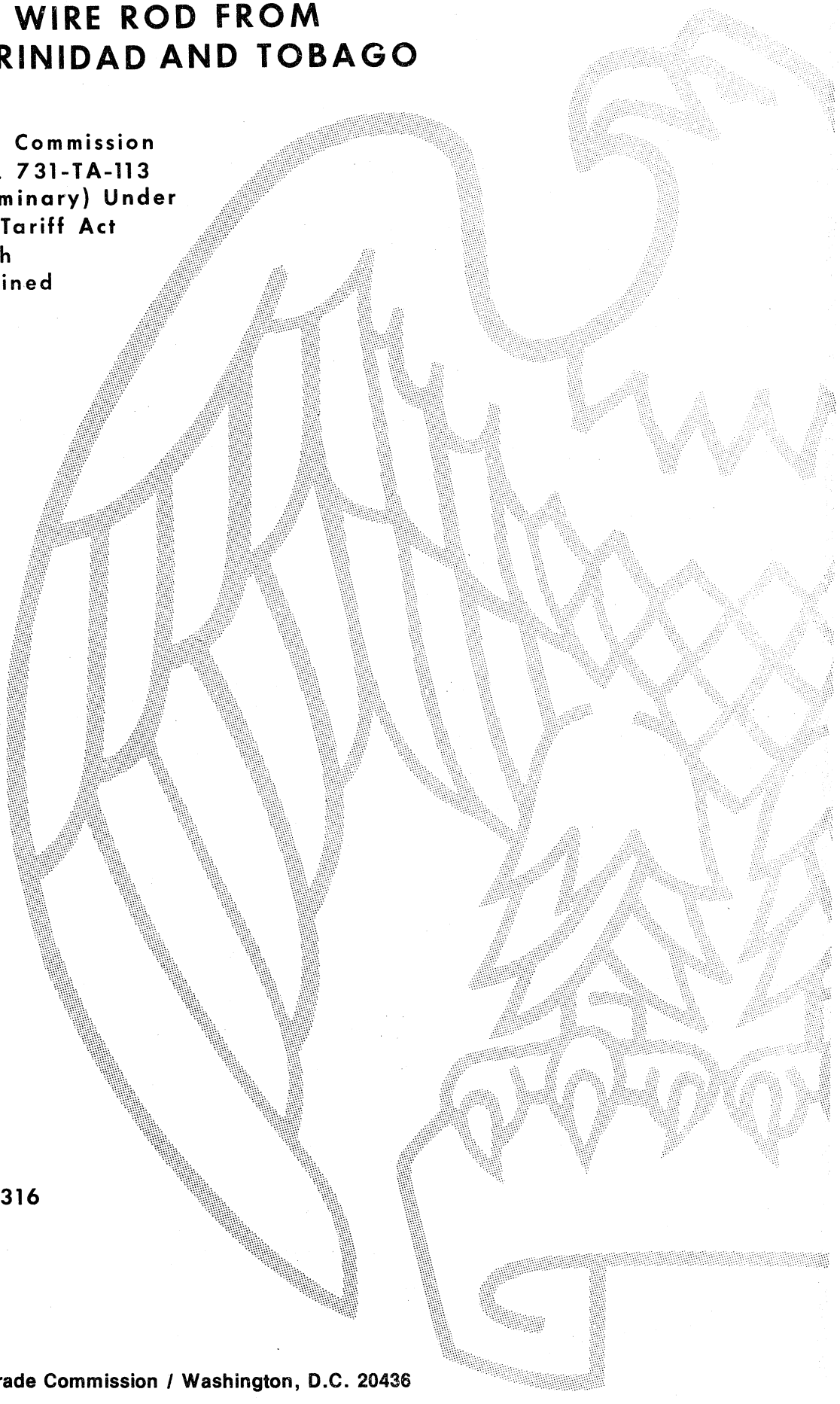
CARBON STEEL WIRE ROD FROM BRAZIL AND TRINIDAD AND TOBAGO

Determinations of the Commission in Investigations Nos. 731-TA-113 and 731-TA-114 (Preliminary) Under Section 733(a) of the Tariff Act of 1930, Together With the Information Obtained in the Investigations



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 731-TA-113 and 114 (Preliminary)

