

HOT-ROLLED STAINLESS STEEL BAR, COLD-FORMED STAINLESS STEEL BAR, AND STAINLESS STEEL WIRE ROD FROM SPAIN

**Determinations of the Commission
in Investigations Nos. 701-TA-176
through 178 (Preliminary)
Under Section 703(a) of the
Tariff Act of 1930, Together
With the Information Obtained
in the Investigations**

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 701-TA-176 through 178 (Preliminary)

HOT ROLLED STAINLESS STEEL BAR, COLD-FORMED STAINLESS
STEEL BAR, AND STAINLESS STEEL WIRE ROD FROM SPAIN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the following products which are alleged to be subsidized by the Government of Spain:

Hot-rolled stainless steel bar 2/ (investigation No. 701-TA-176 (Preliminary)); 3/

Cold-formed stainless steel bar 4/ (investigation No. 701-TA-177 (Preliminary)); 3/ and

Stainless steel wire rod 5/ (investigation No. 701-TA-178 (Preliminary)). 6/

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

2/ For purposes of these investigations, hot-rolled stainless steel bar is provided for in item 606.9005 of the Tariff Schedules of the United States Annotated (TSUSA).

3/ Chairman Alberger and Commissioners Eckes and Haggart determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports. Commissioner Frank determines that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

4/ For purposes of these investigations, cold-rolled stainless steel bar is provided for in item 606.9010 of the TSUSA.

5/ For purposes of these investigations, stainless steel wire rod is provided for in items 607.2600 and 607.4300 of the TSUSA.

6/ Chairman Alberger and Commissioners Frank and Haggart determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

Background

On February 17, 1982, petitions were filed with the Department of Commerce by counsel for Al Tech Specialty Steel Corp., Armco Stainless Steel Division, Carpenter Technology Corp., Colt Industries (Crucible Materials Group), Cyclops Corp., Guterl Special Steel Corp., Joslyn Stainless Steels, and Republic Steel Corp. alleging that producers, manufacturers, or exporters in Spain of hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod receive bounties or grants within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. § 1303). Although Commerce subsequently initiated countervailing duty investigations on such merchandise under section 303, Spain was not at that time a "country under the Agreement" within the meaning of section 701(b) of the Act (19 U.S.C. § 1671(b)), and there was no requirement for the Commission to conduct preliminary injury investigations pursuant to section 703(a).

On April 14, 1982, the United States Trade Representative announced that Spain had become a "country under the Agreement" (47 F.R. 16697). On April 26, 1982, Commerce notified the Commission that it was terminating its investigations under section 303 and commencing investigations under section 702. Accordingly, effective April 26, 1982, the Commission, pursuant to section 703(a) of the Act (19 U.S.C. § 1671b(a)), instituted preliminary countervailing duty investigations to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Spain of the merchandise which is the subject of the investigations by the Department of Commerce.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of May 5, 1982 (47 F.R. 19487). The conference was held in Washington, D.C., on May 19, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Introduction

After considering the record in these investigations, we determine, pursuant to section 703(a) of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of stainless steel hot-rolled bar, cold-formed bar, 1/ and wire rod 2/ from Spain which are alleged to be subsidized by the Government of Spain. 3/ 4/

1/ Chairman Alberger and Commissioners Eckes and Haggart determine that there is a reasonable indication of threat of material injury, and Commissioner Frank determines that there is a reasonable indication of material injury by reason of imports of stainless steel hot-rolled bar and cold-formed bar from Spain which are alleged to be subsidized by the Government of Spain. Commissioner Frank did not reach the issue of threat of material injury.

Commissioner Stern notes that her vote language of "material injury or threatened with material injury" repeats the statutory language of sec. 703(a). Her analysis that the domestic hot-rolled and cold-formed stainless steel bar industries are threatened with material injury differs in no significant respect from that of her colleagues, Chairman Alberger and Commissioners Eckes and Haggart.

2/ Chairman Alberger and Commissioners Frank and Haggart determine that there is a reasonable indication of material injury, and therefore do not reach the issue of reasonable indication of threat of material injury.

Commissioner Stern notes that her vote language of "material injury or threatened with material injury" repeats the statutory language of sec. 703(a). Her analysis that the domestic stainless steel wire rod industry is materially injured differs in no significant respect from that of her colleagues, Chairman Alberger and Commissioners Frank and Haggart.

3/ Petitioners argue that, in determining whether a reasonable indication of injury or threat of injury exists, the Commission may cumulate allegedly subsidized imports from other countries which are currently the subject of an investigation under section 301 of the Trade Act of 1974. Chairman Alberger, Vice Chairman Calhoun and Commissioner Stern do not find it appropriate to cumulate imports that are not subject to an antidumping or countervailing duty investigation as provided under the Trade Act of 1930.

Commissioners Eckes, Frank and Haggart made their determinations regarding the impact of the alleged subsidized imports from Spain on a case-by-case basis, and do not reach the issue of cumulation.

(Footnote continued)

Standards for Determination

In making a determination as to whether there is material injury, the Commission is required to consider, among other factors: (1) the volume of imports; (2) the effect of imports on domestic prices for like products; and (3) the impact of imports on the domestic industry. 5/

In making a determination as to whether there is a threat of material injury, the Commission considers, among other factors: (1) the rate of increases of subsidized or dumped imports into the U.S. market, (2) the capacity in the exporting country to generate exports, and (3) the availability of other export markets. 6/ Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not on mere supposition, speculation, or conjecture. 7/

(Footnote continued)

Commissioner Frank's view is that this issue has not been completely resolved. He would invite further arguments on this issue from the pertinent parties to these investigations should they wish to proffer them in the event these cases return for final investigation.

4/ Commissioner Frank notes that the statute and legislative history require the Commission in its preliminary determinations in both antidumping and countervailing duty investigations to exercise only a low threshold test based upon the best information available to it at the time of such determination which reasonably indicates that an industry in the United States could possibly be suffering injury, threat thereof or material retardation. H.R. Rep. No. 96-317, 96th Cong., 1st sess., 52. (1979).

5/ 19 U.S.C. § 1677(7)(B).

6/ 19 C.F.R. § 207.26(d).

7/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1298, 93d Cong., 2d Sess. 180 (1974); *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 8/ Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses" with the article under investigation." 9/

The imported articles under investigation are stainless steel hot-rolled bar, stainless steel cold-formed bar, and stainless steel wire rod. Stainless steel bars 10/ are semifinished products that have numerous applications in the manufacture of such items as pump shafts, ball bearings, automotive parts, and medical instruments. 11/

Hot-rolled stainless steel bar is produced from stainless steel billets in a rolling mill. Unlike hot-rolled stainless steel sheet, a significant amount of hot-rolled bar is sold as a finished product. 12/ In comparison to cold-formed bar, much hot-rolled bar is a flat bar product. The principal applications of hot-rolled bar are in the manufacture of turbines, and industrial equipment. 13/

Cold-formed bar is a refinement of the hot-rolled product that is of higher quality, both in terms of finish and tolerances. 14/ Therefore,

8/ 19 U.S.C. 1677(4)(A).

9/ 19 U.S.C. 1677(10).

10/ For the definition of stainless steel bars, see Report at A-6.

11/ Id. at A-9.

12/ Transcript of conference, pp. 55-56.

13/ Id.

14/ Report at A-7.

cold-formed bar has several applications that hot-rolled bar is not suitable for, such as airplane landing gears and boat propeller shafts. 15/ As a refinement of the hot-rolled product, cold-formed bar is more expensive. 16/

Stainless wire rod is a semifinished, hot-rolled product that is round in cross section, between 0.20 inch and 0.74 inch in diameter, and, unlike the bar products, is produced in coils. 17/ The manufacture of stainless rod requires specialized equipment and manufacturing processes that are different from those used to produce bar. 18/ Wire rod is used primarily in the manufacture of stainless steel wire and fasteners. 19/

On the basis of the information available, we have determined that there are three domestic products like the imported products that are subject to these investigations. Each of the three stainless steel products under investigation is fungible with the corresponding product of the domestic manufacturers. Separate data are available for each of the three products, allowing the Commission to examine the impact of imports on each group separately. Accordingly, we determine that there are three separate domestic industries consisting of the domestic producers of each like product.

We emphasize that the definitions of the industries in these preliminary investigations are based on the best information now available. We do not preclude the possibility of defining the domestic industries differently in any final investigation.

15/ Id. at A-6, A-7.

16/ Id.

17/ Id.

18/ Id.

19/ Id. at A-11.

HOT-ROLLED STAINLESS STEEL BARCondition of the Domestic Industry

The condition of the domestic stainless steel hot-rolled bar industry has been deteriorating since 1979, and this downward trend quickened in the first quarter of 1982. Domestic production of hot-rolled bar declined by 13 percent between 1979 and 1981, 20/ a drop considerably greater than the 8 percent decline in U.S. consumption for this period. 21/ The first quarter of 1982 resulted in a decline of over 25 percent from the comparable 1981 quarter. 22/ Domestic shipments also declined during this period, 23/ and end-of-period inventories reached a level in 1981 equivalent to 25 percent of producers' 1981 shipments. 24/

Utilization of hot-rolled bar capacity also declined steadily, from 67 percent in 1979 to 57.1 percent in 1981. It plummeted to 43 percent for the first quarter of 1982, as compared with 57.6 percent for the first quarter of 1981. 25/

Employment patterns also evidenced a steadily negative trend. The average number of production and related workers producing hot-rolled bar declined 6 percent between 1979 and 1981, and fell 18 percent in the first quarter of 1982 compared with the first quarter of 1981. 26/ The number of

20/ Report at A-16 (Table 8).

21/ Id. at A-13.

22/ Id. at A-16.

23/ Id. at A-17.

24/ Id. at A-19.

25/ Id. at A-16.

26/ Id. at A-21 (Table 11).

hours paid--a more accurate indicator of loss of employment in an industry with reduced hours and furloughs--fell by 14 percent between 1979 and 1981, and by 23 percent during the first quarter of 1982 as compared to the first quarter of 1981. 27/

The ratio of operating profit to net sales was relatively stable, moving from 9.1 percent in 1979 to 9.6 percent in 1981, 28/ However, the figures for the first quarter of 1982 indicate a rapidly deteriorating position. All financial indicators, including sales, gross profits, the ratio of operating profit to net sales, net profits before taxes, and cash flow, fell dramatically compared with figures for the first quarter of 1981. 29/ For example, the ratio of operating profit to net sales declined to 5.9 percent from 7.6 percent. 30/

The aggregate figures mask significant losses that have been experienced on an individual producer basis. Two of the domestic producers reported operating losses in 1980 and 1981. In the first quarter of 1982, the number rose to four. 31/ Thus, half of the industry is currently experiencing losses.

Material Injury or Threat of Material Injury 32/

Imports of hot-rolled bar from Spain totalled 766 tons in 1981. 33/

27/ Id.

28/ Id. at A-23 (Table 13).

29/ Id.

30/ These figures are based on the ratio of operating profit to net sales figures provided in Table 13 of the Staff Report as adjusted in the confidential memorandum from the Director, Office of Investigations, to the Commission dated June 3, 1982, at 2 (INV-F-073).

31/ Report at A-23.

32/ See footnote 1 at p. 5.

33/ Id. at A-38 (Table 25).

Quarterly data indicate that imports of hot-rolled bar from Spain have increased steadily since the first quarter of that year. 34/ Imports for the first quarter of 1982 jumped to 314 tons, as compared with 15 tons for the same quarter in 1981. 35/

In addition, the ratio of imports from Spain to domestic consumption increased from 1.2 percent in 1980 to 1.7 percent in 1981, and in first quarter of 1982, the ratio jumped to 2.4 percent as compared with 0.1 percent in the first quarter of 1981. 36/ Quarterly figures also reveal an upward trend for import penetration ratios starting from the first quarter of 1981. 37/ In contrast, domestic producers' market share has dropped 6.2 percentage points from 1980 through the first quarter of 1982. Furthermore, during the first quarter of 1982, inventory levels of hot-rolled bar from Spain almost doubled as compared with the first quarter of 1981. 38/

Spain's export orientation is also very strong. The United States is Spain's second largest export market for stainless steel bar. 39/ In 1981, 56 percent of Spanish stainless steel bar 40/ production was exported, 22.3 percent of it to the United States. 41/

In addition, there are indications that the United States has become an increasingly attractive market for Spanish exports of stainless steel bar.

34/ Id. at A-42 (Table 30).

35/ Id. at A-38 (Table 25).

36/ Id. at A-41 (Table 29).

37/ Id. at A-42 (Table 30).

38/ Id. at A-34.

39/ Id. at A-35 (Table 22).

40/ We do not, at this time, have data on exports from Spain of bars broken out between hot-rolled and cold-formed. However, in 1981, of the total stainless steel bars imported into the United States, 11.3 percent was hot-rolled bar, and 88.7 percent was cold-formed bar.

41/ Report at A-35.

Stainless steel bar exports to the United States increased from 3,600 tons in 1979 to 3,700 tons in 1980, then jumped to 6,500 tons in 1981. 42/ Spain's production of bar products increased by 21 percent between 1980 and 1981. 43/ Spain's exports of bar to the EC, its largest export market, decreased by 30 percent, and its exports of bar to all other countries (except the United States) decreased by 43 percent in this period. 44/ Spain's exports of bar to the United States, however, increased by 43 percent. 45/ Thus, an increasing share of Spanish exports of bar is being exported to the United States.

Furthermore, responses by purchasers indicate that the margins by which Spanish hot-rolled bar undersells the domestic product are large. 46/ However, as importers did not provide price data for Spanish imports of this product, the Commission could not make specific price comparisons at this time. We anticipate developing more information on underselling and lost sales should we conduct a final investigation. 47/

Conclusion

Our investigation reveals a recent dramatic increase in imports of hot-rolled bar from Spain, indications that the domestic stainless steel

42/ Report at A-35 (Table 22).

43/ Id.

44/ Id.

45/ Id.

46/ Id. at A-51.

47/ Commissioner Frank notes that petitioners expressed concern during the public conference (transcript, pp. 48-50) that representative pricing items had not been selected for use in the Commission's questionnaires. The items chosen for use in the pricing sections of the questionnaires reflected the product specifications most often imported from Spain. However, further consultations will be held with both domestic producers and importers to select comparable pricing items should a final investigation be conducted.

hot-rolled bar industry is experiencing serious economic problems, and information confirming that hot-rolled bars from Spain are underselling the domestic product by wide margins. Therefore, we find that there is a reasonable indication that the domestic stainless steel hot-rolled bar industry is materially injured or threatened with material injury 48/ by reason of allegedly subsidized imports of hot-rolled stainless steel bar from Spain.

COLD-FORMED STAINLESS STEEL BAR

Condition of the Domestic Industry

The condition of the domestic stainless steel cold-formed bar industry is rapidly deteriorating. Domestic production of cold-formed bar declined by 19 percent between 1979 and 1981. 49/ Domestic shipments also declined by 21 percent during this period, 50/ with end-of-period inventories increasing from a level equivalent to 27 percent of shipments in 1979 to 44 percent of shipments in 1981. 51/

Utilization of cold-formed capacity also declined steadily, from 79.4 percent in 1979 to 64.7 percent in 1981, then fell to 55.1 percent for the first quarter of 1982, as compared with 60.6 percent in the first quarter of 1981. 52/

Employment patterns also declined steadily. The average number of production and related workers producing cold-formed bar decreased by 14

48/ See footnote 1 at p. 5.

49/ Report at A-16 (Table 8).

50/ Id. at A-17.

51/ Id. at A-19.

52/ Id. at A-16.

percent between 1979 and 1981, then fell by 11 percent in the first quarter of 1982 compared with the first quarter of 1981. 53/ The number of hours paid fell by 21 percent between 1979 and 1981, and by 15 percent during the first quarter of 1982, as compared with the first quarter of 1981. 54/

Although the ratio of operating profit to net sales increased slightly during this period, from 9.3 percent in 1979 to 10.5 percent in 1981, 55/ the figures for the first quarter of 1982 indicate a markedly deteriorated position. In the first quarter of 1982, sales, cash flow, the ratio of operating profit to net sales, and other profit margins all fell dramatically compared with the indicators for the first quarter of 1981. 56/ For example, in the first quarter of 1982, the ratio of operating profit to net sales declined to 1.6 percent as compared with 7.7 percent in the first quarter of 1981. 57/

Furthermore, the aggregate figures mask a trend toward significant losses that have been experienced on an individual producer basis. Whereas one firm sustained operating losses for each of the years 1979 to 1981, during the first quarter of 1982, five domestic producers sustained operating losses compared with four firms in the first quarter of 1981. 58/ Thus, more than half of the industry is currently experiencing operating losses.

53/ Id. at A-21 (Table 11).

54/ Id.

55/ Id. at A-26 (Table 15).

56/ Id.

