Rodex prior to the issuance of this preliminary determination. Our findings of verification with respect to Rodex are reflected in this determination.

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in the Subject Country that currently export or have exported Subject Merchandise to the United States or other countries since 1984.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 1997 (report quantity data in thousands of pounds and value data in thousands of U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production; and

(b) the quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 1997 (report quantity data in thousands of pounds and value data in thousands of U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from the Subject Country accounted for by your firm's(s') imports; and

(b) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of Subject Merchandise imported from the Subject Country.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in the Subject Country, provide the following information on your firm's(s') operations on that product during calendar year 1997 (report quantity data in thousands of pounds and value data in thousands of U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in the Subject Country accounted for by your firm's(s'') production; and

(b) the quantity and value of your firm's(s') exports to the United States of Subject Merchandise and, if known, an estimate of the percentage of total exports to the United States of Subject Merchandise from the Subject Country accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in the Subject Country since the Order Date, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in the Subject Country, and such merchandise from other countries.

(11) (OPTIONAL) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: November 25, 1998.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 98–32087 Filed 12–1–98; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731–TA–781–786 (Final)]

Stainless Steel Round Wire From Canada, India, Japan, the Republic of Korea, Spain, and Taiwan

AGENCY: International Trade Commission.

ACTION: Scheduling of the final phase of antidumping investigations.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigations Nos. 731–TA–781–786 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from Canada, India, Japan, the Republic of Korea (Korea), Spain, and Taiwan of stainless steel round wire.[1]

For further information concerning the conduct of this phase of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: November 16, 1998.

FOR FURTHER INFORMATION CONTACT: Diane J. Mazur (202–205–3184), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting

[1] For purposes of these investigations, Commerce has defined the subject stainless steel round wire (SSRW) as "any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied." (See Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire from Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire from Korea; 63 FR 64043, Nov. 18, 1998.)

These products, if imported are currently covered by statistical reporting numbers 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTS). Although the HTS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background

The final phase of these investigations is being scheduled as a result of affirmative preliminary determinations by the Department of Commerce that imports of stainless steel round wire from Canada, India, Japan, Spain, and Taiwan are being sold in the United States at less than fair value (LTFV) [2] within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigations were requested in a petition filed on March 27, 1998, by ACS Industries, Inc., Woonsocket, RI; Al Tech Specialty Steel Corp., Dunkirk, NY; Branford Wire & Manufacturing Co., Mountain Home, NC; Carpenter Technology Corp., Reading, PA; Handy & Harman Specialty Wire Group, Cockeysville, MD; Industrial Alloys, Inc., Pomona, CA; Loos & Co., Inc., Pomfret, CT; Sandvik Steel Co., Clarks Summit, PA; Sumiden Wire Products Corp., Dickson, TN; and Techalloy Co., Inc., Mahwah, NJ.

Participation in the Investigations and Public Service List.

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigations need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

[2] Commerce has made a preliminary determination of sales at not LTFV with respect to the subject imports from Korea. Pending Commerce's final determination of sales at LTFV, the final phase of the Commission's antidumping investigation with respect to Korea is also being scheduled, for purposes of efficiency.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List.

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of these investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigations. A party granted access to BPI in the preliminary phase of the investigations need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.

The prehearing staff report in the final phase of these investigations will be placed in the nonpublic record on March 25, 1999, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing.

The Commission will hold a hearing in connection with the final phase of these investigations beginning at 9:30 a.m. on April 6, 1999, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before March 31, 1999. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on April 2, 1999, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written Submissions

Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.23 of the Commission's rules; the deadline for filing is April 1, 1999. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.25 of the Commission's rules. The deadline for filing posthearing briefs is April 13, 1999; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before April 13, 1999. On May 3, 1999, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before May 5, 1999, but such final comments must not contain new factual information and must otherwise comply with § 207.30 of the Commission's rules. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.21 of the Commission's rules.

Issued: November 24, 1998.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 98–32094 Filed 12–1–98; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701–TA–C (Review) and (Investigation No. 701–TA–D (Review)]

Textiles and Textile Products From Colombia and Certain Textile Mill Products from Thailand

AGENCY: United States International Trade Commission.

practicable, examine the reliability and relevance of the information used. However, unlike other types of information, such as input costs or selling expenses, there are no independent sources for calculated dumping margins. The only source for margins is an administrative determination. Thus, in an administrative review, if the Department chooses as total adverse facts available a calculated dumping margin from a prior segment of the proceeding, it is not necessary to question the reliability of the margin from that time period (*i.e.*, the Department can normally be satisfied that the information has probative value and that it has complied with the corroboration requirements of section 776(c) of the Act). *See, e.g., Elemental Sulphur from Canada: Preliminary Results of Antidumping Duty Administrative Review*, 62 FR at 971 (January 7, 1997) and *Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Singapore, and the United Kingdom* 62 FR 2801 (January 15,1997) (*AFBs 1997*).

As to the relevance of the margin used for adverse FA, the Department stated in *Tapered Roller Bearings from Japan; Final Results of Antidumping Duty Administrative Review*, 62 FR 47454 (September 9, 1997), that it will consider information reasonably at its disposal as to whether there are circumstances that would render a margin irrelevant. Where circumstances indicate that the selected margin is not appropriate as adverse FA, the Department will disregard the margin and determine an appropriate margin. *See also Fresh Cut Flowers from Mexico; Preliminary Results of Antidumping Duty Administrative Review*, 60 FR 49567 (September 26, 1995). We have determined that there is no evidence on the record that would indicate that the 10.67 percent rate, a rate calculated from the LTFV investigation, is irrelevant or inappropriate as an adverse facts available rate for the respondent in the instant review. Therefore, we have applied, as adverse FA, the highest margin for any firm in any segment of this proceeding, 10.67 percent, as the rate for Gourmet.

Final Results of Review

As a result of this review, we have determined that the following margins exist for the period September 1, 1996, through August 31, 1997.

Manufacturer/exporter	Percent margin
Gourmet Equipment (Taiwan) Corporation	10.67
Buxton International/Uniauto	10.67
Chu Fong Metallic Electric Co.	6.93
Transcend International	6.93
San Chien Industrial Works, Ltd	10.67
Anmax Industrial Co., Ltd	10.67
Everspring Plastic Corp.	6.93
Gingen Metal Corp.	6.93
Goldwanate Associates, Inc.	6.93
Hwen Hsin Enterprises Co., Ltd.	10.67
Kwan How Enterprises Co., Ltd.	6.93
Kwan Ta Enterprises Co., Ltd.	6.93
Kuang Hong Industries Ltd.	6.93
Multigrand Industries Inc.	6.93
San Shing Hardware Works Co., Ltd.	10.67
Trade Union International Inc./Top Line	10.67
Uniauto, Inc.	10.67
Wing Tang Electrical Manufacturing Company	10.67

The Department shall determine, and the Customs Service shall assess, antidumping duties on all appropriate entries. The Department will issue appraisement instructions concerning all respondents directly to the U.S. Customs Service.

We will assess antidumping duties on the above firms' entries at the same rate as their above stated dumping margins since the margins are not calculated rates, but are rates based upon facts available pursuant to section 776 of the Act.

Further, the following cash deposit requirements will be effective for all shipments of the subject merchandise, entered, or withdrawn from warehouse, for consumption on or after the publication date of these final results of administrative review, as provided for by section 751(a)(1) of the Act: (1) the cash deposit rate for the reviewed firms will be the rates indicated above; (2) for previously reviewed or investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or in the original LTFV investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this or any previous review or the original investigation, the cash deposit rate will be 6.93%, the all others rate established in the LTFV investigation.

These deposit requirements shall remain in effect until publication of the final results of the next administrative review.

This notice serves as a final reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as a reminder to parties subject to administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO. Timely written notification or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of the APO is a sanctionable violation.

This administrative review and notice are in accordance with section 751(a)(1)(B) and 777(i)(1)of the Act.

Dated: April 5, 1999.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 99–8922 Filed 4–8–99; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–588–844]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire From Japan

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Jarrod Goldfeder or John Brinkmann at (202) 482–1784 or (202) 482–5288, respectively, Office of AD/CVD Enforcement 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise

indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Japan is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins are shown in the *Continuation of Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea,* 63 FR 60402 (November 18, 1998) (preliminary determination).

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.,* cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.,* March 1998).

Facts Available

Suzuki Metal Industry Co., Ltd. (Suzuki) and Nippon Seisen Co., Ltd. (Nippon Seisen) did not respond to our questionnaires. Section 776(a)(2) of the Act provides that, if an interested party (A) withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested subject to sections 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding under the antidumping statute; or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination. Because these firms failed to respond to our questionnaires and because the relevant subsections of section 782 of the Act do not apply, we must use facts otherwise available to calculate the dumping margins for these companies.

Section 776(b) of the Act provides that adverse inferences may be used when an interested party fails to cooperate by not acting to the best of its ability to comply with the Department's requests for information. *See also* Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, Vol.1, 103d Cong., 2d Sess. 870 (1994) (SAA). The lack of response by Suzuki and Nippon Seisen to the Department's antidumping questionnaires constitutes a failure by these respondents to act to the best of their abilities to comply with a request for information, within the meaning of section 776 of the Act. Thus, the Department has determined that, in selecting among the facts otherwise available, an adverse inference is warranted.

Because we were unable to calculate margins for these respondents in this investigation, we assigned these respondents the highest margin in the petition (recalculated by the Department, as appropriate). This approach is consistent with Department practice. *See Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Germany,* 63 FR 40433 (July 29, 1998). The highest petition margin is 29.56 percent.[1]

Section 776(b) states that an adverse inference may include reliance on information derived from the petition or any other information placed on the record. *See also* SAA at 829–831. Section 776(c) of the Act provides that, when the Department relies on secondary information (such as the petition) in using the facts otherwise available, it must, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.

During our pre-initiation analysis of the petition, we reviewed the adequacy and accuracy of the secondary information in the petition from which the margins were calculated, to the extent that appropriate information was available for this purpose. *See Initiation of Antidumping Duty Investigations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan,* 63 FR 26150, 26151 (May 12, 1998). However, we are aware of no other independent sources of information that would enable us to corroborate the components of the margin calculation in the petition further. The implementing regulation to section 776 of the Act, 19 CFR 351.308(c), states that "[t]he fact that corroboration may not be practicable in a given circumstance will not prevent the Secretary from applying an adverse inference as appropriate and using the secondary information in question." Additionally, we note that the SAA at 870 specifically states that, where "corroboration may not be practicable in a given circumstance," the Department may nevertheless apply an adverse inference. Finally, the margins calculated for respondents in the other round wire investigations are in many instances of the same order of magnitude as the margins in the corresponding petitions, suggesting that the information contained in the round wire petitions is generally reliable.

Interested Party Comments

No parties commented on the preliminary determination.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from Japan that are entered, or withdrawn from warehouse, for consumption on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the U.S. price, as indicated in

[1] At the time of initiation, we did not accept the U.S. and home market packing data set forth in the petition, and we revised the dumping margins in that petition so as to not reflect any adjustment for packing. In reviewing the petition margin calculations for the preliminary determination in the Japan case, we noted that the denominator for the margins was erroneously based on home market price, rather than U.S. price. We have revised the margins accordingly. *See* Memorandum from Jarrod Goldfeder to the file, dated November 19, 1998.

the chart below. The suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Nippon Seisen	29.56
Suzuki	29.56
All Others	15.20

Section 735(c)(5)(B) of the Act provides that, where the estimated weighted-average dumping margins established for all exporters and producers individually investigated are zero or *de minimis* margins or are determined entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated all-others rate for exporters and producers not individually investigated. In this case, the margin assigned to the two companies investigated is based on facts available. Therefore, consistent with the SAA, at 873, we are using an alternative method. As our alternative, we have based the all-others rate on a simple average of the margins in the petition, as revised at the time of initiation of this investigation.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

We are issuing and publishing this determination in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-8923 Filed 4-8-99; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-533-814]

Stainless Steel Round Wire From India; Final Determination of Sales at Less Than Fair Value

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

ACTION: Notice of final determination of antidumping duty investigation.

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Diane Krawczun or Richard Rimlinger, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-0198 or (202) 482-4477, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from India is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Continuation of Suspension of Liquidation* section of this notice.

Case History

The Department issued the preliminary determination in this investigation on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea*, 63 FR 60402 (November 18, 1998) (preliminary determination). Since the preliminary determination, the following events have occurred.

In December 1998 and January 1999, we conducted on-site verifications of the questionnaire responses submitted by Raajratna Metal Industries Limited (Raajratna). We received case briefs from the petitioners [1] and the respondent on February 19, 1999, and we received rebuttal briefs from the same parties on February 26, 1999. We held a public hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to the respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

Fair Value Comparisons

To determine whether sales of stainless steel round wire from India were made at less than fair value, we compared the export price (EP) to the normal value (NV). Our calculations followed the methodologies described in the preliminary determination except as noted below. *See also* our analysis memorandum dated April 2, 1999, which has been placed in the file.

Export Price and Constructed Export Price

For the price to the United States, we used EP as defined in section 772 of the Act. We calculated EP based on the same methodology used in the preliminary determination, except that we calculated an amount for U.S.

[1] ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corp., and Techalloy Company, Inc.

indirect selling expenses for Raajratna's EP sales as an offset to its home-market commissions in accordance with § 351.410(e) of the Department's regulations (*see* our response to Comment 3, below).

Normal Value

We used NV as defined in section 773 of the Act. We calculated NV based on the same methodology used in the preliminary determination. We based NV on CV where there was no above-cost HM sale for comparison. In accordance with section 773(e)(1) of the Act, we calculated CV based on the sum of Raajratna's cost of materials, fabrication, general expenses, profit and U.S. packing costs. In general expenses, we included HM indirect selling expenses and an amount we calculated to cover expenses Raajratna incurred in its Mumbai sales office on certain sales which Raajratna had reported.

Section 776(a)(1) of the Act provides that, if necessary information is not available on the record, the Department shall, subject to section 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

Raajratna indicated in its response that it was unable to segregate and report its U.S. indirect selling expenses. In addition, Raajratna did not report its home-market (HM) indirect selling expenses. As facts available, we calculated an indirect selling expense factor as an offset for Raajratna's HM commissions which we deducted from NV. We used the same factor to deduct HM indirect selling expenses from HM price in our determination of whether HM sales were made below the cost of production (COP) and to add HM indirect selling expenses to constructed value (CV).

Also, Raajratna did not report all of its general and administrative (G&A) expenses with respect to its Mumbai (Bombay) sales office which assisted Raajratna in obtaining raw materials for the manufacture of subject merchandise and in the completion of certain sales. We calculated an amount based on Raajratna's response to cover these expenses.

Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated the weighted-average COP, by model, based on the sum of Raajratna's cost of materials, fabrication, general expenses, and packing costs. We relied on the COPs submitted by Raajratna except in the following instances where the submitted costs were not quantified or valued appropriately: (1) we calculated an amount for Raajratna's HM indirect selling expenses which we deducted from HM price for COP comparisons and added to CV for NV comparisons; (2) we used a revised financial expense ratio using cost of sales in the denominator; (3) we included in Raajratna's G&A expense portions of expenses incurred in Raajratna's Mumbai office; (4) we used a model-specific yield-loss rate to calculate direct materials costs; and (5) we added HM packing expenses to COP.

Currency Conversions

As in the preliminary determination, we made currency conversions in accordance with section 773A of the Act. The Department's preferred source for daily exchange rates is the Federal Reserve Bank.

Verification

As provided in section 782(i)(1) of the Act, we verified the information submitted by the respondent for use in our final determination. We used standard verification procedures, including examination of relevant accounting and production records, as well as original source documents provided by the respondent.

Interested Party Comments

Comment 1. Export Incentive System—Adjustment to EP

Raajratna argues that the Department should add to EP amounts received as export incentives under the Indian Government's Duty Entitlement Passbook (DEPB) System. Raajratna argues that the DEPB benefits received from the Indian Government are directly related to exports and are part of Raajratna's net returns on its U.S. sales. Raajratna argues further that, alternatively, the Department should treat the DEPB benefits as a circumstance-of-sale (COS) adjustment to NV because the DEPB program is linked directly to Raajratna's U.S. sales. Raajratna cites *Fuel Ethanol From Brazil,* 51 FR 5572 (1986), and *Acetylsalicylic Acid From Turkey,* 52 FR 24492 (1987) to support its position.

The petitioners respond that Raajratna is not entitled to an adjustment for reported DEPB benefits because it failed to meet the Department's two-prong test for a duty-drawback adjustment. Specifically, the petitioners note that Raajratna was unable to provide at verification information which would link the claimed refund amount to actual imports of raw materials. The petitioners also argue that the prior determinations Raajratna cited are irrelevant and inapplicable because both cases precede the Department's two-prong test for making duty-drawback adjustments to NV. The petitioners state that, in *Fuel Ethanol From Brazil,* the Department determined that premiums received under an export credit program directly related to the export sales were COS adjustments but that, because Raajratna's reported DEPB adjustments do not qualify as COS adjustments, *Fuel Ethanol From Brazil* is inapplicable for this final determination. The petitioners argue further that Raajratna's reliance upon *Acetylsalicylic Acid From Turkey* is also misplaced because the payment at issue was not a government benefit but the result of an arm's-length contract.

Department's Position: Section 772(c)(1)(B) of the Act requires the Department to make an upward adjustment to NV for import duties rebated by reason of exportation to the United States. We interpret this requirement to apply only when the respondent meets our two-prong test *i.e.*, that (1) the import duty and rebate are directly linked to, and dependent upon, one another; and (2) there were sufficient imports of the imported material to account for the duty drawback received for the export of the manufactured product (*see e.g., Final Results of Antidumping Duty Administrative Review: Oil Country Tubular Goods from Korea,* 64 FR 13169, 13172 (March 17, 1999)). We found during the sales verification that, although Raajratna demonstrated actual receipt of refund amounts under the DEPB system, it could not supply information establishing how the Government of India calculates the amount refunded to Raajratna. (*See Sales Verification Report.*) We also found that Raajratna's consumption of imported wire rod dropped significantly during the POI. *Id.* In addition, we found during the cost verification that the incentive credits received under the DEPB system are not based on the actual amount of the duty paid. (*See* Verification of Cost of Production and Constructed Value Data for Raajratna Metal Industries, Ltd., dated February 9, 1999.) Therefore, because Raajratna established neither a direct link between the import duty paid by suppliers and passed on to Raajratna, nor sufficient imports of wire rod to account for the duty it received, we are unable to adjust EP for duty drawback under section 772(c)(1)(B) of the Act.

The prior determinations cited by Raajratna are unsupportive because both cases precede the establishment of the two-prong test. *See Huffy Corp.* v. *U.S.,* 632 F. Supp. 50 (CIT 1986). In addition, contrary to Raajratna's assertion, benefits received under the DEPB

system do not qualify for a COS adjustment because benefits received constitute revenue to Raajratna. COS adjustments reflect selling expenses incurred by a respondent; however, we found at verification that the DEPB refunds were not tied to any selling expenses nor were they based on actual customs duties Raajratna paid to purchase raw materials for the manufacture of subject merchandise. *Cost Verification Report* at 2, 11; *Sales Verification Report* at 8. Indeed, Raajratna's DEPB benefits were based on the FOB sales prices of Raajratna's finished goods for export and exceeded substantially the amount of customs duties Raajratna paid to import raw materials directly. Thus, we have denied Raajratna a COS adjustment. (*See* section 773(a)(6)(C)(iii) of the Act and section 351.410(b) of the Department's regulations.) Raajratna's reliance upon *Fuel Ethanol From Brazil* is unsupportive here because, in this case, we find that Raajratna's DEPB benefits do not qualify for a COS adjustment since they were unrelated to differences in selling expenses. Thus, we have denied Raajratna an adjustment to EP for refund amounts under the DEPB system.

Comment 2: Export Incentive System—CV Adjustment

Raajratna argues that, if the Department does not increase U.S. prices to reflect the DEPB incentive, it should reduce Raajratna's CV by the export incentive earned on Raajratna's U.S. sales. Raajratna argues that an adjustment to CV is appropriate because the purpose of the export incentive is to reduce the cost of materials to the extent of the import duties incurred. Raajratna also argues that reducing CV by this incentive is consistent with Department precedent, citing *Stainless Steel Bar From India,* 62 FR 10540 (March 7, 1997) (*SS Bar From India I*), *Stainless Steel Bar From India,* 63 FR 13622 (March 20, 1998) (*SS Bar From India II*), *Solid Urea From the Former German Democratic Republic,* 62 FR 61271 (1997) (*Solid Urea From Germany*), *Camargo Correa Metais* v. *United States,* Slip Op. 98–152 (CIT 1998) (*Camargo Correa Metais*), and *AK Steel Corp.* v. *United States,* Slip Op. 97–152 (CIT 1997) (*AK Steel Corp.*).

The petitioners argue that the Department should not use the DEPB incentive as an offset to Raajratna's CV. The petitioners argue that no statutory provision exists which allows for such an offset. The petitioners contend that the DEPB incentive is not granted in order to offset any additional costs Raajratna incurred in purchasing raw materials. The petitioners argue that, since the Department's regulations and Antidumping Manual define CV as the costs of producing the subject merchandise exported to the United States as if it were sold in the home market, CV represents non-export sales made in the home market. Raajratna rebuts petitioners' characterization of CV, citing *Ad Hoc Committee of Florida Producers of Gray Portland Cement* v. *United States,* Slip Op. 98–131 at 23 (CIT 1998).

The petitioners argue further that, because Raajratna's claimed DEPB incentives were unrelated to (and exceeded) the actual amount of import duties paid, the Department should not use the incentive amounts to reduce Raajratna's COP or CV. Also, because Raajratna classifies the DEPB incentive as a revenue on its income statement, the petitioners argue that offsetting Raajratna's CV by the DEPB benefits constitutes a deviation from Raajratna's normal accounting practice and violates section 773(f)(1)(A) of the Act, the Statement of Administrative Action (H. Doc. 316, 103d Cong., 2d Sess. 821, 834–835 (SAA)), and Department practice.

The petitioners reject the cases cited by Raajratna as unsupportive, arguing that the respondent in *Camargo Correa Metais* received a government credit for use against future tax liability in the home market, which the Court of International Trade (CIT) determined to constitute a refund of the tax. The petitioners distinguish this case in that the import duties Raajratna paid were not refunded upon exportation because the DEPB incentives it received were not based upon import duties paid on raw materials. The petitioners also argue that *AK Steel Corp.* and *Solid Urea From Germany* are unsupportive because they demonstrate the Department's long-standing practice to base COP upon a producer's actual costs and to refuse to restate such costs to exclude government payments which are linked to specific costs.

Finally, the petitioners argue that, if the Department determines that the DEPB incentives should offset Raajratna's reported raw materials costs, the Department should cap the DEPB amount by the level of import duties and apply it only to Raajratna's CV and not to its COP. The petitioners note that Raajratna requests only that its CV material costs be adjusted for DEPB benefits. The petitioners argue further that an offset to COP for the DEPB benefits is improper because no correlation exists between the import duties paid and the DEPB benefits received upon exportation.

Department's Position: We found at verification that the DEPB refunds were unrelated to the customs duties Raajratna paid to purchase raw materials for the manufacture of subject merchandise. *Cost Verification Report* at 2, 11; *Sales Verification Report* at 8. Indeed, Raajratna's DEPB benefits were based on the FOB sales prices of Raajratna's finished goods for export and exceeded substantially the amount of customs duties Raajratna paid to import raw materials directly. Therefore, because we find no link between the revenue Raajratna received and its cost of purchasing raw materials, we are unable to decrease Raajratna's COM to reflect the DEPB benefits received.