CARBON STEEL WIRE ROD FROM BRAZIL AND TRINIDAD AND TOBAGO

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil (investigation No. 731-TA-113 (Preliminary)) and Trinidad and Tobago (investigation No. 731-TA-114 (Preliminary)) of carbon steel wire rod, provided for in item 607.17 of the Tariff Schedules of the United States, which are alleged to be sold, or likely to be sold, in the United States at less than fair value (LTFV). 2/

Background

On September 30, 1982, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of Atlantic Steel Corp., Continental Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., and Raritan River Steel Co., domestic producers of carbon steel wire rod, alleging that imports of carbon steel wire rod from Brazil and Trinidad and Tobago are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. § 1673). Accordingly, effective September 30, 1982, the Commission instituted

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i), 47 F.R. 6190, Feb. 10, 1982).

2/ Commissioner Stern also determines that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of allegedly LTFV imports of carbon steel wire rod from Trinidad and Tobago.

preliminary antidumping investigations under section 733(a) of the Act (19 U.S.C. § 1673b(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 of such merchandise from Brazil and Trinidad and Tobago.

Notice of the institution of the Commission's investigation 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 October 14, 1982 (47 F.R. 45980). The conference was held in Washington, D.C., on October 25, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ECKES AND COMMISSIONER HAGGART

Based on the record in these investigations, we conclude that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of carbon steel wire rod from Brazil, which are allegedly sold at less than fair value. We also find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of carbon steel wire rod from Trinidad and Tobago 1/, which are allegedly sold at less than fair value.

In the following analysis, we first define the domestic industry and then examine the condition of the domestic industry in terms of the relevant economic indicators. Finally, we examine the causal relationship between the condition of the domestic industry and the allegedly dumped imports on a country by country basis.

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." 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.

Both imported and domestic carbon steel wire rod are hot-rolled, semifinished, coiled products of solid, round cross section, not under 0.20

1/ Hereinafter referred to as Trinidad.

inch nor over 0.74 inch in diameter which are produced in a variety of different grades, sizes and qualities.

There are three types of carbon steel wire rod based on carbon content: low, medium-high, and high carbon steel wire rod. Each of these types has distinct characteristics and uses. 2/ Based on the information now available, we conclude that low, medium-high, and high carbon steel wire rod can be considered separate like products. 3/ However, domestic producers were not able to break out their data on the basis of low, medium-high, and high carbon steel wire rod because of the way in which their records are kept. 4/ Since available data do not permit the identification of these separate like products, the effect of the imports allegedly sold at less than fair value is assessed under section 771(4)(D) of the Act by examination of the production of the narrowest group which includes the like products for which the necessary information can be provided. The narrowest group of products which includes the like products is all carbon steel wire rod. Thus,

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2/ See Report at A-4 . Within the low carbon category, continuous cast and rimmed wire rod can be distinguished to some degree on the basis of characteristics and uses. Since cast rod is substitutable for rimmed rod in all but five percent of the end use applications, we conclude that cast rod is like rimmed rod and domestic producers of both products should be considered as part of the domestic industry. See Commission Report at A-4. The majority of the domestic producers informed the Commission that they could not break out their data on the basis of cast and rimmed wire rod.

3/ We note that although counsel for Iscott, the wire rod producer in Trinidad, has argued that Iscott makes a higher quality cast wire rod, there was no argument that its wire rod is a separate like product.

4/ See Carbon Steel Wire Rod from Belgium and France, Inv. Nos. 701-TA-148 and 150, hearing transcript at p. 122, which has been made a part of this record. The domestic producers gave the Commission general estimates of low, medium-high, and high carbon steel wire rod production, but these estimates were not based on actual figures.

the domestic industry for purposes of these preliminary investigations consists of the producers of all carbon steel wire rod.

Condition of the domestic industry

The domestic industry as a whole is experiencing problems. 5/ The industry's financial performance, production, shipments, capacity utilization, and employment levels all declined during the period under investigation. The industry has experienced its most severe decline in these indicators in the most recent period for which data are available (January-June 1982).