57/ These figures are based on the ratio of operating profit to net sales figures provided in Table 13 of the Staff Report as adjusted in the confidential memorandum from the Director, Office of Investigations, to the Commission dated June 3, 1982) INV-F-073 at 3.

58/ Report at A-26.

Material Injury or Threat of Material Injury 59/

While the market share of the domestic industry has declined 7.5 percentage points between 1979 and 1981, the market share of imported cold-formed bar from Spain increased by 3.7 percentage points from 1.7 to 5.4 percent. 60/

Imports of cold-formed bar from Spain increased from 2,185 tons in 1979 to 6,010 tons in 1981. Imports for the first quarter of 1982 increased to 971 tons, as compared with 858 tons for the same quarter in 1981. 61/

Furthermore, inventory levels of cold-formed bar from Spain in the first quarter of 1982 were 11 percent greater than in the first quarter of 1981. 62/

As already discussed in relation to hot-rolled bar, the United States is receiving an increasing share of exports of stainless steel bar from Spain. 63/

Pricing information received from purchasers indicates that for at least one geographical area during 1981, Spanish stainless cold-formed bar undersold the domestic product by margins of 10 to 17 percent for one item and 14 percent for another item. 64/ In addition, preliminary price data indicate that Spanish prices declined between 1980 and 1981, and that domestic prices generally began to decline in the first quarter of 1982. 65/ Therefore, there are preliminary indications of possible price suppression. We anticipate

59/ See footnote 1 at p. 5.

60/ Id. at A-41 (Table 29).

61/ Id. at A-38 (Table 25).

62/ Id. at A-34.

63/ See discussion at pp. 11-12.

64/ Id. at A-50 (Table 35).

65/ Id. at A-47 through A-48 (Tables 32-33).

developing more information on underselling and lost sales should a final investigation be conducted. 66/

Conclusion

Our investigation reveals a recent dramatic increase in imports of stainless steel cold-formed bar from Spain, indications that the domestic stainless steel cold-formed bar industry is experiencing serious economic problems, and preliminary information confirming that cold-formed bars are underselling the domestic product by wide margins. Therefore, we find that there is a reasonable indication that the domestic cold-formed stainless steel bar industry is materially injured or threatened with material injury 67/ by reason of allegedly subsidized imports of cold-formed stainless steel bar from Spain.

STAINLESS STEEL WIRE ROD

Condition of the Domestic Industry

The condition of the domestic stainless steel wire rod industry has already substantially declined, and continues to deteriorate at an alarming rate. Domestic production of wire rod dropped by 18 percent between 1979 and 1981. 68/ This drop in production was considerably greater than the 4.2 percent decline in U.S. consumption of wire rod for the period. 69/ Domestic shipments also fell by 24 percent during this period.

66/ See footnote 47 at p. 12.

67/ See footnote 1 at p. 5.

68/ Id. at A-14 (Table 6).

69/ Id. at A-13.

Utilization of wire rod capacity also declined steadily, from 67.7 percent in 1979 to 56.8 percent in 1981, and dropped to 42.7 percent for the first quarter of 1982, as compared with 57.4 percent in the first quarter of 1981. 70/

Employment patterns also evidence a sharply negative trend. The average number of production and related workers producing wire rod declined 7 percent between 1979 and 1981, and fell 19 percent in the first quarter of 1982. The number of hours paid dropped by 14 percent between 1979 and 1981, and by 24 percent during the first quarter of 1982 as compared with the first quarter of 1981. 71/

Operating profit plunged by 93 percent from \$4.9 million in 1979 to \$336,000 in 1980, and turned into an operating loss of \$1.4 million in 1981. In the same period, the ratio of operating profit to net sales dropped from 6.6 percent in 1979 to 0.5 percent in 1980, to a negative 2.3 percent in 1981. Similarly, cash flow from operations declined from \$5.1 million in 1979 to a deficit of \$922,000 in 1981. 72/ This negative trend substantially worsened during the first quarter of 1982, with the margins of operating loss to net sales increasing to 14.8 percent as compared with 2.7 percent in the first quarter of 1981. 73/ Furthermore, the number of firms reporting operating and net losses increased from 2 in 1979 to 3 in 1980 and 1981, and

70/ Id. at A-16.

71/ Id. at A-21 (Table 11).

72/ Id. at A-28 (Table 17).

73/ These figures are based on the ratio of operating profit to net sales figures provided in Table of the Staff Report as adjusted in INV-F-073 (Memorandum from Director, Office of Investigations, to the Commission dated June 3, 1982) at 4.

rose to 4--or 80 percent of the domestic industry--in the first quarter of 1982. 74/ In fact, one of the domestic producers, Crucible, announced in April, 1982, that it was permanently discontinuing its wire rod operation. 75/

Material Injury or Threat of Material Injury 76/

While the share of the domestic stainless steel wire rod market held by the domestic industry decreased from 68 percent in 1979 to 55 percent in 1981, and to 46 percent in the first quarter of 1982, as compared with 63 percent in the first quarter of 1981, 77/ the market share held by imports of stainless steel wire rod from Spain has increased steadily.

Imports of stainless steel wire rod from Spain increased from zero tons in 1979 to 1,674 tons in 1980 to 2,763 tons in 1981. In addition, imports for the first quarter of 1982 increased to 685 tons, as compared with 524 tons for the same quarter in 1981. 78/ Quarterly data indicate that imports of wire rod from Spain have increased steadily since the first quarter of 1981. 79/

The ratio of Spanish wire rod imports to consumption also increased from 2.9 percent in 1980 to 4.9 percent in 1981, and rose in the first quarter of 1982 to 5.2 percent, as compared with 4.1 percent in the first quarter of 1981. 80/ In fact, quarterly figures reveal an upward trend starting in the first quarter of 1981, when the import penetration ratio was 4.1 percent, and

74/ Report at A-28.

75/ Statement of Dr. Adolph J. Lena, Transcript of Preliminary Conference at 4 (May 19, 1982).

76/ See footnote 2 on p. 5.

77/ Report at A-41 (Table 29).

78/ Id. at A-38 (Table 25).

79/ Id. at A-40 (Table 28).

80/ Id. at A-41.

continuing through the last quarter of 1981, when it reached 6 percent. 81/ Furthermore, although inventory levels of imports of stainless steel wire rod from Spain were miniscule for 1980 and 1981, inventory levels began to grow during the first quarter of 1982. 82/

The United States is Spain's largest export market for stainless steel wire rod. In 1981, 25 percent of Spanish stainless steel wire rod production was exported, 96.2 percent of it to the United States. 83/ In addition, there are indications that the United States has become an increasingly attractive market for Spanish exports of stainless steel wire rod. Spain's production of stainless steel wire rod remained at the same level for 1980 and 1981. 84/ Spain's exports of wire rod to the EC, its second largest export market, decreased by 80 percent between 1980 and 1981, and its exports of wire rod to all other countries (except the United States) decreased by 83 percent. Spain's exports of wire rod to the United States, however, increased by 24 percent during the same period. 85/ Thus an increasing share of total Spanish exports of wire rod has been exported to the United States.

Furthermore, responses by purchasers indicate that wire rod from Spain has been offered at prices 20 to 40 percent lower than those offered by domestic producers. 86/ We anticipate developing more information on underselling and on lost sales should a final investigation be conducted. 87/

81/ Id.

82/ Id. at A-34.

83/ Id. at A-35 (Table 23).

84/ Id. at A-35.

85/ Id.

86/ Id. at A-52.

87/ See footnote 47 on p. 12.

Conclusion

We find that there is a reasonable indication that the domestic stainless steel wire rod industry is materially injured or threatened with material injury 88/ by reason of imports of stainless steel wire rod from Spain. Our conclusion is based upon significant increases in imports of stainless steel wire rod from Spain, clear indications that the domestic stainless steel wire rod industry has experienced and is continuing to experience serious economic problems, and indications that Spanish wire rod is underselling the domestic product by wide margins.

88/ See footnote 3 on p. 5.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On February 17, 1982, a petition was filed with the U.S. Department of Commerce by counsel for Al Tech Specialty Steel Corp., Armco Stainless Steel Division, Carpenter Technology Corp., Colt Industries, Inc. (Crucible Materials Group), Cyclops Corp., Guterl Special Steel Corp., Joslyn Stainless Steels, and Republic Steel Corp. alleging that producers, manufacturers, or exporters of stainless steel bar and wire rod in Spain receive, directly or indirectly, bounties or grants within the meaning of section 303 of the Tariff Act of 1930. As Spain was not at that time a "country under the Agreement" within the meaning of section 701(b) of the act, there was no requirement for the petition to be filed pursuant to section 702(b)(2) and no requirement for the Commission to conduct a preliminary material injury investigation pursuant to section 703(a).

On April 14, 1982, however, the United States Trade Representative (USTR) announced that Spain had become a "country under the Agreement" (47 F.R. 16697). On April 26, 1982, Commerce notified the Commission that it had terminated its investigation under section 303, and that, in accordance with section 702 of the act, it was commencing a new countervailing duty investigation. Accordingly, effective April 26, 1982, the Commission instituted countervailing duty investigation No. 701-TA-154 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Spain of hot-rolled stainless steel bar, provided for in item 606.9005 of the Tariff Schedules of the United States Annotated (TSUSA), cold-formed stainless steel bar, provided for in TSUSA item 606.9010, and stainless steel wire rod, provided for in TSUSA items 607.2600 and 607.4300, upon which bounties or grants are alleged to be paid. On June 2, 1982, the Commission changed the numerical identification of this investigation, replacing investigation No. 701-TA-154 (Preliminary) with Nos. 701-TA-176 (Preliminary), Hot-rolled stainless steel bar from Spain, 701-TA-177 (Preliminary), Cold-formed stainless steel bar from Spain, and 701-TA-178 (Preliminary), Stainless steel wire rod from Spain. The statute directs that the Commission make its determinations in these investigations within 45 days after the date on which it received notice by the administering authority of an investigation commenced under section 702(b) of the act, or by June 10, 1982.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of May 5, 1982 (47 F.R. 19487). 1/ The public conference was held in

1/ Copies of the Commission's notices of investigation and conference and of the change in numerical identification of the investigation are presented in app. A. The Department of Commerce's notice of initiation of its countervailing duty investigation is presented in app. B.

Washington, D.C., on May 19, 1982, at which time all interested parties were given the opportunity to present information for consideration by the Commission. 1/ The Commission's vote in the investigation was taken on June 2, 1982.

Past Commission Investigations

The Commission has conducted a prior antidumping investigation concerning stainless steel wire rod from France 2/ and three investigations on stainless steel mill products under sections 201 and 203 of the Trade Act of 1974. 3/ The Commission made an affirmative determination in the antidumping investigation, and imports of wire rod from France are currently subject to an outstanding antidumping order.

On January 16, 1976, the Commission determined in investigation No. TA-201-5 that stainless steel bar and wire rod and stainless and alloy tool steel sheet and strip and plate were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

The President determined that import relief should be provided, and on June 11, 1976, issued Proclamation No. 4445. The proclamation provided for import relief in the form of quantitative restrictions for a 3-year period on (1) stainless steel sheet and strip, (2) stainless steel plate, (3) stainless steel bar, (4) stainless steel wire rod, and (5) alloy tool steel. The relief was to be phased down during the 3-year period (i.e., the quotas were to be increased by 3 percent annually). The quotas were on a country-by-country basis with respect to the larger supplying countries. 4/

Prior to proclaiming such relief, the President sought to negotiate orderly marketing agreements with the leading sources of stainless and alloy tool steel. Only Japan expressed a willingness to negotiate such an agreement. The quantitative restrictions proclaimed with respect to imports from Japan reflected the terms of an agreement signed with the Government of Japan on June 11, 1976, 5/ providing for the limitation of imports from Japan for a 3-year period beginning June 14, 1976.

1/ A list of witnesses appearing at the conference is presented in app. C.

2/ Stainless Steel Wire Rod From France, investigation No. AA1921-119, TC Publication 596, 1973.

3/ Stainless Steel and Alloy Tool Steel, investigation No. TA-201-5, USITC Publication 756, 1976. Stainless Steel and Alloy Tool Steel, investigation No. TA-203-3, USITC Publication 838, 1977. Stainless Steel and Alloy Tool Steel, investigation No. TA-203-5, USITC Publication 968, 1979.

4/ There were six basic source categories: (1) Japan, (2) the European Community, (3) Canada, (4) Sweden, (5) all other countries entitled to col. 1 rates of duty, and (6) all other countries.

5/ See Agreement on Speciality Steel Imports, June 11, 1976, United States-Japan, TIAS No. 8442.

On May 25, 1977, the Special Representative for Trade Negotiations (now the United States Trade Representative) requested advice from the Commission under section 203(i)(2) concerning the probable economic effect on the industry concerned if the relief provided by Proclamation No. 4445, as modified by Proclamations Nos. 4477 and 4509, were to be terminated or reduced.

The Commission instituted investigation No. TA-203-3, Stainless Steel and Alloy Tool Steel, on June 19, 1977. As a result of the investigation Commissioners Moore and Bedell advised the President on October 14, 1978, that the termination or reduction of the relief could have a serious adverse economic effect. Chairman Minchew advised that chipper knife or band saw steel could be removed from the quota without an adverse economic impact and that the quotas on the remaining articles could be increased by 6.7 percent but should not be further increased or terminated. Commissioner Ablondi advised that the termination or reduction of the relief would have no substantial adverse impact. Following receipt of this advice, the President issued Proclamation No. 4559 on April 5, 1978, modifying the import relief so as to exclude so-called chipper knife steel and band saw steel from the quota on alloy tool steel covered in item 923.26 of the Appendix to the Tariff Schedules of the United States (TSUS). The quotas applicable to the remaining articles provided for under TSUS item 923.26 for the European Community (EC) and Sweden, the primary sources of such alloy tool steel, were reduced to take into account this change in quota coverage. This modification became effective April 8, 1978.

On December 11, 1978, following receipt of a petition on November 30, 1978, filed by the Tool & Stainless Steel Industry Committee and the United Steelworkers of America, AFL-CIO, the Commission instituted an investigation under subsections 203(i)(2) and (i)(3) of the Trade Act of 1974 for the purpose of gathering information in order that it might advise the President of its judgment as to the probable economic effect on the domestic industry of the termination of import relief presently in effect with respect to the stainless steel and alloy tool steel provided for in TSUS items 923.20 through 923.26, inclusive. Such import relief was scheduled to terminate on June 13, 1979, unless extended by the President.

On April 24, 1979, Commissioners Alberger and Stern advised the President that the termination of the quantitative restrictions imposed on imports of stainless and alloy tool steel would have little if any adverse impact on the domestic industry producing such articles. Commissioners Moore and Bedell advised the President that termination of the quantitative import restrictions would have a serious adverse economic effect on the domestic industry producing such articles. Commissioner Parker did not participate in the investigation.

On June 12, 1979, the President issued Proclamation No. 4665, which extended the temporary quantitative limitations imposed by Proclamation No. 4445, as amended, for the period of June 14, 1979, through February 13, 1980. Such import relief was terminated on February 14, 1980.

Other Investigations Concerning the Subject Products

On December 2, 1982, the Tool & Stainless Steel Industry Committee and the United Steelworkers of America filed a petition with the United States Trade Representative pursuant to section 301 of the Trade Act of 1974, 19 U.S.C. § 2411 (Supp. III, 1979). The petition was filed on behalf of the specialty steel industry of the United States and challenged the bestowal of unreasonable and discriminatory subsidies by the Governments of Austria, Belgium, Brazil, France, Italy, Sweden, and the United Kingdom. The petition alleged that the dramatic increase in the import penetration of specialty steel products (stainless steel sheet and strip, plate, bar, wire rod, and alloy tool steel) from these countries is the direct result of these subsidies, and that these imports burdened or restricted U.S. commerce and caused or threatened to cause injury to the U.S. industry. The petition further alleged that the use of these subsidies violated the obligations of these nations arising under the provisions of the General Agreement on Tariffs and Trade (GATT) and the Agreement on Interpretation and Application of Articles IV, XVI and XXIII of the GATT (the Subsidies Code).

On February 26, 1982, the USTR initiated investigations concerning the allegations made with respect to five of the seven countries named in the petition: Austria (301-27), France (301-28), Italy (301-29), Sweden (301-30), and the United Kingdom (301-31). 1/ At the same time the USTR decided not to initiate investigations concerning the petitioners' allegations with respect to Brazil and Belgium. The USTR must report its findings to the President by October 21, 1982.

Nature and Extent of Alleged Bounties and Grants

According to the petition, the Spanish Government, in order to help the Spanish specialty steel industry, provides a number of subsidies to the Spanish stainless steel bar and wire rod industry. The petition alleges that these subsidies allow the Spanish companies to sell at prices averaging 30 percent below the prices of U.S. producers. The alleged bounties and grants and the amount of money given under each are summarized below.