Although Raajratna cited prior decisions and precedent in support of its position, the facts of this case indicate that an offset for raw materials costs is not warranted here. First, *AK Steel Corp.* did not address the issue of a downward adjustment to production costs to reflect government benefits, as Raajratna maintains. In *Solid Urea from Germany,* the Department agreed with the respondents that, where government payments were linked to specific costs and recorded in the respondent's financial statements, the respondent's COP should reflect government benefits received. *Solid Urea from Germany* at 61273. Here, Raajratna could not link its DEPB payments to specific costs and records the payments as revenue; thus to capture the DEPB benefits in Raajratna's COP calculation would be inconsistent with *Solid Urea from Germany.* In *Camargo Correa Metais,* the Department and the CIT found that a government tax credit, which constituted a refund, should be deducted from the respondent's CV calculation. *Id.* at 3. Here, however, we found that import duties Raajratna paid were not refunded upon exportation because the DEPB incentives were not directly based upon import duties Raajratna had paid on raw materials. Further, *SS Bar from India I* did not address an adjustment to CV for government benefits received. Finally, Raajratna cites to *SS Bar from India II,* in which the Department did not discuss the reasons justifying an adjustment to the respondent's CV costs for government credits received. *Id.* However, in the original less-than-fair-value investigation for that case, the Department explained that the facts of the case warranted an adjustment to CV for government credits received because the revenues were "directly related" to its purchases of domestic raw materials used to produce subject merchandise

and represented an appropriate offset to the respondent's raw materials costs. *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Bar from India,* 59 FR 66915, 66920 (December 28, 1994). Because in this case we found no link between Raajratna's DEPB credits received and its raw materials costs, we find no justification for an offset to CV for those credits. Thus, where NV is based on CV, we have made no adjustment to Raajratna's raw materials costs for DEPB credits it received.

Comment 3: COP and CV Calculation

The petitioners argue that the Department should revise Raajratna's reported G&A expense ratio to include expenses incurred in its Mumbai office. The petitioners note that Raajratna included in its G&A expense ratio only the salary of the Mumbai-office employee performing liaison functions but not the expenses incurred in performing those functions. The petitioners argue that there are other legitimate G&A costs incurred by the Mumbai office for Raajratna's operation as a whole and that these should be included in COP and CV in accordance with the Department's long-standing practice.

Department's Position: We agree with the petitioners that we should include Raajratna's Mumbai-office expenses in the COP and CV calculation. We verified that the Mumbai office is a trading office which purchases raw materials consumed in the manufacturing process of the subject merchandise and occasionally facilitates HM sales. To calculate its general expenses, Raajratna included only the salary of the employee assigned to the Mumbai office. Raajratna excluded from the calculation of its G&A rate office expenses associated with maintaining that employee at the Mumbai office. Consistent with our normal methodology, we have allocated a portion of the total expenses of the Mumbai office to the merchandise under investigation. (*See Fresh Atlantic Salmon,* 63 FR at 31433.)

Comment 4: HM Indirect Selling Expenses

The petitioners argue that Raajratna did not report HM indirect selling expenses in its calculation of COP and that the Department should deduct these expenses from net HM prices before making the comparison to COP.

Department's Position: We agree that we should deduct HM indirect selling expenses from net price in our COP calculation. We calculated a HM indirect selling expense amount for Raajratna by calculating an indirect selling expense factor and applying it to Raajratna's HM sales. We deducted this amount from net price for COP. (*See* Final Determination Analysis Memorandum: Stainless Steel Round Wire From India, dated April 2, 1999.) We also added HM indirect selling expenses to our CV calculations.

Comment 5: Packing Expenses

The petitioners argue that the Department should add packing expenses to the calculation of Raajratna's COP or deduct packing expenses from the "net price COP" calculation.

Department's Position: We agree that we must deduct packing costs from net price for COP, which we compare to the cost of manufacturing, in order to achieve an apples-to-apples comparison. Therefore, we have deducted packing expenses from net price for COP for the final determination. This is consistent with the methodology we employed for all other SSRW investigations (*see, e.g.,* Preliminary Determination Analysis Memorandum—SSRW from Canada, Central Wire, dated November 12, 1998).

Comment 6: Commission Offset

The petitioners argue that the Department should use facts available for Raajratna's commission offset because Raajratna reported HM commissions but not U.S. commissions or U.S. indirect selling expenses. The petitioners argue that the Department should either omit the deduction for HM commissions from its calculation of HM prices or set the U.S. offset to the value of the HM commission.

Department's Position: We agree that Raajratna reported no U.S. commissions or U.S. indirect selling expenses. However, rather than omit the deduction for HM commissions or set the U.S. offset to the value of the HM commission, we have calculated an indirect selling expense amount by allocating all indirect selling expenses incurred by Raajratna over all sales in both markets. We then offset HM commissions by this amount for the final determination in accordance with section 351.410(e) of the Department's regulations. (*See Final Determination Analysis Memorandum: Stainless Steel Round Wire From India,* dated April 2, 1999.)

Comment 7: Financial Expense Ratio

Raajratna noted that the Department should revise its financial expense ratio based on the Department's verification findings.

Department's Position: We agree with Raajratna that we should revise the financial expense ratio according to our findings at verification and have made this adjustment for the final determination based on a company-wide cost-of-sales amount.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from India that are entered, or withdrawn from warehouse, for consumption on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin (percent)
Raajratna	18.64
All Others	18.64

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

We are issuing and publishing this determination in accordance with sections 735(d) and 777(i)(1) of the Act.

A-438

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99–8924 Filed 4–8–99; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–469–808]

Notice of Final Determination of Sales at Less Than Fair Value—Stainless Steel Round Wire From Spain

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Thomas Schauer or Robin Gray, Office of AD/CVD Enforcement 3, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–4852 or (202) 482–4023, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce ("the Department") regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Spain is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Continuation of Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea,* 63 FR 60402 (November 18, 1998) (preliminary determination).

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.,* cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.,* March 1998).

Facts Available

Inoxfil did not respond to our questionnaire. Section 776(a)(2) of the Act provides that, if an interested party (A) withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested subject to sections 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding under the antidumping statute; or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination. Because this firm did not respond to our questionnaire and because the relevant subsections of section 782 of the Act do not apply, we must use facts otherwise available to calculate the dumping margins for this company.

Section 776(b) of the Act provides that adverse inferences may be used when an interested party fails to cooperate by not acting to the best of its ability to comply with the Department's requests for information. *See also* Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, Vol.1, 103d Cong., 2d Sess. 870 (1994) (SAA). The lack of response by Inoxfil to the Department's antidumping questionnaire constitutes a failure by this respondent to act to the best of its ability to comply with a request for information, within the meaning of section 776 of the Act. Thus, the Department has determined that, in selecting among the facts otherwise available, an adverse inference is warranted.

Because we were unable to calculate margins for this respondent in this investigation, we assigned this respondent the highest margin in the petition (recalculated by the Department, as appropriate). This approach is consistent with Department practice. *See Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Germany,* 63 FR 40433 (July 29, 1998) (*Stainless Steel Wire Rod From Germany*). The highest petition margin is 35.80 percent.[1]

Section 776(b) states that an adverse inference may include reliance on information derived from the petition or any other information placed on the record. *See also* SAA at 829–831. Section 776(c) of the Act provides that, when the Department relies on secondary information (such as the petition) in using the facts otherwise available, it must, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.

During our pre-initiation analysis of the petition, we reviewed the adequacy and accuracy of the secondary information in the petition from which the margins were calculated, to the extent that appropriate information was available for this purpose. *See Initiation of Antidumping Duty Investigations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan,* 63 FR 26150, 26151 (May 12, 1998). However, we are aware of no other independent sources of information that would enable us to corroborate the components of the margin calculation in the petition further. The implementing regulation to section 776 of the Act, 19 CFR 351.308(c), states that "[t]he fact that corroboration may not be practicable in a given circumstance will not prevent the Secretary from applying an adverse inference as appropriate and using the secondary information in question."

[1] At the time of initiation, we revised petition margins based on price-to-price comparisons because the petitioners had not provided sufficient support for the home market freight figures used in their calculations. We made no additional revisions to the petition margins.

Additionally, we note that the SAA at 870 specifically states that, where "corroboration may not be practicable in a given circumstance," the Department may nevertheless apply an adverse inference. Finally, the margins calculated for respondents in the other round-wire investigations are in many instances of the same order of magnitude as the margins in the corresponding petitions, suggesting that the information contained in the round-wire petitions is generally reliable.

Interested Party Comments

No parties commented on the preliminary determination.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from Spain that are entered, or withdrawn from warehouse, for consumption on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the U.S. price, as indicated in the chart below. The suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Inoxfil	35.80
All Others	24.40

Section 735(c)(5)(B) of the Act provides that, where the estimated weighted-average dumping margins established for all exporters and producers individually investigated are zero or *de minimis* margins or are determined entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated all-others rate for exporters and producers not individually investigated. In this case, the margin assigned to the only company investigated is based on facts available. Therefore, consistent with the SAA, at 873, we are using an alternative method. As our alternative, we have based the all-others rate on a simple average of the margins in the petition, as revised at the time of initiation of this investigation.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

We are issuing and publishing this determination in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-8925 Filed 4-8-99; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-829]

Notice of Final Determination of Sales at Less Than Fair Value—Stainless Steel Round Wire from Canada

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Thomas Schauer or Robin Gray, Office of AD/CVD Enforcement 3, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482-4852 or (202) 482-4023, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to Department of Commerce ("the Department") regulations refer to the regulations codified at 19 C.F.R. Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Canada is being sold, or is likely to be sold, in the United States at less than fair value ("LTFV"), as provided in section 735 of the Act. The estimated margins are shown in the *Continuation of Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea,* 63 FR 60402 (November 18, 1998) ("preliminary determination"). Since the preliminary determination, the following events have occurred.

In January 1999, we conducted on-site verifications of the questionnaire responses submitted by Central Wire Industries Ltd. ("Central Wire") and Greening Donald Co. Ltd. ("Greening Donald") (collectively "the respondents").

We received case briefs from the petitioners[1] and both respondents on February 23, 1999, and we received rebuttal briefs from the same parties on March 2, 1999. We held a public hearing and a proprietary hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire ("SSRW"). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under

[1] ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corporation, and Techalloy Company, Inc.

subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the *Harmonized Tariff Schedule of the United States* ("HTSUS"). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation ("POI") is January 1, 1997, through December 31, 1997. This period corresponds to each respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Canada to the United States were made at less than fair value, we compared the export price ("EP") or constructed export price ("CEP"), as appropriate, to the normal value. Our calculations followed the methodologies described in the preliminary determination except as noted below. *See* also the company-specific analysis memoranda dated March 31, 1999, which have been placed in the file.

Export Price and Constructed Export Price

For the price to the United States, we used EP or CEP as defined in section 772 of the Act. We calculated EP and CEP based on the same methodology we used in the preliminary determination, with the following exceptions:

1. We calculated and deducted U.S. duties from EP for certain sales for which Central Wire did not report the duties. *See* comment 11, below.
2. We recalculated Central Wire's indirect selling expenses to account for the fact that Central Wire's sales were made in mixed currencies. *See* comment 4, below.
3. We excluded Greening Donald's U.S. consignment sales from our analysis. *See* comment 12, below.

Normal Value

We used normal value as defined in section 773 of the Act. As in the preliminary determination, we excluded certain sales for both respondents pursuant to section 773(b) of the Act because we found that these sales were made below the cost of production within an extended period of time in substantial quantities and were not at prices which permit recovery of all costs within a reasonable period of time. We calculated normal value based on the same methodology we used in the preliminary determination, with the following exceptions:

1. We revised the list of Central Wire's home-market sales which we determined to have been made outside the ordinary course of trade. *See* comment 2, below.
2. We recalculated Central Wire's indirect selling expenses to account for the fact that Central Wire's sales were made in mixed currencies. *See* comment 4, below.

Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated the weighted-average cost of production ("COP"), by model, based on the sum of each respondent's cost of materials, fabrication, general expenses, and packing costs. We relied on the submitted COP data except in the following specific instances where Greening Donald's submitted costs were not quantified or valued appropriately:

1. We included certain costs which Greening Donald did not report in its submitted costs. *See* comment 13, below.
2. We calculated Greening Donald's general and administrative expenses ("G&A") in accordance with our normal methodology which is based on the producing company as a whole. *See* comment 14, below.
3. We calculated Greening Donald's financial expenses based on the total operations of the consolidated corporation (*i.e.*, the Thyssen Group). *See* comment 16, below.
4. We included foreign-exchange gains and losses related to Greening Donald's cash accounts and accounts payable accounts in the COP and constructed value ("CV"). *See* comment 16, below.
5. We relied on Greening Donald's normal books and records kept in accordance with Canadian generally accepted accounting principles, and we included the year-end depreciation adjustment in the calculation of Greening Donald's costs. *See* comment 20, below.
6. During the POI, Greening Donald purchased certain major inputs from an affiliated supplier and from unaffiliated suppliers. In order to follow our normal practice of using the highest of transfer price, market price, or the affiliate's cost of production to calculate the cost of affiliated-party inputs, we calculated an adjustment which we applied to the per-unit direct material cost of all products incorporating this input. *See* comment 18, below.
7. Greening Donald asserted that its reported variances represented the weighted-average cost of fiscal year 1997 and the first quarter of fiscal year 1998. It also stated that the denominator it used in the calculation of the reported variance rates was based on cost-of-sales information rather than cost-of-manufacturing information. For the final determination, we used the variance rates based on the POI cost of manufacturing to calculate COP and CV.

Currency Conversions

As in the preliminary determination, we made currency conversions in accordance with section 773A of the Act. The Department's preferred source for daily exchange rates is the Federal Reserve Bank.

Verification

As provided in section 782(i)(1) of the Act, we verified the information submitted by the respondents for use in our final determination. We used standard verification procedures, including examination of relevant accounting and production records, as well as original source documents provided by the respondents.

Interested Party Comments

Comment 1: *Substantial Transformation.* The respondents argue that the Department's preliminary determination that wire rod is substantially transformed in the production of round wire yields a fundamentally unfair result. The respondents contend that they must pay both "non-NAFTA" tariff duties and estimated dumping duties on the same wire used to produce stainless steel round wire because this wire is classified both as "Canadian" and as "foreign" under essentially identical Customs and Department of Commerce substantial-transformation tests. The respondents contend that the rod imported (into Canada) is not physically or chemically substantially transformed in Canada such that it merits classification as a Canadian product subject to dumping duties. The respondents observe that the Court of International Trade ("CIT") has ruled that wire rod is not substantially transformed into round wire in the context of a Customs case, citing *Superior Wire* v. *United States*, 669 F. Supp. 472 (CIT 1987) ("*Superior Wire*"), affirmed 867 F. 2d 1409 (Fed. Cir. 1989). The respondents contend that the CIT, in *Superior Wire*, noted that the end use of wire is determined by the rod input.

The respondents also contend that wire rod constitutes an essential active component which defines the key chemical and physical parameters of the finished wire and that the level of accuracy required for accurate model

matching in a dumping analysis is not necessary in a substantial-transformation analysis. The respondents contend that the substantial-transformation test requires a substantial change in the physical and chemical properties, not small differences which may be implicated in applying the model-matching criteria.

The respondents contend further that the Department's analysis of the end-uses of stainless steel wire is too specific. Citing *Final Determination of Sales at Less than Fair Value: Static Random Access Memory Semiconductors from the Republic of Korea,* 63 FR 8934 (February 23, 1998), the respondents argue that the Department rarely considers changes in specific end-uses as opposed to general end-use categories sufficient to qualify as substantial transformation.

In addition, the respondents contend that the Department, lacking contrary evidence from the petitioners, should base its determination of relative investment for rod production versus wire drawing on uncontested evidence provided by the respondents. Citing *Brass Sheet and Strip from Canada,* 58 FR 6615, 6617 (February 1, 1993), *Granular Polyetrafluoroethylene Resin from Italy,* 58 FR 26100, 26102 (April 30, 1993), and section 351.402(c)(2) of the Department's regulations, the respondents contend that the value added in the wire-drawing process is insignificant and, according to Departmental policy, it does not qualify as a substantial transformation of the product. Alternatively, the respondents suggest, the Department should classify those wire products found to have particularly low value-added transformations as a product of the country from which the rod was purchased and, therefore, not subject to this investigation.

The respondents argue further that the substantial-transformation test the Department applied constitutes an "administrative determination of general application," as defined by Article 1 of the World Trade Organization ("WTO") Agreement on the rules of origin and, therefore, subject to that agreement. The respondents request that the Department explain its rationale behind its belief that Article 2 of the WTO Agreement on Rules of Origin does not require the Department to apply the country-of-origin determinations made by Customs. Considering the totality of the factors on the record in this case, the respondents request that the Department reverse its decision and terminate the investigation of SSRW from Canada.

The petitioners agree with the Department's preliminary determination that stainless steel wire rod is substantially transformed into round wire. According to the petitioners, the respondents have not made any significantly different arguments than they did prior to the preliminary determination and, moreover, the information they have submitted in support of their arguments only serves to confirm that the Department's preliminary determination is correct.

The petitioners argue that the scope of an antidumping investigation is not based on Customs rules of origin nor on the WTO rules of origin. The petitioners assert that there is nothing in the current rules that requires the Department to apply Customs country-of-origin determinations for purposes of antidumping or countervailing duty proceedings. The petitioners, citing the WTO Agreement on Rules of Origin, Article 1 n.1, contend that the respondents ignore the plain language of the WTO Rules of Origin Agreement that says its provisions do not apply to "those determinations made for purposes of defining 'domestic like product' or 'like products of the domestic industry' or similar terms wherever they apply." Moreover, the petitioners argue, even if the WTO Agreement on Rules of Origin were applicable to antidumping proceedings, there is no existing agreement on the actual origin for specific products.

The petitioners also argue that Customs Service determinations on classification or origin of a product are not binding on the Department. The petitioners assert that there are important policy reasons why the Department should not be bound by Customs Service rulings, claiming that, because of the difficult standards that have been established regarding claims of circumvention, industries that rely on a single major raw material input might not be able to obtain any relief from dumping or unfair subsidization of the downstream product.

The petitioners assert further that the respondents are not disproportionately affected by the Department's substantial-transformation ruling. The petitioners observe that both respondents use U.S.-origin wire rod to make wire that they import to the United States and that this wire qualifies for a NAFTA tariff. Furthermore, the petitioners claim that, even when the respondents use wire rod imported from countries other than the United States, they are not any different than the respondents in the other stainless steel round wire investigations.

The petitioners also assert that the respondents' reliance on *Superior Wire* is misplaced. The petitioners observe that *Superior Wire* concerned carbon steel wire, which is a different product than the one covered in this investigation. Citing *The Making, Shaping and Treating of Steel,* a standard industry reference, the petitioners claim that carbon steel and stainless steel products are quite different. The petitioners also observe that the *Superior Wire* ruling was made in the context of a voluntary restraint agreement, which is completely different from the context of an antidumping investigation. The petitioners conclude that the factual analysis of *Superior Wire* is limited to the facts of that case alone and is of no precedential value in this case. The petitioners also note that, for its preliminary determination in this investigation, the Department determined that the characteristics of stainless steel round wire are not predetermined by the rod input but, rather, that the wire rod is altered in the process of making it into round wire. The petitioners also observe that, although the respondents argue that the Department's end-use analysis is too specific, they do not suggest any alternatives.

Finally, the petitioners argue that the respondents' reliance on the data they presented regarding the value added to wire rod by the cold-drawing process is misplaced. Since these data are unverified estimates. The petitioners also assert that, based on the Greening Donald's cost data, the record indicates that the value added to wire rod by the cold-drawing process is significant.

Department's Position: We continue to find, as we stated in the Memorandum to Richard W. Moreland dated November 12, 1998 ("November 12 memorandum"), that stainless steel wire rod cold-drawn in Canada to produce stainless steel round wire is substantially transformed into a Canadian product and is within the scope of this investigation, regardless of the origin of the stainless steel wire rod input. The cold-drawing process results in a product with physical properties and end-uses that are distinct from those of the stainless steel wire rod input, thus transforming the rod into a new and different article. The stainless steel round wire industry is distinct from the stainless steel wire rod industry and the value added by the cold-drawing process is significant.

Furthermore, the respondents' reliance on *Superior Wire* is misplaced. *Superior Wire* was a ruling on carbon steel wire, not stainless steel wire.

Superior Wire, at 479, held that "the wire rod dictates the final form of the finished wire." Regardless of what circumstances may apply in the carbon steel wire industry, this statement is demonstrably not true here, as is described in detail in the November 12 memorandum.

Although the respondents argue that our substantial-transformation analysis is too specific by incorporating model-matching criteria, their argument that we should only take into account the "overall parameters" and not "small model-matching criteria" in our analysis is unconvincing. First, it is not clear why model-matching criteria such as size and tensile strength would not be part of the "parameters" of round wire. Second, it is unclear why we should not consider a change in wire rod such that the finished product (round wire) is, for example, one-third of the diameter of the rod input to be substantial. The analysis in the November 12 memorandum, at pages 4–5, demonstrates that the chemical composition, or grade, of the wire is not the only physical characteristic of the round wire. We use additional characteristics to define two products that are identical, and all those characteristics are changed by the drawing process.

Moreover, we disagree with the respondents' assertion that the end-use of wire is determined by the rod input. Again, the respondents' reliance on *Superior Wire* is misplaced. As we stated in the November 12 memorandum, at page 5, the cold-drawing process results in a product with end-uses that are distinct from those of the wire-rod input. Whatever the circumstances may be in the carbon steel wire industry, it is clear that the end-uses of stainless steel wire are dependent on factors other than the grade of the wire-rod input. The respondents have not cited any evidence on the record of this investigation or to any industry reference that suggests otherwise. Given these circumstances, we conclude that the circumstances examined in *Superior Wire* simply do not apply here.

Furthermore, we disagree with to the respondents' argument that our end-use analysis is too specific. In their case brief, quoting from Greening Donald's December 29, 1998, submission, the respondents state that "the Department is correct in noting that, within each set of general end-uses, there may be more specific end-uses. The drawing process may make SSRW more suitable for one rather than another specific end-use: nevertheless, the grade of the wire rod has pre-determined the general set of end-uses for which the wire may be used. Thus, for example, neither AISI 304 nor AISI 316 could provide the high temperature resistance required to produce a high temperature conveyor belt. By contrast, AISI 314 would provide the necessary "high temperature resistance." Thus, the respondents consider "high temperature conveyor belts" to be a general end-use. "Spring wire," that is, wire used to produce springs, which we used in an example in the November 12 memorandum, at page 5, is no less general an end-use than the example cited by the respondents. Moreover, the respondents' citation to *Semiconductors from the Republic of Korea* is inapposite. In that case, we determined that "[p]rocessed wafers produced in Korea, but packaged, or assembled into memory modules, in a third country, are included in the scope; processed wafers produced in a third country and assembled or packaged in Korea are not included in the scope." Thus, it is the processed wafers that are the subject merchandise, not the packaging or memory modules. In this case, it is the stainless steel round wire that is subject to this investigation. How it is packaged is not relevant to our substantial transformation analysis.

With regard to the respondents' argument that the investment required to draw wire is less than the investment required to produce rod, we agree that this can be a factor in our determination as to whether a product is substantially transformed. We do not agree that it is a controlling factor. Our review of the record indicates that "[t]he facilities, machinery and expertise needed to cold-draw stainless rod into stainless wire are distinct from those needed to produce stainless rod." *See* November 12 memorandum, at page 5. The respondents have not cited any evidence to contradict this. Thus, we find that the stainless steel round wire industry is separate and distinct from the stainless steel wire rod industry, and the two industries are not interchangeable. For this reason, we do not consider the relative levels of investment required in the industries to be as relevant in this proceeding as the fact that stainless steel round wire is a product with physical properties, that end-uses are distinct from those of stainless steel wire rod, and that the industries are distinct.