Aggregate production decreased from 5.3 million tons in 1979 to 4.7 million tons in 1981. Production for the most recent period of January-June 1982 was 1.8 million tons as compared to 2.5 million tons in the corresponding period in 1981, a decrease of approximately 28 percent. There was a similar decline in aggregate shipments during 1979-1981. This decline became somewhat sharper in the first half of 1982 as aggregate shipments declined by 31 percent as compared to the corresponding period in 1981. Capacity utilization for the industry fell from 87.7 percent in 1979 to 60.5 percent in the first half of 1982. 6/

5/ The domestic producers of carbon steel wire rod can be divided into two groups: the integrated producers and the nonintegrated producers. The record in this investigation shows that the nonintegrated producers are gaining market share at the expense of the integrated producers. The integrated producers, as compared to the nonintegrated producers, have shown much weaker indicators of economic performance during the period under investigation. However, during the period January-June 1982, both the integrated and the nonintegrated producers experienced downturns in all economic indicators at the same time that imports increased.

6/ The capacity utilization of the integrated producers fell from 98.5 percent in 1979 to 54.4 percent in January-June 1982 despite the closing of all wire rod facilities at Jones & Laughlin and the closing of certain rod mills operated by U.S. Steel. Concurrently, the capacity utilization of the nonintegrated producers fell from 75.6 percent to 64.9 percent.

The industry has suffered declining employment levels throughout the period with significant declines in January-June 1982. Employment decreased by 33.5 percent during January-June 1982 while the number of hours worked declined by a commensurate 33.1 percent, as compared to the corresponding period in 1981. During the same period, the industry has managed to decrease its unit labor costs from $60 per ton to $55 per ton.

Twelve firms, accounting for about 90 percent of total U.S. producers' shipments of carbon steel wire rod in 1981, provided profit and loss figures. Aggregate industry profit fell from $17.9 million in 1979 to an operating loss of $40.2 million in January-June 1982.

Carbon Steel Wire Rod from Brazil

We determine that there is a reasonable indication that allegedly dumped Brazilian imports have caused material injury to the domestic carbon steel wire rod industry. Our decision is based primarily on the sharp increase in imports from Brazil in the first half of 1982, evidence of underselling, and lost sales to Brazilian imports.

There were negligible imports of carbon steel wire rod from Brazil in 1979 and no imports in 1980. Imports from Brazil reached 32,579 tons in 1981, all of which entered in the last half of the year. For the first six months of 1982, these imports increased to over 69,000 tons, double the 1981 levels. Brazil's entry into the U.S. market and its steadily increasing market share coincide with the decline in U.S. apparent consumption. Imports from Brazil have increased as a share of apparent U.S. consumption from less than 0.05 percent in 1979 to 3.3 percent in January-June 1982, while such imports have

increased as a share of U.S. noncaptive consumption from less than 0.05 percent in 1979 to 5.0 percent in January-June 1982. 7/

The best pricing data is available for standard quality wire rod, AISI designation 1008, the most fungible product in the market. Pricing data available for imports from Brazil indicate a steady downward trend during the period under investigation. Prices of Brazilian rod decreased by 11.5 percent from the third quarter of 1981 to the second quarter of 1982. During the same period, prices for comparable domestic rod declined by only 8.5 percent. Direct pricing comparisons between domestic rod and Brazilian wire rod indicate that Brazilian rod undersold domestic rod in two of the four quarters for which information was available.

Lost sales information also indicates that wire rod from Brazil is causing injury to the domestic industry. During the period January 1981 through June 1982, the domestic industry alleged 27 separate instances of lost sales to the imported product. The Commission staff was able to verify that in 14 of those instances, the purchaser bought imported rod from Brazil primarily because of its lower price. These lost sales amounted to over 24,000 tons, or about 25 percent of the imports reported for the period January 1981 to June 1982.

7/ Domestic shipments are divided into transfers or sales to related wire drawers (captive shipments) and sales to non-related wire drawers (commercial shipments). Apparent U.S. consumption is calculated by adding U.S. producers' total shipments (i.e., commercial shipments and captive shipments) and imports for consumption, and by subtracting U.S. exports from that sum. Apparent U.S. noncaptive consumption is calculated by adding U.S. producers' commercial shipments and imports for consumption, and by subtracting U.S. exports from that sum.

Carbon Steel Wire Rod from Trinidad

We determine that there is a reasonable indication that allegedly dumped imports from Trinidad have caused material injury to the domestic carbon steel wire rod industry. Our decision is based primarily on the sharp increase in imports from Trinidad since their entrance in the market in the last quarter of 1981, preliminary indications of underselling in the U.S. market, and confirmed lost sales because of price.