1. Aceriales.--Aceriales (Sdad de Aceros Especiales) is a joint Government and private industry venture designed to restructure the Spanish specialty steel industry. It was created by royal decree in October 1980. The company's primary purpose is to act as a channel for state aid. The plan calls for the transfer of 4 billion pesetas by the Ministry of Industry to the industry over a 3-year period. The Basque regional government is to provide a similar sum. The petition alleges that the sum spread equally over the 3-year period amounted to a subsidy of \$220 per metric ton in 1980, the last year for which Spanish production figures are available. 2/ The petition claims that

1/ 47 F.R. 10107.

2/ This figure represents an equal allocation of the alleged subsidy to each stainless steel ingot produced. The petition alleges that the figure should be substantially higher with respect to stainless steel bar and rod, since the cost of production is much higher for these goods. The petition makes the assumption that the Spanish producers allocated the subsidy in proportion to costs.

to the extent these funds have been used to pay off debts to cover the operating losses of the various member companies, they are countervailable subsidies under the Trade Agreements Act of 1979.

2. Desgravacion Fiscal.--The Desgravacion Fiscal a la Exportation (DFE) is an export rebate system. The DFE provides a refund of indirect taxes incurred in the production of a product which is exported. The refund is made on the basis of a schedule established by the Spanish Government, and is given to selected industries at the Government's discretion. The refund rate on stainless bar and rod is allegedly 14.5 percent. For example, it is alleged that a rate of 14.5 percent would amount to a subsidy of about \$432 for a metric ton of 32 mm round bar (grade 316).

3. Operating capital loans.--All Spanish banks are to maintain 3 percent of their lendable funds for "privileged circuit loans." These loans are available only to exporters and are for short-term working capital. An exporter may borrow up to 30 percent of the previous year's sales at the Bank of Spain's discount rate, 8 percent, well below the market rates for short-term commercial loans. ^{1/} Petitioners state that they do not have information on the extent to which the stainless steel bar and rod producers have utilized these loans, but claim that the loans are a subsidy to the extent that the interest rate is below the market rate.

The petition also alleges that there are a number of other preferential programs available to the producers of stainless steel bar and rod, including credit financing to export houses for construction of warehouse facilities; short-term export credit against firm orders to a maximum of 90 percent; 5-percent increases in the coverage of export credit insurance; and a 10-percent increase in the preliminary settlement for damage or loss. However, no specific information was given for any of these.

4. Concerted action of non-integrated producers.--In 1974, the National Steel Industry Program was instituted to provide for the development of nonintegrated Spanish companies through concerted action. The program was to last through 1982. Through this concerted action, participating firms received the following forms of assistance, which the petition alleges are subsidies:

- a) Official credits covering up to 40 percent of nonliquid investments at 14-year terms with interest rates of 6.5 percent;
- b) Forced expropriation of the land necessary to carry out the construction of plants and the right of way for the routes of access, transportation lines, and the distribution of energy;
- c) Substantial reduction on certain taxes (up to 95 percent) including patrimonial taxes, customs duties, and the general tax on the trade of enterprises;

^{1/} The commercial interest rate in Spain is limited to 9.5 percent by law. However, the petition alleges that the true interest rate charged by Spanish banks is 17 to 18 percent.

- d) Freedom to amortize plants during the first 5 years beginning in the fiscal year in which the results of the exploitation of the new plants are taken into account; and
- e) Reduction of 95 percent of obligations which encumber the yield of Government loans to concerted action.

This program was cancelled in 1980 because of excess production capacity. However, to compensate participating companies which had made business planning decisions based on the program, an 18 billion peseta credit was established with the Industrial Credit Bank. Participating firms could borrow up to 30 percent of their 1974-79 investments at 10 percent. Normal Industrial Credit Bank rates are 11 to 15 percent. The petition alleges that this credit resulted in an interest subsidy to the participating firms of \$2.4 million to \$12 million a year.

The petition does not contain information on the amount of benefits which stainless steel bar and rod producers received under the National Steel Industry Program nor whether any stainless steel bar and rod producers have taken advantage of the low interest credit.

5. Special credits.--The petition alleges that substantial low-interest loans were made by the Spanish Government to at least two major stainless steel bar and rod manufacturers. The petition alleges that the loans to one of these companies amounted to an annual subsidy of \$4.8 million.

The Product

Description and uses

For the purpose of this investigation, "stainless steel bar" is defined as being of solid section and having a cross section in the shape of a circle, segment of a circle, oval, triangle, rectangle, hexagon, or octagon. Stainless steel 1/ bars are usually cold-finished, cut to length, and used in the production of pipe and tube fittings, cutlery, airframe hardware, weld wire, pump and boat shafting, and various fasteners. Hot-rolled stainless steel bar is classified under TSUSA item 606.9005, and cold-formed stainless steel bar, under TSUSA item 606.9010.

The first step in the production of stainless steel bar is the melting of the raw material (typically scrap) in an electric arc furnace to produce a molten liquid. The molten liquid is then blown with argon or nitrogen gas to oxidize the carbon in order to remove impurities. The molten liquid is then cast into solid forms called billets. These billets are typically produced either by continuous casting, by which the molten stainless steel is cast directly into billet form, or, as is generally done, by ingot casting, by which the molten material is first cast into an ingot which is later processed

1/ Stainless steel is an alloy steel which contains by weight less than 1 percent of carbon and over 11.5 percent of chromium (headnote 2(h)(iv), subpt. A, pt. 2, schedule 6, of the TSUSA).

into a billet. Billets are then heat-treated to influence hardness, improve machinability, and facilitate cold-working in the finishing areas. After annealing, the billets proceed to the bar hot-rolling mills to be further reduced into hot-rolled bar. Cold-formed stainless steel bar is produced by pickling hot-rolled bar to remove the oxide scale that forms during its production, then further annealing the bar to soften it and make it corrosion resistant. The bar is then turned (usually by a lathe) and then cold-rolled as high pressure is exerted on the bar by rolling mills, forming it into thinner bar with closer tolerances. Cold-formed bar is also polished in order to produce a finer surface finish.

Stainless steel wire rod is defined as a coiled, semifinished, hot-rolled product of solid cross section, approximately round in cross section, not under 0.20 inch nor over 0.74 inch in diameter. Stainless steel wire rod not tempered, not treated, and not partially manufactured is provided for in TSUSA item 607.2600; stainless steel wire rod, tempered, treated, or partly manufactured, is provided for in TSUSA item 607.4300.

After melting scrap in an electric arc (or vacuum induction) furnace, and processing by argon oxygen decarburization, the molten material is cast into ingots. The ingots are heated in gas-fired furnaces to the appropriate temperature and run through a series of reducing rolls until the desired size of billet is achieved. The billet then automatically moves through high-pressure rollers, which flatten and lengthen the product. After the rod has been reduced to the appropriate diameter it is coiled. Following the initial scale removal, the coil may be dipped in any one of a combination of acid baths, and then coated with a lubricant coating of copper, lime, or oxalate. These coatings act as carriers for lubricants when the rod is later cold-drawn into wire. Conversion into wire is the largest use for stainless steel wire rod.

Although quality differences are often alleged between imported and domestically produced stainless bar and wire rod, they are fungible products when produced in the same grades and to the same specifications.

U.S. tariff treatment

Imports of the hot-rolled and cold-formed stainless steel bar subject to this investigation are classified for tariff purposes under items 606.9005 and 606.9010, respectively, of the TSUSA. 1/ Imports of stainless steel wire rod are classified under TSUSA items 607.2600 and 607.4300. The current column 1 (most-favored-nation) rates of duty 2/ and column 2 duty rates 3/ on these items are shown in table 1.

1/ The contents of these items were modified in October 1980 to include wire, cut to length, which was transferred from items 609.3020(pt.), 609.3322(pt.), 609.4510(pt.), 609.4540(pt.), 609.4550(pt.), and 609.7600(pt.).

2/ The col. 1 rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ The rate of duty in col. 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Table 1.--Stainless steel bar and wire rod: U.S. rates of duty as of Jan. 1, 1982

TSUSA item No.		Article	Rate of duty <u>1/</u>	
1979	1980-82		Col. 1	Col. 2
608.5210	606.9005	Stainless steel bar: Not cold-formed-----	10.5% ad val. + additional: duties.	28% ad val. + addi- tional duties.
608.5250	606.9010	Cold-formed-----	10.5% ad val. + additional: duties.	28% ad val. + addi- tional duties.
608.7620	607.2600	Stainless steel wire rod, not tempered, not treated, and not partially manu- factured.	4.3% ad val. + addi- tional duties.	11% ad val. + addi- tional duties.
609.0820	607.4300	Stainless steel wire rod, tempered, treated, or partly manufactured.	4.6% ad val. + addi- tional duties.	10% ad val. + addi- tional duties.

1/ Stainless steel bar and wire rod are also subject to additional cumulative duties on alloy contents as follows:

TSUSA item No.		Article	Rate of duty	
1979	1980-82		Col. 1	Col. 2
607.0100	606.0000	Chromium content over 0.2 percent by weight.	0.1% ad val.	1% ad val.
607.0200	606.0200	Molybdenum content over 0.1 percent by weight.	0.3% ad val.	1% ad val.
607.0300	606.0400	Tungsten content over 0.3 percent by weight.	0.4% ad val.	1% ad val.
607.0400	606.0600	Vanadium content over 0.1 percent by weight.	0.2% ad val.	1% ad val.

Source: TSUSA.

The rates of duty for imports of stainless steel bar, currently dutiable at the column 1 rate of 10.5 percent ad valorem, and wire rod, dutiable at the column 1 rate of 4.3 percent or 4.6 percent ad valorem, have not changed since 1978. 1/ Imports of these items are also subject to additional duties on alloy content; however, they are not eligible for duty-free treatment under the Generalized System of Preferences (GSP), 2/ nor are imports from the least developed developing countries granted preferential treatment. There were no concessions granted for these items under the Tokyo round of Multilateral Trade Negotiations.

Channels of distribution

Hot-rolled stainless steel bar and cold-formed stainless steel bar are semifinished products used in such diverse products as fasteners, roof flashing, fittings, valves, welding electrodes, ball bearings, medical and dental instruments, automotive parts, and flatware. Stainless steel is desired for its corrosion resistance and for its esthetic properties in adding a lustrous finish to various goods. Principal industries which make use of stainless steel bar products include the electrical equipment, industrial machinery, and oil and gas industries.

More than 50 percent of U.S. producers' shipments of hot-rolled stainless steel bar were shipped to steel service centers and distributors in 1981 (table 2). These are essentially middlemen which buy large quantities of steel from producers, warehouse the steel, and sell it to purchasers which tend to buy in small quantities. These service centers often have the equipment necessary to shape the steel into the form desired by their customers. Table 3 indicates that over 65 percent of U.S. producers' shipments of cold-formed stainless steel bar were shipped to steel service centers in 1981.

Shipments of stainless steel were distributed throughout the United States in 1981 with major concentrations in the industrial States of Illinois, Ohio, New York, California, and Texas.

Stainless steel wire rod is a semifinished product which is largely utilized in the manufacture of wire and wire products. Thus, the U.S. market for stainless steel wire rod is dependent on demand for stainless steel wire and a wide variety of fabricated products such as springs, welding electrodes, nails, medical and dental instruments, orthodontic devices, and industrial fasteners.

1/ Prior to 1980 the rates of duty on wire rod were compound rates. On Jan. 1, 1980, those rates were converted to ad valorem equivalents.

2/ The GSP, under title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888, of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is expected to remain in effect until January 1985.

Table 2.--Hot-rolled stainless steel bar: U.S. producers' shipments,
by major end-use markets, 1981

Market	Quantity	Percent of total
	Net tons	
Electrical equipment-----	5,482	12.9
Machinery, industrial equipment, and tools-----	4,835	11.4
Steel service centers and distrib- utors-----	21,845	51.4
Oil and gas industry-----	1,184	2.8
All other-----	9,167	21.5
Total-----	42,513	100.0

Source: Compiled from data of the American Iron & Steel Institute.

Table 3.--Cold-formed stainless steel bar: U.S. producers' shipments,
by major end-use markets, 1981

Market	Quantity	Percent of total
	Net tons	
Automotive-----	1,485	1.8
Machinery, industrial equipment, and tools-----	12,765	15.1
Steel service centers and distrib- utors-----	56,062	66.2
Electrical equipment-----	1,877	2.2
Professional and scientific equip- ment-----	1,693	2.0
All other-----	10,765	12.7
Total-----	84,647	100.0

Source: Compiled from data of the American Iron & Steel Institute.

The distribution of U.S. producers' shipments of stainless steel wire rod is shown in the table 4. Approximately three-quarters of all shipments are converted into wire or wire products (41.6 percent), shipped to steel service centers and distributors (13.2 percent), or used in industrial fastener applications (20.0 percent).

Table 4.--Stainless steel wire rod: U.S. producer's shipments, by major end-use markets, 1981

Market	Quantity Net tons	Percent of total
Converting into wire and wire production-----	13,039	41.6
Steel service centers and distributors-----	4,152	13.2
Automotive-----	1,123	3.6
Machinery, industrial equipment, and tools-----	4,326	13.8
Industrial fasteners-----	6,294	20.1
All other-----	2,431	7.7
Total-----	31,365	100.0

Source: Compiled from data of the American Iron & Steel Institute.

Stainless steel bar and wire rod from Spain are distributed by three major trading companies ^{1/} with warehouses throughout the United States. Large volumes of stock are warehoused in strategically located cities such as Boston, Los Angeles, Houston, Chicago, and New York. Some U.S. importers convert the coiled wire rod to cut-to-length bar as an additional service for their customers.

U.S. Producers

Stainless steel bar is produced in the United States by nine known firms. With the exception of one firm which produces only cold-formed bar, all domestic mills produce both hot-rolled and cold-formed products. Most production facilities are located in the East Central States of Pennsylvania, New York, Ohio, and Maryland.

The principal domestic firms producing stainless steel bar are either integrated producers or specialty producers. Integrated producers are usually equipped with standard bar-rolling equipment for rolling a wide variety of steel items. Specialty producers generally operate mills that produce a much narrower range of products. These producers frequently concentrate their production in specialized bar products for a limited market. In 1981, stainless steel wire rod was produced by five domestic firms with mills located in Maryland, Pennsylvania, New York, and Indiana.

Unlike carbon steel, stainless steel is produced in small, custom-tailored quantities for use in products demanding special properties, such as durability, hardness, or resistance to wear and corrosion. Because of its unique properties, stainless steel requires special processing equipment and expensive alloying ingredients. Such high-technology, specialty products are better suited to smaller specialty operations than the mass production techniques of integrated producers.

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^{1/} * * *

Principal producers of hot-rolled stainless steel bar (HRB), cold-formed stainless steel bar (CFB), and stainless steel wire rod (WR), their plant locations, types of products produced, and their share of 1981 shipments are shown in table 5.

Table 5.--Stainless steel bar and wire rod: Principal U.S. producers, location of their establishments, types of products produced, and share of total U.S. producers' shipments, 1/ 1981

Firm	Plant locations	Type of product	Market share		
			HRB	CFB	WR
			-----Percent-----		
Al Tech Specialty Steel	Dunkirk, N.Y.	HRB, CFB, WR	***	***	***
Armco	Baltimore, Md.	HRB, CFB, WR	***	***	***
Carpenter Technology Corp.	Bridgeport, Conn. Reading, Pa.	HRB, CFB, WR	***	***	***
Crucible Materials Group	Midland, Pa. Syracuse, N.Y.	HRB, CFB, WR	***	***	***
Cyclops Corp.	Bridgeville, Pa. Titusville, Pa.	CFB	***	***	***
Joslyn Stainless Steels	Fort Wayne, Ind.	HRB, CFB	***	***	***
Republic Steel Corp.	Canton, Ohio Massilon, Ohio	HRB, CFB	***	***	***

1/ Based on shipments as reported by the American Iron & Steel Institute.

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

U.S. Importers

The net importer file maintained by the U.S. Customs Service identified about 15 importers of stainless steel bar and wire rod from Spain during October 1980-December 1981. Major importers of Spanish material and the products they imported are shown in the following tabulation:

<u>Importers</u>	<u>Type of product</u>
* * *	HRB, CFB
* * *	HRB
* * *	CFB
* * *	CFB, WR
* * *	CFB
* * *	HRB, CFB, WR
* * *	HRB, CFB
* * *	CFB
* * *	CFB, WR

Apparent Consumption

Apparent U.S. consumption of hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod is shown in table 6. U.S. consumption of hot-rolled bar declined from 49,926 tons in 1979 to 45,736 tons in 1981, or by 8 percent. The share of the market supplied by U.S. producers declined steadily from 1979 to 1981. The ratio of imports of hot-rolled bar from all sources to apparent consumption increased from 14.3 percent in 1979 to 16.6 percent in 1981. Imports in January-March 1982 accounted for 22.6 percent of apparent consumption, compared with 8.6 percent in January-March 1981.