We also disagree with the respondents' assertion that the value added by the drawing process is insignificant. The cost data submitted by the respondents indicates that, on average, the value added by the drawing process is greater than the threshold suggested by the cases they cite. Furthermore, section 351.402(c)(2) of our regulations establishes whether we should apply the special rule in section 772(e) of the Act and is inapposite to a substantial-transformation determination. Section 772(e) of the Act directs that the Department may calculate the margins on further-manufactured merchandise in instances where the value added by an affiliated party is likely to exceed substantially the value of the subject merchandise. Neither section 772(e) of the Act nor 19 C.F.R. 351.402(c)(2) affect the Department's determination of whether a product is substantially transformed.

Finally, we reiterate that the disciplines of the WTO Agreement on Rules of Origin that are currently in effect under Article 2 of the Agreement simply do not require us to apply the country-of-origin determinations made by the Customs Service when making determinations in AD or CVD proceedings. Therefore, we have not altered our preliminary determination regarding our substantial transformation decision for this final determination.

Central Wire Comments

Comment 2: Ordinary Course of Trade. Central Wire argues that the Department should exclude all of the sales that it claimed were made outside the ordinary course of trade from the home-market sales used to calculate normal value. Central Wire contends that the statute directs the Department to base normal value only on sales that are made in commercial quantities and that are made in the ordinary course of trade and that the Department will consider the totality of circumstances in examining this issue, citing *Murata Mfg. Co.* v. *United States,* 820 F. Supp. 603, 607 (CIT 1993).

Central Wire notes that the Department excluded some of its claimed outside-the-ordinary-course-of-trade sales from the calculation of normal value because the Department found that some of the sales had aberrational pricing. Central Wire contends, however, that the standard the Department applied was too restrictive and argues that it would be more appropriate to use a 25-percent price difference between the sale and other sales of similar products made within the ordinary course of trade, rather than the 50-percent price difference the Department used, to determine whether an individual sale is outside the ordinary course of trade.

Central Wire also notes that the Department excluded some of its claimed outside-the-ordinary-course-of-trade sales from the calculation of

normal value because the Department found, based on Central Wire's descriptions in its responses, that the circumstances of the sales demonstrated that they were made outside the ordinary course of trade. However, Central Wire claims, there were some sales that it reported as outside the ordinary course of trade which the Department did not exclude and for which the Department did not explain why it had not excluded the sales. With regard to these sales, Central Wire contends that the Department's findings at verification demonstrate that all of its claimed outside-the-ordinary-course-of-trade sales were, in fact, made outside the ordinary course of trade and should be excluded from the Department's dumping calculations.

The petitioners contend that the information on the record does not provide a sufficient basis to support Central Wire's claims. The petitioners argue that Central Wire essentially claimed sales it made to new customers or sales of products with different specifications to existing customers as outside the ordinary course of trade. The petitioners argue that this does not demonstrate that a sale is outside the ordinary course of trade and observe that Central Wire had a number of "one-time" sales to customers that it did not claim were made outside the ordinary course of trade. The petitioners contend that, to do business in a competitive market, a producer has to accommodate its customers' needs, to sell to new customers, even to solicit new customers, and that it should not be a commercial irregularity that Central Wire sometimes sells to less-desirable customers or that it could sometimes take advantage of the market situation and charge a higher-than-normal price for identical or similar merchandise to other customers. The petitioners also argue that the nature of the customer, such as whether it was a supplier to Central Wire, should not be a factor in determining whether a sale was made outside the ordinary course of trade.

Central Wire rebuts that the Department should not accept the petitioners' argument regarding Central Wire's claimed outside-the-ordinary-course-of-trade sales on procedural grounds because, according to Central Wire, the petitioners never raised the issue of its claimed outside-the-ordinary-course-of-trade sales previously in this investigation. Central Wire argues that, if the Department accepts the petitioners arguments, it will leave respondents unable to respond adequately to allegations made by petitioners adequately. Moreover, Central Wire contends that it conservatively identified its sales as being outside the ordinary course of trade and that, perhaps, additional sales may have been able to be similarly identified.

Department's Position: We agree with the petitioners in part. A company may well obtain new customers or sell different products to existing customers, and it may even seek such business actively. In addition, the record shows that Central Wire had a number of apparent "one-time" sales which it did not claim as outside the ordinary course of trade. Thus, the fact that Central Wire has some sales to customers to which it does not normally sell or sells products that the customer does not normally buy does not demonstrate, in itself, that a sale is outside the ordinary course of trade. However, this fact, in conjunction with other circumstances, such as aberrational pricing, may lead us to conclude that a sale is outside the ordinary course of trade. In this case, we have reconsidered our analysis of Central Wire's claimed outside-the-ordinary-course-of-trade sales. We have accepted portions of Central Wire's claim that certain sales were made outside the ordinary course of trade and excluded those sales from our normal value calculation. We determined that one-time, small-quantity sales that had unusual circumstances, such as aberrational pricing, were outside the ordinary course of trade. Due to the business-proprietary nature of the information, please see the Memorandum from Thomas Schauer to Richard W. Moreland dated April 2, 1999, for a complete description of the sales we excluded and the circumstances which led us to conclude that they were outside the ordinary course of trade.

Furthermore, we disagree with Central Wire's assertion that we should use a threshold of 25 percent to determine aberrational prices instead of the 50-percent threshold we used for the preliminary determination. Central Wire argues that the lower threshold is more appropriate on the theory that the threshold we used was too "restrictive," given the nature of SSRW sales and the frequent presence of a market price for a particular product. However, Central Wire did not explain how the nature of SSRW sales renders a 25-percent threshold more appropriate, nor did it point to any evidence in support of its claim. In addition, Central Wire did not explain how the frequent presence of a market price for particular products suggests that a lower threshold would be more appropriate. We must ensure that our consideration is tailored in a manner that does not result in excluding sales that, while different from the majority of sales, are not outside the ordinary course of trade. Therefore, the standard for determining whether a sale is outside of the ordinary course of trade needs to be high in order to prevent potential manipulation of a sales database that would result in excluding sales not outside the ordinary course of trade. Central Wire has presented no convincing argument to support its claim that the threshold we used in our analysis was inappropriate. Therefore, we have not changed our threshold for this case in our analysis.

Finally, we disagree with Central Wire that we should reject the petitioners' arguments on procedural grounds. Central Wire should read the record more carefully. The petitioners have voiced their concern about Central Wire's claimed outside-the-ordinary-course-of-trade sales in a number of submissions prior to its case brief at various stages of this investigation. Further, when we receive comments in a case brief, we consider all issues raised in the context of the record as it stands at that time. Thus, there is no reason to reject the petitioners' arguments as a procedural matter.

Comment 3: Quantity-Band Matching. Central Wire argues that the Department should account for variations in prices due to quantities sold. Central Wire claims that section 773(a)(1) of the Act directs the Department to compare U.S. sales only to home-market sales made in the usual commercial quantities. Central Wire claims further that section 773(a)(6) of the Act, as well as the Department's regulations at 19 C.F.R. 351.409, directs the Department to adjust its price comparisons if there is a difference in price due wholly or in part to differences in the quantities of the normal value sale and the EP sale being compared.

Central Wire contends that, though the Department has historically been reluctant to make quantity adjustments pursuant to 19 C.F.R. 351.409, there is no reason why the Department should not make a quantity adjustment in Central Wire's case. Central Wire acknowledges that the quantity-adjustment regulation does not appear to be tailored for, nor does it account for, Central Wire's circumstances because Central Wire does not grant quantity discounts, *per se*, although it does effectively impose a surcharge for low-quantity sales.

Central Wire suggests that the Department compare U.S. sales to home-market sales made within the same "quantity band" which Central Wire suggested prior to the preliminary determination. By matching within the

same quantity bands, Central Wire argues, the Department would minimize the need for a quantity adjustment. Citing *Framing Stock from the United Kingdom,* 61 FR 51411, 51420 (October 2, 1996) ("*Framing Stock*"), Central Wire contends that the Department has used the quantity-band concept for matching purposes in prior cases. Central Wire also claims that an examination of prices within each of the quantity bands demonstrates that the average prices at each quantity band differ from each other in both the U.S. and home markets. Finally, Central Wire suggests, if the Department can not match the identical or most similar product within the same quantity band, that the Department make an adjustment based on the difference in the weighted-average prices across quantity bands.

The petitioners assert that, section 771(16) of the Act requires the Department to compare the subject merchandise based on the products' physical characteristics. The petitioners argue that, because the quantity of the product has nothing to do with the physical characteristics of round wire, quantity bands should not be used as a matching criterion. The petitioners, citing *United Eng'g & Forging* v. *United States,* 779 F. Supp. 1375, 1381–82 (CIT 1991), also argue that the courts have upheld the Department's practice of not using volume as a criterion for selecting the most similar merchandise.

The petitioners argue further that because Central Wire has not demonstrated that during the POI it granted quantity discounts of at least the same magnitude on 20 percent or more of sales of the foreign like product for that country or the discounts reflect savings specifically attributable to the production of different quantities, criteria required in the Department's regulations, it is not eligible for a quantity discount.

In addition, the petitioners assert that the circumstances in *Framing Stock* are different from the instant situation. In that case, according to the petitioners, the respondent asked for a quantity adjustment for its products and the Department determined that a quantity adjustment was warranted in certain instances but not in others. In any event, the petitioners contend, the respondent in that case was seeking a quantity adjustment and not a new product-matching criterion based on sales quantities.

Finally, the petitioners argue that, even if there were not clear statutory and case precedents against comparing products on the basis of quantities, Central Wire has not provided convincing evidence to attribute price differences between its sales to differences in quantities. The petitioners argue that, in its price analysis, Central Wire did not control for certain differences, such as differences in merchandise sold among the claimed quantity bands or differences in expenses such as freight or packing for each sale. The petitioners also contend that price differences could also be caused by a number of other reasons such as the timing of the sale, customers' relationships with the supplier, and market conditions for finished products and raw materials. The petitioners conclude that it would be inappropriate to make any quantity adjustment or compare across quantity bands without taking these other factors into account.

Department's Position: Central Wire did not demonstrate that the difference in prices among its claimed quantity bands were wholly or partly due to the differences in quantities. Central Wire's price analysis did not account for many factors that might more reasonably be said to cause the differences in prices. For example, Central Wire presumably has different product mixes within the different claimed quantity bands. If one claimed quantity band consists mainly of sales of fine wire and another claimed quantity band consists mainly of sales of wire that has undergone only one draw, then that, in our view, would be a more likely explanation of any difference in prices. Also, Cental Wire's analysis reflected gross prices, and did not take other factors, such as differences in packing or freight expenses, into account. Thus, because Central Wire has not demonstrated that any differences in price among its claimed quantity bands is wholly or partly due to the differences in quantities, it would be inappropriate to attempt to match products using Central Wire's claimed quantity bands as a matching criterion. Therefore, we have not attempted to match products by quantity bands.

With respect to making an adjustment if we make comparisons of products sold at different quantities, our regulation at 19 C.F.R. 351.409 states that "the Secretary will make a reasonable allowance for any difference in quantities to the extent the Secretary is satisfied that the amount of any price differential * * * is wholly or partly due to that difference in quantities." The regulation identifies the standards we use to determine whether any price differential is wholly or partly due to that difference in quantities: "[t]he Secretary normally will calculate normal value based on sales with quantity discounts only if * * * the exporter or producer granted quantity discounts of at least the same magnitude on 20 percent or more of sales of the foreign like product" or "the exporter or producer demonstrates to the Secretary's satisfaction that the discounts reflect savings specifically attributable to the production of the different quantities." Central Wire did not grant quantity discounts nor did it demonstrate that any difference in prices were specifically attributable to the production of the different quantities. In addition, Central Wire did not demonstrate how any evidence on the record, such as price lists, supported its claim that prices varied by quantity. Therefore, we have not made any quantity adjustments.

Comment 4: *Allocation of Indirect Selling Expenses.* Central Wire disagrees with the Department's re-allocation of its reported U.S. and home-market indirect selling expense adjustments. Claiming that there is no evidence on the record that it incurred indirect selling expenses on a value basis rather than a weight basis, Central Wire argues that there is no conceptual, accounting, or economic justification for the Department's preference for a value-based allocation.

Central Wire argues further that, in the event that the Department continues to re-allocate its indirect selling expenses on a value basis, the Department should adjust its re-allocation methodology to reflect the fact that some of the sales values in the Department's calculation are in U.S. dollars while other values are in Canadian dollars.

The petitioners agree with the Department's reallocation of Central Wire's indirect selling expenses, contending that the Department's normal practice is to require that a respondent allocate indirect selling expenses based on sales value rather than on sales quantity. The petitioners also observe that a volume allocation would likely allocate a smaller portion of the expenses to small-sized, more expensive wire than to relatively inexpensive larger wire.

Department's Position: In the *Final Determination of Sales at Less Than Fair Value: Stainless Steel Plate in Coils From Belgium,* 64 FR 15476 (March 31, 1999), we stated that, in calculating indirect selling expenses, "the Department should use a value-based allocation rather than a quantity-based one," and that "the Department's normal practice is to base calculations of [selling, general, and administrative expenses] based on value [or cost]." While Central Wire claims that there is no evidence on the record that it incurred indirect selling expenses on a

value basis rather than a weight basis, neither is there any evidence to support a conclusion that Central Wire incurred these expenses on a weight rather than value basis. Because there is no evidence on the record demonstrating the need to deviate from our normal practice, we have reallocated Central Wire's indirect selling expenses on a value basis. Moreover, based on our findings at verification, we have revised our calculation for varying currencies in our re-allocation worksheet. *See* Central Wire Final Determination Analysis Memorandum dated March 31, 1999.

Comment 5: Post-Verification Cost Submission. The petitioners argue that the Department should not accept the cost data which Central Wire submitted after verification because the changes Central Wire made to its data were more extensive than necessary as indicated by the Department's verification report. Although Central Wire presented corrections to the verifiers at the beginning of verification, the petitioners contend that certain changes, such as production quantities and the number of products sold, should not have been affected by those corrections. The petitioners also claim that Central Wire reported its costs based on the products sold during the POI, whereas the Department asked for respondents to report costs based on the products produced during the POI.

The petitioners also contend that Central Wire did not reconcile its reported costs for subject merchandise to its normal accounting records, thereby preventing the Department from performing certain verification procedures.

Finally, the petitioners argue that Central Wire should not be allowed to use verification as an opportunity to make substantial revisions to its submitted responses. The petitioners conclude that, in light of these facts, the Department should not use the cost databases submitted by Central Wire after verification and instead use the databases Central Wire submitted prior to verification.

Central Wire argues that the Department should use the databases that Central Wire submitted subsequent to verification. Central Wire contends that its revised costs correct inaccuracies in its previous submissions, the Department verified these revised costs, and it did not in any way modify the total cost of goods sold it used to calculate costs of production. Central Wire argues further that the Department is required by law and practice to accept its new information as it is demonstrably more accurate than its earlier information and was submitted in a timely manner. Central Wire contends that the number of products and the production quantities changed because of corrections presented at the start of the sales verification. Finally, citing *Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada: Final Results of Antidumping Duty Administrative Reviews and Determination To Revoke in Part,* 64 FR 2173 (January 13, 1999), Central Wire argues that the fact that its data is based on sales quantities rather than production quantities is not a basis for rejecting Central Wire's costs. Central Wire contends that, because it does not maintain production records which would allow it to calculate model-specific costs on the basis of production quantities, it acted to the best of its ability in reporting its costs.

Department's Position: The cost data Central Wire submitted after verification is accurate. By applying the cost variances in Exhibit 8 of the cost-verification report dated February 8, 1999, to the model-specific standard costs in Exhibit 7 of the cost-verification report dated February 8, 1999, we obtained the same cost figures that Central Wire submitted after verification. Because we verified the data in Exhibits 7 and 8 of the cost-verification report by tying the data to Central Wire's audited financial statements, we are satisfied that the cost-of-production data in Central Wire's submission is accurate. With regard to the number of control numbers and production quantities, we agree with Central Wire that the cause of the difference is due to corrections presented at the start of verification.

Although the petitioners are correct that Central Wire reported its revised costs based on the products sold during the POI, this is the manner in which Central Wire reported its original costs. In addition, we never asked Central Wire to revise its methodology for calculating costs nor is there any evidence on the record suggesting that Central Wire's methodology is distortive. In light of these facts and because the revised database contains data which we verified to be accurate, it would be inappropriate to reject Central Wire's revised database in favor of its original database.

Furthermore, while we normally would share the petitioners' concerns regarding the accuracy of post-verification revisions, in this case we requested that Central Wire revise and resubmit its databases pursuant to our findings at verification. Because we requested the data and because Central Wire met the deadline we imposed upon it for submitting the revised data, we determine that Central Wire's revisions were filed in a timely manner. Thus, because Central Wire's information is timely filed and verified to be accurate, we have used the revised databases Central Wire submitted.

Comment 6: General and Administrative Expenses. The petitioners argue that the Department should recalculate Central Wire's reported general and administrative expense ratio to include certain expenses which Central Wire did not include in its general and administrative expense calculation.

Central Wire contends that it did include the expenses to which the petitioners refer in its general and administrative expense calculation.

Department's Position: Exhibit 4 of the cost-verification report dated February 8, 1999, demonstrates that Central Wire included these expenses in its general and administrative expense calculation. Therefore, no adjustment is necessary.

Comment 7: Alleged Consignment Sales. The petitioners contend that the Department found that Central Wire did not report certain sales in its home-market database and that the Department should include these sales in its margin calculation for Central Wire for the final determination. The petitioners argue further that, to the extent that the data the Department collected are not sufficient, the Department should resort to partial facts available to fill in the blanks for information not on the record.

Central Wire argues that it reported these sales properly. Central Wire contends that, during the period of time in which these sales occurred, the consignment agreement with the consignee had not been concluded and thus Central Wire prepared an invoice at the time of shipment. Central Wire asserts that it did not begin issuing usage invoices for shipments to the consignee until after reaching a consignment agreement. According to Central Wire, the existence of the consignment agreement therefore explains why merchandise was shipped in 1996 but had sales dates in 1997.

Department's Position: We disagree with the petitioners. The record shows that Central Wire did not enter into a consignment agreement with the consignee until October 1996. Furthermore, according to the Department's Central Wire Sales Verification Report dated February 8, 1999, at page 7, for shipments to the consignee "prior to the signing of the consignment agreement, [Central Wire]

invoiced the consignment sales at the time of delivery to the consignee rather than the time of usage." Thus, these sales can be distinguished from the shipments to the consignee after the agreement was made. In the case of sales Central Wire made prior to the agreement, the date that the price and quantity were set was the date of shipment and the customer was responsible for payment at that time. In the case of sales after the agreement, the price and quantity were not set until the customer actually used the merchandise, at which time Central Wire issued a usage invoice for the merchandise. In this case, the customer was not responsible for payment until Central Wire issued the usage invoice. Therefore, we conclude that Central Wire excluded the sales made prior to the agreement from its home-market sales database properly because they occurred prior to the POI. *See* Memorandum from Thomas Schauer to Richard W. Moreland dated April 2, 1999 for further discussion of this issue.

Comment 8: Inventory Carrying Costs. The petitioners argue that the Department should not consider certain inventory carrying costs as direct expenses as Central Wire claimed. The petitioners contend that Central Wire is the owner of the merchandise during the inventory carrying period in question and thus these expenses should be treated as any other inventory carrying expense. The petitioners contend further that the facts were different in *Stainless Steel Wire Rod From France,* 58 FR 68865 (December 29, 1993), which Central Wire cited to support its claim. The petitioners state that Central Wire reported the date that the consignee *used* the merchandise as the date of sale rather than the date when Central Wire *shipped* the merchandise to the consignee.

Central Wire asserts that the petitioners do not demonstrate that the Department's decisions applicable to these circumstances are wrong, nor do they distinguish this situation with the situation in the case it cited in claiming these expenses as direct. Central Wire contends that, because it is the Department's practice to treat consignment inventory carrying costs as direct expenses, the Department deducted them from normal value in the preliminary determination as direct expenses appropriately. Central Wire cites *Stainless Steel Wire Rod From France,* 58 FR 68865, 68870 (December 29, 1993), and *Flat-Rolled Steel From France,* 58 FR 37125, 37133 (July 9, 1993), in support of its contention.

Department's Position: Central Wire's situation is similar to that of Usinor, a respondent in *Flat-Rolled Steel From France,* in which we treated the expense of holding inventory at the customer's warehouse as a direct expense. In that case, the "merchandise [was] shipped to a warehouse selected by the customer and the customer assumes the warehousing expense. Usinor [did] not invoice the customer until it [was] notified that the customer has withdrawn the material from the warehouse." *See* Concurrence Memorandum (public version), dated June 17, 1993 for *Final Determinations in Antidumping Duty Investigations of Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-Resistant Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From France* (Investigations A–427–806 through 809), at pp. 10–11. Similarly, in this case, because the so-called "consignee" is itself the customer for this merchandise and this "consignment" arrangement is a term of sale, these expenses are direct in nature. Therefore, we have not changed our treatment of these expenses for the final determination.

Comment 9: Freight Expense. The petitioners argue that the Department should restate Central Wire's reported freight expense for CEP sales. The petitioners observe that, in instances in which Wire Industries, Central Wire's U.S. affiliate, included goods on more than one invoice in a shipment, Central Wire calculated the per-unit inland freight by dividing the freight expense by the gross weight of the shipment rather than the net weight, thereby understating the expense. The petitioners argue that, because Central Wire did not revise its reported inland freight expense in the CEP sales listing based on the Department's verification findings, the Department should revise the expense for the final determination. Because it is not possible to determine from the record which sales are affected by this understatement, the petitioners argue that the Department should adjust the freight expense for all CEP sales.

Central Wire argues that the Department should accept its reported inland freight. Citing the sales-verification report, Central Wire contends that this type of calculation was infrequent and only has a minimal effect on the actual adjustment. Given the infrequent nature of this calculation and the minuscule impact of this calculation, Central Wire concludes that it would be inappropriate for the Department to make an upward adjustment to freight for all of its CEP sales.

Department's Position: We found at verification that this calculation affected only a small proportion of its CEP sales. *See* the Department's Central Wire sales-verification report dated February 8, 1999, at page 9. Section 777A(a)(2) of the Act directs that "[f]or purposes of determining the export price (or constructed export price) * * * the administering authority may * * * decline to take into account adjustments which are insignificant in relation to the price or value of the merchandise." Section 351.413 of our regulations defines "insignificant adjustments" as any individual adjustment having an *ad valorem* effect of less that 0.33 percent of the export price, constructed export price, or normal value. The sales-verification report demonstrates that the effect of Central Wire's calculation was less than 0.33 percent of price. *Ibid.* We conclude from the facts on the record that Central Wire's calculation for these few sales will not affect the margin significantly. It would be inappropriate to increase the freight expense for all of Central Wire's CEP sales because the verification report demonstrates that this allocation affected a minority of these sales. Therefore, we have not revised Central Wire's reported freight expense.

Comment 10: Fuel Surcharge. The petitioners argue that, because the Department found that Central Wire did not include a fuel surcharge for one CEP transaction in its inland-freight calculation for one product, the Department should adjust the freight expense for all CEP sales of that product for the final determination.

Central Wire argues that the Department should not make an adjustment because the effect is minuscule and that it only affected one sale. Central Wire argues further that, in the event that the Department does make the change the petitioners suggest, the Department should not rely on the petitioners' formula because it is mathematically incorrect.

Department's Position: We found at verification that Central Wire inadvertently did not include a fuel surcharge incurred on one shipment in its reported freight expense. It is clear from Exhibit 12a of the Department's Central Wire sales-verification report dated February 8, 1999, that the fuel surcharge affects several different products. However, in examining the data on the record, we conclude that it is not possible for us to include the fuel surcharge except for the individual product we verified. To correct this error for the one product accurately, we allocated the freight surcharge to that product in the same manner as Central

Wire calculated the freight expense and recalculated the total freight accordingly.