Production of carbon steel wire rod in Trinidad began in July 1981. For the remainder of that year, Trinidad shipped 6,010 tons of wire rod to the United States. In January-June 1982, imports from Trinidad increased to 19,645 tons, more than triple the 1981 level. Additionally, an analysis of wire rod shipments from Trinidad on a quarterly basis indicates that such imports increased steadily from the third quarter of 1981 to the third quarter of 1982. This significant increase comes at a time when domestic consumption has declined precipitously. Imports from Trinidad have increased as a share of apparent U.S. consumption from 0.1 percent in 1981 to 1.0 percent in January-June 1982, while such imports increased as a share of apparent U.S. noncaptive consumption from 0.2 percent in 1981 to 1.4 percent in January-June 1982. 8/

For purposes of this preliminary investigation, the limited pricing data on wire rod from Trinidad provide a reasonable indication of underselling. 9/

8/ See Report at A-30. See Footnote 7 on p. 7.

9/ Much of the information on prices is derived from information obtained during Investigations Nos. 701-TA-148-150, Carbon Steel Wire Rod from Belgium, Brazil and France. In response to questionnaires sent to purchasers in those investigations, the Commission also received some pricing information on wire rod from Trinidad.

A comparison of the weighted-average-delivered prices paid by purchasers of standard quality low-carbon steel wire rod from the U.S. with those by purchasers of comparable wire rod from Brazil and Trinidad reveals that the wire rod from Trinidad was, on average, the lowest priced of the three. 10/ In both quarters for which data are available, wire rod from Trinidad undersold the domestic product. 11/ Additionally, information indicates that prices of wire rod from Trinidad have declined in each successive quarter in which such rod was sold in the U.S. market. Finally, the Commission staff confirmed two lost sales to imports from Trinidad on the basis of price.

10/ An analysis of customs unit values also indicates that the imports from Trinidad have lower customs values than those from Brazil. See Report at A-37.

11/ Counsel for Trinidad has provided the Commission with pricing information which suggests that the wire rod from Trinidad oversells its U.S. competition in the Gulf area. The Commission has been unable to determine whether pricing trends by regional areas exist or to examine fully the impact of imports in other areas of the country during the course of this preliminary investigation. If this investigation returns for a final determination, we will explore this question more fully.

ADDENDUM TO VIEWS OF CHAIRMAN ECKES AND COMMISSIONER HAGGART

These comments relate to points raised in Commissioner Stern's views, which begin on the opposite page.

We note that Commissioner Stern's views in these investigations include comments on other investigations which the Commission has officially terminated, 1/ namely investigations regarding certain carbon steel products from Belgium, France, Italy, Luxembourg, the United Kingdom and the Federal Republic of Germany.

A majority of the Commission determined that this agency had legal authority to terminate those investigations (19 USC 1671c(a)), and concluded that such action was consistent with the public interest and sound, responsible agency practice. Because these carbon steel subsidy investigations were officially terminated, we have not issued views explaining our votes in those investigations, which were announced prior to the terminations.

Any reference whatsoever to our supposed rationale for deciding those investigations is entirely speculative and conjectural. The views of Commissioner Stern on the carbon steel cases stand alone. In our opinion, they should not be accorded legal significance, and thus are of no precedential value.

1/ See 47 Fed. Reg. 49104 (1982) and Commission Notice of Termination issued Nov. 10, 1982 (to be published in the Federal Register).

VIEWS OF COMMISSIONER PAULA STERN

INTRODUCTION

I determine, pursuant to section 731(a) of the Tariff Act of 1930 (hereinafter the Act), */ that there is a reasonable indication that an industry in the United States is materially injured and threatened with material injury by reason of alleged less-than-fair-value imports of carbon steel wire rod from Brazil and Trinidad and Tobago.

The reasons for my determination in these two cases closely parallel my views in the recent final countervailing duty investigations involving imports of carbon steel wire rod from Belgium and France. **/ In brief, the domestic industry producing carbon steel wire rod is suffering severe injury as demonstrated by virtually all economic indicators at the Commission's disposal. The situation of this industry is rapidly deteriorating. The subject imports from Brazil and Trinidad and Tobago, allegedly sold at less than fair value, are underselling domestically-produced wire rod and have rapidly captured a significant share of apparent U.S. consumption. Although our data is incomplete at this stage of our investigation, the best information available to

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*/ 19 U.S.C. section 1673(a).