Consumption of cold-formed stainless steel bar followed the same trend as hot-rolled bar but declined at a faster rate, falling from 127,567 tons in 1979 to 111,189 tons in 1981, or by 13 percent. Imports steadily increased their share of this market as the ratio of imports from all sources to apparent consumption rose from 17.0 percent in 1979, to 23.4 percent in 1980, and to 24.5 percent in 1981. Imports supplied 28.7 percent of the market for cold-formed bar in January-March 1982, compared with 19.3 percent in the corresponding period of 1981.

Apparent U.S. consumption of stainless steel wire rod also declined, from 58,425 tons in 1979 to 55,961 tons in 1981. U.S. producers lost an increasing share of this declining market to importers as the ratio of imports to consumption increased from 31.5 percent in 1979 to 44.9 percent in 1981. In January-March 1982, imports from all sources supplied almost 54 percent of the U.S. market.

Apparent U.S. consumption of the stainless steel products subject to this investigation, on a quarterly basis, is shown in table 7. The quarterly data follow the trends established for the annual data; however, some deviations are apparent. Although annual consumption of hot-rolled bar steadily declined, the quarterly data suggest some strengthening of the market in the last half of 1981 and the first quarter of 1982. The decline in consumption of cold-formed bar and wire rod appears to be continuing.

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod, as well as the capacity of domestic producers to manufacture such products and the utilization of that capacity, is shown in table 8. As indicated, production of all three products declined steadily from 1979 to 1981 and was lower in January-March 1982 than in the corresponding period of 1981. Capacity utilization also declined for all product groups. Capacity utilization for hot-rolled bar fell from 67.0 percent in 1979 to 43.0 percent in January-March 1982; that for cold-formed bar, from 79.4 percent to 55.1 percent; and that for wire rod, from 67.7 percent to 42.7 percent.

Table 6.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1979-81, January-March 1981, and January-March 1982

Product and period	Shipments	Imports	Exports	Apparent con- sumption	Ratio of imports to--	
					Shipments	Consumption
HRB:	-----Short tons-----			-----Percent-----		
1979-----	45,540	7,133	2,747	49,926	15.7	14.3
1980-----	47,369	8,134	5,998	49,505	17.2	16.4
1981-----	43,132	7,599	4,995	45,736	17.6	16.6
Jan.-Mar--						
1981-----	12,101	1,026	1,197	11,930	8.5	8.6
1982-----	10,560	2,957	458	13,059	28.0	22.6
CFB:						
1979-----	108,241	21,735	2,409	127,567	20.1	17.0
1980-----	96,674	28,689	2,722	122,641	29.7	23.4
1981-----	85,902	27,248	1,961	111,189	31.7	24.5
Jan.-Mar--						
1981-----	23,467	5,496	448	28,515	23.4	19.3
1982-----	19,826	7,732	590	26,968	39.0	28.7
WR:						
1979-----	40,507	18,408	490	58,425	45.4	31.5
1980-----	36,145	21,643	614	57,174	59.9	37.9
1981-----	31,372	25,136	547	55,961	80.1	44.9
Jan.-Mar--						
1981-----	8,257	4,627	158	12,726	56.0	36.6
1982-----	6,166	7,097	64	13,199	115.1	53.8

Source: Shipments, compiled from data of the American Iron & Steel Institute; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Table 7.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, by quarters, January 1980-March 1982

Product and period	Ship- ments	Imports	Exports	Apparent con- sumption	Ratio of imports to--	
					Shipments	Consumption
HRB:						
	Short tons				Percent	
1980:						
Jan.-Mar---	13,878	2,313	976	15,215	16.7	15.2
Apr.-June--	12,457	2,799	1,342	13,932	22.5	20.1
July-Sept--	10,150	1,468	2,271	9,347	14.5	15.7
Oct.-Dec---	10,884	1,554	1,409	11,029	14.3	14.1
1981:						
Jan.-Mar---	12,101	1,026	1,197	11,930	8.5	8.6
Apr.-June--	11,034	1,298	1,705	10,627	11.8	12.2
July-Sept--	9,766	2,379	1,281	10,864	24.4	21.9
Oct.-Dec---	10,231	2,895	812	12,315	28.3	23.5
1982:						
Jan.-Mar---	10,560	2,957	458	13,059	28.0	22.6
CFB:						
1980:						
Jan.-Mar---	28,555	6,978	496	35,038	24.4	19.9
Apr.-June--	26,980	8,398	764	34,614	31.1	24.3
July-Sept--	19,807	6,705	706	25,806	33.9	27.7
Oct.-Dec---	21,332	6,608	756	27,184	31.0	24.3
1981:						
Jan.-Mar---	23,467	5,496	448	28,515	23.4	19.3
Apr.-June--	22,579	6,633	485	28,727	29.4	23.1
July-Sept--	20,498	7,661	482	27,677	37.4	27.7
Oct.-Dec---	19,361	7,458	546	26,273	38.5	28.4
1982:						
Jan.-Mar---	19,826	7,732	590	26,968	39.0	28.7
WR:						
1980:						
Jan.-Mar---	11,968	4,795	95	16,668	40.1	28.8
Apr.-June--	9,673	7,769	208	17,234	80.3	45.1
July-Sept--	6,789	5,911	174	12,526	87.1	47.2
Oct.-Dec---	7,715	3,168	138	10,745	41.1	29.5
1981:						
Jan.-Mar---	8,257	4,627	158	12,726	56.0	36.6
Apr.-June--	8,384	5,230	117	13,497	62.4	38.7
July-Sept--	8,008	7,012	136	14,884	87.6	47.1
Oct.-Dec---	6,723	8,267	136	14,854	123.0	55.7
1982:						
Jan.-Mar---	6,166	7,097	64	13,199	115.1	53.8

Source: Shipments, compiled from data of the American Iron & Steel Institute; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Table 8.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. production, practical capacity, 1/ and capacity utilization, 1979-81, January-March 1981, and January-March 1982

Product and period	Production	Practical capacity	Capacity utilization
HRB:	-----Short tons-----		-----Percent-----
1979-----	49,458	73,795	67.0
1980-----	43,777	73,360	59.7
1981-----	42,842	75,050	57.1
Jan.-Mar--			
1981-----	10,955	19,025	57.6
1982-----	8,170	18,985	43.0
CFB:			
1979-----	117,966	148,605	79.4
1980-----	114,232	149,040	76.6
1981-----	95,287	147,350	64.7
Jan.-Mar--			
1981-----	22,922	37,825	60.6
1982-----	20,853	37,865	55.1
WR:			
1979-----	33,400	49,300	67.7
1980-----	29,476	48,400	60.9
1981-----	27,507	48,400	56.8
Jan.-Mar--			
1981-----	6,942	12,100	57.4
1982-----	5,167	12,100	42.7

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

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

Note.--U.S. producers submitting usable data accounted for 100 percent of total shipments of hot-rolled stainless steel bar in 1981, as reported by the American Iron & Steel Institute. Producers accounted for 100 percent of cold-formed stainless steel bar shipments and 85 percent of stainless steel wire rod shipments.

U.S. producers' shipments

During 1979-81, U.S. producers' shipments of hot-rolled stainless steel bar fell from 45,540 tons to 43,132 tons. Shipments of cold-formed bar fell from 108,241 tons to 85,902 tons, and wire rod shipments fell from 40,507 tons to 31,372 tons. U.S. producers' net shipments, as reported by the American Iron & Steel Institute, 1/ are shown in the following tabulation (in thousands of short tons):

	<u>HRB</u>	<u>CFB</u>	<u>WR</u>
1979-----	46	108	41
1980-----	47	97	36
1981-----	43	86	31
January-March--			
1981-----	12	23	8
1982-----	11	20	6

U.S. producers' intracompany and intercompany shipments, domestic market shipments, and export shipments, as reported in response to the Commission's questionnaires, 2/ are shown in table 9.

1/ Such shipments include intracompany transfers and exports, but exclude sales made to other steelmaking firms that report data to the American Iron & Steel Institute.

2/ Domestic producers responding to the Commission's questionnaires in this investigation accounted for 100 percent of hot-rolled bar shipments, 100 percent of cold-formed bar shipments and 85 percent of wire rod shipments, as reported by the American Iron & Steel Institute in 1981.

Table 9.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. producers' shipments, by types, 1979-81, January-March 1981, and January-March 1982

(In short tons)					
Product and period	Intracompany and intercompany transfers	Domestic market shipments	Exports	Total shipments	
HRB:					
1979-----	12	48,057	798	48,867	
1980-----	7	42,131	669	42,807	
1981-----	9	42,192	1,138	43,339	
Jan.-Mar--					
1981-----	2	11,301	258	11,561	
1982-----	2	8,703	100	8,805	
CFB:					
1979-----	21	116,693	973	117,687	
1980-----	18	106,357	1,429	107,804	
1981-----	17	92,027	1,083	93,127	
Jan.-Mar--					
1981-----	5	25,316	258	25,579	
1982-----	3	21,236	120	21,359	
WR:					
1979-----	0	33,184	214	33,398	
1980-----	0	29,251	317	29,568	
1981-----	0	26,117	451	26,568	
Jan.-Mar--					
1981-----	0	6,693	118	6,811	
1982-----	0	5,315	69	5,384	

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

U.S. exports

Exports of hot-rolled stainless steel bar increased from 2,747 tons in 1979 to 5,998 tons in 1980 before decreasing to 4,995 tons in 1981. Exports in January-March 1981 amounted to 458 tons, or about 62 percent less than those in January-March 1981 (table 10). Exports of cold-formed bar and wire rod followed the same pattern. Exports of cold-formed bar increased slightly in 1980 and declined in 1981. Unlike those of hot-rolled bar and wire rod, exports of cold-formed bar were greater in January-March 1982 than in the corresponding period of 1981. Principal export markets in 1981 were Canada and Mexico, which accounted for over 60 percent of the exports of all three products.

Table 10.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. exports, 1979-81, January-March 1981, and January-March 1982

Item	1979	1980	1981	January-March--	
				1981	1982
Quantity (short tons)					
HRB-----	2,747	5,998	4,995	1,197	458
CFB-----	2,409	2,722	1,961	448	590
WR-----	490	614	547	158	64
Value (1,000 dollars)					
HRB-----	6,066	10,961	11,401	3,050	1,208
CFB-----	6,763	8,957	7,788	1,857	1,699
WR-----	1,555	3,011	2,477	726	403

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

U.S. producers' inventories

U.S. producers' inventories reported in response to the Commission's questionnaires show increases in the stocks of all the stainless steel products subjects to this investigation except hot-rolled bar from 1980 to 1981, as shown in the following tabulation (in short tons):

<u>As of Dec. 31--</u>	<u>HRB</u>	<u>CFB</u>	<u>WR</u>
1978-----	9,075	28,730	3,449
1979-----	9,665	29,009	3,151
1980-----	10,635	35,435	2,490
1981-----	10,498	37,554	3,933

Inventories of hot-rolled bar represented 20 to 25 percent of producers' annual shipments; those of cold-rolled bar, 27 to 44 percent; and those of wire rod, to 6 to 12 percent.

U.S. employment, wages, and productivity

In domestic establishments producing hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod, the average employment of all persons, production and related workers producing all products, and production and related workers producing products subject to

this investigation followed a downward trend from 1979 to 1981. Similar patterns can be seen in hours paid for production and related workers (table 11). The average number of production and related workers producing hot-rolled bar declined 6 percent; the number producing cold-formed bar, 14 percent; and the number producing wire rod, 7 percent. Employment continued to decline in 1982. The average number of workers in January-March 1982 declined 18 percent from the number in the corresponding period of 1981 for hot-rolled bar, 11 percent for cold-formed bar, and 19 percent for wire rod. Wages and total compensation paid to workers are shown in table 12.

As shown in tables 11 and 12, declining labor productivity and increasing hourly compensation combined to raise unit labor costs for all three products. Labor costs per ton increased 29 percent from 1979 to 1981 for hot-rolled stainless steel bar, 25 percent for cold-formed bar, and 36 percent for wire rod.

Financial experience of U.S. producers

Hot-rolled stainless steel bar.--Financial data were received from six firms representing 100 percent of total U.S. producers' shipments of hot-rolled stainless steel bar in 1981. Net sales of hot-rolled stainless steel bar increased by 13 percent from \$114.3 million in 1979 to \$129.6 million in 1981. In the interim accounting period ended March 31, 1982, net sales dropped 4 percent, to \$58.2 million compared with net sales of \$60.4 million in the corresponding period of 1981 (table 13).

Operating profit increased faster than net sales, from \$10.4 million in 1979 to \$12.4 million in 1981, or by 19 percent. In the same period, the ratio of operating profit to net sales rose from 9.1 percent to 9.6 percent. Gross profit margins followed a similar trend, increasing from 17.5 percent of net sales in 1979 to 17.7 percent in 1980 and 19.5 percent in 1981 as a result of a steady decline in cost of goods sold as a share of net sales. Interest expense increased from \$380,000 (0.3 percent of net sales) in 1979 to \$848,000 (0.7 percent of net sales) in 1980 and jumped to \$2.4 million (1.8 percent of net sales) in 1981 because of a large amount of interest expense * * *. Hence, net profit margins before income taxes dropped from 8.9 percent in 1979 to 8.7 percent in 1980 and 7.9 percent in 1981. In the interim period ended March 31, 1982, the gross profit margin declined by 0.1 percent, the operating profit margin dropped by 0.9 percent, and the net profit margin before income taxes fell by 1.5 percent compared with respective profit margins in the corresponding period of 1981. The number of firms reporting operating losses increased from two in 1980 and 1981 to four in the interim period of 1982. Cash flow from operations increased from \$12.3 million in 1979 to \$12.7 million in 1980 and \$13.1 million in 1981, and declined from \$7.3 million in the interim period of 1981 to \$6.2 million in the interim period of 1982.

* * * * *

Table 11.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: Average number of employees, total and production and related workers, hours paid for the latter, and labor productivity, 1979-81, January-March 1981, and January-March 1982

Product and period	Employment			Hours paid for production and related workers producing--		Labor productivity
	All persons	Production and related workers producing--	Specified products	All products	Specified products	
				-----1,000 hours-----		Tons per hour
HRB:						
1979-----	17,933	13,252	852	27,602	1,836	0.0269
1980-----	17,017	12,235	843	23,539	1,685	.0260
1981-----	16,730	11,897	802	22,772	1,584	.0269
Jan.-Mar--						
1981-----	16,529	11,817	889	5,775	445	.0246
1982-----	14,890	10,135	733	4,505	342	.0239
CFB:						
1979-----	19,232	14,263	3,286	29,707	7,103	.0166
1980-----	18,251	13,184	3,373	25,266	7,002	.0163
1981-----	17,859	12,776	2,823	24,419	5,639	.0169
Jan.-Mar--						
1981-----	17,656	12,695	2,838	6,197	1,440	.0159
1982-----	15,856	10,867	2,522	4,853	1,223	.0171
WR:						
1979-----	11,398	7,991	606	16,944	1,286	.0260
1980-----	10,994	7,467	577	15,421	1,180	.0250
1981-----	10,475	6,902	562	13,683	1,108	.0248
Jan.-Mar--						
1981-----	10,424	6,927	539	3,493	266	.0261
1982-----	9,565	6,045	438	2,873	203	.0255

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

Table 12.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: Wages and total compensation ^{1/} paid to production and related workers in establishments producing stainless steel, hourly compensation, and unit labor costs, 1979-81, January-March 1981, and January-March 1982

Product and period	:Wages paid to production and related workers producing--		: Total compensation paid to production and related workers producing--		: Hourly compensation: for those producing specified products	: Unit labor costs	
	: All products	: Specified products	: All products	: Specified products			
	:-----Million dollars-----						: Per ton
HRB:							
1979-----	332	22	432	28	\$15.40	\$566	
1980-----	318	22	422	29	17.19	662	
1981-----	335	23	451	31	19.53	728	
Jan.-Mar--							
1981-----	82	6	110	8	18.90	728	
1982-----	70	5	99	7	21.32	857	
CFB:							
1979-----	355	84	461	109	15.37	924	
1980-----	336	91	450	121	17.32	1,059	
1981-----	357	81	480	110	19.46	1,155	
Jan.-Mar--							
1981-----	87	20	117	27	18.86	1,178	
1982-----	75	18	105	26	20.98	1,247	
WR:							
1979-----	207	16	267	20	15.93	599	
1980-----	210	17	276	21	18.08	712	
1981-----	203	17	272	22	19.80	800	
Jan.-Mar--							
1981-----	50	4	67	5	19.07	720	
1982-----	40	3	62	4	21.36	774	

^{1/} The difference between total compensation and wages is an estimate of workers' benefits.