With regard to the rest of the products affected, we do not have the data on the record to include the fuel surcharge in Central Wire's freight expenses. Because it is clear from Exhibit 12a of Central Wire's sales-verification report dated February 8, 1999, that the effect is substantially less than 0.33 percent of the price of the sale we verified, correction of this error will not affect the margin significantly. Therefore, because it is impossible for us to correct the error except for the one product and because the effect of the error is insignificant, we have restated Central Wire's reported freight expense only for the one product.

Comment 11: U.S. Customs Duties. The petitioners contend that Central Wire did not report U.S. duties for certain EP sales with "delivered" terms of sale. The petitioners claim there is no reason why Central Wire would not incur U.S. duties for such sales and argue that the Department should use the higher of the duty rates which the Department verified for EP sales to calculate the duties for these sales.

Central Wire argues that it reported U.S. duties correctly, which the Department verified. Central Wire also asserts that it was incumbent on the petitioners to raise this issue prior to verification so that the Department could address it at verification.

Department's Position: We requested that Central Wire report the unit amount of any customs duty paid on the subject merchandise in our questionnaire. Although Central Wire stated in its narrative questionnaire response that it reported duties on all sales for which they were incurred, the EP sales database did not reflect these duties for certain sales. There is no explanation on the record showing why these specific EP sales would not have U.S. duty expenses related to them nor is there any evidence that Central Wire did not incur these expenses for these sales. Because these were "delivered" sales, which means that Central Wire was responsible for all shipping costs to the customer, we assume that Central Wire did, in fact, incur these expenses. In determining the amount of duties paid on the subject merchandise and in accordance with section 776(e) of the Act, we have used the average U.S. duty rate for other EP sales with the same sales terms to calculate the U.S. duties for these sales.

Greening Donald Comments

Comment 12: U.S. Consignment Sales. The petitioners argue that the Department should treat Greening Donald's U.S. consignment sales as CEP sales because the merchandise was sold by or for Greening Donald's account after importation into the United States and because the consignee is substantially involved in selling in the United States on behalf of Greening Donald.

The respondent argues that the Department should continue to treat its consignment sales as EP sales because the title of goods remains with Greening Donald and that the consignee acts independently of Greening Donald in terms of sales, pricing, and region, as the Department confirmed at verification. The respondent argues that these facts do not meet the Department's test for distinguishing between EP and CEP sales and thus the Department should consider these sales to be EP sales.

Department's Position: Section 772(b) of the Act defines CEP as "the price at which the subject merchandise is first sold (or agreed to be sold) in the United States *before or after* the date of importation by or for the account of the producer or exporter of the subject merchandise" (emphasis added). Section 772(a) of the Act defines EP as "the price at which the subject merchandise is first sold (or agreed to be sold) *before* the date of importation by the producer or exporter of the subject merchandise" (emphasis added). The record is clear that Greening Donald did not make a sale prior to the time that the subject merchandise was imported into the United States. Therefore, we agree with the petitioners that Greening Donald's consignment sales are CEP sales. However, because we did not request Greening Donald to report the consignee's sales to the unaffiliated customer in the United States and because we do not otherwise have the prices of those sales, we cannot treat these sales as required by the statute and the regulations. Furthermore, these sales represent less than five percent of Greening Donald's total sales to the United States. Therefore, we have disregarded these U.S. sales for purposes of calculating Greening Donald's margin for the final determination.

Comment 13: Certain Supplies. Greening Donald argues that, in its preliminary determination, the Department erred by including in its manufacturing costs the cost for certain supplies purchased during the POI but not used until after the POI. Greening Donald claims that these costs should be excluded from the calculation of COP and CV because the expenses cannot properly be matched to the merchandise that was sold during the POI, citing *AK Steel Corporation* v. *United States,* No 96–05–01312, Slip. Op. 97–152 (CIT 1997). Greening Donald asserts that, because the supplies were purchased during the POI but they were not used until after the POI, inclusion of the cost of these supplies in the COP and CV calculations would distort the reported costs. The respondent also cites *Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe from Italy,* 60 FR 31981, 31991 (June 19, 1995), in which the Department refused to include the respondent's reported cost reversals that were recorded during the POI but that related to operational expenses of a prior period, in support of its position.

Greening Donald asserts that its normal books and records distort costs because they do not reflect the cost associated with the production and sale of the merchandise. Greening Donald claims that in such instances the Department allows or makes adjustments to the respondent's costs as reported in the normal books and records, citing *Static Random Access Memory Semiconductors from The Republic of Korea,* 63 FR 8934, 8937 (February 23, 1998), and *Static Random Access Memory Semiconductors from Taiwan,* 63 FR 8909, 8920 (February 23, 1998). Therefore, Greening Donald argues that such an adjustment should be made in this instance to conform to the Statement of Administrative Action, H. Doc, 316, 103d Cong., 2d Sess. 821 (1994) ("SAA") which states that "costs will be allocated using a method that reasonably reflects and accurately captures all of the actual costs incurred in producing and selling the product under investigation" and *Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27295–27379, 27362 (May 19, 1997).

The petitioners agree with the Department's denial of Greening Donald's claim to exclude the cost of certain supplies from its COP. The petitioners point out that, during verification, Greening Donald was unable to substantiate the quantity and value of the supplies in question that it consumed during the POI. The petitioners also observe that Greening Donald recorded the cost of the supplies in question in its financial statements, which were in accordance with Canadian generally accepted accounting principles ("GAAP"). Thus, the petitioners argue that the Department should continue to include these costs in Greening Donald's COP for its final analysis.

Department's Position: We have not accepted Greening Donald's claim that

we should exclude from the calculation of COP and CV the expense that the respondent recognized for certain supplies during the POI. Section 773(f) of the Act directs the Department to calculate costs based upon the respondent's records, provided that such records are kept in accordance with respondent's home-country GAAP and reasonably reflect the costs associated with the production of the merchandise. In this case, Greening Donald's independent auditors accepted the company's treatment of these supplies (*i.e.*, written-off or expensed fully during the period).

We disagree with Greening Donald's contention that we should depart from the costs that it calculates in the ordinary course of business and exclude the portion of the costs that relate to supplies that it may have not consumed during the POI. First, the amount the company wishes to capitalize is merely an approximation because the company does not maintain inventory or movement records that identify the actual quantity and the value of the supplies in question. *See* Greening Donald Cost Verification Report at page 15. Thus, Greening Donald's proposed adjustment could not be substantiated with production or accounting records. In circumstances where there is an absence of verifiable information supporting a party's claim, our practice is to rely on the amounts recorded in the books and records of the respondent. *See Final Determination of Sales at Less Than Fair Value: Small Diameter Circular Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe From Italy,* 60 FR 31981 (June 19, 1995). Second, it is also likely that Greening Donald actually consumed some supplies during the POI which it purchased and expensed in prior periods. If we were to adopt Greening Donald's proposed methodology, we would not only exclude some of the current purchases, we would also include a portion of purchases from prior periods. Since this information is not on the record and the company's normal method of recognizing the full expense when purchased is acceptable under Canadian GAAP, we have not excluded these costs for the final determination.

Comment 14: General and Administrative Expenses. Greening Donald argues that the Department should accept the method the company used to calculate its reported general and administrative (G&A) expense ratio. Greening Donald asserts that its reported G&A expense ratio was based on the company's historic allocations and is the appropriate methodology and consistent with past practice. Greening Donald states that it first allocated the company's G&A expenses to its separate operating divisions using historic allocations which it uses in the ordinary course of business. It argues that it based these allocations on the operating realities of the company's business. Greening Donald states that it allocated each division's portion of the G&A expense to its merchandise over its cost-of-sales figures. If it simply computed G&A expenses on a company-wide basis as a percentage of cost of sales, Greening Donald argues that the result would over-allocate G&A expenses to the subject merchandise. Moreover, Greening Donald states that the Department does not always use the company-wide cost-of-sales figure as the allocation base when the results are distortive. To support this assertion, Greening Donald cites *Dynamic Random Access Memory Semiconductors of One Megabit of Above from the Republic of Korea,* 61 FR 20216, 20217 (May 6, 1996).

If the Department does revise its G&A expense ratio based on the company-wide cost-of-sales figure, Greening Donald argues that it should use the company's unconsolidated cost-of-sales figure based on the sum of its divisional profit and loss ("P&L") statements. Greening Donald claims that this step is necessary because the cost-of-sales figure on the company-wide financial statements represents a consolidated figure of the three divisions which excludes inter-divisional transfer amounts. According to Greening Donald, the Department's normal practice is to calculate the G&A expense rate based on a respondent company's unconsolidated statements and cites *Stainless Steel Wire Rod from Japan,* 63 FR 40434 (Comment 8) (July 29, 1998), to support this assertion.

The petitioners argue that the Department should calculate Greening Donald's G&A ratio in accordance with the Department's normal methodology. According to the petitioners, the respondent did not follow the instructions in the Department's questionnaire which requires respondents to calculate the G&A expense ratio based on the company's audited financial statements. Instead, the petitioners comment, Greening Donald reported a G&A expense ratio for its wire division that was based on allocations of its total company G&A expenses to each division. The petitioners argue that this method is inappropriate because it is based on historic allocations that Greening Donald could not substantiate with source records. The petitioners also disagree with Greening Donald's concern that the Department should use an unconsolidated cost-of-sales figure if the Department does decide to revise its G&A expense ratio. According to the petitioners, Greening Donald is using an incorrect reference to the term "consolidation." The petitioners note that the three operating divisions of the company are not independent companies so their internal P&L statements do not represent unconsolidated financial statements. The petitioners also contend that Greening Donald's cost-of-sales figure is not on the same basis as the reported cost of manufacturing ("COM") because the reported cost-of-sales figure includes packing expenses, freight, and certain adjustments not included in COM.

Department's Position: Normally, we calculate G&A based on the producing company as a whole and not on a divisional or product-specific basis. *See Fresh Atlantic Salmon from Chile,* 63 FR 31412, 31433 (Comment 29) (June 9, 1998). This approach recognizes the general nature of these expenses and the fact that they relate to the company as a whole. The Department's methodology also avoids any distortions that may result if greater amounts of company-wide general expenses are allocated disproportionally between products. In this instance, Greening Donald deviated from the Department's normal methodology and calculated its G&A expenses using an internal accounting methodology, under which the company charged some G&A expenses directly to each of its production divisions.

Both parties agree that it is our normal practice to calculate the G&A expense rate based on the respondent's unconsolidated operations (plus a portion of G&A expenses incurred by affiliated companies on behalf of the respondent). *See Stainless Steel Wire Rod from Japan,* 63 FR 40434 (comment 8) (July 29, 1998). However, Greening Donald's divisions are not separate entities that require consolidation but merely separate business units that make up a single corporation. Thus, we agree with the petitioners that we can not consider the divisional P&L statements as "unconsolidated" financial statements. As for Greening Donald's concern that the corporate-wide cost-of-sales figure is understated because it excludes inter-divisional transfer amounts, we disagree. It would be inappropriate to allocate G&A expense to inter-company transactions since the amount would normally be eliminated when preparing the company-wide financial statements. Even in the cases where two separate but affiliated companies are collapsed

into one entity for the purposes of an antidumping analysis, the Department eliminates inter-company transactions from the calculation of cost of sales, in effect treating them as a single company. *See Certain Cut-to-Length Carbon Steel Plate from Brazil,* 63 FR 12744, 12749 (Comment 8) (March 16, 1998).

As for Greening Donald's citation to *Dynamic Random Access Memory Semiconductors of One Megabit or Above from the Republic of Korea,* 61 FR 20216, 20217 (May 6, 1996), the Department's position addressed the basis of allocating indirect selling expenses and not general expenses. Thus, the circumstances were different and not related to the calculation of the G&A expense ratio. For the reasons stated above, we have calculated Greening Donald's G&A expense ratio in accordance with our normal methodology using a cost-of-sales figure that was on the same basis as the reported COM.

Comment 15: Financial Expenses. The petitioners contend that Greening Donald did not use the financial statements at the highest level of consolidation to calculate its financial-expense ratio. Thus, the petitioners recommend that the Department revise the company's financial expenses accordingly.

Greening Donald claims that it calculated its financial expense ratio in accordance with the Department's instructions and, thus, should not be revised. According to Greening Donald, there is no requirement in the Department's questionnaire that the level of consolidation must be the highest level of consolidation. Greening Donald believes that the calculation of financial expense should be based on the level of consolidation that excludes operations unrelated to the production of subject merchandise.

Department's Position: We agree with the petitioners that Greening Donald did not calculate its financial expenses using information from the consolidated financial statements of the highest level. Specifically, Greening Donald used Thyssen Industrie's consolidated financial statements. However, Thyssen Industrie's financial statement data is consolidated into the Thyssen Group's financial statements. As we have stated repeatedly and the CIT has upheld, we recognize the fungible nature of a corporation's invested capital resources. We allocate the interest expense related to the debt portion of the capitalization of the corporation, as appropriate, to the total operations of the consolidated corporation (*i.e.*, Thyssen Group). More important, our established practice of requiring the use of consolidated financial statements recognizes the fungible nature of invested capital resources such as debt and equity of the controlling entity within a consolidated group of companies and that the controlling entity within a consolidated group has the power to determine the capital structure of each member company (*e.g.*, Thyssen Industrie) within its group. *See E.I. Du Pont de Nemours & Co.* v. *U.S.*, Slip. Op. 98–7 (CIT 1998), *Camargo Correa Metals, S.A.* v. *U.S.*, 17 CIT 897 (CIT August 13, 1993), and *Aramid Fiber Formed of Poly Para-Phenylene Terephthalamide From the Netherlands; Final Results of Antidumping Administrative Review,* 62 FR 38059, 38060 (July 16, 1997).

Comment 16: Foreign-Exchange Losses. The petitioners state that the Department should follow its normal practice and include Greening Donald's foreign-exchange losses generated from accounts payable in the calculation of COP and CV. As support for their position, the petitioners cite several Department determinations in which the Department included this expense in respondent's cost.

Greening Donald recognizes that it is the Department's practice to include foreign-exchange gains and losses related to all accounts except accounts receivable accounts. Thus, if the Department decides to include these amounts, Greening Donald contends that it should include both the gains and losses generated from accounts payable and cash accounts. Greening Donald requests further that the Department reconsider its policy in regards to foreign-exchange gains and losses related to accounts receivable. The respondent argues that the Department should treat these gains and losses the same way it treats gains and losses from short-term investments which are used to adjust financing costs.

Department's Position: To calculate its reported costs, Greening Donald excluded foreign-exchange gains and losses. However, our normal practice is to include a portion of these foreign-exchange gains and losses in the calculation of COP and CV. Specifically, it is our normal practice to distinguish between exchange gains and losses realized or incurred in connection with sales transactions and those associated with purchase transactions. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago,* 63 FR 9177, 9181 (February 24, 1998) (*"Steel Wire Rod from Trinidad and Tobago"*). We normally include in the calculation of COP and CV the foreign-exchange gains and losses that result from transactions related to a company's manufacturing activities. We do not consider exchange gains and losses from sales transactions to be related to the manufacturing activities of the company. *See, e.g., Steel Wire Rod from Trinidad and Tobago* and *Final Determination of Sales at Less Than Fair Value: Fresh Atlantic Salmon from Chile,* 63 FR 31411, 31430 (June 9, 1998). Accordingly, for purposes of the final determination, we have included only the foreign-exchange gains and losses that relate to maintaining accounts payable and cash accounts. We disallowed foreign-exchange gains and losses arising from sales transactions in the COP and CV calculation.

Comment 17: Inventory Write-Downs. The petitioners argue that the Department should revise Greening Donald's reported costs to include losses for inventory adjustments. Citing *Canned Pineapple Fruit from Thailand,* 60 FR 29553, 29571 (June 5, 1995), the petitioners claim that it is the Department's practice to include inventory write-downs and write-offs in the cost of production.

According to Greening Donald, the write-down portion of its inventory adjustment is associated with finished-goods inventory and, as such, it should not be included in cost of production. To support its assertion, Greening Donald cites *Stainless Steel Wire Rod from Italy,* 63 FR 40422, 40430 (July 29, 1998), in which the Department excluded this type of expense.

Greening Donald claims that the other component of its inventory adjustment is due to changes in the price of wire rod which affect the cost of production. However, Greening Donald contends, because wire rod prices increased, not decreased, during the POI, the net amount of inventory was a gain or a write-up to materials inventory. Thus, Greening Donald asserts, the net effect on the cost of production, were the Department to adjust for this, would be to reduce its costs of production. Greening Donald observes that, in any event, the amount of these adjustments would have no material effect on the reported cost.

Department's Position: We agree with the respondent that inventory write-downs which are made to value finished-goods inventory at the lower of cost or market should not be considered a part of COM. We derive the product-specific costs during the POI from the cost of products manufactured, not sold. Thus the value of beginning and ending finished-goods inventory does not affect the calculation. Therefore, consistent with our most recent determinations, we have excluded this expense from the calculation of COP and CV. *See, e.g., Stainless Steel Wire Rod from Italy,* 63

FR 40422, 40429 (July 29, 1998). We disagree that *Canned Pineapple Fruit from Thailand* is relevant because of facts specific to that case. In *Canned Pineapple Fruit from Thailand,* we found that "inventory write-downs are a normal, recurring period adjustment made annually by (the respondent)."

We agree with the respondent that its adjustment to its wire-rod prices held in inventory is minor. Specifically, Greening Donald normally records a variance to reflect the gain or loss that occurs when its wire-rod standard costs are updated. During the fiscal year, Greening Donald experienced a favorable variance (reduction in costs) while during the POI it experienced an unfavorable variance (increase in costs). Because the variance relates to the value of raw materials, which are a component of COM, we consider it more appropriate to include the variance related to the POI rather than the fiscal year. However, we have not made this adjustment for the final determination due to the immaterial impact the variance has on the reported costs.

Comment 18: Affiliated-Party Inputs. The petitioners state that the Department should value major inputs between affiliated companies at the higher of transfer price, market price, or the cost to the affiliated supplier. Therefore, the petitioners suggest that, in order to reflect properly the value of certain wire rod Greening Donald purchased from an affiliated party, the Department should use the average price Greening Donald paid to unaffiliated suppliers for the same input during the POI.

The respondent, citing section 773(f)(3) of the Act, argues that the major-input rule would be applicable if the affiliated suppliers were the producers of the wire rod sold to Greening Donald and the Department had reason to believe or suspect that the price of the major input between affiliated parties was below the cost of production. With regard to the first condition, the respondent states that this affiliated supplier did not produce the input but purchased it from an unaffiliated supplier. As to the second condition, the respondent claims that the price this affiliated supplier paid for the input was lower than the price it charged to Greening Donald. Therefore, according to the respondent, the Department has no reason to believe that the transfer price is below the cost of production. In addition, the respondent argues, even if the Department determines to make the adjustment the petitioners suggest, it should use a weighted-average price based on home-market purchases from unaffiliated suppliers.

Department's Position: We agree with the petitioners that the major-input rule should be applied to Greening Donald's purchases of certain wire rod obtained from an affiliated party. As a result, we disagree with the respondent's narrow definition of the term "producer" as it is used in section 773(f)(3) of the Act. The intent of this section and the related regulations is to account for the possibility of shifting costs to an affiliated party. This possibility arises when an input passes to the responding company through the hands of an affiliated supplier, regardless of the value added to the product by the affiliated supplier.

Sections 773(f)(2) and (3) of the Act specify the treatment of transactions between affiliated parties for purposes of reporting cost data (for use in determining both COP and CV) to the Department. Section 773(f)(2) of the Act indicates that the Department may disregard such transactions if the amount representing that element (the transfer price) does not fairly reflect the amount usually reflected (typically the market price) in the market under consideration. Under these circumstances, the Department may rely on the market price to value inputs purchased from affiliated parties. Section 773(f)(3) of the Act indicates that, if transactions between affiliated parties involve a major input, then the Department may value the major input based on the COP if the cost is greater than the amount (higher of transfer price or market price) that would be determined under section 773(f)(2) of the Act. Therefore, for the final determination, we have made an adjustment to increase the transfer price to a market price using the adjustment factor Greening Donald suggests.

Comment 19: Miscellaneous Taxes and Expenses. The petitioners contend that the Department should revise Greening Donald's COP to include the Ontario capital tax, large-corporation tax, bad-debt expenses, miscellaneous income and expense, and discount income. According to the petitioners, Greening Donald inadvertently omitted these expenses.

The respondent states that it has already corrected this omission. According to Greening Donald, it provided a revised submission on December 29, 1998, that included these items in the calculation of COP and CV. Therefore, the respondent claims no further adjustment is needed to include them. However, Greening Donald does believe that the Department should now make an adjustment to remove the large-corporation tax and the Ontario capital tax included in the calculation of COP and CV because they relate to taxes paid on capital stock and, as such, they should not be included in the calculation of COP and CV.

Department's Position: We agree with the respondent that it included these expenses included in the calculation of COP and CV. *See* the Department's Greening Donald Cost Verification Report at page 4, step I.A. Thus, no further adjustment is necessary to include these expenses.

With regard to the respondent's claim that we should not include the large-corporation tax and the Ontario capital tax in Greening Donald's reported COP, we have stated our position on this issue in several previous cases. In those cases, we included payments to governments, other than income taxes, that are periodic general taxes levied on the company and which are not based on revenues. Thus, it is appropriate to include them in the calculation of the company's general expense. *See, e.g., Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada,* 62 FR 18448, 18465 (April 15, 1997).

Comment 20: Auditor's Adjustment. The petitioners argue that the Department should revise Greening Donald's reported cost to include an adjustment the company's independent auditors made. The petitioners point out that this adjustment is included in Greening Donald's financial statements which are prepared in accordance with Canadian GAAP. As such, the petitioners claim that the expense should be included in the calculation of COP and CV.

The respondent argues that this adjustment was made by the outside accountants only for the purposes of calculating Greening Donald's tax liability. According to the respondent, the adjustment is not included in the company's internal books and records which are maintained in accordance with Canadian GAAP.

Department's Position: We agree with the petitioners that it is appropriate to include this year-end adjustment in the calculation of COP and CV. Specifically, Greening Donald excluded from its reported costs a year-end adjustment that reconciles the depreciation expense reported in its cost accounting systems with the depreciation expense reported in the audited financial statements. As a result, there is a difference between the actual manufacturing costs in the financial statements and the manufacturing costs Greening Donald submitted. We do not find relevant Greening Donald's claim that the

outside accountants made this adjustment merely for tax purposes. First, Greening Donald's audited financial statements, which were prepared in accordance with Canadian GAAP, include this adjustment. Moreover, Greening Donald provided no explanation as to why recognition of this adjustment distorts costs. Consistent with our normal practice, we rely on the respondent's normal books and records kept in accordance with the respondent's home country's generally accepted accounting principles. Thus, we have included this adjustment in the calculation of COP and CV.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from Canada that are entered, or withdrawn from warehouse, for consumption on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the U.S. price, as indicated in the chart below. The suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Central Wire	11.79
Greening Donald	11.18
All Others	11.64

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission ("ITC") of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

We are issuing and publishing this determination in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-8926 Filed 4-8-99; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-583-829]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire from Taiwan

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Gabriel Adler or Kris Campbell at (202) 482-1442 or (202) 482-3813, respectively, Group 1, Office of AD/CVD Enforcement 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Taiwan is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea*, 63 FR 64042 (November 18, 1998) (preliminary determination). Since the preliminary determination, the following events have occurred:

In January and February 1999, we conducted on-site verifications of the questionnaire responses submitted by respondent Tien Tai Electrode Co., Ltd. (Tien Tai) and its affiliate [1] Kuang Tai Metal Industry Co., Ltd. (Kuang Tai).[2]

The petitioners[3], Tien Tai/Kuang Tai, and Rodex submitted case briefs on February 23, 1999, and rebuttal briefs on March 2, 1999. We held a public hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to each respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

[1] As explained in the preliminary determination, for purposes of this investigation we are treating Tien Tai and Kuang Tai as a single entity.