**/ These investigations were terminated by a 2-1 vote of the Commission after the Commission had reached a unanimous negative final determination with respect to imports from Belgium (Inv. No. 701-TA-148) and an affirmative determination with respect to imports from France (Inv. No. 701-TA-50. I dissented from the Commission majority's vote to terminate these investigations because in my view the withdrawal of the petitions by petitioners in those cases after the Commission's vote is not authorized by the statute. See Action Request INV-82-259, Terminating Inv. Nos. 701-TA-148/150(F), and accompanying memorandum of Commissioner Stern, CO2-F-78.

us also provides a reasonable indication that the ability and likelihood of the producer in Trinidad and Tobago to increase its exports to the United States poses a reasonable indication of threatened material injury that is both real and imminent.

For purposes of this preliminary investigation, the effect of the subject imports from Brazil and Trinidad and Tobago must also be considered in light of the impact of other unfairly traded imported carbon steel wire rod from France */ and Venezuela. **/ ***/ Preliminary data indicate that imports from each of these countries compete in the same market, are directed to the same end-users, pass through the same channels of distribution, and are priced similarly. ****/ Furthermore, these cases on a narrowly defined product line are set against the overall plight of the entire steel industry in the United States. I have discussed these subjects in detail in my "Views" written in support of my determinations in Certain Carbon Steel Products from Belgium, France, Italy, Luxembourg, the United Kingdom, and the Federal Republic of Germany, which were decided by the Commission on October 15, 1982. I am, therefore, incorporating those "Views" into the present ones at the end.

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*/ On September 27, 1982, the Department of Commerce published a final determination that imports of carbon steel wire rod from France are benefitting from subsidies. See 47 F.R. 42422.

**/ On July 23, 1982, the Department of Commerce published a preliminary determination that imports of carbon wire from Venezuela are being sold in the United States at less than fair value. See 47 F.R. 31910.

***/ An earlier countervailing duty case involving imports of carbon steel wire rod from Brazil (Inv. No. 701-TA-149, Final), was suspended by the Commission on October 6, 1982, 47 F.R. 44166, pursuant to an agreement between the Department of Commerce and the government of Brazil. The suspension agreement is based on the institution of an export tax by the government of Brazil which effectively negates the subsidy originally found to be conferred on Brazilian producers' and exporters' shipments of the subject merchandise.

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****/Should these cases return for a final investigation, I would expect the Commission to gather more detailed information on the impact of imports from these countries on the domestic industry. The question of whether cumulation of these imports at a final investigation would be appropriate, is, therefore, still open.

THE 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." 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.

Carbon steel wire rod is a hot-rolled, semifinished, coiled product of solid, round cross section, not under 0.20 inch nor over 0.74 inch in diameter. It is produced in a variety of different grades, sizes and qualities.

There are three categories of carbon steel wire rod based on carbon content: low, medium-high, and high carbon steel wire rod. Each of these categories has distinct characteristics and uses. Virtually all of the wire rod imported from Brazil and Trinidad and Tobago is low-carbon rod, */ whereas the domestic industry produces all three categories. Carbon steel wire rod can also be distinguished on the basis of the production process. There are two methods of making wire rod: the ingot method and the continuous casting method. **/

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*/ See Report, p. A- 4.

**/ See Commission Report at p. A-1.

Wire rod produced by the ingot process may be "killed" (deoxidized) to retard the evolution of gases and segregation of residuals, "rimmed," in which the gas evolution and residual segregation are allowed to occur, or "semi-killed" in which the rod is killed to various degrees. Steel wire rod made by the continuous casting process is, by necessity, "killed."

During the rimming process the residuals in rod are reduced, making the rod very soft and ductile. Rimmed rod is easier to draw into such types of wire, as very fine mesh, because of its ductile qualities.

Killing the steel causes the residuals to be scattered throughout the rod, generally making it stronger (more tensile). */ Although steel made by the continuous casting method is always killed, the amount of residuals can also be controlled by the kinds of scrap used to make the steel. The use of certain kinds of scrap can result in very low amounts of residuals and, therefore, greater ductility. With this control of the casting process, cast wire rod can be substitutable for rimmed rod in all but 5 percent of the cases, e.g., fine wire mesh. **/

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*/ See Commission Report at A- 3.