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

Table 13.--Selected financial data of 6 U.S. producers on their hot-rolled stainless steel bar operations, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979	1980	1981	Interim accounting	
				year end Mar. 31 1/-- 1981	1982
Net sales----1,000 dollars--:	114,310	119,756	129,572	60,386	58,207
Cost of goods sold----do----:	94,320	98,579	104,304	47,443	45,786
Gross profit-----do-----:	19,990	21,177	25,268	12,943	12,421
General, selling, and administrative expenses-	:	:	:	:	:
1,000 dollars--:	9,551	10,045	12,820	6,765	7,033
Operating profit-----do----:	10,439	11,132	12,448	6,178	5,388
Interest expense-----do----:	380	848	2,372	184	579
Other income-----do----:	80	132	167	17	139
Net profit before income taxes-----1,000 dollars--:	10,139	10,416	10,243	6,011	4,948
Depreciation and amorti- zation expense included	:	:	:	:	:
above-----1,000 dollars--:	2,148	2,289	2,889	1,243	1,303
Cash flow from operations do----:	12,287	12,705	13,132	7,254	6,251
As a share of net sales:	:	:	:	:	:
Gross profit-----percent--:	17.5	17.7	19.5	21.4	21.3
Operating profit----do----:	9.1	9.3	9.6	10.2	9.3
Net profit before income taxes-----percent--:	8.9	8.7	7.9	10.0	8.5
Number of firms reporting operating losses-----:	0	2	2	2	4
Number of firms reporting net losses-----:	0	2	3	2	4

1/ Represents data for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Only four of six firms provided data on their investment in productive facilities for hot-rolled stainless steel bar operations (table 14). These four firms' return on fixed assets followed the same trend as did their ratio of net profit before income taxes to net sales.

Cold-formed stainless steel bar.--Financial data were received from seven firms representing 100 percent of total U.S. producers' shipments of cold-formed stainless steel bar in 1981. Net sales of cold-formed stainless steel bar rose to \$389.2 million in 1980, topping 1979 sales by \$42.1 million or 11 percent. Net sales slipped \$35.8 million, or 9 percent, to \$353.4 million in 1981. In the interim period ending on March 31, 1982, net sales dropped by 7 percent to \$145.4 million, compared with net sales of \$156.8 million in the corresponding period of 1981 (table 15).

Operating profit increased from \$32.4 million, or 9.3 percent of net sales, in 1979 to \$45.0 million, or 11.6 percent of net sales, in 1980, and then declined to \$37.0 million, or 10.5 percent of sales, in 1981. In the same period, gross profit margins and net profit margins before income taxes followed a similar trend. Interest expense increased from \$1.4 million (0.4 percent of net sales) in 1979 to \$2.3 million (0.6 percent of net sales) in 1980 and doubled to \$4.6 million (1.3 percent of net sales) in 1981 because of a large amount of capital borrowing * * * in that year. In the interim period ended March 31, 1982, all profit margins dropped compared with profit margins of the interim period of 1981. Cash flow from operations increased from \$37.2 million in 1979 to \$49.2 million in 1980 and then dropped to \$40.0 million in 1981. It fell from \$22.0 million in the interim period of 1981 to \$14.0 million in the interim period of 1982.

One firm sustained operating losses in both 1979 to 1981. Two firms sustained net losses in both 1979 and 1980, and one firm sustained such a loss in 1981. In the interim period of 1982, five firms sustained operating and net losses, compared with four firms in the interim period of 1981.

* * * * *

Five out of seven firms provided data on their investment in productive facilities for cold-formed stainless steel bar (table 16). These five firms' return on fixed assets followed the same trend as did their ratio of net profit before income taxes to net sales.

Stainless steel wire rod.--Financial data were received from four firms representing about 85 percent of total U.S. producers' shipments of stainless steel wire rod in 1981. Cyclops reported two quarters of operations in 1979, after which it discontinued wire rod operations. Net sales of stainless steel wire rod declined from \$74.3 million in 1979 to \$60.1 million in 1981, or by 18 percent. In the interim period ended March 31, 1982, net sales dropped by 13 percent to \$25.3 million, compared with net sales of \$29.1 million in the corresponding period of 1981 (table 17).

Table 14.--Investment in productive facilities of 4 U.S. producers of hot-rolled stainless steel bar, as of the end of accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	:	:	:	:	Interim period					
					ended Mar. 31 1/--					
	:	1979	:	1980	:	1981	:	1982		
Original cost-----1,000 dollars--:	:	41,031	:	46,748	:	49,109	:	52,037	:	61,953
Book value-----do-----:	:	21,080	:	24,993	:	30,290	:	31,241	:	38,681
Net sales-----do-----:	:	75,297	:	83,563	:	93,242	:	47,087	:	47,843
Net profit before income taxes----do----	:	6,807	:	9,077	:	8,909	:	6,176	:	6,242
Ratio of net profit before income taxes	:	:	:	:	:	:	:	:	:	:
to--	:	:	:	:	:	:	:	:	:	:
Original cost-----percent--:	:	16.6	:	19.4	:	18.1	:	11.9	:	10.1
Book value-----do-----:	:	32.3	:	36.3	:	29.4	:	19.8	:	16.1
Net sales-----do-----:	:	9.0	:	10.9	:	9.6	:	13.1	:	13.0

1/ Represents data of 3 U.S. producers for both interim periods. Data are for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 15.--Selected financial data of 7 U.S. producers on their cold-formed stainless steel bar operations, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979	1980	1981	Interim accounting	
				: year ended Mar. 31--1/	: 1982
Net sales-----1,000 dollars--	347,183	389,160	353,399	156,810	145,391
Cost of goods sold-----do-----	285,026	309,936	283,088	120,112	115,879
Gross profit-----do-----	62,157	79,224	70,311	36,698	29,512
General, selling, and administrative expenses-----1,000 dollars--	29,708	34,238	33,330	17,213	17,741
Operating profit-----do-----	32,449	44,986	36,981	19,485	11,771
Interest expense-----do-----	1,402	2,335	4,602	592	1,243
Other income-----do-----	191	468	675	71	406
Net profit before income taxes					
1,000 dollars--	31,238	43,119	33,054	18,964	10,934
Depreciation and amortization expense included above-----1,000 dollars--	6,011	6,127	7,014	2,989	3,113
Cash flow from operations-----do-----	37,249	49,246	40,068	21,953	14,047
As a share of net sales:					
Gross profit-----percent--	17.9	20.4	19.9	23.4	20.3
Operating profit-----do-----	9.3	11.6	10.5	12.4	8.1
Net profit before income taxes percent--	9.0	11.1	9.4	12.1	7.5
Number of firms reporting operating losses-----	1	1	1	4	5
Number of firms reporting net losses-----	2	2	1	4	5

1/ Represents data for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 16.--Investment in productive facilities of 5 U.S. producers of cold-formed stainless steel bar, as of the end of accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979	1980	1981	Interim period ended Mar. 31 1/--	
				1981	1982
Original cost-----1,000 dollars--:	189,369	206,614	212,834	192,718	219,005
Book value-----do-----:	87,178	99,914	108,531	95,496	113,599
Net sales-----do-----:	267,242	294,637	283,296	127,593	119,401
Net profit before income taxes-					
do-----:	25,587	34,595	30,723	20,739	15,416
Ratio of net profit before income taxes to--					
Original cost-----percent--:	13.5	16.7	14.4	10.8	7.0
Book value-----do-----:	29.4	34.6	28.3	21.7	13.6
Net sales-----do-----:	9.6	11.7	10.8	16.3	12.9

1/ Represents data of 4 U.S. producers for both interim periods. Data are for January-March except for *** which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 17.--Selected financial data of 4 U.S. producers on their stainless steel wire rod operations, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979 ^{1/}	1980	1981	Interim accounting	
				year end Mar. 31-- 2/	1981
Net sales-----1,000 dollars--:	74,252	66,394	60,688	29,164	25,329
Cost of goods sold-----do-----:	64,826	60,303	56,581	26,011	24,078
Gross profit-----do-----:	9,426	6,091	4,107	3,153	1,251
General, selling, and admini- strative expenses-					
1,000 dollars--:	4,553	5,755	5,519	3,174	3,153
Operating profit or (loss)					
do-----:	4,873	336	(1,412)	(21)	(1,902)
Interest expense-----do-----:	624	1,035	1,081	362	215
Other income-----do-----:	80	245	250	31	135
Net profit or (loss) before income taxes-					
1,000 dollars--:	4,329	(454)	(2,243)	(352)	(1,982)
Depreciation and amorti- zation expense included					
above-----1,000 dollars--:	797	1,103	1,321	574	591
Cash flow (deficit) from operations--1,000 dollars--:	5,126	649	(922)	222	(1,391)
As a share of net sales--					
Gross profit-----percent--:	12.7	9.2	6.8	10.8	4.9
Operating profit or (loss)-----do-----:	6.6	.5	(2.3)	(0.1)	(7.5)
Net profit or (loss) before: income taxes----percent--:	5.8	(.7)	(3.7)	(1.2)	(7.8)
Number of firms reporting operating and net losses---	2	3	3	3	4

^{1/} Cyclops discontinued its wire rod operations after the 2nd quarter of 1979.

^{2/} Represents data for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Operating profit plunged by 93 percent from \$4.9 million in 1979 to \$336,000 in 1980, and an operating loss of \$1.4 million occurred in 1981. The ratio of operating profit to net sales dropped from 6.6 percent in 1979 to 0.5 percent in 1980, and an operating loss of 2.3 percent occurred in 1981. Gross profit margins and net profit or loss margins before income taxes followed the same trend as did the operating margins. Interest expenses doubled in 1980 and 1981 compared with those in 1979. In the interim period of 1982, the operating loss margin increased to 7.5 percent, compared with 0.1 percent in the interim period of 1981. Cash flow from operations declined from \$5.1 million in 1979 to deficits of \$922,000 in 1981 and \$1.4 million in the interim period of 1982. The number of firms reporting operating and net losses increased from two in 1979 to three in 1980, 1981, and the interim period of 1981. It rose to four in the interim period of 1982.

Three out of four firms provided data on their investment in productive facilities for stainless steel wire rod operations (table 18). These three firms' return on fixed assets followed the same trend as did their ratio of net profit or loss before income taxes to net sales.

Overall stainless steel operations.--Financial data for overall stainless steel operations provided by 7 U.S. producers are presented in table 19. Net sales for these operations declined from \$1.9 billion in 1979 to \$1.8 billion in 1980, or by 7 percent, and then rose to \$1.9 billion in 1981. In the interim period ended March 31, 1982, net sales dropped by 18 percent to \$508 million, compared with net sales of \$618 million in the interim period of 1981.

The seven firms earned an aggregate operating profit of \$273 million, or 14.1 percent of net sales, in 1979 and \$203 million, or 11.3 percent of net sales, in 1980. In 1981, operating profit fell further to \$170 million, or 9.0 percent of net sales. Gross profit margins and net profit margins before income taxes followed the same trend as did the operating profit margins. Cash flow from operations declined from \$297 million in 1979 to \$198 million in 1981. In the interim period ended March 31, 1982, the operating profit margin plunged to 3.5 percent from 11.5 percent in the interim period of 1981.

Five out of seven firms provided data on their investment in productive facilities for overall stainless steel operations (table 20). The ratios of net profit before income taxes to original cost and book value of fixed assets show a declining trend.

Capital expenditures and research and development expenses.--Five U.S. producers supplied data relative to their capital expenditures for specified operations (table 21). Aggregate capital expenditures for overall stainless steel operations rose by 68 percent from \$24.2 million in 1979 to \$40.5 million in 1980, and then slipped to \$28.0 million in 1981; they totaled \$24.2 million in the interim period of 1982.

Capital expenditures for hot-rolled stainless steel bar increased from \$4.0 million in 1979 to \$5.8 million in 1980, fell to \$5.5 million in 1981, and totaled \$7.0 million in the interim period of 1982. Such expenditures for cold-formed stainless steel bar rose from \$13.6 million in 1979 to \$20.1 million in 1980 and then fell to \$16.6 million in 1981; they amounted to \$4.4 million in partial year 1982.

Table 18.--Investment in productive facilities of 3 U.S. producers of stainless steel wire rod, as of the end of accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979	1980	1981	Interim period	
				ended Mar. 31 1/--	1982
Original cost-----1,000 dollars--	32,915	38,053	46,807	***	***
Book value-----do-----	16,967	21,228	26,269	***	***
Net sales-----do-----	73,309	65,596	60,488	***	***
Net profit or (loss) before income taxes-----do-----	4,427	(452)	(2,213)	***	***
Ratio of net profit or (loss) before income taxes to--					
Original cost-----percent--	13.4	(1.2)	(4.7)	***	***
Book value-----do-----	26.1	(2.1)	(8.4)	***	***
Net sales-----do-----	6.0	(.7)	(3.7)	***	***

1/ Represents data of 2 U.S. producers for both interim periods. Data for * * * were reported on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 19.--Selected financial data of 7 U.S. producers on their overall stainless steel and/or stainless steel products operations, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981 and Mar. 31, 1982

Item	1979	1980	1981	Interim accounting	
				year ended Mar. 31 1981	year ended Mar. 31 1982
Net sales-----million dollars---	1,933	1,798	1,898	618	508
Cost of goods sold-----do-----	1,574	1,501	1,629	505	446
Gross profit-----do-----	359	297	269	113	62
General, selling, and administrative expenses-----million dollars---	86	94	99	42	44
Operating profit-----do-----	273	203	170	71	18
Interest expense-----do-----	12	17	17	3	5
Other income-----do-----	6	8	9	3	3
Net profit before income taxes					
million dollars---	267	194	162	71	16
Depreciation and amortization expense included above-----million dollars---	30	33	36	11	13
Cash flow from operations-----do-----	297	227	198	82	29
As a share of net sales:					
Gross profit-----percent---	18.6	16.5	14.2	18.3	12.2
Operating profit-----do-----	14.1	11.3	9.0	11.5	3.5
Net profit before income taxes percent---	13.8	10.8	8.5	11.5	3.1
Number of firms reporting operating losses-----	0	2	2	3	5
Number of firms reporting net losses-----	0	2	2	3	4

1/ Represents data for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 20.--Investment in productive facilities of 5 U.S. producers of stainless steel and/or stainless steel products, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

Item	1979	1980	1981	Interim accounting	
				year end Mar. 31 1/-- 1981	1982
Original cost--million					
dollars--	350	386	403	363	404
Book value-----do-----	162	190	209	181	211
Net sales-----do-----	661	674	664	271	256
Net profit before income					
taxes-----do-----	77	78	59	38	28
Ratio of net profit before					
income taxes to--					
Original cost-----percent--	22.0	20.2	14.6	10.5	6.9
Book value-----do-----	47.5	41.1	28.2	21.0	13.3
Net sales-----do-----	11.6	11.6	8.9	14.0	10.9

1/ Represents data of 4 U.S. producers for both interim periods. Data are for January-March except for * * * which reported data on its fiscal year (June 30) basis. Hence its data are for July-March.

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

Table 21.--Capital expenditures and research and development expenses
for operations on specified stainless steel products, 1979-82

(In thousands of dollars)

Item	:	1979	:	1980	:	1981	:	1982 <u>1/</u>
Capital expenditures:	:		:		:		:	
Stainless steel and/or stainless	:		:		:		:	
steel products-----	:	24,170	:	40,515	:	27,970	:	24,209
Hot-rolled stainless steel bar-----	:	3,962	:	5,812	:	5,592	:	7,055
Cold-formed stainless steel bar-----	:	13,561	:	20,133	:	16,560	:	4,405
Stainless steel wire rod-----	:	3,421	:	5,957	:	4,038	:	4,443
Research and development expenses:	:		:		:		:	
Hot-rolled stainless steel bar-----	:	1,650	:	1,925	:	2,175	:	1,617
Cold-formed stainless steel bar-----	:	4,688	:	5,190	:	5,501	:	3,436
Stainless steel wire rod-----	:	1,179	:	1,524	:	1,756	:	1,020

1/ Represents expenditures during January-March only except for * * * which reported data on its fiscal-year (June 30) basis. Hence its data are for July-March.

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

Aggregate capital expenditures for stainless steel wire rod increased by 74 percent from \$3.4 million in 1979 to \$6.0 million in 1980 and then declined to \$4.0 million in 1981; they totaled \$4.4 million in the interim period of 1982.

Research and development expenditures for hot-rolled stainless steel bar rose by 32 percent from \$1.7 million in 1979 to \$2.2 million in 1981. Such expenditures amounted to \$1.6 million in partial year 1982. The six firms' research and development expenditures for cold-formed stainless steel bar increased from \$4.7 million in 1979 to \$5.5 million in 1981 or by 17 percent; \$1.6 million of such costs were incurred by U.S. producers in partial year 1982.

Four firms reported research and development expenditures for their stainless steel wire rod operations. Such expenditures increased from \$1.2 million in 1979 to \$1.5 million in 1980 and \$1.7 million in 1981; they totaled \$1.0 million in partial year 1982.