[2] Verification of respondent Rodex Fasteners Corp. (Rodex) was conducted in September and October 1998, prior to the issuance of the preliminary determination.

[3] The petitioners are ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corporation, and Techalloy Company, Inc.

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Taiwan to the United States were made at LTFV, we compared the export price (EP) to the normal value. Our calculations followed the methodologies described in the preliminary determination, except as noted below and in company-specific analysis memoranda dated April 2, 1999, which have been placed in the file.

Export Price

We used the same methodology to calculate EP as that described in the preliminary determination.

Normal Value

We used the same methodology to calculate normal value as that described in the preliminary determination, except that for Tien Tai, we revised the reported credit expenses to correct an error in the credit period.

Cost of Production

We used the same methodology to calculate cost of production (COP) as that described in the preliminary determination, except in the following specific instances:

1. Rodex

We corrected two errors made in the preliminary determination with respect to a year-end auditor's adjustment to the reported labor and overhead costs. *See* Rodex comment 3.

2. Tien Tai

We made an adjustment for wire rod input costs. We included in general expenses (1) the value of stock bonuses made to employees and directors, (2) R&D expenses, (3) certain foreign exchange gains and losses, and excluded from general expenses certain non-operating income. Further, we reduced the cost of sales of the companies by the verified inter-company transactions. Finally, we eliminated the double-counting of packing expenses of Kuang Tai.

Unit of Weight for Tien Tai

We corrected a clerical error in the margin program for Tien Tai involving the unit of weight used to calculate the total amount of dumping.

Currency Conversions

As in the preliminary determination, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales, in accordance with section 773A of the Act. We relied on exchange rates certified by the Federal Reserve Bank.

Interested Party Comments

A. Tien Tai/Kuang Tai

Comment 1: Costs for Inter-Company Raw Material Purchases. The petitioners argue that the extent of Tien Tai's purchases of wire rod from Kuang Tai was understated, and not disclosed until verification. The petitioners also contend that because Tien Tai and Kuang Tai are a single entity for purposes of this investigation, they should have reported their respective acquisition cost of the wire rod in question rather than the inter-company transfer price. Finally, the petitioners argue that there were also critical flaws in the reporting of costs for wire rod Kuang Tai obtained from Walsin, an affiliated supplier. Specifically, they argue that: (1) the reported costs of manufacturing of certain grades of rod supplied by Walsin were understated relative to the costs on Walsin's books; (2) Walsin's reported selling, selling, general and administrative (SG&A) expenses did not include miscellaneous general expenses and contained errors in the allocation of selling expenses, and (3) Walsin's reported interest expense did not include amounts for long-term interest expense. According to the petitioners, these omissions warrant the rejection of the submitted cost data in its entirety and the application of adverse facts available. In the alternative, the petitioners request application of partial facts available with respect to the COP and constructed value (CV) data.

The respondents argue that the application of adverse facts available is not warranted. According to the respondents, the Department has verified the correct quantity and value of transfers of wire rod among Tien Tai and Kuang Tai, as well as the wire rod obtained by Kuang Tai from Walsin, and has all the necessary data to value these inputs.

DOC Position: We disagree with the petitioners that the application of total facts available is warranted. While the Department found discrepancies between the questionnaire responses and the companies' records with respect to the transfers of stainless steel wire rod between Tien Tai and Kuang Tai, the discrepancies were minor.

With respect to the valuation of these inputs, we note that section 773(f) of the Act and section 351.407 of the Department's regulations provide that we will normally determine the value of a major input obtained from an affiliate based on the higher of transfer price, market price or cost of production. However, in cases where the transfer of inputs occurs between companies that the Department has collapsed (*i.e.*, has determined to treat as a single entity for purposes of an antidumping proceeding), the Department does not consider the transfer price or market value in the valuation of the inputs. Rather, the valuation of transactions between the collapsed companies is based on the actual cost to the group as a whole. *See Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Reviews,* 62 FR 18404, 18429–18431 (April 15, 1997).[4] Under the above standard, and because neither Tien Tai nor Kuang Tai is a producer of wire rod, the Department's preference in this case would have been to rely on the affiliate's acquisition cost of the wire rod inputs. Although we discovered at verification that the respondents had not submitted these costs, we also determined, by examining purchases of several different grades of wire rod, that the reported transfer price was consistently greater than or equal to the acquisition cost. *See* Tien Tai/Kuang Tai cost verification report, dated February 12, 1999, at exhibits 20, 22, 37, and 38. Therefore, as facts available, we have relied on the reported transfer price to value the inputs in question.

With respect to Walsin, we find that the omissions noted do not warrant the use of adverse facts available. These are relatively minor errors that are easily corrected based on verified data on the record. *See* memorandum from Peter Scholl to Neal Halper, dated April 2, 1999, which has been placed on the record.

Comment 2: Adjustments to G&A. The petitioners make the following arguments with respect to adjusting the respondents' general and administrative (G&A) expenses and G&A ratio.

First, the petitioners argue that Tien Tai has not established which foreign exchange gains were associated with manufacturing activities. According to the petitioners, the Department's practice is to disallow sales-related exchange rate gains from the calculation of G&A expenses when these are not shown to be related to manufacturing activities, and therefore the Department should disallow the exchange gains reported by the respondents. The petitioners add that Tien Tai's exchange losses, as well as Kuang Tai's exchange gains and losses, should be accounted for as part of total interest expenses.

Next, the petitioners contend that the Department should disallow various claimed offsets to G&A expenses. According to the petitioners: (1) an offset for repair income should be rejected because the income does not

[4] We note that our determination was also upheld by the Court of International Trade. *See AK Steel Corp. v. United States,* Slip Op. 98–159, 1998 Ct. Intl. Trade LEXIS 182, at *28–32 (Ct. Int'l Trade, Nov. 23, 1998).

stem from the company's core business; (2) Kuang Tai double counted the offset for scrap sales by reducing both the cost of manufacturing and G&A expenses by the same amount; and (3) miscellaneous other offsets are unrelated to production, and should be rejected.

The petitioners also argue that the respondents failed to include certain items in the reported G&A expenses, namely: (1) cash and stock bonuses to employees, directors and supervisors, (2) research and development (R&D) expenditures, and (3) bad debt. Further, the petitioners argue that the Department should reduce the cost of sales denominator in the G&A calculation to eliminate the effect of inter-company transactions. Finally, the petitioners argue that the Department should revise the cost of goods sold denominator used to calculate the G&A ratio to exclude any packing costs not otherwise included in the cost of manufacturing.

The respondents address some, but not all, of the petitioners' points regarding G&A. First, the respondents argue that their reporting of scrap revenue is correct, and that no adjustment is necessary to the G&A ratio in this regard. Next, the respondents claim that the Department verified all income offsets to G&A, and should not reject these offsets. The respondents also claim that bad debts are associated with third country sales, and should therefore not be allocated to subject merchandise. Further, the respondents claim that the Department verified the proper classification of reported G&A expenses, including R&D expenses.

With respect to the elimination of inter-company transactions from the cost of goods sold denominator used in the calculation of the G&A ratio, the respondents argue that the Department should eliminate the transactions based on the price paid by Tien Tai and Kuang Tai to unaffiliated suppliers for the inputs in question, rather than the resale price for those inputs charged by Tien Tai and Kuang Tai to each other.

DOC Position: We address the petitioners' various points in turn. First, we agree with the petitioners with respect to foreign exchange gains and losses. It is the Department's practice to distinguish between exchange gains and losses generated by sales transactions and those generated by loans payable and the purchases of production inputs. *See Notice of Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Welded Carbon Steel Pipe and Tube from Turkey,* 63 FR 35190, 35198 (June 29, 1998). The Department typically excludes from the COP and CV calculation those foreign exchange gains and losses generated by sales transactions because we do not consider them to relate to the manufacturing activities of the company. *See Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago,* 63 FR 9177, 9182 (February 24, 1998). Even though it was requested by the Department in its supplemental Section D questionnaire dated September 30, 1998, Tien Tai failed to segregate foreign exchange gains between those generated by sales transactions, purchase transactions, and loans payable. We have therefore excluded all of Tien Tai's foreign exchange gains from the calculation of COP and CV. We further agree that Tien Tai's foreign exchange losses and Kuang Tai's foreign exchange gains and losses should be included in the COP and CV calculations because none of these amounts were shown to relate to sales transactions.

We agree with the petitioners in part concerning their arguments on G&A. We agree that machinery repair income is not part of the general operations of the company and therefore should be excluded from the calculation of G&A expenses. We agree that Kuang Tai double counted the offset for scrap sales by both reducing the cost of manufacturing and G&A expenses by the same amount. Therefore, we have excluded scrap income from the G&A expense calculation. We disagree with the petitioners' argument regarding the other items listed as non-operating income and expense in the G&A expense calculation, because we find that they are related to the company's general operations. *See Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Pasta from Italy,* 64 FR 6615, 6627 (February 10, 1999) ("G&A expenses are those expenses which relate to the general operations of the company as a whole rather than to the production process").

We agree with the petitioners that it is appropriate to include cash and stock bonuses to employees, directors and supervisors. The amounts distributed, whether in the form of stock or cash, represent compensation for services that the individual has provided to the company. Therefore, in accordance with section 773(f)(1)(A) of the Act, we have determined that it is appropriate to include these amounts in the calculation of COP and CV. We acknowledge that the respondents' treatment of these distributions as reductions to equity is in accordance with Taiwan GAAP. However, we find that this treatment is contrary to the requirements of section 773(f)(1)(A) of the Act, as it does not reasonably reflect the respondents' cost of production because the stock transferred to employees in exchange for their labor is a cost to the company. *See Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan,* 63 FR 8909, 8921–8922 (February 23, 1998) ("amounts distributed * * * whether in the form of stock or cash, represent compensation for services which the individual has provided to the company").

Also, we agree with the petitioners that it is appropriate to include R&D expenditures in the COP. R&D are the planned efforts of a company to discover new information that will help create a new product, process or technique. The R&D projects listed by the respondents could benefit subject merchandise and are properly treated as period expenses since their future benefit is undetermined.

We do not agree with the petitioners that Tien Tai's bad debt expense should be included in the G&A expense calculation. Bad debt expense results from the inability to collect payment from customers for sales, and is appropriately accounted for as a selling expense. *See Final Results of Antidumping Duty Administrative Review: Porcelain-On-Steel Cookware from Mexico,* 63 FR 38373, 38381 (July 16, 1998).

We agree with the petitioners that it is correct to reduce the cost of sales denominator in the G&A calculation to eliminate the effect of inter-company transactions. It would be inappropriate to combine the cost of goods sold of Kuang Tai and Tien Tai without adjustment, because this would in effect double count cost of sales for those transactions between the two companies (i.e., inputs sold to one company which are used to produce another product would be included as cost of sales at the input level and at the level of the final product sold). For the final determination, we have eliminated from the cost of goods sold denominator the value of sales between Tien Tai and Kuang Tai based on the prices charged between the affiliates. *See Final Results of Antidumping Duty Administrative Review: Certain Cut-to-Length Carbon Steel Plate from Brazil,* 63 FR 12744, 12749 (March 16, 1998).

Finally, we agree with the petitioners that it is appropriate to revise the cost of goods sold denominator used to calculate the G&A ratio to exclude any packing costs not otherwise included in the cost of manufacturing, to which the G&A ratio is applied. We have adjusted

the cost of goods sold determination accordingly.

Comment 3: Interest Expenses. The petitioners argue that the Department should make the following revisions to the submitted interest expense ratio: (1) reduce the cost of goods sold denominator by the amount of revenue on the sale of scrap, since the reported cost of manufacturing is also net of that revenue; (2) eliminate inter-company transactions; and (3) revise the cost of goods sold denominator to exclude any packing costs not otherwise included in the cost of manufacturing.

The respondents contend that no adjustment is appropriate with respect to scrap revenue. With respect to the elimination of inter-company transfers, the respondents argue that the Department should rely on the prices they paid for the inputs in question, rather than the transfer prices paid to each other. The respondents do not address the petitioners' argument with respect to packing costs.

DOC Position: We agree with the petitioners that the cost of goods sold denominator should be reduced by the amount of revenue on the sale of scrap, since the reported cost of manufacturing is also net of that revenue. With respect to the elimination of inter-company transactions, we also agree with the petitioners, and have eliminated the value of sales between Tien Tai and Kuang Tai based on the prices charged between the affiliates, for the same reasons explained with respect to the calculation of G&A expenses in comment 2 above. Finally, we agree with the petitioners that it is appropriate to revise the cost of goods sold denominator used to calculate the interest ratio to exclude any packing costs not otherwise included in the cost of manufacturing to which the interest expense ratio is applied. We have adjusted the cost of production denominator accordingly.

Comment 4: Product/Packing Form. The petitioners argue that the Department should incorporate the "product form" into the model matching hierarchy.[5] According to the petitioners, the pricing data submitted by Tien Tai and Kuang Tai indicate significant price differences in otherwise identical products that are sold in different product forms. In particular, the petitioners cite instances of individual invoices with multiple transactions, where Tien Tai charges consistently higher per-pound prices for small spools of a given product than for larger spools of the identical product. The petitioners further argue that, across the POI, comparison of weighted-average prices also show price differences according to variations in packing form and size. The petitioners contend that, given these price differences, the Department can only achieve "apples-to-apples" product comparisons by taking product form into consideration in its model matching.

The respondents argue that, with rare exceptions, the "product form" is generally not taken into consideration in the pricing of them, and should therefore not be incorporated as a criterion in the Department's model match. According to the respondents, the Department confirmed at verification through examination of numerous invoices that identical products packed in different forms and sizes had identical gross unit prices. The respondents further contend that it is not appropriate to infer a form/price relationship from a comparison of weighted-average prices since prices can be significantly affected by independent variables such as date of sale, customer, and quantity of sale.

DOC Position: Based on the record of this case, we disagree with the petitioners that it is appropriate to incorporate the "product form" into the model matching characteristics.

At the outset of this case, interested parties were provided with an opportunity to comment on significant product characteristics to be incorporated into model matching. Neither the petitioners nor the respondents made any mention of "product form" in their otherwise detailed comments. (Nor, for that matter, did the respondents in the companion investigations of round wire from Korea, India, or Canada make any reference of product form as a possible matching criterion.) Upon receipt and analysis of Tien Tai/Kuang Tai's sales data, the petitioners filed a submission noting that for certain U.S. sales of identical models on a given invoice there was an unexplained variance in unit price, and surmised that the price variance might be due to differences in product form. The petitioners did not provide any evidence that product form is a pricing consideration in the wire industry generally, instead focusing entirely on Tien Tai/Kuang Tai's data.

The Department has sought, through supplemental questionnaires to Tien Tai/Kuang Tai on this issue, as well as through extensive examination of randomly selected sales documentation at verification, to determine whether there was a distinct correlation between product form and pricing contained in the sales data submitted by Tien Tai and Kuang Tai. With respect to the first two elements of product form (packing form and packing material), we have found no clear evidence of a correlation with price in either the U.S. or home market.[6] With respect to packing size, we have found that, on some invoices for U.S. sales, Tien Tai charged its sole U.S. customer a premium for wire sold in small spools relative to wire sold in larger spools. However, Tien Tai/Kuang Tai has argued that this pricing pattern is unique to the transactions in question, and the record does not suggest otherwise. Indeed, counsel for the petitioners themselves conceded at the case hearing that there was no conclusive evidence of a relationship between packing form and pricing with respect to Tien Tai/Kuang Tai's home market sales. *See* Case Hearing Transcript at 132. Given the above, we do not believe the record supports the incorporation of product form as a matching criterion.

Comment 5: Reporting of Packing Costs. The petitioners allege that the respondents' claim for a home market packing adjustment should be denied because Tien Tai/Kuang Tai did not take into account that certain packing materials were reused, thus overstating packing costs. The petitioners further allege that there were several discrepancies in the reported home market and U.S. packing costs.

The respondents argue that their packing costs were correctly reported and verified, and should be relied upon in the final determination.

DOC Position: We disagree with the petitioners' assertion that the cost of reusable packing materials in the home market was overstated. As noted at verification, Kuang Tai recycled metal bobbins used in home market sales. *See* Tien Tai/Kuang Tai Cost Verification Report at 7 (referring to Kuang Tai's use of "metal spools", *i.e.*, metal bobbins). Kuang Tai did not include any cost for the metal bobbins in the reporting of home market packing costs. *See* Sales Verification Exhibit KT–15. Thus, if anything, the cost of the Kuang Tai's recycled metal bobbins was conservatively understated by the respondents.

[5] As the petitioners define it, the "product form" is composed of three elements: packing form (*e.g.*, a spool or a coil); the packing material (*e.g.*, in the case of a spool, metal or wood), and packing size (*e.g.*, in the case of a spool, the weight of the spool plus wire).

[6] The comparisons provided by the petitioners do not account for a number of factors, most notably differences in customers and time. Moreover, there are numerous examples on the record, including many found through random search at verification, of identical products packed in different forms/materials that have the same unit price.

With respect to the other miscellaneous discrepancies alleged by the petitioners, we note that at verification we found evidence of only a single error, which involved the over-reporting of home market packing costs for KW 25KG products. We have corrected this error for the final determination.

Comment 6: U.S. and Home Market Credit Expenses. The petitioners argue that the respondents misreported their U.S. and home market credit expenses. According to the petitioners, the Department should, as facts available, disregard Tien Tai/Kuang Tai's claim for a credit expense adjustment for its home market sales, and rely on the highest reported credit expense as facts available for the respondents' U.S. sales.

The respondents argue that there is no basis for applying facts available to their credit expenses. They contend that they revised their U.S. credit expenses in a timely manner at the outset of verification, and that the mistakes with respect to home market credit expenses were minor and correctable based on verification findings.

DOC Position: We disagree with the petitioners that the application of facts available is appropriate. The respondents identified an error with respect to U.S. credit expenses at the outset of verification, and provided verifiable corrections. An error with respect to home market credit expenses was identified at verification, but it can be easily corrected based on revised data obtained and examined during the verification. For a detailed explanation of the correction of these errors, *see* the Tien Tai/Kuang Tai sales analysis memo from Sanjay Mullick to Kris Campbell, dated April 2, 1999.

Comment 7: Double-Counting of Packing Costs. Kuang Tai argues that it inadvertently included packing costs in the pool of manufacturing costs allocated to all of its products, such that packing costs have been reported both in the cost of manufacturing and as a separate packing adjustment. According to the respondent, the error was not detected at the cost verification, but the exhibits taken during the verification establish that packing is in fact double counted. Kuang Tai requests that the Department remedy this double counting by removing packing from the cost of manufacturing.

The petitioners argue that the verification exhibits do not establish the error claimed by the respondent, and moreover, that any such error would call into question the general reliability of the submitted cost data. Further, the petitioners argue that Kuang Tai's claim reveals that the respondent did not allocate any overhead to packing costs. According to the petitioners, the Department should reject the respondent's request, and apply total adverse facts available. In the alternative, the petitioners propose that the Department apply partial facts available with respect to packing overhead.

DOC Position: We agree with Kuang Tai that the verification record establishes that packing was double-counted. (For an explanation of our analysis of the record in this regard, please *see* the Tien Tai/Kuang Tai cost analysis memorandum, from Peter Scholl to Neal Halper, dated April 2, 1999). Therefore, we have eliminated packing expenses from Kuang Tai's reported cost of manufacturing. As for the petitioners' argument with respect to packing overhead, we note that Kuang Tai was unable to allocate any overhead specifically to packing, but did allocate total overhead to cost of manufacturing, such that the overhead expenses were nonetheless included in the reported costs.

B. Rodex

Comment 1: Facts Available. The petitioners argue that the Department should apply facts available for certain omissions and errors found at verification, namely (1) unreported U.S. and home market sales; (2) U.S. sales of wire for which no coating had been reported, but which were coated with Apex, a lubricant; (3) packing expenses, the reporting of which was found to contain errors; and (4) duty drawback, the calculation of which contained errors. The petitioners contend that the Department should not simply correct these errors by relying on data collected at verification, but rather apply adverse facts available.

Rodex argues that use of adverse facts available is unwarranted, as the omissions and errors cited by the petitioners were minor in nature and corrected at the preliminary determination through use of verified data on the record.

DOC Position: We agree with Rodex that the application of adverse facts available is not warranted. Unlike the cases cited by the petitioners in which the Department applied best information available (the precursor to facts available under the pre-URAA antidumping statute), the omissions and errors referenced by the petitioners in this case were, both individually and in the aggregate, minor in scope and immaterial. While the general purpose of verification is not to gather new information, but rather to verify the information already submitted, it is the Department's practice to correct minor errors found at verification. *See Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8929 (February 23, 1998). Moreover, to the extent that Rodex identified several of the minor errors in question at the outset of verification, it did so at the Department's specific instruction to identify any clerical errors at that point. *See* letter from the Department of Commerce to Rodex, dated November 15, 1998, (transmitting sales verification agenda), at 1.

With respect to the first point raised by the petitioners, the Department noted at verification that the respondent had not reported a relatively small number of sales, which had dates of sale in the POI but date of invoice after the POI.[7] Because the sales in question were few in number, the Department collected and verified the sales data for these transactions. We have continued to rely on the sales data in question for this final determination.

The Department also found at verification that four U.S. sales reported as having no coating had in fact been coated with Apex. We verified that no other U.S. sales, and no home market sales, were coated with Apex. *See* Rodex Sales Verification Report at 4. Because the omission in question was minor and remedied through verified data, there is no need for the application of adverse facts available.

With respect to packing costs, we found at verification that a few home market sales had been shipped in reusable containers. In the preliminary determination, we set the packing cost for such sales to zero and increased the reallocated total packing costs to the other sales, which resulted in a small increase to packing costs. Again, to the limited extent that the error created any distortion in the margin calculation, that distortion was fully corrected.

As for duty drawback, the calculation errors in question were also very minor (accounting for a discrepancy of less than one-tenth of one percent), and were identified by the respondent at the outset of verification as a clerical error.

[7] The error was due to a misunderstanding arising from the Department's supplemental instruction to Rodex to change the basis for date of sale. In its first questionnaire response, Rodex based the date of sale on the date of invoice. After determining that the date of sales confirmation was a more appropriate basis for the date of sale, the Department instructed Rodex to revise its sales databases accordingly. Although Rodex complied with this request by reporting the date of sales confirmation for all previously reported sales, it did not additionally report certain sales with date of sales confirmation within the POI and invoice date outside of the POI.

We have therefore relied on the corrected duty drawback expense calculation provided by Rodex at verification.

Comment 2: Potential Reimbursement of Antidumping Duties. The petitioners contend that Rodex agreed to reimburse its customers for payment of potential antidumping duties. According to the petitioners, the Department should deduct the amount of calculated duties from the export price to determine the cash deposit rate to be applied to Rodex's entries.

Rodex argues that it has not to date reimbursed any customer for antidumping duties, since there has never been an antidumping duty order on round wire. Rodex contends that it was unaware of the Department's regulations at the time that it expressed a willingness to reimburse its customers for potential antidumping duties, and that in the event that an antidumping order is imposed, it will not reimburse any duties.

DOC Position: We disagree with the petitioners that the Department should adjust the export price for potential reimbursement of antidumping duties. Section 351.402(f)(1)(i)(B) of the Department's regulations provides that the Department will deduct the amount of any antidumping duty which the producer reimbursed to the importer. For that provision to be triggered, an antidumping duty order must have been imposed, and antidumping duties levied. Since neither of those events has occurred to date, the provision is not applicable in this case. In the event that an antidumping order is imposed pursuant to this final determination, and administrative reviews of that order are requested, the Department will closely examine whether Rodex has reimbursed, or agreed to reimburse, its customers for antidumping duties in the relevant period of review.