**/ See Commission Report at A- 3.

Certain wire drawers prefer rimmed steel because of its greater ductility. Rimmed wire rod also provides a greater yield and results in less die wear for the drawer. However, rimmed steel usually sells for $25 to $35 higher than cast rod. Although the control of residuals during the casting process increases the cost of cast rod, the cost of cast rod normally is still lower than the cost of rimmed rod, especially when scrap prices are low, as they are now. If the cast rod is sold for a lower cost, wire drawers will substitute cast rod for rimmed rod. Since cast rod is substitutable for rimmed rod in all but 5 percent of the cases and is substituted for rimmed rod if it is sold at a low enough price, which is the normal practice, I conclude that cast rod is like rimmed rod and producers of both products should be considered in the domestic industry.

Although low carbon steel wire rod could be considered a separate like product, domestic producers in response to questionnaires were not able to break out their data on the basis of low, medium-high and high carbon steel wire rod because of the way in which their records are kept. */ I, therefore, conclude under Section 771(D)(4) of the Act that the domestic industry consists of the producers of all carbon steel wire rod.

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*/ See Hearing Transcript, Inv. No. 701-TA-48 and 50, Carbon Steel Wire Rod from Belgium and France, at p. 122. The domestic producers gave the Commission general estimates of low, medium-high, and high carbon steel wire rod production, but these estimates were not based on actual figures. The majority of the domestic producers also informed the Commission that they were unable to break out their data on the basis of cast and rimmed wire rod.

CONDITION OF THE U.S. INDUSTRY

The domestic industry as a whole is clearly experiencing problems. The industry's financial performance, production, shipments, capacity utilization, and employment levels all declined during the period under investigation. Additionally, the industry has experienced its most severe decline in the most recent period, January-June 1982.

In this investigation, the domestic producers of carbon steel wire rod were divided into two groups: the integrated producers and the nonintegrated producers. It is readily apparent that the nonintegrated producers are gaining market share at the expense of the integrated producers. The integrated producers have shown much weaker indicators of financial health for the period under investigation. However, January-June 1982 witnessed the nonintegrated producers joining the integrated producers in their financial straits. The integrated producers have reported net operating losses for every period since 1979 whereas the nonintegrated producers were in the black until January-June 1982. Aggregate industry profit fell from 17.9 million dollars in 1979 to an operating loss of $40.2 million in January-June 1982. During this time the net operating profit of the nonintegrated producers fell from a high of $37.8 million in 1979 to a net operating loss of $4 million in the first half of 1982

Aggregate production decreased from 5.3 million short tons in 1979 to 4.7 million tons in 1981 and further dropped from 2.5 million in January-June 1981 to 1.8 million or by approximately 28 percent for

the comparable period in 1982. The decline in aggregate shipments was exactly the same in the 1979-1981 period and somewhat sharper in the first half of 1981 compared to the first half of 1982.

Capacity utilization fell from 87.7 percent in 1979 to 60.5 percent in the first half of 1982. The capacity utilization of the integrated producers fell from 98.5 percent in 1979 to 54.4 percent in January-June 1982 despite the closing of all wire rod facilities at Jones & Laughlin and the closing of several mills operated by U.S. Steel. Simultaneously, the capacity utilization of the nonintegrated producers fell from 75.6 percent to 64.9 percent.

The industry has suffered declining employment levels throughout the period with the January-June 1982 period having the most devastating declines. In this most recent period, employment decreased by 33.5 percent while the number of hours worked declined by a commensurate 33.1 percent. During the same period the industry has managed to decrease its unit labor costs from $60 per ton to $55 per ton.

BRAZIL

A. Imports */

Imports of carbon steel wire rod from Brazil were minimal prior to the last half of 1981, when they suddenly rose to 33,000 tons, or

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*/ See Table 17 at A-27 of the Report.

4.3 percent of total imports. In the first six months of 1982, imports from Brazil have surged to 69,000 tons, and Brazil has captured over 18 percent of the import market in less than two years. As a ratio of apparent U.S. consumption, imports of carbon steel wire rod from Brazil have increased from 0.6 percent in 1981 to 3.3 percent in January-June 1982. */ When compared to apparent non-captive U.S. consumption, the ratio rises to 5 percent. **/

B. Pricing and Lost Sales

The U.S. producer price index for low-carbon steel wire rod increased about 40 percent from 1979 to the third quarter of 1981. The price index has since leveled off, coinciding with the rapid increase in Brazilian imports.

Several different methods of comparing prices of domestically produced and imported carbon steel wire rod were used in this investigation. ***/ In two of these comparisons, no significant underselling was reported by Brazilian imports. When the Commission compared prices

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*/ See Table 18 at p. A-30 of the Report.