Consideration of Threat of Material Injury to an
Industry in the United States

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of allegedly subsidized imports, the rate of increase of U.S. market penetration by such imports, the amounts of such imports held in inventory in the United States, and the capacity of producers in Spain to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless and steel wire rod and of their U.S. market penetration is presented in the later section on the causal relationship between injury and allegedly subsidized imports. Discussions of importers' inventories and foreign producers' capacity to generate exports follow.

U.S. importers' inventories

End-of-period inventories of stainless steel bar and wire rod imported from Spain, as reported in responses to the Commission's questionnaires, 1/ are shown in the following tabulation (in short tons):

	<u>HRB</u>	<u>CFB</u>	<u>WR</u>
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
January-March--			
1981-----	***	***	***
1982-----	***	***	***

1/ Importers submitting usable data accounted for 95 percent of imports of hot-rolled bar from Spain, 83 percent of the cold-rolled bar imports, and 89 percent of the wire rod imports, as reported by the Department of Commerce.

Capacity of Spanish producers to generate exports
and the availability of export markets other
than the United States

Hot-and cold-rolled stainless steel bar and stainless steel wire rod together accounted for 36.7 percent (60,000 tons) of total Spanish stainless steel production of 165,340 tons in 1981. ^{1/} Production of bar increased 17.8 percent from 1980 to 1981, or from 42,900 tons to 51,800 tons (table 22). Wire rod production of 8,800 tons in 1981 was the same as such production in the previous year (table 23).

Table 22.--Hot-rolled stainless steel bar and cold-formed stainless steel bar: Spanish production and exports, 1979-81

Item	1979	1980	1981
Production-----short tons--	51,800	42,900	51,800
Exports to--			
United States-----do-----	3,600	3,700	6,500
EC-----do-----	21,800	22,400	15,700
All other-----do-----	16,700	12,200	7,000
Total-----do-----	42,100	38,300	29,200

Source: Production, compiled from data provided by UNESID (Spanish Steel Producers Association); exports, compiled from official statistics of Spain.

Table 23.--Stainless steel wire rod: Spanish production and exports, 1979-81

Item	1979	1980	1981
Production-----short tons--	5,500	8,800	8,800
Exports to--			
United States-----do-----	26	1,700	2,100
EC-----do-----	75	328	65
All other countries-----do-----	199	107	18
Total-----do-----	300	2,135	2,183

Source: Production compiled from data provided by UNESID (Spanish Steel Producers Association); exports, compiled from official statistics of Spain.

^{1/} Commodities Research Unit, Ltd., London, U.S. Metal Monitor, January 1982, and INCO Europe LTD., World Stainless Steel Statistics, 1981.

Spain increased its exports to the United States and its share of the U.S. market with regard to all the products subject to this investigation during 1979-81. Hot-rolled and cold-formed stainless steel bar exports to the United States increased from 3,600 tons in 1979 to 3,700 tons in 1980 and then jumped 75.7 percent to 6,500 tons in 1981. The U.S. share of stainless steel bar exports in 1981 represented 22.3 percent of total Spanish exports in this product category. Exports of stainless steel wire rod from Spain to the United States have also increased, from 26 tons in 1979 to 1,700 tons in 1980 and 2,100 tons in 1981. Such exports accounted for 96.2 percent of total Spanish exports of stainless steel wire rod in 1981. Spanish rod exports to the EC decreased 79 percent from 1980 to 1981, and exports of bar products to the EC decreased 30 percent during the same period.

The bulk of shipments of Spanish material to the United States originate from members of the Aceriales consortium. This consortium was formed in 1980 when the Spanish Government began restructuring its specialty steel industry. As part of the plan, stainless steel bar and rod producers such as Olarra and S.A. Echevarria transferred 51 percent of their stock to the Government, thereby forming a joint Government and private industry venture. The resulting company (Sdad de Aceros Especiales) is intended to be a temporary venture whose purpose is to help the Spanish specialty steel industry survive current depressed market conditions by operating primarily as a channel for state aid. In the future, Aceriales may also act as a centralized export sales agency for the partner companies. Although data on capacity and capacity utilization for member firms of Aceriales are not available, the primary purposes of restructuring the industry were to improve each mill's degree of specialization, establish production quotas, and reduce overcapacity. 1/

The Aceriales group plans to export 50 percent of its total production of specialty steel products (including stainless steel) by 1984 (in 1981, Spain exported 56 percent of its production of stainless bar and 25 percent of its production of stainless wire rod). 2/ In order to achieve this planned export capability, the Spanish specialty steel producers have embarked on a financial reorganization of the Aceriales group that will include the establishment of centralized purchasing and sales organizations. By the end of 1982, capacity to produce stainless steel will be improved for the group with the installation of continuous casters, new rolling mills for bar, rod, and strip, and improvements in finishing operations. 3/

1/ Metal Bulletin, Feb. 12, 1982, p. 33.

2/ Metal Bulletin, Dec. 22, 1981, p. 27.

3/ Ibid., and Feb. 12, 1982, p. 31.

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

U.S. imports and market penetration

Imports from all sources. 1/--From June 1976 to February 1980, imports of stainless steel bar and wire rod, as well as other stainless steel products, were subject to quantitative restrictions. Imports of stainless steel bar and wire rod from all sources and from Spain during this period are shown in table 24.

Table 24.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. imports for consumption, from Spain and from all sources, 1976-80

(In short tons)

Product	1976		1977		1978		1979		1980	
	Spain	All Sources	Spain	All Sources	Spain	All Sources	Spain	All Sources	Spain	All Sources
	HRB----	1,732	11,109	1,169	8,633	1,257	7,984	872	7,133	614
CFB----	2,903	12,036	2,963	16,008	2,111	19,288	2,185	21,735	3,847	28,689
WR-----	0	20,091	0	16,804	7	17,716	0	18,408	1,674	21,643

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

Imports from all sources of the stainless steel bar products subject to this investigation increased from 1979 to 1980. Imports of stainless bar fell slightly in 1981, and imports of stainless steel rod increased (table 25).

The principal sources of imports of hot-rolled stainless steel bar in 1981 were Japan (36 percent), the United Kingdom (13 percent), and Spain (10 percent); those of cold-formed stainless steel bar, were Japan (43 percent), Spain (22 percent), and France (7 percent); and those of stainless steel wire rod were Japan (30 percent), France (13 percent), and Spain (11 percent).

Tables 26 to 28 show imports of stainless steel bar and wire rod, by quarters, during the period January 1980 to March 1982. Imports of hot-rolled and cold-formed bar from all sources declined irregularly through 1980 to their lowest levels in January-March 1981, and then increased in subsequent quarters to peaks in January-March 1982. Imports of stainless steel wire rod decreased irregularly through 1980 and then increased in each quarter of 1981 to a peak of 8,267 tons. Imports of wire rod declined in the first quarter of 1982 to 7,097 tons; however, this level of imports represented a 53-percent increase over imports in the corresponding period of 1981.

1/ Detailed data on U.S. imports by TSUSA items and by principal sources are presented in app. D.

Table 25.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: U.S. imports for consumption, total and from Spain, 1979-81, January-March 1981, and January-March 1982

Product and period	Total imports			Imports from Spain		
	Quantity	Value	Unit	Quantity	Value	Unit
			Value			Value
		<u>1,000</u>			<u>1,000</u>	
	<u>Short tons:</u>	<u>dollars</u>	<u>Per ton</u>	<u>Short tons:</u>	<u>dollars</u>	<u>Per ton</u>
HRB:						
1979-----	7,133	12,613	1,768	872	1,215	1,393
1980-----	8,134	16,734	2,057	614	1,172	1,907
1981-----	7,599	14,836	1,953	766	1,231	1,608
Jan.-Mar--						
1981-----	1,026	2,188	2,133	15	31	2,050
1982-----	2,957	5,317	1,798	314	482	1,535
CFB:						
1979-----	21,735	39,785	1,830	2,185	3,564	1,631
1980-----	28,689	58,142	2,027	3,847	7,535	1,959
1981-----	27,248	60,477	2,219	6,010	13,306	2,214
Jan.-Mar--						
1981-----	5,496	13,058	2,376	858	2,010	2,342
1982-----	7,732	14,775	1,911	971	1,853	1,909
WR:						
1979-----	18,408	29,814	1,620	0	0	0
1980-----	21,643	39,384	1,820	1,674	2,791	1,668
1981-----	25,136	45,516	1,811	2,763	4,814	1,743
Jan.-Mar--						
1981-----	4,627	8,183	1,768	524	877	1,673
1982-----	7,097	12,644	1,782	685	1,142	1,667

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

Table 26.--Hot-rolled stainless steel bar: U.S. imports for consumption from all sources and from Spain, by quarters, January 1980 to March 1982

Period	Imports from all sources			Imports from Spain		
	Quantity	Value	Unit	Quantity	Value	Unit
			Value			Value
		1,000			1,000	
	Short tons:	dollars	Per ton	Short tons:	dollars	Per ton
1980:						
Jan.-Mar----	2,313	4,436	\$1,918	241	429	\$1,780
Apr.-June----	2,799	5,672	2,027	95	164	1,726
July-Sept----	1,468	3,347	2,280	59	121	2,050
Oct.-Dec----	1,554	3,279	2,110	219	458	2,090
1981:						
Jan.-Mar----	1,026	2,188	2,133	15	31	2,067
Apr.-June----	1,298	2,675	2,060	122	251	2,058
July-Sept----	2,379	4,592	1,930	269	407	1,511
Oct.-Dec----	2,896	5,381	1,859	359	542	1,509
1982:						
Jan.-Mar----	2,957	5,317	1,798	314	482	1,535

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

Table 27.--Cold-formed stainless steel bar: U.S. imports for consumption from all sources and from Spain, by quarters, January 1980 to March 1982

Period	Imports from all sources			Imports from Spain		
	Quantity	Value	Unit	Quantity	Value	Unit
			Value			Value
		1,000			1,000	
	Short tons:	dollars	Per ton	Short tons:	dollars	Per ton
1980:						
Jan.-Mar----	6,979	12,639	\$1,811	1,695	2,945	\$1,737
Apr.-June----	8,398	16,622	1,979	653	1,309	2,005
July-Sept----	6,705	13,927	2,077	647	1,354	2,092
Oct.-Dec----	6,608	14,954	2,263	852	1,928	2,261
1981:						
Jan.-Mar----	5,496	13,058	2,376	858	2,010	2,342
Apr.-June----	6,633	15,030	2,266	1,920	4,414	2,298
July-Sept----	7,611	16,688	2,193	1,812	3,974	2,193
Oct.-Dec----	7,458	15,700	2,105	1,420	2,908	2,049
1982:						
Jan.-Mar----	7,732	14,775	1,911	971	1,853	1,909

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

Table 28.--Stainless steel wire rod: U.S. imports for consumption, from all sources and from Spain, by quarters, January 1980 to March 1982

Period	Imports from all sources			Imports from Spain		
	Quantity	Value	Unit Value	Quantity	Value	Unit Value
	Short tons	<u>1,000</u> dollars	Per ton	Short tons	<u>1,000</u> dollars	Per ton
1980:						
Jan.-Mar----	4,795	8,497	\$1,772	232	408	\$1,759
Apr.-June---	7,769	14,542	1,872	237	371	1,567
July-Sept---	5,911	10,452	1,768	535	910	1,701
Oct.-Dec----	3,168	5,893	1,860	670	1,102	1,645
1981:						
Jan.-Mar----	4,627	8,183	1,768	524	887	1,694
Apr.-June---	5,230	9,664	1,848	600	1,040	1,734
July-Sept---	7,012	12,564	1,792	755	1,371	1,817
Oct.-Dec----	8,267	15,105	1,827	884	1,516	1,713
1982:						
Jan.-Mar----	7,097	12,644	1,782	685	1,142	1,667

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

The ratios of imports from all countries to apparent U.S. consumption increased from 14.3 percent in 1979 to 16.6 percent in 1981 for hot-rolled stainless steel bar; from 17.0 percent to 24.5 percent for cold-formed stainless steel bar; and from 31.5 percent to 44.9 percent for stainless steel wire rod (table 29). The ratios of quarterly imports from all sources to apparent U.S. consumption increased significantly from January-March 1980 to January-March 1982 in all three product categories (table 30).

Imports from Spain.--In 1981 Spain was the second largest foreign supplier of stainless steel bar to the U.S. market and the third largest supplier of stainless steel wire rod. Imports of hot-rolled bar from Spain declined from 872 short tons in 1979 to 766 short tons in 1981. Imports in January-March 1982 amounted to 314 tons, compared with just 15 tons in January-March 1981 (table 25). Unlike hot-rolled bar, imports of cold-formed stainless steel bar from Spain increased steadily, from 2,185 tons in 1979 to 6,010 tons in 1981, or by 175 percent. Imports continued to increase in 1982, amounting to 971 tons in January-March 1982, or 13 percent more than imports in the corresponding period of 1981. Stainless steel wire rod imports from Spain increased dramatically from no reported imports in 1979 to 2,763 tons in 1981. Imports of wire rod in January-March 1982 were 31 percent higher than those reported in January-March 1981. Imports from Spain on a quarterly basis for all three product categories are shown in tables 26 to 28.

Table 29.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: Ratios of imports from all sources and from Spain to apparent U.S. consumption and to U.S. producers' shipments, 1979-81, January-March 1981, and January-March 1982

(In percent)					
Product and period	Ratio of imports from all sources to--			Ratio of imports from Spain to--	
	Apparent consumption	Producers' shipments		Apparent consumption	Producers' shipments
HRB:	:	:	:	:	:
1979-----:	14.3	15.7	:	1.7	1.9
1980-----:	16.4	17.2	:	1.2	1.3
1981-----:	16.6	17.6	:	1.7	1.8
Jan.-Mar--:	:	:	:	:	:
1981-----:	8.6	8.5	:	.1	1.2
1982-----:	22.6	28.0	:	2.4	3.0
CFB:	:	:	:	:	:
1979-----:	17.0	20.1	:	1.7	2.0
1980-----:	23.4	29.7	:	3.1	4.0
1981-----:	24.5	31.7	:	5.4	7.0
Jan.-Mar--:	:	:	:	:	:
1981-----:	19.3	23.4	:	3.0	3.7
1982-----:	28.7	39.0	:	3.6	4.9
WR:	:	:	:	:	:
1979-----:	31.5	45.4	:	-	-
1980-----:	37.9	59.9	:	2.9	4.6
1981-----:	44.9	80.1	:	4.9	8.8
Jan.-Mar--:	:	:	:	:	:
1981-----:	36.6	56.0	:	4.1	6.3
1982-----:	53.8	115.1	:	5.2	11.1

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

The ratio of imports of hot-rolled stainless steel bar from Spain to apparent U.S. consumption decreased from 1.7 percent in 1979 to 1.2 percent in 1980, and then returned to 1.7 percent in 1981. The ratio of imports of cold-formed bar to consumption increased from 1.7 percent in 1979 to 5.4 percent in 1981; for wire rod the ratio increased from 2.9 in 1980 to 4.9 percent in 1981 (table 29). The ratios of quarterly imports from all sources to apparent U.S. consumption increased slightly from January-March 1980 to January-March 1982 for bar products and significantly for wire rod products (table 30).