Comment 3: Year-End Auditor's Adjustment. Rodex argues that the Department made two errors in the allocation of net foreign exchange losses to wire products. First, Rodex alleges that the Department transposed the amounts to be allocated with respect to direct labor and overhead. Second, Rodex alleges that the Department inadvertently allocated the full amount of the losses to wire products, even though the company produced other products.

The petitioners do not dispute Rodex's allegation of a transposition error. However, the petitioners contend that since the auditor's adjustment had not been reported to the Department and was found at verification, the Department should make an adverse inference and allocate the adjustment fully to wire products.

DOC Position: We agree with Rodex. We have corrected the transposition error, and, since the adjustment in question applies equally to all of Rodex's products, have reallocated the adjustment to both wire and Rodex's other product lines.

Comment 4: Net Foreign Exchange Losses.

Rodex argues that the Department incorrectly allocated net foreign exchange losses only to wire products, rather than to all of Rodex's products, which include fasteners. Rodex also argues that the Department erred by applying the amount of foreign exchange losses as an upward adjustment to raw material cost, rather to G&A expenses, since the expenses are classified as non-operating general expenses in the company's records.

The petitioners respond that the Department correctly adjusted for net foreign exchange losses, and that it is the Department's normal practice to include foreign exchange gains and losses relating to raw materials in the calculation of total raw material costs.

DOC Position: We agree with the petitioners. All of Rodex's products, including both wire and fasteners, are made from wire rod. Since Rodex suffered net foreign exchange losses in connection with purchases of rod, we allocated those net losses to all wire rod purchases, thus increasing equally the material costs of both wire and fasteners. With respect to the classification of these expenses, we note that the losses arise directly from purchases of materials, and it is the Department's practice to adjust material costs for exchange losses related to purchases of materials. *See, e.g., Circular Welded Non-Alloy Steel Pipe and Tube from Mexico: Final Results of Antidumping Duty Administrative Review*, 62 FR 37014, 37026 (July 10, 1997). Therefore, we have adjusted material costs, rather than G&A expenses, for the exchange losses.

Suspension of Liquidation

In accordance with section 735(c)(1)(C) of the Act, we are directing the Customs Service to suspend liquidation of all entries of stainless steel round wire from Taiwan produced and exported by Tien Tai/Kuang Tai that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final determination in the **Federal Register**. Also, in accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from Taiwan from all other producers and exporters that are entered, or withdrawn from warehouse, on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/Manufacturer	Weighted-average margin percentage
Rodex	3.94
Tien Tai/Kuang Tai	4.75
All Others	4.47

Section 735(c)(5)(A) of the Act directs the Department to exclude all zero and *de minimis* weighted-average dumping margins, as well as dumping margins determined entirely under facts available under section 776 of the Act, from the calculation of the "all others" rate. Since neither of the calculated margins in this investigation are zero, *de minimis*, or based entirely under facts available, we have included both margins in the calculation of the all others rate.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99–8927 Filed 4–8–99; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–830]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire from Korea

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Gabriel Adler or Kris Campbell at (202) 482–1442 or (202) 482–3813, respectively, Group 1, Office of AD/CVD Enforcement 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Korea is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea*, 63 FR 64042 (November 18, 1998) (preliminary determination). Since the preliminary determination, the following events have occurred:

In January and February 1999, we conducted on-site verifications of the questionnaire responses submitted by respondent Korea Sangsa Co., Ltd. (Korea Sangsa) and its affiliate Korea Sangsa America, Inc. (KOSA).

The petitioners [1] and the respondent submitted case briefs on February 26, 1999, and rebuttal briefs on March 5, 1999. We held a public hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to the respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Korea to the United States were made at LTFV, we compared the export price (EP) or constructed export price (CEP), as appropriate, to the normal value (NV). Our calculations followed the methodologies described in the preliminary determination, except as noted below and in the sales analysis memorandum from Valerie Ellis to Kris Campbell, dated April 2, 1999, which has been placed in the file.

[1] The petitioners are ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corporation, and Techalloy Company, Inc.

Export Price and Constructed Export Price

We used the same methodology to calculate EP and CEP as that described in the preliminary determination, except in the following specific instances:

1. We established two separate averaging periods to account for the precipitous drop of the Korean won at the end of the POI. *See* comment 1.
2. We reallocated indirect selling expenses incurred by Korea Sangsa's U.S. affiliate entirely to CEP sales. *See* comment 3.
3. We disallowed the CEP offset that was granted at the preliminary determination. *See* comment 4.

Normal Value

We used the same methodology to calculate normal value (NV) as that described in the preliminary determination, with the exception that we averaged normal value for two separate periods to account for the precipitous drop of the Korean won at the end of the POI. *See* comment 1.

Cost of Production

We used the same methodology to calculate cost of production (COP) as that described in the preliminary determination, except in the following specific instances:

1. We recalculated the G&A expense ratio to include expenses of affiliates involved in the production of subject merchandise, and to exclude certain non-operating income. *See* comment 11.
2. We reduced the cost of manufacturing by the sale of scrap. *See* comment 12.
3. We reduced the cost of manufacturing by the rental income. *See* comment 12.
4. The interest expense ratio was recalculated to create a combined ratio including all affiliates. *See* comment 13.
5. We recalculated the net cost of goods sold used in the G&A and interest expense ratio calculation to include the sales value of inter-company sales. *See* comment 13.

Currency Conversions

As explained in the preliminary determination, our analysis of Federal Reserve data on the U.S. dollar-Korean won exchange rate showed that the won declined rapidly at the end of 1997, losing over 40 percent of its value between the beginning of November and the end of December. The decline was, in both speed and magnitude, many times more severe than any change in the dollar-won exchange rate during the previous eight years. Had the won rebounded quickly enough to recover all or almost all of the initial loss, the Department might have considered the won's decline at the end of 1997 as nothing more than a sudden but only momentary drop, despite the magnitude

of that drop. As it was, however, there was no significant rebound. Therefore, we have not changed our preliminary determination that the decline in the won at the end of 1997 was so precipitous and large that the dollar-won exchange rate cannot reasonably be viewed as having simply fluctuated during this time, *i.e.*, as having experienced only a momentary drop in value. As a result, in making this final determination, the Department has continued to use daily rates exclusively for currency-conversion purposes for home market sales matched to U.S. sales occurring between November 1, 1997, and December 31, 1997. Further, as discussed in Comment 1, below, we have considered these two months as a separate averaging period from the first ten months of the POI.

Interested Party Comments

A. Sales Issues

Comment 1: Averaging Periods. The petitioners argue that the Department should account for the effect of the severe depreciation of the Korean won toward the end of the POI by relying on separate averaging periods corresponding to the pre-and post-depreciation periods. According to the petitioners, the Department's regulations provide that average-to-average price comparisons may be performed over periods shorter than the POI where the normal values, export prices, or constructed export prices for sales in an averaging group differ significantly over the POI. The petitioners contend that if the Department does not rely on two separate averaging periods in this case, the respondent's dumping throughout the majority of the POI will be masked by the effect of the devalued Korean currency in the last few months of the period. The petitioners request that the averaging periods be divided using fiscal quarters (*i.e.*, the first period corresponding to the first three quarters of 1997, the second period corresponding to the last quarter).

Korea Sangsa argues that the Department's established currency conversion policy fully accounts for the effects of the devaluation of the Korean won, and that there is no legal basis or rational need for any additional adjustment. According to the respondent, its pricing behavior and selling activities in the U.S. and home markets did not change throughout the POI, and the company should not be penalized for currency movements outside of its control.

DOC Position: We agree with the petitioners that separate averaging periods should be used. Under section 777A(d)(1)(A) of the Act , the Department has wide latitude in calculating the average prices used to determine whether sales at less than fair value exist. More specifically, under 19 CFR 351.414(d)(3), the Department may use shorter averaging periods where normal value varies significantly over the POI. In the instant case, NV (in dollars) in the last two months of the POI differs significantly from NV earlier in the POI due primarily to a significant change in the underlying dollar value of the won. This significant change is evidenced by the precipitous drop in the won's value that began in November 1997 and continued through the end of the POI, without a quick, significant rebound. In the span of two months, the won's value decreased by more than 40 percent in relation to the dollar. Consequently, it is appropriate to use two averaging periods to avoid the possibility of a distortion in the dumping calculation. Moreover, we disagree with respondent's claim that the use of averaging periods is dependent upon a change in a respondent's selling practices. We note that in *Notice of Final Determination of Sales at Less Than Fair Value: Certain Preserved Mushrooms from Indonesia*, 63 FR 72268, 72272 (December 31, 1998), the Department stated that "in addition to changes in selling practices, we believe that we should also consider other factors, such as prolonged large changes in exchange rates, in determining whether it is appropriate to use more than one averaging period." Therefore, we have used two averaging periods for the final determination, and calculated a weighted average of the resulting margins. Because the rapid devaluation of the Korean won began in November 1997, we have defined the first period to extend from January through October, and the second period from November through December.

We note that, as explained above in *Currency Conversions*, we have continued to use daily exchange rates for the period November through December 1997.

Comment 2: Correction of Errors at Verification. The petitioners allege that the errors identified by Korea Sangsa at the outset of verification were so extensive that the Department should not accept these corrections without penalty. Korea Sangsa claims that the Department found no significant errors at verification and should continue to rely on the company's verified data.

DOC Position: We do not agree that Korea Sangsa's errors were so pervasive as to warrant the application of adverse facts available. It is standard Department practice to accept corrections of minor errors identified by a respondent at the outset of verification. *See Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8929 (February 23, 1998). The errors identified by Korea Sangsa affected only a few variables (*e.g.*, invoice number, credit expenses) with respect to a small percentage of sales. *See* Korea Sangsa sales verification report, dated February 19, 1999, at 2. Based on established verification procedures, we are satisfied that the revised information presented at the outset of verification was correct, and have relied on this information for this final determination.

Comment 3: Allocation of Indirect Selling Expenses to CEP Sales. The petitioners argue that the Department should allocate U.S. indirect selling expenses incurred by the respondent's U.S. affiliate (KOSA) entirely to CEP sales, and not EP sales, since KOSA performs negligible activities in connection with EP sales.

Korea Sangsa asserts that while KOSA plays a limited role with respect to EP sales, at least a portion of the indirect selling expenses are properly allocable to these sales, and provided separate EP and CEP ratios to support its proposed allocation.

DOC Position: We agree with the petitioners that U.S. indirect selling expenses should be allocated only to CEP sales. The record indicates that KOSA's role with respect to EP sales is limited to the transmittal of purchase orders to its parent company in Korea and the occasional receipt of payment, whereas KOSA plays a much more active role with respect to CEP sales. The methodology advanced by the respondent allocates slightly more expenses to CEP sales than to EP sales, but this result reflects merely that the company's reported sales had a higher ratio of CEP to EP sales than did the company's total sales, and does not capture the fact that, in terms of selling activities, KOSA also plays a significantly more active role with respect to CEP sales. Since the respondent has not isolated the expenses associated with the negligible role played by the affiliate with respect to the EP sales, we have allocated the expenses in question entirely to CEP sales.

Comment 4: CEP Offset. The petitioners argue that Korea Sangsa should not be granted a CEP offset, given findings at verification confirming that there is no difference in selling functions in the home and U.S. markets.

Korea Sangsa asserts that the Department should continue to grant the CEP offset. The respondent claims that normal value in this case includes several selling functions not found in the adjusted CEP, including the arrangement of freight and warehousing, as well as direct selling expenses such as the arranging of bank transactions for local letter of credit sales.

DOC Position: We agree with the petitioners that a CEP offset is not appropriate given the facts of this case. The record indicates that the respondent's selling functions in the home market are very limited, and do not extend significantly beyond those performed with respect to its U.S. affiliate. Although Korea Sangsa arranges for movement of the merchandise on behalf of its home market customers, it also arranges for movement of the merchandise to its U.S. affiliate. Korea Sangsa does arrange banking transactions for local letter of credit sales as well as cutting services, but such functions were performed for only a small percentage of all home market sales during the POI. Given that the selling functions performed with respect to home market customers do not differ significantly from those performed with respect to the U.S. affiliate, we find that sales to both home market and U.S. customers are made at the same level of trade, so that a CEP offset is not necessary. This is consistent with similar determinations in recent cases. *See, e.g., Industrial Nitrocellulose From the United Kingdom; Notice of Final Results of Antidumping Duty Administrative Review,* 64 FR 6609, 6614 (Feb. 10, 1999).

Comment 5: U.S. Credit. The petitioners argue that the Department should impute a credit expense for all sales in which reported payment date occurred after the reported ship date.

Korea Sangsa asserts that for a number of sales involving letters of credit, it presented the sales documents to its bank upon shipment and immediately obtained from the bank the invoice value of the transaction. The respondent further claims that the bank levied a discount charge for the period between shipment and estimated customer payment to the bank, which Korea Sangsa reported as a bank charge. Korea Sangsa contends that the Department should not impute an additional credit expense for these sales. The respondent also contends that it reported imputed credit expenses for all other sales.

DOC Position: We agree with Korea Sangsa that, for EP sales where the respondent receives payment from its bank immediately upon shipment, there is no need to impute a credit expense. For such sales, as in the preliminary determination, we have made an adjustment for the charges levied by the bank, which constitute actual interest expenses arising from the lag between the date of shipment and the date of customer payment. For all other sales, to the extent that the date of payment follows the date of shipment, we have made adjustments for imputed credit expenses.

Comment 6: Clarification of Matching Methodology. The petitioners request that the Department clarify its policy with respect to situations where there are two equally similar home market products (in terms of physical characteristics) that could serve as comparison merchandise for a given U.S. product. The petitioners note that the Department has in the past either (1) relied on an average of the prices of the two products, or (2) selected the home market product with the more similar variable cost. The petitioners note that the Department followed the latter approach in the preliminary determination, and contend that the former approach is more sensible.

Korea Sangsa argues that the Department should continue to find the most similar home market match as in the preliminary determination.

DOC Position: In situations where, based on the reported product characteristics, there are two or more "equally similar" home market products, we have in the past relied on the home market product with the closest variable cost of manufacture to that of the U.S. product. *See, e.g., Certain Welded Carbon Steel Pipes and Tubes From India; Final Results of Antidumping Duty Administrative,* 63 FR 32825 (June 16, 1998). We have followed this methodology for the final determination.

Comment 7: Packing Form/Model Matching. The petitioners suggest that the Department may want to consider the appropriateness of including packing form in the model matching criteria for the purpose of making price to price comparisons.

Korea Sangsa claims that, given the lack of any findings at verification suggesting that form affects price comparability, the Department should not incorporate packing form into the model match methodology.

DOC Position: We agree with Korea Sangsa that packing form should not be incorporated into the model match methodology. The petitioners have not provided evidence that packing form is a consideration in pricing in the wire industry generally, and our analysis of the respondent's pricing data suggests no clear correlation between wire prices and packing form. Therefore, the Department has determined that there is no basis for including these criteria in our model matching.

Comment 8: Grade Comparisons. Korea Sangsa argues that the Department erred in comparing U.S. sales of grade 302 wire to home market sales of grade 303 wire, rather than to sales of more similar grade 304 wire. According to Korea Sangsa, it is commonly accepted in the wire industry that grade 302 and 304 wire are generally interchangeable and used in non-free-machining applications, whereas the grade 303 wire sold by Korea Sangsa contains significant amounts of copper, sulfur, and other chemical elements (which the other two grades lack), and is used for free-machining applications. Korea Sangsa suggests that the Department can correct this error with a revision to the results of the program used to determine similarity of grades, by modifying the values assigned to the specific grades in question.

According to the petitioners, the Department should consider general comments on matching methodologies, and not consider requests for *ad hoc* revisions to the results of those methodologies. The petitioners argue that the respondent's objection to the Department's model matching is based on a limited comparison of two specific grades, and does not advance a comprehensive approach to matching of grades.

DOC Position: We agree with the petitioners. Although Korea Sangsa has provided evidence that in certain respects grade 302 wire is more similar to grade 304 wire than to grade 303 wire (for instance, that grades 302 and 304 contain little or no copper or sulfur, while grade 303 contains significant amounts of those elements), the respondent has not addressed the methodology used in the preliminary determination for purposes of determining grade similarity. This methodology relied on the standard chemical composition of each grade, and ranked four chemical elements (nickel, molybdenum, chromium, and carbon) in a hierarchy. Rather than propose a systematic revision to this hierarchy with respect to copper, sulfur, and other elements, the respondent has identified a specific unfavorable result of the Department's methodology, and proposed an *ad hoc* change to this result. Absent comments from interested parties on the relative importance of copper, sulfur, and other elements, we have no way of gauging what other grade comparisons might be affected by consideration of those elements.

Therefore, we have continued to rely on the methodology for determination of grade similarity that was used in the preliminary determination.

Comment 9: Overdraft Rates. Korea Sangsa asserts that the Department should include the company's overdraft rate in the calculation of short-term lending rates during the POI. According to Korea Sangsa, in the preliminary determination the Department deviated from its practice of basing the interest rate for the calculation of imputed credit on all short-term borrowing, including overdraft loans. The respondent cites to two determinations in which the Department relied on overdraft rates: *Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Stainless Steel Plate in Coils From Italy,* 63 FR 47246 (Sept. 4, 1998), and *Extruded Rubber Thread From Malaysia: Final Results of Countervailing Duty Administrative Review,* 62 FR 48985 (Sept. 18, 1997).

The petitioners do not specifically address the issue of overdraft rates, stating that the Department has discretion to determine the appropriate basis for calculating the respondent's home market borrowing rate. However, the petitioners note that the rate reported by Korea Sangsa appears to be overstated. The petitioners point out that the interest rate reported by the respondent is above the range of rates listed in the company's audited financial statements.

DOC Position: We disagree with Korea Sangsa that the reported overdraft rates should be included in the calculation of imputed credit. For purposes of calculating imputed credit expenses, it is the Department's policy to use a short-term interest rate tied to the currency in which the sales are denominated. We will base this interest rate on the respondent's weighted-average short-term borrowing experience in the currency of the transaction. *See* Policy Statement 98–2. In this case, the overdraft rate in question is several times higher than the respondent's regular short-term borrowing rate, and does not appear to bear any relation to normal commercial borrowing by the respondent (the total POI amount of overdraft borrowing, when compared to the total amount of regular short-term borrowing, indicates that overdraft borrowing is exceptionally rare).

The countervailing duty cases cited by the respondent are inapposite, in that they did not involve the calculation of imputed credit. (For example, in *Stainless Steel Plate in Coils from Italy,* we used overdraft rates to calculate benchmarks on long-term (rather than short-term) loans, in connection with the valuation of subsidies in Italy.) The respondent has not identified any precedent establishing that the Department's practice is to include overdraft rates (especially aberrationally high overdraft rates) in the calculation of short-term interest rates for purposes of calculating imputed credit. Given this, we have continued to exclude these rates from the calculation of the home market short-term interest rate. Regarding the petitioners' claim that the reported interest rate is inconsistent with the range of rates in the notes to the financial statements, we found at verification that the reported rate was consistent with the respondent's books and records.

B. Cost Issues

Comment 10: Inflation/Cost Averaging. The petitioners argue that there was significant inflation in Korea during the POI, as evidenced by the increase in Korea Sangsa's cost in won for one grade of wire rod, the principal input used in the production of round wire. The petitioners contend that, given such inflation, the Department should index Korea Sangsa's monthly costs and perform monthly cost and price comparisons.

Korea Sangsa claims that Korea did not suffer significant inflation during the POI. The respondent contends that neither the Korean consumer price index nor the producer price index for the period indicate a rate of inflation even approaching the level at which the Department will normally consider making an adjustment. The respondent also asserts that the petitioners' allegations regarding Korea Sangsa's wire rod purchases are misleading, and that in fact, the price of at least one grade of wire rod actually decreased for some months of the POI. Finally, while the respondent concedes that there may have been some inflationary pressure on the company in the final month of the POI, the respondent asserts that such pressure could not have been reflected in the costs of production of merchandise sold during the POI.

DOC Position: We disagree with the petitioners that monthly costs should be indexed for inflation and that we should perform monthly cost and price comparisons. Based on our assessment of information on the record, we find that the inflation rate in Korea during the POI was not significant enough to warrant any adjustment to our calculation methodology. The Department uses a different calculation methodology for economies experiencing high inflation. This is because money can lose purchasing power at such a rate that comparison of transactions that have occurred at different times, even within the same POI, are misleading. The annualized inflation rate during the POI did not reach such levels in this case. Therefore, we have continued to rely on the methodology for price and cost comparisons that was used in the preliminary determination.

Comment 11: Calculation of G&A Expenses. The petitioners claim that the Department should revise its calculation of G&A expenses to reflect findings at verification, namely to include: (1) exchange losses experienced by collapsed affiliate Korea Welding Electrode Co., Ltd. (Koweld) in connection with accounts payable, (2) amounts for actual payments of severance indemnities, and (3) amounts for "special" and extraordinary depreciation.

Korea Sangsa contends that, to the extent that the Department finds it necessary to include Koweld's exchange losses in the G&A ratio, the Department should also adjust the G&A ratio to reflect Koweld's offsetting exchange gains. With respect to severance payments and depreciation, the respondent claims that all such costs were correctly reported and verified, and therefore, no revisions are necessary for the final determination.

DOC Position: We agree with petitioner that the foreign exchange losses realized in connection with loans and accounts payable should be included in the COP and CV calculations. It is the Department's practice to distinguish between exchange gains and losses generated by sales transactions and those generated by loans payable and the purchases of production inputs. *See Notice of Final Results and Partial Recission of Antidumping Duty Administrative Review: Certain Welded Carbon Steel Pipe and Tube from Turkey,* 63 FR 35190, 35198 (June 29, 1998). The Department typically excludes from the COP and CV calculation those foreign exchange gains and losses generated by sales transactions because we do not consider them to relate to the manufacturing activities of the company. *See Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago,* 63 FR 9177, 99182 (February 24, 1998). We also agree with respondents that the offsetting foreign exchange gains realized in connection with accounts payable and loans should be included in the COP and CV calculations. Thus, we

have included both exchange gains and losses in our calculation of COP and CV.

We disagree with the petitioners that the actual payments for severance indemnities should be included in the calculation of G&A expenses. Annually, the respondent accrues in its accounting books and records amounts for severance indemnities. The actual severance payments to employees are not recorded as expenses to Korea Sangsa. Rather, the annual accrual is recorded as an expense in the books and records of the company. We agree with Korea Sangsa that it correctly reported the provision for severance payments in its reported costs. Accordingly, we made no adjustment for actual severance payments in Korea Sangsa's G&A expense calculation.

We disagree with the petitioners that respondents have not included "special and extraordinary" depreciation expenses in the reported costs. We note from our verification that Korea Sangsa included regular and special depreciation in its calculation of the cost of manufacturing. In addition, depreciation expense related to assets used in the general operations of the company were included in the reported G&A expenses. *See* cost verification exhibit 9. Thus, we made no adjustment to Korea Sangsa's reported costs.

Comment 12: Offset to Costs for Rental Income and Scrap Revenues. Korea Sangsa asserts that the Department should allow an offset to reported costs for income from the rental of machinery to affiliated parties, as well as from revenues from the sale of scrap.

The petitioners contend that Korea Sangsa has not shown that the machinery in question was related to production activities, and therefore no offset should be granted in connection with the rental of that machinery. The petitioners also assert that to the extent that the Department allows an offset for revenue from the sale of scrap, it should also reduce the respondent's cost of sales by any revenue from the sale of scrap in order to ensure that the interest and G&A expense ratios are calculated on the same basis as the cost of manufacture figure to which they are applied.