**/ Id.

***/ See Discussion of prices at pp. A-31-39 of the Report.

of U.S.-produced wire rod in a given period with prices of imports delivered in the following calendar quarter, however, the results were markedly different. Prices of wire rod imported from Brazil and reported in the January-March and April-June quarters were significantly below average domestic producers' prices in the preceding periods. */ For purposes of this preliminary investigation, these margins of underselling support a finding that there is at least a reasonable indication of price suppression caused by the Brazilian imports.

The Commission staff was able to confirm 20 instances of lost sales due to imported wire rod from Brazil out of 25 allegations checked. Of these lost sales, 14 of these purchases, accounting for over 20 percent of wire rod imports from Brazil since 1980, were because of a lower price offered by the importer.

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*/ The actual figures are confidential; see p. A-35 of the Report.

TRINIDAD AND TOBAGO

A. Imports */

Imports of carbon steel wire rod from Trinidad and Tobago began in the fourth quarter of 1981. In the first three quarters of 1982, these imports amounted to 33,826 tons and have increased in each quarter. **/ As a ratio of apparent non-captive U.S. consumption, imports from Trinidad have rapidly grown to 1.4 percent.

All of these imports are produced by ISCOTT, a recently opened facility that utilizes the most modern continuous casting production techniques. ***/ During the period January-June 1982, ISCOTT's wire production facilities were operating at only 29 percent of capacity. While counsel for ISCOTT has cautioned that high capacity utilization rates cannot be expected for many years, it is obvious that a higher ratio of utilization must be achieved in the near future if the firm is to remain solvent. It is likely that increased production by ISCOTT will result in a higher level of exports to the United States, although the exact amount of any such increase could only be the subject of speculation at this point. ****/

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*/ See table 17 of the Report at p. A-27.

**/ Id.

***/ See Report at p. A-25.

****/In this context, it should be noted that one of Trinidad's alternative export markets -- the European Community -- also is suffering from severe overcapacity in its carbon steel wire rod production facilities, and is unlikely to be in a position to absorb increasing imports of these products in the near future.

CONCLUSION

I determine that there is a reasonable indication of material injury to the domestic industry by reason of imports from Brazil and Trinidad and Tobago, and that with respect to imports from Trinidad, there is a real and imminent threat that this injury will continue in the near future.

The surge of allegedly less-than-fair-value imports from both Brazil and Trinidad and Tobago has been particularly harmful to the domestic industry. Given the competitive nature of the market, the underselling by the imported products which we have found is likely to have a suppressing effect on the domestic industry's prices. The record in this preliminary investigation provides a reasonable indication that imports from both Brazil and Trinidad and Tobago have increased their market share by underselling their domestic counterparts. Moreover, the recent rapid growth of imports from Trinidad represents a real threat of increasing levels of imports in the immediate future.

Against this background, integrated and non-integrated wire rod producers are now operating in the red. Substantial numbers of workers are unemployed and facilities are idle. These problems are becoming more severe. Consumption dropped by over 28 percent in the first half of 1982 as compared to the corresponding period in 1981. */ Moreover, the impact of the subject imports

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*/ See Report at p. A- 16.

B. Prices and Lost Sales

Prices reported by the importer of wire rod from Trinidad have declined in each of the four quarters in which sales have been made. */ While pricing data is incomplete, the best information available to the Commission reveals that weighted average delivered prices of imports were below U.S. producers' prices in January-March and in April-June of this year. When comparisons are made of U.S. prices with prices of imports delivered in the following quarter, these ratios of underselling by wire rod imported from Trinidad increase for the respective periods. Clearly, there is a reasonable indication that imports from Trinidad may be having a suppressing effect on the domestic industry's prices.

Only six allegations of lost sales to wire rod from Trinidad were submitted to the Commission. Five of these allegations were confirmed. Two of these were confirmed because of price, although other factors may have influenced the purchaser to buy wire rod from Trinidad. **/

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*/ See Report at p. A- 34.

**/ Counsel for ISCOTT argued at the Preliminary Conference that the superior quality of their wire rod was the primary competitive factor accounting for ISCOTT's marketing success in the United States. If this case returns for a final investigation, the relationship between price and perceived quality differences will be a significant issue.

on the producers of carbon steel wire rod must be viewed in light of the overall conditions of the domestic carbon steel industry. These and other considerations are discussed below in my views in the recently terminated investigations concerning Certain Carbon Steel Products from Belgium, France, Italy, Luxembourg, the United Kingdom, and the Federal Republic of Germany.