Counsel for UNESID (Spanish Steel Producers Association) alleged at the public conference that the sharp increase in imports of cold-formed bar from Spain in 1981 was the result of a tariff classification change (effective October 17, 1980) which shifted imports of cut-to-length stainless steel wire from the statistical classification covering wire to the one covering cold-

Table 30.--Hot-rolled stainless steel bar, cold-formed stainless steel bar, and stainless steel wire rod: Ratios of imports from all sources and from Spain to apparent U.S. consumption and to U.S. producers' shipments, by quarters, January 1980 to March 1982

(In percent)					
Product and period	Ratio of imports from all sources to--		Ratios of imports from Spain to--		
	Apparent consumption	Producers' shipments	Apparent consumption	Producers' shipments	
HRB:	:	:	:	:	:
1980:	:	:	:	:	:
Jan.-Mar---	15.2	16.7	1.6		1.7
Apr.-June--	20.1	22.5	.7		.8
July-Sept--	15.7	14.5	.6		.6
Oct.-Dec---	14.1	14.3	2.0		2.0
1981:	:	:	:	:	:
Jan.-Mar---	8.6	8.5	.1		.1
Apr.-June--	12.2	11.8	1.1		1.1
July-Sept--	21.9	24.4	2.5		2.8
Oct.-Dec---	23.5	28.3	2.9		3.5
1982:	:	:	:	:	:
Jan.-Mar---	22.6	28.0	2.4		3.0
CFB:	:	:	:	:	:
1980:	:	:	:	:	:
Jan.-Mar---	19.9	24.4	4.8		5.9
Apr.-June--	24.3	31.1	1.9		2.4
July-Sept--	26.0	33.9	2.5		3.3
Oct.-Dec---	24.3	31.0	3.1		4.0
1981:	:	:	:	:	:
Jan.-Mar---	19.3	23.4	3.0		3.7
Apr.-June--	23.1	29.4	6.7		8.5
July-Sept--	27.7	37.4	6.5		8.8
Oct.-Dec---	28.4	38.5	5.4		7.3
1982:	:	:	:	:	:
Jan.-Mar---	28.7	39.0	3.6		4.9
WR:	:	:	:	:	:
1980:	:	:	:	:	:
Jan.-Mar---	28.8	40.1	1.4		1.9
Apr.-June--	45.1	80.3	1.4		2.5
July-Sept--	47.2	87.1	4.3		7.9
Oct.-Dec---	29.5	41.1	6.2		8.7
1981:	:	:	:	:	:
Jan.-Mar---	36.4	56.0	4.1		6.3
Apr.-June--	38.7	62.4	4.4		7.2
July-Sept--	47.1	87.6	5.1		9.4
Oct.-Dec---	55.1	123.0	6.0		13.1
1982:	:	:	:	:	:
Jan.-Mar---	53.8	115.1	5.2		11.1

Source: Compiled from official statistics of the U.S. Department of Commerce and data of the American Iron & Steel Institute.

formed stainless steel bar. 1/ This modification of the tariff classification shifted cut-to-length stainless steel wire formerly classified in TSUSA items 609.3020, 609.3320, 609.4510, 609.4540, and 609.7500 to TSUSA item 606.9010 (cold-formed bar); it resulted from the enactment of Public Law 96-467 (sec. 20). This law was introduced to correct inequities in the importation of cut-to-length carbon steel wire; however, the modification covers all types of bar and wire. Imports of stainless steel wire from Spain of the type that was most likely to be classified as bar after October 17, 1980 (TSUSA item 609.4540), did decline from 1980 to 1981, as did imports from all other major suppliers. However, of the major foreign sources of cold-formed bar, only imports from Spain increased from 1980 to 1981. Counsel for UNESID testified that from 20 to 25 percent of the cold-formed bar imported in 1981 by the major importer of Spanish material was actually cut-to-length wire. 2/ No adjustments have been made to the import data in this report to reflect the 1980 change in the classification of stainless steel wire.

Prices

Demand factors affecting price.--Demand for stainless steel hot-rolled and cold-formed bar and stainless steel wire rod 3/ depends on the level of business activity in user industries. Bar and wire rod are used more extensively in the capital goods industry than are stainless steel sheet and strip.

A large proportion of U.S.-produced stainless steel bar (61 percent in 1981) is sold through service centers/distributors to user manufacturers. 4/ Large users include the manufacturers of industrial equipment, tools, electrical equipment, industrial fasteners, aircraft, and forgings. Hot-rolled bar is proportionately more important in the electrical equipment and forging sectors; cold-formed bar is used more in the production of non-electrical machinery, equipment, and tools.

Manufacturers which convert stainless steel wire rod into wire are the single largest user market for stainless steel wire rod, accounting for 42 percent of wire rod purchases in 1981. Other large user markets include producers of industrial fasteners, machinery, industrial equipment, and tools. Most wire rod is purchased directly from the producers--only 13 percent of U.S.-produced wire rod was sold through service centers/distributors in 1981.

Changes in the market for stainless steel are demonstrated by indexes of business activity. A business activity index often used as an indicator of aggregate demand for stainless steel is the Bureau of Labor Statistics' index of industrial production for durable manufactures. 5/ The index shows that

1/ Transcript of the conference, pp. 100-106.

2/ Ibid.

3/ In the remainder of this section all references to "bar" and to "wire rod" will mean stainless steel bar or stainless steel wire rod.

4/ American Iron & Steel Institute, AIS 16-S, 1981.

5/ Because there are diverse markets for bar and wire rod, a different business activity indicator should ideally be used for each market for stainless steel.

industrial production steadily decreased from January-March 1979 to July-September 1980. It then increased through April-June 1981 before declining again through January-February 1982, as shown in the following tabulation:

	<u>Index</u> (Jan.-Mar. 1979=100.0)
1979:	
January-March-----	100.0
April-June-----	99.3
July-September-----	98.8
October-December-----	98.5
1980:	
January-March-----	97.7
April-June-----	90.7
July-September-----	88.2
October-December-----	93.8
1981:	
January-March-----	95.7
April-June-----	96.9
July-September-----	96.6
October-December-----	91.1
1982: January-February-----	87.0

An increase or decrease in the business activity of user industries has generally resulted in a correspondingly greater increase or decrease in stainless steel consumption. ^{1/} Testimony during another investigation on stainless steel indicated that this could be due to changes in inventory positions between producers, and distributors or users. ^{2/} In a recessionary market, stainless steel purchasers may postpone the replacement of stainless steel inputs by drawing down existing inventories.

The aggregate demand for stainless steel was estimated in an earlier Commission investigation to be relatively price inelastic. ^{3/} Demand for stainless steel may have become more elastic with the increased use of substitute products for stainless steel since 1977.

Demand will not be equally price elastic for all applications for stainless steel. For example, where stainless steel is necessary to solve engineering problems, there are fewer viable, less costly substitutes, and demand is more price inelastic. Because bar and wire rod are used more in the

^{1/} Stainless Steel and Alloy Tool Steel, investigation No. TA-203-3. It was estimated that there was a business activity elasticity of 2.0 for the stainless steel industry. This means that a 1.0-percent increase (decrease) in business activity of stainless steel user industries would lead to a 2.0-percent increase (decrease) in stainless steel consumption.

^{2/} Transcript of the conference for investigation No. 731-TA-92, Stainless Steel Sheet and Strip From West Germany.

^{3/} Stainless Steel and Alloy Tool Steel, investigation No. TA-203-3. The elasticity was measured at -0.08. A 1-percent increase (decrease) in the price of stainless steel would result in a 0.8-percent decrease (increase) in the quantity of stainless steel demanded.

capital market, they are generally used for engineering reasons, and demand for them is probably more inelastic than that for stainless steel sheet and strip, which often has decorative applications. Another factor affecting elasticity is stainless steel's cost in relation to the total cost of the product in which it is used. In those applications where the stainless steel component constitutes a small proportion of the total cost, demand is generally more price inelastic. In addition, demand for either domestic stainless steel alone or imported stainless steel alone would be more price elastic than the aggregate demand because each is a close substitute for the other.

Transaction prices.--U.S. producers of stainless steel bar and wire rod publish list prices on an f.o.b.-mill basis. 1/ Base prices depend on the alloy content of the stainless steel, with chromium a necessary addition and nickel and molybdenum two metals which are often added. Extra charges for bar primarily depend on the type of finish required. The Commission requested data on average net selling prices for specific stainless steel bar and wire rod products from domestic producers and importers. Additionally, in order to facilitate direct comparison of prices, the Commission requested data on delivered prices paid by purchasers of stainless steel bar or wire rod.

Trends in prices.--The Commission asked domestic producers and importers for their average net selling prices for specific types of stainless steel bar and wire rod. These are average prices charged in many different transactions and do not include shipping charges. They are useful for comparing trends, since they should reflect any discounting that may have occurred, including discounts for freight equalization.

Hot-rolled stainless steel bar.--Price data for two sample products of hot-rolled stainless steel bar (products 1 and 2) were received from three domestic producers for sales to service centers/distributors and end users. From January 1980 to March 1982 the price charged service centers/distributors decreased 1 percent for product 2 (table 31). Over the same period, the price charged end users decreased 8.5 percent for product 1 and increased 4.9 percent for product 2.

Importers provided no price data for sales of hot-rolled bar from Spain. In the absence of such data, unit values of imports of this product from Spain are presented. 2/ Unit values decreased 14 percent from January 1980 to March 1982, reaching their lowest levels in the last half of 1981 and in January-March 1982.

1/ Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, where a producer supplying a customer located closer to a competing producer will absorb any differences in freight costs. Thus, the more distant producer charges the customer's account only for freight costs as if the product were shipped from the closer producer.

2/ Unit values may vary over time not only because of changes in prices, but also because of changes in the mix of specific types of steel being imported.

Table 31.--Hot-rolled stainless steel bar: Indexes of weighted-average net selling prices for sales of domestic products to service center/distributors and end-user customers, by types, and the index of unit values of imports from Spain, by quarters, January 1980 to March 1982 1/

(January-March 1980=100)				
Period	Service	End-user		Index of unit values of imports from Spain <u>3/</u>
	center/ distributors, product 2 <u>2/</u>	Product 1 <u>2/</u>	Product 2	
1980:				
Jan.-Mar-----	100.0	100.0	100.0	100.0
April-June-----	96.8	129.1	108.7	96.3
July-Sept-----	98.8	<u>4/</u>	109.2	114.3
Oct.-Dec-----	96.3	128.0	108.4	117.0
1981:				
Jan.-Mar-----	95.7	101.2	110.2	114.9
April-June-----	96.5	<u>4/</u>	114.5	115.4
July-Sept-----	101.4	101.6	116.1	84.6
Oct.-Dec-----	101.4	<u>4/</u>	115.2	84.6
1982: Jan.-Mar----	99.0	91.5	104.9	86.0

1/ See product list for specifications, app. E.

2/ Represented sales from 1 producer.

3/ Importers' questionnaires provided no price data for this product.

4/ No sales in this quarter.

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

Cold-formed stainless steel bar.--Price data for two sample types of cold-formed stainless steel bar (product 3 and product 4) were received from six domestic producers for sales to service centers/distributors and end users. 1/ From January 1980 through March 1982, the average price charged service centers/distributors for product 3 increased 5 percent, and that for product 4 decreased 1 percent (table 32). For both products, prices increased during January-September 1981 and decreased in October-December 1981 and January-March 1982. Domestic producers' sales prices to end users were generally stronger than those for sales to service centers/distributors. Prices charged to end users for products 3 and 4 increased about 12 percent from January 1980 to March 1982 (table 33). However, these prices declined by about 3 percent in January-March 1982 from higher levels in 1981.

1/ A list of the specifications for these products is presented in app. E. The term "end users" refers to those manufacturers which use stainless steel in the production of a stainless steel product.

Table 32.--Cold-formed stainless steel bar: Indexes of weighted-average net selling prices for sales of domestic products to service center/distributor customers and for sales of imports from Spain, by types and by quarters, January 1980 to March 1982 ^{1/}

(January-March 1980=100)

Period	Product 3		Product 4	
	Domestic price	Import price	Domestic price	Import price ^{2/}
1980:				
Jan.-Mar-----	100.0	100.0	100.0	100.0
Apr.-June-----	104.9	99.9	105.9	100.0
July-Sept-----	105.0	98.7	100.3	97.5
Oct.-Dec-----	104.3	98.7	97.7	96.5
1981:				
Jan.-Mar-----	101.2	96.2	98.4	89.1
Apr.-June-----	102.8	96.2	103.0	87.2
July-Sept-----	106.6	94.9	103.7	87.2
Oct.-Dec-----	106.5	94.9	102.9	88.7
1982: Jan.-Mar----	105.0	91.5	99.0	87.2

^{1/} See product list for specifications, app. E.

^{2/} Represented sales from 1 importer.

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

Prices for importers' sales of Spanish cold-formed stainless steel bar were received from two importers for product 3 and from one importer for product 4. Import prices for both specifications in sales to service centers/distributors generally declined from January 1980 to March 1982, decreasing by 8.5 and 12.8 percent for products 3 and 4, respectively. Over the same period, prices for importers' sales to end users decreased by 6.1 percent for product 3 and by 12.3 percent for product 4.

Stainless steel wire rod.--Price data for two sample products of stainless steel wire rod (products 5 and 6) were received from three domestic producers for sales to service center/distributors and end users. From January 1980 to March 1982 the price charged service centers/distributors for product 5 increased 6.2 percent; for product 6 it decreased 13.6 percent. Over the same period, prices charged end users decreased 10.7 percent for product 5 and 17.8 percent for product 6 (table 34). Importers provided no price data for sales of stainless steel wire rod. Unit values of wire rod from Spain decreased 5.3 percent from January 1980 to March 1982. Unit values reached their highest level in July-September 1981, and declined thereafter.

Table 33.--Cold-formed stainless steel bar: Indexes of weighted-average net selling prices for sales of domestic products to end-user customers and for sales of imports from Spain, by types and by quarters, January 1980 to March 1982 ^{1/}

(January-March 1980=100)					
Period	Product 3		Product 4		
	Domestic price	Imported price	Domestic price	Imported price ^{2/}	
1980:					
Jan.-Mar-----	100.0	100.0	100.0	100.0	
Apr.-June-----	105.9	103.3	107.9	100.8	
July-Sept-----	108.8	100.0	108.8	102.3	
Oct.-Dec-----	109.2	104.2	109.4	98.3	
1981:					
Jan.-Mar-----	110.3	105.5	109.4	89.6	
Apr.-June-----	115.0	97.0	113.2	88.2	
July-Sept-----	113.9	103.0	114.4	88.2	
Oct.-Dec-----	114.8	98.5	111.8	88.2	
1982: Jan.-Mar----	112.0	93.9	111.9	87.7	

^{1/} See product list for specifications, app. E.

^{2/} Represented sales from 1 importer.

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

Purchase prices.--The Commission asked purchasers to furnish the delivered prices they paid 1981 and January-March 1982 for imported and domestic stainless steel bar and wire rod. Purchasers were asked for prices, including delivery charges, paid in specific transactions. To insure that these prices would be comparable, the purchasers were identified by their location, and questionnaires were sent to firms located in six metropolitan areas: Atlanta, Chicago, Detroit, Houston, Los Angeles, and Philadelphia. These data were used to compare the levels of importers' and domestic producers' prices.

Of the 28 purchasers responding to this questionnaire, 9 service centers/distributors reported purchasing stainless steel bar or wire rod. Price data were reported by four purchasers of the domestic product and four purchasers for the imported four product. ^{1/} Price data were received only of purchases of cold-formed bar, and comparisons could be made only for the Chicago area. In the last three quarters of 1981, margins of underselling ranged from 10 to 17 percent for product 3. In the last two quarters of 1981, margins of underselling were 14 percent for product 4 (table 35).

Table 34.--Stainless Steel wire rod: Indexes of weighted-average net selling prices for sales of domestic products to service centers/distributors and end-user customers, by types, and the index of unit values of imports from Spain, by quarters, January 1980-March 1982 1/

(January-March 1980 = 100)						
Period	Service center/ distributors		End-user		Index of unit values of imports from Spain <u>3/</u>	
	Product 5 <u>2/</u>	Product 6 <u>2/</u>	Product 5	Product 6		
1980:						
Jan.-Mar-----:	100.0	100.0	100.0	100.0	100.0	
April-June-----:	105.0	109.6	108.0	96.0	89.0	
July-Sept-----:	99.0	95.0	105.1	86.3	96.6	
Oct.-Dec-----:	100.0	91.9	101.9	87.9	93.2	
1981:						
Jan.-Mar-----:	99.6	93.6	102.2	89.4	96.3	
April-June-----:	101.9	85.9	99.7	87.1	98.5	
July-Sept-----:	93.1	93.0	98.7	86.9	103.3	
Oct.-Dec-----:	100.2	91.1	92.3	85.8	97.4	
1982:						
Jan.-Mar-----:	106.2	86.4	89.3	82.2	94.7	

1/ See product list for specifications, app. E.

2/ Represented sales from one producer.

3/ Importers questionnaires provided no price data for this product.

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

Table 35.--Average margins by which imports of stainless steel cold-formed bar from Spain undersold the domestic product, 1/ by quarters, 1981 2/

Period	Product 3		Product 4	
	Value	Percent	Value	percent
	Per ton		Per ton	
January-March-----	-	-	-	-
April-June-----	\$525	17	-	-
July-September----	292	10	\$600	14
October-December--	491	15	600	14

1/ Based on average net delivered purchase prices paid by service center/distributor customers located in Chicago.

2/ See product list for specifications, app. E.

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

Nonprice factors.--Purchasers were asked to indicate the importance of four nonprice factors in their purchasing decisions on a scale of 5 (high) to 1 (low). These factors were reliability of the vendor firm, proximity of the vendor, quality of the product, and service availability. Eight purchasers of stainless steel bar and wire rod responded to this question, indicating that quality (5.0) was the most important nonprice consideration, followed by reliability (4.8), service (3.8), and proximity (1.5). Six firms indicated that they had not paid a premium for a nonprice factor. One firm indicated that it had paid a higher price for quality, and another had paid a higher price because of availability of the product.

1/ Because price comparisons were made on a regional basis, the margins represent comparisons of purchase prices from a small number of firms.