DOC Position: We agree with Korea Sangsa that in this instance the rental income that represents amounts paid by collapsed affiliate Myung Jin. Co. (MJC) to Korea Sangsa should be allowed as an offset to the cost of manufacture. It has been determined for this proceeding that MJC and Korea Sangsa should be collapsed into a single entity for cost and sales reporting purposes. Thus, if the income from the rental of the equipment is not used to offset the cost incurred by Korea Sangsa, costs would be double counted, first as maintenance and depreciation costs to Korea Sangsa, and second as a rental expense included in factory overhead for MJC's Daesong Factory. Therefore, for the final determination, we have reduced the cost of manufacture for the rental income.

With respect to the issue of scrap, we also agree with Korea Sangsa. It is Department practice to allow an offset to cost of manufacturing by revenue generated from sales of scrap. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Taiwan,* 63 FR 40461, 40472 (July 29, 1998). In keeping with this practice, we will allow this offset for the final determination. Further, we agree with the petitioners that the interest and G&A ratios should be calculated on the same basis as the cost of manufacturing figure to which they are applied. Therefore, since we have reduced cost of manufacturing by the revenue generated from the sales of scrap and rental income, we have also reduced the denominator used in the G&A and interest expense calculation.

Comment 13: Elimination of Inter-Company Sales. Korea Sangsa asserts that it has correctly eliminated inter-company sales from the cost-of-goods sold (COGS) denominator used to calculate the G&A and interest ratios. The respondent contends that it is appropriate to reduce that denominator by the *cost* of those sales (*i.e.*, the price paid by the respondent to an unaffiliated supplier for merchandise that the respondent resold to an affiliate), rather than by the *sales value* of those transactions (*i.e.*, the price paid by the affiliate to the respondent for that merchandise).

The petitioners claim that COGS denominator should be reduced by the cost of the inter-company sales to the respondent's affiliate, which is based on the sales value realized by Korea Sangsa.

DOC Position: We agree with the petitioner that the COGS denominator should be reduced by the transfer price between affiliates. If the Department reduced the denominator by only the amount paid by the respondent to an unaffiliated supplier for the purchase of the merchandise in question, it would leave in that denominator an element of profit or loss realized by the respondent upon resale of the merchandise to its affiliate, thus not fully eliminating the effect of the inter-company sales. Therefore, we have used the sales value of the inter-company sales to calculate net COGS used in the G&A and interest ratio calculations.

Comment 14: Allocation of Packing Labor Costs. The petitioners contend that the Department determined that packing for the U.S. and home markets was identical, but that at verification the Department found that packing labor had been allocated disproportionately to U.S. products. According to the petitioners, this discrepancy calls into question the general reliability of the reported packing costs, warranting the application of facts available.

Korea Sangsa asserts that it has correctly allocated packing labor costs to home market and U.S. products, and that no adjustment to this allocation is necessary for the final determination.

DOC Position: We disagree with the petitioners that the application of facts available is appropriate. At verification, we confirmed that the pool of packing costs allocated to round wire sold in the U.S. and home markets included all appropriate costs. We also observed that labor involved in packing merchandise for both the U.S. and home markets did not appear to vary, and noted that the respondent appeared to have slightly over-allocated packing labor cost to U.S. products. Upon review, we have determined that the allocation of packing labor costs appears reasonable. Accordingly, no adjustment was necessary.

Suspension of Liquidation

In accordance with section 735(c)(1)(C) of the Act, we are directing the Customs Service to suspend liquidation of all entries of stainless steel round wire from Korea, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final determination in the **Federal Register**. The Customs Service shall require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP or CEP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Korea Sangsa	3.07
All Others	3.07

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC

will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-8928 Filed 4-8-99; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[I.D. 032399A]

Regulations Governing the Taking and Importing of Marine Mammals; Endangered and Threatened Fish and Wildlife; Cook Inlet Beluga Whales

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of receipt of petitions.

SUMMARY: NMFS announces the receipt of two petitions to list the Cook Inlet population of beluga whales under the Endangered Species Act (ESA) and one petition to designate the population as depleted under the Marine Mammal Protection Act (MMPA). NMFS also announces that it has determined that the petitioned actions may be warranted.

ADDRESSES: Requests for copies of the petitions should be addressed to Chief, Marine Mammal Division (PR2), Office of Protected Resources, National Marine Fisheries Service, 1315 East-West Highway, Silver Spring, MD 20910.

FOR FURTHER INFORMATION CONTACT: Division Chief, Protected Resources Management Division, Alaska Region, NMFS, (907) 586-7235; Brad Smith/Barbara Mahoney, Protected Resources Management Division, Alaska Region, NMFS, (907) 271-5006; or Margot Bohan/Dean Wilkinson, Office of Protected Resources, NMFS, (301) 713-2322.

SUPPLEMENTARY INFORMATION:

Background

The MMPA (16 U.S.C. 1361-1407) contains provisions for interested parties to petition for a species or stock to be designated as "depleted" (16 U.S.C. 1383(b)). Section 4 of the ESA (16 U.S.C. 1531-1543) and 50 CFR part 424 contain provisions allowing interested parties to petition for a species (including any subspecies or, in the case of vertebrates, a distinct population segment which interbreeds when mature) to be listed as threatened or endangered. If a petition presents substantial information, a review is conducted to determine if a species should be designated as depleted or listed as endangered or threatened. Determinations are made based on the best available scientific data.

Petitions Received

On January 21, 1999, NMFS received a petition from the State of Alaska to designate the Cook Inlet beluga stock as depleted. On March 3, 1999, NMFS received a petition, on behalf of Joel Blatchford, a Native Alaskan beluga hunter, the Alaska Center for the Environment, the Alaska Community Action on Toxics, the Alaska Wildlife Alliance, the Center of Biological Diversity, the Center for Marine Conservation, the National Audubon Society, and the Trustees for Alaska to list Cook Inlet belugas as endangered under the ESA on an emergency basis. On March 10, 1999, NMFS received another petition from the Animal Welfare Institute to change the status of Cook Inlet beluga whales to depleted under the MMPA and endangered under the ESA.

Presentation of Substantial Information

NMFS has determined that each of these petitions presents substantial information indicating that the petitioned action may be warranted. A copy of the petitions and information submitted with the petitions is available upon request (see **ADDRESSES**).

NMFS recently commenced a review of the status of the Cook Inlet population of beluga whales, in collaboration with the Alaska Beluga Whale Committee and the Cook Inlet Marine Mammal Council. The agency solicited information and public comments in conjunction with the status review to ensure that the review is complete and is based on the best available information. Completion of the status review is expected in early April. NMFS will evaluate the merits of listing of the Cook Inlet beluga whale as threatened or endangered under the ESA based on the findings of this status review. NMFS will also evaluate the merits of designating the Cook Inlet beluga whale as depleted under the MMPA based on this review.

Dated: April 2, 1999.

Andrew A. Rosenberg,

Deputy Assistant Administrator for Fisheries, National Marine Fisheries Service.

[FR Doc. 99-8905 Filed 4-8-99; 8:45 am]

BILLING CODE 3510-22-F

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[I.D. 032499A]

Small Takes of Marine Mammals Incidental to Specified Activities; Offshore Oil and Gas Activities in the Beaufort Sea

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Request for panel nominations.

SUMMARY: The Marine Mammal Protection Act (MMPA) requires Incidental Harassment Authorizations (IHAs) issued thereunder, to prescribe, where applicable, the requirements for an independent peer review of research and monitoring plans for those activities that take marine mammals incidental to the activity and where the activity may affect the availability of a species/stock of marine mammal for taking for subsistence uses in Arctic waters. In addition, NMFS regulations require similar review for Letters of Authorization (LOAs) issued under the MMPA for activities in Arctic waters. Because of increasing activities and potential MMPA authorizations in Arctic waters, NMFS wishes to expand its present list of peer review participants. NMFS is therefore accepting nominations from the public for consideration as potential reviewers of monitoring and research plans in the Arctic.

DATES: Nominations must be received no later than May 24, 1999.

ADDRESSES: Nominations should be addressed to Donna Wieting, Acting Chief, Marine Mammal Conservation Division, Office of Protected Resources, NMFS, 1315 East-West Highway, Silver Spring, MD 20910-3225. Additional information may be obtained by writing to this address or by telephoning the contact listed here.

APPENDIX B

LIST OF WITNESSES

B-1

B-2

CALENDAR OF PUBLIC HEARINGS

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

Subject:	Stainless Steel Round Wire from Canada, India, Japan, The Republic of Korea, Spain, and Taiwan
Inv. Nos.:	731-TA-781-786 (F)
Date and Time:	April 6, 1999 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room, 500 E Street, SW, Washington, DC.

OPENING REMARKS

Petitioners (**Laurence J. Lasoff**, Collier, Shannon, Rill & Scott PLLC)
Respondents (**James P. Durling**, Willkie Farr & Gallagher)

In Support of the Imposition of Antidumping Duties:

Holland & Knight LLP
and
Collier, Shannon, Rill & Scott PLLC
Washington, D.C.
on behalf of

Sumiden Wire Products Corporation
Handy & Harman Specialty Wire Group
Techalloy Company, Incorporated
Al Tech Specialty Steel Corporation
Carpenter Technology Corporation
ACS Industries, Incorporated
Branford Wire & Manufacturing Company
Industrial Alloys, Incorporated
Loos & Company, Incorporated
Sandvik Steel Company

B-3

In Support of the Imposition of Antidumping Duties–Continued:

Robert C. Olson, President, Sumiden Wire Products Corporation

Brian Burr, Plant Manager, Sumiden Wire Products Corporation

George A. Kurisky, Vice President, Handy & Harman Specialty Wire Group

John Robinson, Vice President, Purchasing/Business Development, Techalloy Company, Incorporated

Henry Lopes, Vice President, Technical and Operations, Techalloy Company, Incorporated

Steven Pass, Plant Manager, Techalloy Company, Incorporated

Nelson McVicar, Vice President, Sales, Al Tech Specialty Steel Corporation

William Pendleton, Director, Corporate Affairs, Carpenter Technology Corporation

William B. Hudgens, Economic Consultant, Georgetown Economic Services, LLC

Joanna Schlesinger, Economic Consultant, Georgetown Economic Services, LLC

Frederick P. Waite)
Kimberly R. Young)
Laurence J. Lasoff)--OF COUNSEL
Robin H. Gilbert)
Mary T. Staley)

B-4

In Opposition to the Imposition of Antidumping Duties:

Coudert Brothers
Washington, D.C.
on behalf of

Greening Donald Company, Limited

Donna Spike, Director, Marketing

Mark P. Lunn)
Kay C. Georgi) --OF COUNSEL

Powell, Goldstein, Frazer & Murphy LLP
Washington, D.C.
on behalf of

Korea Sangsa, Incorporated
Korea Welding Electrode Company

N. David Palmeter)
Elizabeth C. Hafner) --OF COUNSEL

Willkie Farr & Gallagher
Washington, D.C.
on behalf of

Suzuki Metal Industry Company, Limited

James J. Burri, General Manager, CAMCAR, Division of Textron

Thomas W. Kromm, Director, Purchasing and Raw Materials, CAMCAR, Division of Textron

Steven A. Wein, Assistant Counsel, Textron, Incorporated

Kenneth Button, Senior Vice President, Economic Consulting Services

James P. Durling)
Jacqueline A. Weisman) --OF COUNSEL

B-5

CLOSING REMARKS

Petitioners (**Laurence J. Lasoff**, Collier, Shannon, Rill & Scott PLLC)
Respondents (**James P. Durling**, Willkie Farr & Gallagher)

APPENDIX C

SUMMARY TABLES

C-1

C-2

Table C-1
SSRW: Summary data concerning the U.S. market, 1996-98

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

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. consumption quantity:						
Amount	196,818	206,607	206,040	4.7	5.0	-0.3
Producers' share (1)	75.3	75.1	73.9	-1.4	-0.3	-1.2
Importers' share (1):						
Canada	4.4	4.4	3.4	-1.0	0.1	-1.0
India	0.4	1.2	1.5	1.1	0.9	0.2
Japan	1.8	1.9	2.1	0.3	0.1	0.2
Korea	2.9	4.1	5.4	2.5	1.2	1.4
Spain	0.8	0.9	0.6	-0.2	0.1	-0.3
Taiwan	2.1	2.4	2.8	0.7	0.3	0.5
Subtotal, subject countries	12.3	14.9	15.8	3.4	2.6	0.9
Other sources	12.3	10.0	10.3	-2.0	-2.3	0.3
Total imports	24.7	24.9	26.1	1.4	0.3	1.2
U.S. consumption value:						
Amount	448,331	452,774	439,276	-2.0	1.0	-3.0
Producers' share (1)	77.1	77.3	77.1	-0.0	0.2	-0.2
Importers' share (1):						
Canada	4.4	4.4	3.4	-1.0	-0.0	-1.0
India	0.2	0.6	0.7	0.6	0.4	0.1
Japan	2.1	2.0	2.1	0.1	-0.0	0.1
Korea	2.4	3.0	3.9	1.5	0.6	0.9
Spain	0.5	0.6	0.4	-0.1	0.1	-0.2
Taiwan	1.5	1.7	2.0	0.5	0.1	0.4
Subtotal, subject countries	11.2	12.3	12.7	1.5	1.1	0.4
Other sources	11.7	10.4	10.2	-1.5	-1.3	-0.2
Total imports	22.9	22.7	22.9	0.0	-0.2	0.2
U.S. imports from--						
Canada:						
Quantity	8,581	9,136	6,997	-18.5	6.5	-23.4
Value	19,775	19,811	15,009	-24.1	0.2	-24.2
Unit value	$2.30	$2.17	$2.14	-6.9	-5.9	-1.1
Ending inventory quantity	***	***	***	(2)	(2)	-16.0
India:						
Quantity	701	2,511	3,009	329.2	258.2	19.8
Value	874	2,795	3,277	274.9	219.8	17.2
Unit value	$1.25	$1.11	$1.09	-12.7	-10.7	-2.2
Ending inventory quantity	***	***	***	(2)	(2)	1,200.0
Japan:						
Quantity	3,625	3,998	4,323	19.2	10.3	8.1
Value	9,208	9,212	9,435	2.5	0.1	2.4
Unit value	$2.54	$2.30	$2.18	-14.1	-9.3	-5.3
Ending inventory quantity	***	***	***	17.8	-5.6	24.8
Korea:						
Quantity	5,747	8,435	11,198	94.8	46.8	32.8
Value	10,894	13,693	17,344	59.2	25.7	26.7
Unit value	$1.90	$1.62	$1.55	-18.3	-14.4	-4.6
Ending inventory quantity	***	***	***	78.0	-9.6	96.9
Spain:						
Quantity	1,490	1,850	1,163	-22.0	24.1	-37.1
Value	2,328	2,613	1,736	-25.4	12.2	-33.6
Unit value	$1.56	$1.41	$1.49	-4.4	-9.6	5.7
Ending inventory quantity	***	***	***	-25.0	-5.2	-20.9
Taiwan:						
Quantity	4,130	4,870	5,829	41.1	17.9	19.7
Value	6,946	7,519	8,926	28.5	8.2	18.7
Unit value	$1.68	$1.54	$1.53	-8.9	-8.2	-0.8
Subtotal subject country imports:						
Quantity	24,276	30,799	32,520	34.0	26.9	5.6
Value	50,025	55,643	55,726	11.4	11.2	0.1
Unit value	$2.06	$1.81	$1.71	-16.8	-12.3	-5.2
Ending inventory quantity	2,016	2,068	2,826	40.2	2.6	36.6

Table continued on next page.

Table C-1--Continued
SSRW: Summary data concerning the U.S. market, 1996-98

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

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. imports from (continued)--						
Other sources:						
Quantity	24,300	20,736	21,303	-12.3	-14.7	2.7
Value	52,504	47,058	44,919	-14.4	-10.4	-4.5
Unit value	$2.16	$2.27	$2.11	-2.4	5.0	-7.1
Ending inventory quantity	676	940	1,016	50.3	39.1	8.1
All sources:						
Quantity	48,576	51,535	53,823	10.8	6.1	4.4
Value	102,529	102,701	100,645	-1.8	0.2	-2.0
Unit value	$2.11	$1.99	$1.87	-11.4	-5.6	-6.2
Ending inventory quantity	2,692	3,008	3,842	42.7	11.7	27.7
U.S. producers':						
Average capacity quantity	212,962	217,198	216,066	1.5	2.0	-0.5
Production quantity	153,452	162,920	158,698	3.4	6.2	-2.6
Capacity utilization (1)	71.2	74.0	72.2	1.0	2.9	-1.8
U.S. shipments (adjusted):						
Quantity	148,242	155,072	152,217	2.7	4.6	-1.8
Value	345,802	350,073	338,631	-2.1	1.2	-3.3
Unit value	$2.33	$2.26	$2.22	-4.6	-3.2	-1.5
Export shipments:						
Quantity	5,246	5,802	4,875	-7.1	10.6	-16.0
Value	14,796	16,336	13,276	-10.3	10.4	-18.7
Unit value	$2.82	$2.82	$2.72	-3.4	-0.2	-3.3
Ending inventory quantity	23,778	24,719	25,039	5.3	4.0	1.3
Inventories/total shipments (1)	15.5	15.4	15.9	0.4	-0.1	0.6
Production workers	1,491	1,475	1,458	-2.2	-1.1	-1.2
Hours worked (1,000s)	3,138	3,096	3,064	-2.4	-1.3	-1.0
Wages paid ($1,000s)	54,695	55,502	54,793	0.2	1.5	-1.3
Hourly wages	$17.45	$17.98	$17.93	2.7	3.0	-0.2
Productivity (pounds per hour)	48	52	51	5.4	7.5	-2.0
Unit labor costs	$0.36	$0.35	$0.35	-2.6	-4.3	1.8
Net sales:						
Quantity	148,195	156,176	154,262	4.1	5.4	-1.2
Value	349,572	350,996	340,263	-2.7	0.4	-3.1
Unit value	$2.36	$2.25	$2.21	-6.5	-4.7	-1.9
Cost of goods sold (COGS)	309,005	307,679	298,854	-3.3	-0.4	-2.9
Gross profit or (loss)	40,567	43,317	41,409	2.1	6.8	-4.4
SG&A expenses	30,412	31,332	33,151	9.0	3.0	5.8
Operating income or (loss)	10,155	11,985	8,258	-18.7	18.0	-31.1
Capital expenditures	19,309	17,881	17,511	-9.3	-7.4	-2.1
Unit COGS	$2.09	$1.97	$1.94	-7.1	-5.5	-1.7
Unit SG&A expenses	$0.21	$0.20	$0.21	4.7	-2.2	7.1
Unit operating income or (loss)	$0.07	$0.08	$0.05	-21.9	12.0	-30.2
COGS/sales (1)	88.4	87.7	87.8	-0.6	-0.7	0.2
Operating income or (loss)/ sales (1)	2.9	3.4	2.4	-0.5	0.5	-1.0

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar-year basis.

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

C-4

Table C-2
SSRW: Available summary data concerning the U.S. market, 1994-98

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

	Reported data					Period changes				
Item	1994	1995	1996	1997	1998	1994-95	1995-98	1995-96	1996-97	1997-98
U.S. producers':										
Net sales: (1)										
Quantity	127,509	127,903	123,851	128,681	129,618	0.3	1.3	-3.2	3.9	0.7
Value	254,116	274,511	272,142	269,476	267,261	8.0	-2.6	-0.9	-1.0	-0.8
Unit value	$1.99	$2.15	$2.20	$2.09	$2.06	7.7	-3.9	2.4	-4.7	-1.5
Cost of goods sold (COGS)	220,378	237,050	245,681	243,098	237,187	7.6	0.1	3.6	-1.1	-2.4
Gross profit or (loss)	33,738	37,461	26,461	26,378	30,074	11.0	-19.7	-29.4	-0.3	14.0
SG&A expenses	20,622	21,751	22,259	22,991	24,499	5.5	12.6	2.3	3.3	6.6
Operating income or (loss)	13,116	15,710	4,202	3,387	5,575	19.8	-64.5	-73.3	-19.4	64.6
Unit COGS	$1.73	$1.85	$1.98	$1.89	$1.83	7.2	-1.3	7.0	-4.8	-3.1
Unit SG&A expenses	$0.16	$0.17	$0.18	$0.18	$0.19	5.1	11.1	5.7	-0.6	5.8
Unit operating income or (loss)	$0.10	$0.12	$0.03	$0.03	$0.04	19.4	-65.0	-72.4	-22.4	63.4
COGS/sales (2)	86.7	86.4	90.3	90.2	88.7	-0.4	2.4	3.9	-0.1	-1.5
Operating income or (loss)/ sales (2)	5.2	5.7	1.5	1.3	2.1	0.6	-3.6	-4.2	-0.3	0.8
U.S. imports from--										
Canada:										
Quantity	6,201	8,021	8,581	9,136	6,997	29.3	-12.8	7.0	6.5	-23.4
Value	13,046	19,215	19,775	19,811	15,009	47.3	-21.9	2.9	0.2	-24.2
Unit value	$2.10	$2.40	$2.30	$2.17	$2.14	13.9	-10.5	-3.8	-5.9	-1.1
India:										
Quantity	1,152	1,774	701	2,511	3,009	54.0	69.6	-60.5	258.2	19.8
Value	1,254	2,139	874	2,795	3,277	70.5	53.2	-59.1	219.8	17.2
Unit value	$1.09	$1.21	$1.25	$1.11	$1.09	10.7	-9.7	3.4	-10.7	-2.2
Japan:										
Quantity	4,621	3,078	3,625	3,998	4,323	-33.4	40.4	17.8	10.3	8.1
Value	10,735	8,254	9,257	9,248	9,606	-23.1	16.4	12.1	-0.1	3.9
Unit value	$2.32	$2.68	$2.55	$2.31	$2.22	15.4	-17.1	-4.8	-9.4	-3.9
Korea:										
Quantity	5,124	5,260	5,747	8,435	11,198	2.7	112.9	9.3	46.8	32.8
Value	8,259	9,647	10,894	13,693	17,344	16.8	79.8	12.9	25.7	26.7
Unit value	$1.61	$1.83	$1.90	$1.62	$1.55	13.8	-15.6	3.4	-14.4	-4.6
Spain:										
Quantity	3,077	1,187	1,490	1,850	1,163	-61.4	-2.1	25.5	24.1	-37.1
Value	4,342	2,062	2,328	2,613	1,736	-52.5	-15.8	12.9	12.2	-33.6
Unit value	$1.41	$1.74	$1.56	$1.41	$1.49	23.1	-14.0	-10.1	-9.6	5.7
Taiwan:										
Quantity	4,328	4,836	4,130	4,870	5,829	11.7	20.5	-14.6	17.9	19.7
Value	6,702	9,129	6,946	7,519	8,926	36.2	-2.2	-23.9	8.2	18.7
Unit value	$1.55	$1.89	$1.68	$1.54	$1.53	21.9	-18.9	-10.9	-8.2	-0.8
Subtotal subject country imports:										
Quantity	24,504	24,156	24,276	30,799	32,520	-1.4	34.6	0.5	26.9	5.6
Value	44,339	50,446	50,074	55,678	55,897	13.8	10.8	-0.7	11.2	0.4
Unit value	$1.81	$2.09	$2.06	$1.81	$1.72	15.4	-17.7	-1.2	-12.4	-4.9
Other sources:										
Quantity	22,685	24,507	24,300	20,736	21,303	8.0	-13.1	-0.8	-14.7	2.7
Value	46,121	55,268	52,504	47,058	44,919	19.8	-18.7	-5.0	-10.4	-4.5
Unit value	$2.03	$2.26	$2.16	$2.27	$2.11	10.9	-6.5	-4.2	5.0	-7.1
All sources:										
Quantity	47,189	48,663	48,576	51,535	53,823	3.1	10.6	-0.2	6.1	4.4
Value	90,427	105,666	102,529	102,701	100,645	16.9	-4.8	-3.0	0.2	-2.0
Unit value	$1.92	$2.17	$2.11	$1.99	$1.87	13.3	-13.9	-2.8	-5.6	-6.2

(1) Includes data for 9 petitioning firms that accounted for approximately 80 percent of reported U.S. production of SSRW during 1998.
(2) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar-year basis.