Exchange-rate fluctuations.-- From January-March 1979 to January-March 1982 the Spanish peseta depreciated relative to the U.S. dollar by 36.1 percent, with the largest decline in value coming in 1981 and in January-March 1982, as shown in the following tabulation:

	<u>Index</u> (Jan.-Mar. 1979=100.0)
1979:	
January-March	100.0
April-June	103.3
July-September	103.3
October-December	103.1
1980:	
January-March	93.0
April-June	97.3
July-September	92.3
October-December	86.1
1981:	
January-March	79.9
April-June	71.1
July-September	70.7
October-December	70.0
1982: January-March	63.9

Declining prices or unit values of imports from Spain can reflect the depreciation of the peseta in earlier periods since orders are generally placed well in advance of actual importation.

Lost sales

Domestic producers provided data concerning three specific instances of sales lost to suppliers of Spanish bar and wire rod and five instances where Spanish merchandise had been "offered" to their customers at low prices. The staff attempted to verify all eight allegations. In six instances we were provided information concerning the firm's purchasing activity. The information obtained from each of these contacts is discussed below.

Purchaser 1.--This firm allegedly purchased cold-formed bar imported from Spain. The buyer for the firm denied making any purchases of foreign steel, * * *.

Purchaser 2.--The allegation that this firm purchased hot-rolled stainless steel bar of Spanish origin was confirmed. * * *. The price spread between Spanish and domestic bar is large, according to the firm's buyer.

Purchaser 3.--This firm confirmed that it had purchased Spanish stainless steel bar but not in the quantity alleged (* * *). The buyer for the firm stated that although imports normally represented only * * * percent of his annual purchases, his customers are looking for lower prices so he has

increased his purchases of foreign material. He has purchased * * * to * * * tons of Spanish bar in the recent past at prices approximately * * * to * * * percent below those available from domestic mills.

Purchaser 4.--Although no actual purchase of Spanish material was alleged for this firm, the company's buyer confirmed that he had been offered stainless steel bar and wire rod imported from Spain at prices which were 20 to 40 percent lower than those offered by domestic mills. Because of competition from * * *, the buyer is seriously considering purchasing Spanish bar and rod for * * *.

Purchaser 5.--The buyer for this firm denied that he had been offered hot-rolled bar from Spain at very low prices. However, he did state that he purchased imports from firms that are known suppliers of Spanish material and was aware of low prices for bar imported from Spain. The buyer believes Spanish producers may be liquidating inventories to improve their cash flow. This is resulting in artificially low prices.

Purchaser 6.--The buyer for this firm, * * *, confirmed the offer of Spanish cold-formed bar at very low prices in * * *. However, he didn't purchase at that time. He has purchased Spanish bar in the past and purchases * * *. He advised he must buy the cheapest steel available to be competitive with * * *.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICES

[Investigation No. 701-TA-154
(Preliminary)]

Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod From Spain

AGENCY: International Trade Commission.

ACTION: Institution of a preliminary countervailing duty investigation and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 701-TAa-154 (Preliminary) to determine, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Spain of hot-rolled stainless steel bar, provided for in item 606.9005 of the Tariff Schedules of the United States Annotated (TSUSA), cold-formed stainless steel bar, provided for in TSUSA item 606.9010, and stainless steel wire rod, provided for in TSUSA items 607.2600 and 607.4300 upon which bounties and grants are alleged to be paid.

EFFECTIVE DATE: April 26, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Daniel F. Leahy, Jr., Office of Investigations, U.S. International Trade Commission; telephone 202-523-1369.

SUPPLEMENTARY INFORMATION:

Background

On February 17, 1982, a petition was filed with the Department of Commerce by counsel for Al Tech Specialty Steel Corporation, Armco Stainless Steel Division, Carpenter Technology Corporation, Colt Industries, Inc. (Crucible Materials Group), Cyclops Corporation, Guterl Special Steel Corporation, Joslyn Stainless Steels, and Republic Steel Corporation alleging that producers, manufacturers, or exporters in Spain of stainless steel bar and wire rod receive, directly or indirectly, bounties or grants within the meaning of

section 303 of the Tariff Act of 1930 (the Act). As Spain was not at that time a "country under the Agreement" within the meaning of section 701(b) of the Act, there was no requirement for the petition to be filed pursuant to section 702(b)(2) and no requirement for the Commission to conduct a preliminary material injury investigation pursuant to section 703(a).

On April 14, 1982, however, the United States Trade Representative announced that Spain had become a "country under the Agreement" (47 FR 16697). On April 26, 1982, Commerce notified the Commission that it had terminated its investigation under section 303, and that, in accordance with section 702 of the Act, it was commencing a new countervailing duty investigation. Accordingly, the Commission is instituting its investigation.

The Commission must make its determination in the investigation within 45 days after the date on which it receives notice by the administering authority of an investigation commenced under section 702(b) of the Act, or by June 10, 1982 (19 CFR 207.17 (1981)). The investigation will be subject to the provisions of part 207 of the Commission's rules of practice and procedure (19 CFR 207 (1981), as amended by 47 FR 6190 (February 10, 1982)), and particularly subpart B thereof.

Written submissions

Any person may submit to the Commission on or before May 24, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and fourteen copies of such statements must be submitted. In the event that confidential treatment of the document is requested under § 201.6, at least one additional copy shall be filed in which the confidential business information shall have been deleted and which shall have been marked "nonconfidential" or "public inspection".

Any business information which a submitter desires the Commission to treat as confidential shall be submitted in conformance with the requirements of section 201.6 of the Commission's rules of practice and procedure (19 CFR 201.6 (1981)). Each sheet of information for which confidential treatment is desired must be clearly marked at the top "Confidential Business Data".

All written submissions, except for confidential business data, will be available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10:00 a.m., e.d.t., on May 19, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the investigator for the investigation, Mr. Daniel Leahy, telephone 202-523-1369, not later than May 14, 1982, to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of the investigation and rules of general application, consult the Commission's rules of practice and procedure, Part 207, Subparts A and B (19 CFR Part 207 (1981), as amended by 47 FR 6190 (Feb. 10, 1982), and Part 201, Subparts A through E (19 CFR Part 201 (1981), as amended by 47 FR 6188 (February 10, 1982)). Further information concerning the conduct of the conference will be provided by Mr. Leahy.

This notice is published pursuant to § 207.12 of the Commission's rules of practice and procedure (19 CFR 207.12 (1981)).

By order of the Commission.

Issued: April 29, 1982.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-12257 Filed 5-4-82; 8:45 am]

BILLING CODE 7020-02-M

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-154 (Preliminary)

HOT-ROLLED STAINLESS STEEL BAR, COLD-FORMED STAINLESS
STEEL BAR, AND STAINLESS STEEL WIRE ROD FROM SPAIN

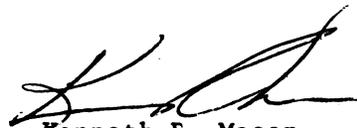
AGENCY: United States International Trade Commission.

ACTION: The Commission hereby gives notice that it has changed the numerical identification of the subject investigation. Investigation No. 701-TA-154 (Preliminary), Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, is replaced by investigations Nos. 701-TA-176 (Preliminary), Hot-Rolled Stainless Steel Bar from Spain, 701-TA-177, Cold-Formed Stainless Steel Bar from Spain, and 701-TA-178 (Preliminary), Stainless Steel Wire Rod from Spain.

EFFECTIVE DATE: June 2, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Lynn Featherstone, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0242.

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: June 4, 1982

APPENDIX B

U.S. DEPARTMENT OF COMMERCE NOTICE
OF INVESTIGATION

International Trade Administration**Certain Stainless Steel Products From Spain; Initiation of Countervailing Duty Investigations**

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of countervailing duty investigations.

SUMMARY: We are terminating the countervailing duty investigation initiated under section 303 of the Tariff Act of 1930, as amended, concerning certain stainless steel products from Spain. The case will be initiated under Title VII of the Act.

EFFECTIVE DATE: April 29, 1982.

FOR FURTHER INFORMATION CONTACT: Holly Kuga, Import Administration, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202) 377-0171.

SUPPLEMENTARY INFORMATION: On February 17, 1982, we received a petition in proper form from counsel on behalf of eight domestic manufacturers of stainless steel products. These manufacturers are: Al Tech Specialty Corporation, Armco Stainless Steel Division, Carpenter Technology Corporation, Colt Industries, Inc.—Crucible Materials Group, Cyclops Corporation, Guterl Special Steel Corporation, Joslyn Stainless Steels and Republic Steel Corporation. The petition alleges that the government of Spain

bestows benefits that constitute bounties or grants upon its manufacturers, producers, and exporters of certain stainless steel products.

After reviewing the petition and finding that it was in proper form, we published a notice of initiation of countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended (the "Act") in the Federal Register of March 10, 1982, (47 FR 10268). We presented a questionnaire to the government of Spain at its embassy in Washington, D.C.

On April 14, 1982, the U.S. Trade Representative's office announced that Spain was a "country under the Agreement" as set out in section 701(b) of the Act. As a result of this announcement, Title VII of the Act applies to all countervailing duty investigations concerning merchandise from Spain. According to section 102 of the Act, once Title VII becomes applicable, any pending investigation under section 303 must terminate. Where an initiation but not a preliminary determination has been made under section 303, the case is to be treated as if it were initiated under section 702 of the Act as of the day Title VII first applied to that country. Therefore, we are terminating the investigation we initiated on March 10, 1982 and are initiating countervailing duty investigations as of April 14, 1982.

Scope of the Investigations

The products covered by these investigations are: stainless steel wire rod, hot-rolled stainless steel bar and cold-formed stainless steel bar. For a further description of these products, see Appendix A to the original initiation notice (47 FR 10268).

In our present investigation we expect to cover the same programs as those cited in the original initiation notice.

Notification to ITC

Pursuant to section 702(d) of the Tariff Act, we are notifying the U.S. International Trade Commission (ITC) and making available to it information relating to the matter under investigation. We will make available to the ITC all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC has 45 days after it receives notice from us to determine whether or

not there is a reasonable indication that imports of certain stainless steel products from Spain materially injure or are likely to materially injure a U.S. industry. If the ITC's determination is negative, we will consider the investigation terminated upon publication of ITC's notice.

These investigations will proceed according to the statutory provisions of the Title VII of the Act.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

April 23, 1982.

(FR Doc. 82-11699 Filed 4-28-82; 8:45 am)

BILLING CODE 3510-25-M

APPENDIX C
LIST OF WITNESSES APPEARING AT
THE COMMISSION'S CONFERENCE

A-60
CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-154 (Preliminary)

HOT-ROLLED STAINLESS STEEL BAR, COLD-FORMED STAINLESS STEEL BAR
AND STAINLESS STEEL WIRE ROD FROM SPAIN

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission conference to be held in connection with the subject investigation beginning at 10:00 a.m., e.d.t., Wednesday, May 19, 1982, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, D.C.

<u>In support of the imposition of countervailing duties</u>	<u>Alloted time (minutes)</u>
Collier, Shannon, Pili & Scott--Counsel Washington, D.C. <u>on behalf of</u> The Stainless Steel and Alloy Tool Steel Industry Committee and the United Steelworkers of America Dr. Adolph J. Lena, Chairman and Chief Executive Officer, Al Tech Specialty Steel Corporation Mr. Bruce Malashevich, Vice President, Economic Consulting Services Inc. David A. Hartquist--OF COUNSEL	60
<u>In opposition to the imposition of countervailing duties</u>	
George Egge--Counsel Washington, D.C. <u>on behalf of</u> UNISID (Spanish Steel Producers Association) George Egge--OF COUNSEL	60

APPENDIX D
STATISTICAL TABLES

Table D-1.--Hot-rolled stainless steel bar: U.S. imports for consumption, by principal sources, 1979-81, January-March 1981, and January-March 1982

Source	1979	1980	1981	January-March--	
				1981	1982
Quantity (short tons)					
Japan-----	2,845	3,853	2,722	368	890
United Kingdom-----	211	199	970	156	450
Spain-----	872	614	766	15	314
Canada-----	209	399	223	9	18
West Germany-----	130	309	157	100	104
France-----	171	148	149	28	35
All other-----	2,695	2,612	2,612	350	1,146
Total-----	7,133	8,134	7,599	1,026	2,957
Value (1,000 dollars)					
Japan-----	5,722	8,348	5,375	826	1,653
United Kingdom-----	295	374	1,705	324	662
Spain-----	1,215	1,172	1,231	31	482
Canada-----	414	797	517	21	56
West Germany-----	205	467	290	187	197
France-----	290	299	317	59	87
All other-----	4,471	5,277	5,402	739	2,178
Total-----	12,613	16,734	14,836	2,188	5,317
Unit value (per short ton)					
Japan-----	\$2,011	\$2,166	\$1,974	\$2,244	\$1,858
United Kingdom-----	1,397	1,879	1,758	2,072	1,471
Spain-----	1,393	1,907	1,608	2,050	1,535
Canada-----	1,980	1,998	2,315	2,351	3,209
West Germany-----	1,576	1,510	1,848	1,877	1,899
France-----	1,695	2,014	2,129	2,120	2,512
Average (all sources)-----	1,768	2,057	1,953	2,133	1,798

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

Table D-2.--Cold-formed stainless steel bar: U.S. imports for consumption, by principal sources, 1979-81, January-March 1981, and January-March 1982

Source	1979	1980	1981	January-March--	
				1981	1982
	Quantity (short tons)				
Japan-----	12,498	12,929	11,748	2,620	2,938
Spain-----	2,185	3,847	6,010	858	971
France-----	1,233	2,141	1,863	514	808
West Germany-----	1,493	2,238	1,043	348	284
Canada-----	1,437	1,289	651	126	146
United Kingdom-----	369	715	643	110	262
All other-----	2,520	5,530	5,290	920	2,323
Total-----	21,735	28,689	27,248	5,496	7,732
	Value (1,000 dollars)				
Japan-----	24,799	28,440	26,766	6,302	5,877
Spain-----	3,564	7,535	13,306	2,010	1,853
France-----	2,066	4,369	4,138	1,195	1,508
West Germany-----	2,474	4,330	2,464	980	560
Canada-----	2,572	2,469	1,331	283	298
United Kingdom-----	508	1,328	1,480	248	441
All other-----	3,802	9,671	10,992	2,041	4,238
Total-----	39,785	58,142	60,477	13,058	14,775
	Unit value (per short ton)				
Japan-----	\$1,984	\$2,200	\$2,278	\$2,405	\$2,000
Spain-----	1,631	1,959	2,214	2,342	1,909
France-----	1,675	2,041	2,221	2,323	1,867
West Germany-----	1,657	1,934	2,363	2,818	1,971
Canada-----	1,789	1,916	2,046	2,250	2,045
United Kingdom-----	1,377	1,856	2,302	2,257	1,679
Average (all sources)-----	1,830	2,027	2,219	2,376	1,911

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

Table D-3.--Stainless steel wire rod: U.S. imports for consumption, by principal sources, 1979-81, January-March 1981, and January-March 1982

Source	1979	1980	1981	January-March--	
				1981	1982
Quantity (short tons)					
Japan-----	6,619	6,274	7,580	1,335	1,737
France-----	4,124	5,477	3,230	82	1,631
Spain-----	0	1,674	2,763	524	685
West Germany-----	108	659	1,574	294	782
United Kingdom-----	24	1	1/	0	0
Canada-----	13	26	0	0	21
All-----	7,520	7,523	9,988	2,392	2,241
Total-----	18,408	21,643	25,136	4,627	7,732
Value (1,000 dollars)					
Japan-----	10,987	11,342	13,153	2,428	2,916
France-----	6,737	10,786	6,847	138	3,436
Spain-----	-	2,791	4,814	887	1,142
West Germany-----	146	1,120	2,572	480	1,201
United Kingdom-----	37	6	1	-	-
Canada-----	24	87	-	-	39
All other-----	11,883	13,252	18,188	4,249	3,910
Total-----	29,814	39,384	45,516	8,183	12,644
Unit value (per short ton)					
Japan-----	\$1,660	\$1,808	\$1,735	\$1,818	\$1,679
France-----	1,637	1,970	2,120	1,682	2,107
Spain-----	-	1,668	1,743	1,694	1,667
West Germany-----	1,349	1,700	1,634	1,635	1,537
United Kingdom-----	1,553	4,066	5,076	-	-
Canada-----	1,807	3,352	-	-	1,871
Average (all sources)-----	1,620	1,820	1,811	1,768	1,782

1/ Less than 0.5 short ton.

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

APPENDIX E
PRODUCT LIST

- PRODUCT 1: Stainless steel bars, hot-rolled, AISI grade 303, 1/2" round.
- PRODUCT 2: Stainless steel bars, hot-rolled, AISI grade 316, 2" to 2.5" round.
- PRODUCT 3: Stainless steel bars, cold-formed, AISI grade 303, 1/2" round.
- PRODUCT 4: Stainless steel bars, cold-formed, AISI grade 316, 2" to 2.5" round.
- PRODUCT 5: Stainless steel wire rod, AISI grade 304, .215" to .25" round.
- PRODUCT 6: Stainless steel wire rod, AISI grade 316, .215" to .25" round.