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

APPENDIX D

COMPAS PRESENTATION

D-1

D-2

ASSUMPTIONS

The COMPAS model is a supply and demand model that assumes that domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the discussion contained in Part II of this report, the staff selects a range of estimates that represent price-supply, price-demand, and product-substitution relationships (i.e., supply elasticity, demand elasticity, and substitution elasticity) in the U.S. SSRW market. The model uses these estimates with data on market shares, Commerce's estimated margins of dumping, transportation costs, and current tariffs to analyze the likely effect of unfair pricing of subject imports on the U.S. domestic like product industry.

FINDINGS[1]

Estimated effects of the LTFV imports on the U.S. SSRW industry are as follows: 1.1 percent to 5.0 percent reduction in revenue, 0.8 percent to 4.0 percent reduction in output, and 0.2 percent to 1.6 percent reduction in price. Estimated effects (in percent) by country are shown in the following tabulation.[2]

Country	Reduction in revenue	Reduction in output	Reduction in price
Canada	0.3 to 1.5	0.2 to 1.2	0.1 to 0.5
India	0.1 to 0.6	0.1 to 0.5	0.0 to 0.2
Japan	0.3 to 1.3	0.2 to 1.0	0.1 to 0.4
Korea	0.1 to 0.4	0.1 to 0.3	0.0 to 0.1
Spain	0.2 to 0.9	0.1 to 0.7	0.0 to 0.3
Taiwan	0.1 to 0.3	0.1 to 0.3	0.0 to 0.1
Total	1.1 to 5.0	0.8 to 4.0	0.2 to 1.6

More detailed effects of the dumping and the full range of scenarios are shown in tables D-1 through D-6.

[1] Estimates are based on 1997 data. Commerce's period of investigation for the antidumping investigations was January 1997-December 1997.

[2] The "all other" margin of 11.64 percent was used for Canada; a margin of 18.64 was used for India; a weighted-average margin of 22.85 was used for Japan; a margin of 3.07 was used for Korea; a weighted-average margin of 35.23 was used for Spain; and the "all other" margin of 4.47 was used for Taiwan.

Table D-1
Effects of LTFV pricing of imports from Canada

* * * * * * *

Table D-2
Effects of LTFV pricing of imports from India

* * * * * * *

Table D-3
Effects of LTFV pricing of imports from Japan

* * * * * * *

Table D-4
Effects of LTFV pricing of imports from Korea

* * * * * * *

Table D-5
Effects of LTFV pricing of imports from Spain

* * * * * * *

Table D-6
Effects of LTVF pricing on imports from Taiwan

* * * * * * *

APPENDIX E

DATA ON U.S. IMPORTS OF SSRW

E-1

E-2

Table E-1
SSRW: U.S. imports reported in questionnaires, by sources, 1996-98

* * * * * * *

Table E-2
SSRW: U.S. imports and exports to the United States, by sources, 1996-98

Country/source	1996	1997	1998	1996	1997	1998
	Quantity (*1,000 pounds*)			Ratio to official stats. (*percent*)		
Canada	***	***	***	***	***	***
India	***	***	***	***	***	***
Japan	***	***	***	***	***	***
Korea	***	***	***	***	***	***
Spain	***	***	***	***	***	***
Taiwan	***	***	***	***	***	***
Total subject countries						
Foreign producers' questionnaires	19,348	23,009	22,139	80.4	75.8	75.0
Importers' questionnaires	20,291	24,968	23,657	84.3	82.2	80.1
U.S. official import statistics	24,075	30,368	29,538			

Source: Compiled from responses to the Commission's questionnaires and official Commerce statistics.

Table E-3
SSRW: Adjusted U.S. imports for consumption, 1996-98

* * * * * * *

APPENDIX F

ADDITIONAL DATA ON PRODUCTS BY GROUP, TYPE, AND NICHE/SPECIALTY CLASSIFICATIONS

F-1

F-2

Table F-1
SSRW: U.S. producers' U.S. shipments and U.S. importers' imports/shipments of niche/specialty products and redraw wire, 1996-98

* * * * * * *

Table F-2
SSRW: U.S. shipments of U.S. producers' and U.S. importers', by groups and types, 1996-98

* * * * * * *

APPENDIX G

U.S. PRODUCERS' AND IMPORTERS' PRICES

G-1

G-2

Table G-1
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to distributors and end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-2
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-3
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-4
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-5
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-3

Table G-6
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Japan[1]			Korea			Taiwan		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$2.42	265,836	***	***	***	***	***	***	***	***	***
Apr.-June	2.25	363,997	***	***	***	***	***	***	***	***	***
July-Sept.	2.08	465,263	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.07	359,396	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	2.14	446,121	***	***	***	***	***	***	***	***	***
Apr.-June	2.10	434,270	***	***	***	***	***	***	***	***	***
July-Sept.	2.02	458,766	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.04	385,373	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	1.92	515,704	***	***	***	***	***	***	***	***	***
Apr.-June	1.87	492,496	***	***	***	***	***	***	***	***	***
July-Sept.	1.92	325,698	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.84	349,480	***	***	***	***	***	***	***	***	***

[1] Grade 302 HQ cold-heading wire, 0.099 to 0.127 inch (2.515 to 3.226 mm), annealed.

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

G-4

Table G-7
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 6 sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-5

Table G-8
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		India			Korea			Taiwan		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin
1996:											
Jan.-Mar.	$2.33	294,925	***	***	***	***	***	***	***	***	***
Apr.-June	2.34	314,641	***	***	***	***	***	***	***	***	***
July-Sept.	2.24	278,724	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.17	247,177	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	2.20	284,181	***	***	***	***	***	***	***	***	***
Apr.-June	2.25	270,109	***	***	***	***	***	***	***	***	***
July-Sept.	2.29	304,482	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.27	222,082	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	2.21	368,570	***	***	***	***	***	***	***	***	***
Apr.-June	2.15	282,269	***	***	***	***	***	***	***	***	***
July-Sept.	2.15	251,233	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.13	254,326	***	***	***	***	***	***	***	***	***

[1] Grade 302 HQ cold-heading wire, 0.128 to 0.154 inch (3.251 to 3.912 mm), annealed.

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

G-6

Table G-9
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 7 sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-7

Table G-10
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 7[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			India			Japan		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margins	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$2.34	381,409	***	***	***	***	***	***	***	***	***
Apr.-June	2.26	349,571	***	***	***	***	***	***	***	***	***
July-Sept.	2.12	373,322	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.09	351,428	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	2.13	429,767	***	***	***	***	***	***	***	***	***
Apr.-June	2.18	435,268	***	***	***	***	***	***	***	***	***
July-Sept.	2.25	327,160	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.25	345,316	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	2.18	417,470	***	***	***	***	***	***	***	***	***
Apr.-June	2.17	377,759	***	***	***	***	***	***	***	***	***
July-Sept.	2.12	286,458	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.15	270,387	***	***	***	***	***	***	***	***	***

[1] Grade 302 HQ cold-heading wire, 0.155 to 0.199 inch (3.937 to 5.055 mm), annealed.

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

G-8

Table G-11
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 8[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Korea			Taiwan		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$3.42	309,762	***	***	***	***	***	***	***	***	***
Apr.-June	3.34	321,924	***	***	***	***	***	***	***	***	***
July-Sept.	3.29	297,840	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.34	257,926	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	3.21	313,752	***	***	***	***	***	***	***	***	***
Apr.-June	3.11	362,593	***	***	***	***	***	***	***	***	***
July-Sept.	3.14	286,864	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.11	374,856	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	3.14	383,548	***	***	***	***	***	***	***	***	***
Apr.-June	3.09	339,020	***	***	***	***	***	***	***	***	***
July-Sept.	2.03	295,187	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.90	360,126	***	***	***	***	***	***	***	***	***

[1] Grade 304 braiding/knitting/weaving wire, 0.007 to 0.009 inch (0.1778 to 0.2286 mm), annealed.

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

G-9

Table G-12
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 9 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-10

Table G-13
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 10[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Korea			Spain		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$1.95	52,501	***	***	***	***	***	***	***	***	***
Apr.-June	1.95	104,214	***	***	***	***	***	***	***	***	***
July-Sept.	1.75	152,979	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.36	80,440	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	1.71	126,246	***	***	***	***	***	***	***	***	***
Apr.-June	1.73	109,297	***	***	***	***	***	***	***	***	***
July-Sept.	1.71	126,575	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.69	95,034	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	1.64	147,183	***	***	***	***	***	***	***	***	***
Apr.-June	1.57	174,680	***	***	***	***	***	***	***	***	***
July-Sept.	1.56	166,023	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.49	165,453	***	***	***	***	***	***	***	***	***

[1] Grade 304 redraw/knitting/weaving wire, 0.060 to 0.065 inch (1.524 to 1.651 mm), annealed.

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

G-11

Table G-14
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 11 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-15
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 12 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-16
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 13 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-17
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 14 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-12

Table G-18
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 17[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			India		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:								
Jan.-Mar.	$1.79	120,194	***	***	***	***	***	***
Apr.-June	1.77	123,459	***	***	***	***	***	***
July-Sept.	1.70	123,361	***	***	***	***	***	***
Oct.-Dec.	1.83	75,166	***	***	***	***	***	***
1997:								
Jan.-Mar.	1.65	92,602	***	***	***	***	***	***
Apr.-June	1.63	76,435	***	***	***	***	***	***
July-Sept.	1.77	72,532	***	***	***	***	***	***
Oct.-Dec.	1.52	139,380	***	***	***	***	***	***
1998:								
Jan.-Mar.	1.71	63,370	***	***	***	***	***	***
Apr.-June	1.65	51,809	***	***	***	***	***	***
July-Sept.	1.76	58,380	***	***	***	***	***	***
Oct.-Dec.	1.69	62,626	***	***	***	***	***	***

[1] Grade 304 weaving/belt wire, 0.078 to 0.082 inch (1.9812 to 2.0828 mm), 1/4 to 1/2 hard.

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

G-13

Table G-19
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 18[1] sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Korea			Taiwan, Tien Tai			Taiwan, all other sources		
	Price (per pound)	Quantity (pounds)	Price (per pound)	Quantity (pounds)	Margin (percent)	Price (per pound)	Quantity (pounds)	Margin (percent)	Price (per pound)	Quantity (pounds)	Margin (percent)	Price (per pound)	Quantity (pounds)	Margin (percent)
1996:														
Jan.-Mar.	$3.03	301,330	***	***	***	***	***	***	***	***	***	***	***	***
Apr.-June	3.07	195,293	***	***	***	***	***	***	***	***	***	***	***	***
July-Sept.	2.99	346,810	***	***	***	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.16	168,493	***	***	***	***	***	***	***	***	***	***	***	***
1996:														
Jan.-Mar.	3.01	303,101	***	***	***	***	***	***	***	***	***	***	***	***
Apr.-June	3.20	190,638	***	***	***	***	***	***	***	***	***	***	***	***
July-Sept.	2.92	314,751	***	***	***	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.11	178,016	***	***	***	***	***	***	***	***	***	***	***	***
1998:														
Jan.-Mar.	2.95	342,513	***	***	***	***	***	***	***	***	***	***	***	***
Apr.-June	3.17	190,964	***	***	***	***	***	***	***	***	***	***	***	***
July-Sept.	2.90	343,099	***	***	***	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.00	167,456	***	***	***	***	***	***	***	***	***	***	***	***

[1] Grade 308L/LSI (aka LHS) MIG welding wire, 0.033 to 0.037 inch (1.9812 to 2.0828 mm), full hard.

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

G-14

Table G-20
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 19[1] sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Taiwan, Tien Tai			Taiwan, all other sources		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margins	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$2.93	212,044	***	***	***	***	***	***	***	***	***
Apr.-June	3.09	138,110	***	***	***	***	***	***	***	***	***
July-Sept.	2.90	238,985	***	***	***	***	***	***	***	***	***
Oct.-Dec.	3.06	144,554	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	2.88	259,541	***	***	***	***	***	***	***	***	***
Apr.-June	3.05	187,947	***	***	***	***	***	***	***	***	***
July-Sept.	2.87	247,427	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.92	138,854	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	2.75	240,403	***	***	***	***	***	***	***	***	***
Apr.-June	2.99	156,581	***	***	***	***	***	***	***	***	***
July-Sept.	2.74	304,608	***	***	***	***	***	***	***	***	***
Oct.-Dec.	2.93	137,409	***	***	***	***	***	***	***	***	***

[1] Grade 308L/LSI (aka LHS) MIG welding wire, 0.043 to 0.048 inch (1.0922 mm to 1.2191 mm), full hard.

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

G-15

Table G-21
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 19 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-22
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 20 sold to distributors and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-23
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 21 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

G-16

Table G-24
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 22[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Korea			Spain		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margins	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:											
Jan.-Mar.	$1.60	73,244	***	***	***	***	***	***	***	***	***
Apr.-June	1.88	44,168	***	***	***	***	***	***	***	***	***
July-Sept.	1.66	36,517	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.59	25,116	***	***	***	***	***	***	***	***	***
1997:											
Jan.-Mar.	1.58	24,713	***	***	***	***	***	***	***	***	***
Apr.-June	1.61	35,356	***	***	***	***	***	***	***	***	***
July-Sept.	1.68	56,383	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.39	48,779	***	***	***	***	***	***	***	***	***
1998:											
Jan.-Mar.	1.33	110,985	***	***	***	***	***	***	***	***	***
Apr.-June	1.28	88,876	***	***	***	***	***	***	***	***	***
July-Sept.	2.16	110,818	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.20	84,212	***	***	***	***	***	***	***	***	***

[1] Grade 304 weaving wire, 0.105 inch (2.7 mm), tensile 120,000 psi max.

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

G-17

Table G-25
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 23[1] sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

Period	United States		Canada			Korea		
	Price *(per pound)*	Quantity *(pounds)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*	Price *(per pound)*	Quantity *(pounds)*	Margin *(percent)*
1996:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
1997:								
Jan.-Mar.	2.38	135,923	***	***	***	***	***	***
Apr.-June	2.34	129,638	***	***	***	***	***	***
July-Sept.	2.21	114,756	***	***	***	***	***	***
Oct.-Dec.	2.17	119,012	***	***	***	***	***	***
1998:								
Jan.-Mar.	2.11	117,788	***	***	***	***	***	***
Apr.-June	2.06	111,612	***	***	***	***	***	***
July-Sept.	2.03	116,419	***	***	***	***	***	***
Oct.-Dec.	1.94	100,935	***	***	***	***	***	***

[1] Grade 304 knitting wire, 0.010 to 0.012 inch (0.254 to 0.3048 mm), tensile 120,000 psi max.

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

G-18

Table G-26
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 24 sold to end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Table G-27
SSRW: Weighted-average f.o.b. prices and quantities of domestic and imported product 25 sold to distributors and end users and margins of underselling/(overselling), by sources and by quarters, Jan. 1996-Dec. 1998

* * * * * * *

Figure G-1
Weighted-average f.ob. prices (per pound) of product 1 sold to distributors, by quarters, 1996-98

* * * * * * *

Figure G-2
Weighted-average f.o.b. prices of product 1sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-3
Weighted-average f.o.b. prices (per pound) of product 2 sold to end users, by quarters, 1996-98

* * * * * * *

G-19

Figure G-4
Weighted-average f.o.b. prices (per pound) of product 3 sold to distributors, by quarters, 1996-98

* * * * * * *

Figure G-5
Weighted-average f.o.b. prices (per pound) of product sold 3 to end users, by quarters, 1996-98

* * * * * * *

Figure G-6
Weighted-average f.o.b. prices (per pound) of product sold 5 to distributors, by quarters, 1996-98

* * * * * * *

Figure G-7
Weighted-average f.o.b. prices (per pound) of product sold 5 to end users, by quarters, 1996-98

* * * * * * *

Figure G-8
Weighted-average f.o.b. prices (per pound) of product sold 6 to distributors, by quarters, 1996-98

* * * * * * *

Figure G-9
Weighted-average f.o.b. prices (per pound) of product sold 6 to end users, by quarters, 1996-98

* * * * * * *

G-20

Figure G-10
Weighted-average f.o.b. prices (per pound) of product sold 7 to distributors, by quarters, 1996-98

* * * * * * *

Figure G-11
Weighted-average f.o.b. prices (per pound) of product sold 7 to end users, by quarters, 1996-98

* * * * * * *

Figure G-12
Weighted-average f.o.b. prices (per pound) of product sold 8 to end users, by quarters, 1996-98

* * * * * * *

Figure G-13
Weighted-average f.o.b. prices (per pound) of product sold 9 to end users, by quarters, 1996-98

* * * * * * *

Figure G-14
Weighted-average f.o.b. prices (per pound) of product sold 10 to end users, by quarters, 1996-98

* * * * * * *

Figure G-15
Weighted-average f.o.b. prices (per pound) of product sold 11 to end users, by quarters, 1996-98

* * * * * * *

G-21

Figure G-16
Weighted-average f.o.b. prices (per pound) of product sold 12 to end users, by quarters, 1996-98

* * * * * * *

Figure G-17
Weighted-average f.o.b. prices (per pound) of product 13 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-18
Weighted-average f.o.b. prices (per pound) of product 14 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-19
Weighted-average f.o.b. prices (per pound) of product 17 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-20
Weighted-average f.o.b. prices (per pound) of product 18 sold to distributors, by quarters, 1996-98

* * * * * * *

Figure G-21
Weighted-average f.o.b. prices (per pound) of product 19 sold to distributors, by quarters, 1996-98

* * * * * * *

G-22

Figure G-22
Weighted-average f.o.b. prices (per pound) of product 19 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-23
Weighted-average f.o.b. prices (per pound) of product 20 sold to distributors, by quarters, 1996-98

* * * * * * *

Figure G-24
Weighted-average f.o.b. prices (per pound) of product 21 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-25
Weighted-average f.o.b. prices (per pound) of product 22 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-26
Weighted-average f.o.b. prices (per pound) of product 23 sold to end users, by quarters, 1996-98

* * * * * * *

Figure G-27
Weighted-average f.o.b. prices (per pound) of product 24 sold to end users, by quarters, 1996-98

* * * * * * *

G-23

Figure G-28
Weighted-average f.o.b. prices (per pound) of product 25 sold to distributors, by quarters, 1996-98

* * * * * * *

Figure G-29
Weighted-average f.o.b. prices (per pound) of product 25 sold to end users, by quarters, 1996-98

* * * * * * *

G-24

APPENDIX H

U.S. PRODUCERS' PRICES WITHOUT SURCHARGES

H-1

H-2

Figure H-1
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 302/304 soap-coated wire (product 4), by quarters, 1996-98

* * * * * * *

Figure H-2
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 302 cold-heading wire (products 5-7), by quarters, 1996-98

* * * * * * *

Figure H-3
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 304 braiding/knitting/weaving wire (products 8 and 9) and 304/316L shaping wire (products 13 and 14), by quarters, 1996-98

* * * * * * *

Figure H-4
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 304 redraw wire (products 10-12), by quarters, 1996-98

* * * * * * *

Figure H-5
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 304 EPQ wire (products 15 and 16) and grade 304 weaving/belt wire (product 17), by quarters, 1996-98

* * * * * * *

Figure H-6
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 308L wire (products 18 and 19), by quarters, 1996-98

* * * * * * *

Figure H-7
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 316 wire (products 20 and 26), by quarters, 1996-98

* * * * * * *

Figure H-8
SSRW: U.S. producers' weighted-average net prices with reported surcharges removed (per pound) of grade 430 wire (product 25), grade 304 weaving wire (product 22), and grade 304 soft annealed wire (product 24), by quarters, 1996-98.

* * * * * * *

APPENDIX I

PRODUCERS' RAW MATERIAL SURCHARGES INCLUDED IN NET SALES VALUE AND COST OF GOODS SOLD

I-1

I-2

RAW MATERIAL SURCHARGES

The producers were requested to provide the raw material surcharges for purchases of raw materials included in their costs of goods sold and also to provide the raw material surcharges charged to their customers that were included in their net sales values.

Al Tech is an integrated producer that ***.[1] ***.

Carpenter is also an integrated producer that produced SSRW from nickel, chromium, molybdenum, and other raw materials for the entire period of the investigation. Carpenter provided the raw material surcharges that it charges to customers as part of its net sales value. Carpenter's changing costs for nickel, chromium, and molybdenum are included in its cost of goods sold.

Seven of the non-integrated producers provided the data as requested and the eight remaining producers stated in their questionnaire responses that material surcharges were zero or not available. Table I-1 provides a summary of the net sales value of the combined companies separated by those that provided surcharge data and those that did not have or could not provide the surcharge data. As shown, the integrated producers comprised approximately *** of the total net trade sales each period; the non-integrated producers reporting surcharges comprised over *** percent of net trade sales; and the producers reporting zero or not available comprised less than *** percent of net sales in each period.

For those nine producers reporting data on surcharges, table I-2 provides data by firm including the net sales value, material surcharges in net sales and cost of goods sold, and the ratios of the surcharges to net sales value. The sales surcharges, as a percent of net sales value, decreased from *** percent in 1996 to *** percent in 1997 and *** percent in 1998.

The sales surcharges for the non-integrated producers, as a percent of sales, were almost offset by the raw material surcharges included in cost of goods sold. The net surcharges (sales surcharge less cost of goods sold surcharge) for the non-integrated producers were only *** percent of the net sales for the non-integrated producers reporting surcharges in 1996, *** percent in 1997, and *** percent in 1998.

[1]Al Tech provided the formulas that it uses to compute surcharges for nickel, chromium, and molybdenum. The formulas compute a surcharge when ***.

APPENDIX J

PRODUCERS' RAW MATERIAL UNIT VALUES ON A PER-POUND BASIS

J-1

J-2

RAW MATERIAL

The producers were requested to provide the quantities and values of the raw materials purchased to produce SSRW.

***[1] ***.[2]

***.

As shown in table J-1, seven companies produced SSRW only from stainless steel wire rod. Four companies produced SSRW from both SSRW and stainless steel wire rod. One company (***) produced SSRW from only SSRW, re-drawing SSRW to finer finished SSRW. *** did not provide the raw materials used.[3]

The value of the raw materials (per pound) was on a general downward trend during the period of investigation.

Table J-1
Raw material per-pound values of U.S. producers (by firm) in the production of SSRW, fiscal years 1996-98

* * * * * * *

[1] ***.

[2] ***.

[3] ***.

APPENDIX K

SOURCE OF FUNDS FOR PRODUCERS' CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT

K-1

K-2

Responses of U.S. producers to the following request:

Please identify the source(s) of funds for the investments and expenditures reported above.[1] In addition, please include a discussion of the extent to which your reported R&D expenditures are dependent on parent company approval, and the share of your firm's R&D that is undertaken by your parent company.

*** did not respond. Responses of the other producers are:

* * * * * * *

[1] The term "reported above" refers to capital expenditures, research and development expenditures, and asset values.

APPENDIX L

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

L-1

L-2

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

1. Since January 1, 1996, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of investments as a result of imports of stainless steel round wire from Canada, India, Japan, Korea, Spain, and/or Taiwan?

Responses of the producers are:

* * * * * * *

2. Does your firm anticipate any negative impact of imports of stainless steel round wire from Canada, India, Japan, Korea, Spain, and/or Taiwan?

Responses of the producers are:

* * * * * * *