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INVESTIGATIONS NOS. 701-TA-86, 92, 93, 94, 96, 97, 101, 104, 105, 109, 117, 119, 121, 123, 124, and 128 (Final)

CERTAIN CARBON STEEL PRODUCTS FROM BELGIUM, FRANCE, ITALY, LUXEMBOURG, THE UNITED KINGDOM, AND THE FEDERAL REPUBLIC OF GERMANY

VIEWS OF COMMISSIONER PAULA STERN

OUTLINE

I. Introduction

On October 15, 1982, the U.S. International Trade Commission made its determinations in sixteen countervailing duty investigations of five carbon steel products from six European nations. I joined the Commission majority in eleven of these determinations. In the other five cases, I cast minority votes. These Views are presented in accordance with section 705(d) of the Tariff Act of 1930 1/ which states:

> (d) PUBLICATION OF NOTICE OF DETERMINATIONS.-- Whenever the administering authority or the Commission makes a determination under this section, it shall notify the petitioner, other parties to the investigation, and the other agency of its determination and of the facts and conclusions of law upon which the determination is based and it shall publish notices of its determination in the Federal Register.

I made affirmative determinations in the following nine cases: hot-rolled carbon steel sheet and strip from Belgium, France, and Italy; cold-rolled carbon steel sheet and strip from France, and Italy; carbon steel structural shapes from Belgium, France and the United Kingdom; and hot-rolled carbon steel bar from the United Kingdom. I was joined by my three colleagues in each of these affirmative findings.

1/ 19 U.S.C. 1671d(d). See also 19 U.S.C. 1671d(c)(2).

In the following seven cases, I made negative determinations: hot-rolled carbon steel plate from Belgium, the United Kingdom, and the Federal Republic of Germany; hot-rolled carbon steel sheet and strip from the Federal Republic of Germany; cold-rolled carbon steel sheet and strip from the Federal Republic of Germany; and carbon steel structural shapes from Luxumbourg and the Federal Republic of Germany. In the German hot-rolled plate and cold-rolled sheet cases, I was joined by Chairman Eckes and Commissioner Haggart to form a Commission majority in those negative findings. Commissioner Haggart also shared my negative determination on German hot-rolled sheet and strip.

I have been able to join my colleagues in an assessment of the condition of the industries defined by the five carbon steel product lines before us in this investigation and will not repeat that here.[2/] All five product lines are experiencing severe problems reflected in virtually all the economic indicators and other information the Commission compiled. The critical questions of these cases, rather, turn on how to analyze the causes of this injury: the role of margins analysis, the treatment of de minimis subsidies, the appropriateness of cumulation, and the usefulness of lost-sales data. However unified these votes may seem in their totality, there are important differences within the Commission on the legal and analytical framework, and consequently the analysis of the individual cases.

Subsidy Analysis.--These cases were brought under the countervailing duty statute, section 701 of the Tariff Act of 1930. This law is designed to remedy material injury caused or threatened to an industry in the United States caused by a potentially unfair trading practice, subsidization. If

2/ Footnote 2 referred to draft Views on the Definition and Condition of the Domestic Industries which have been omitted from Appendix A for the sake of brevity.)

subsidies do not cause material injury to an industry of another country, they are not an unfair act and are a matter for the domestic economic policy of that country.

If there is no unfair practice, as in the four cases in which I made negative determinations, providing relief falls outside the logic of the law as there are no unfairly traded imports. For relief from imports which are fairly traded, a petitioner must file under section 201 of the Trade Act of 1974 and meet the more stringent standards of that law.

De Minimis Subsidies.--Three of the present cases, where Commerce has found subsidies to be zero but continued the investigations anyway, present rather extreme examples. The Commission must decide whether an unfair practice has resulted in injury to the U.S. industry. The magnitude of the potentially unfair practice has been evaluated at zero. To find in the affirmative in such a situation ignores the effect of the practice in question and thus would violate the statutory requirement for a causal nexus between injury to a U.S. industry and an unfair practice. No better example could be constructed to demonstrate the desirability of "margins analysis" which helps evaluate the connection between a potentially unfair activity, such as subsidization or dumping, and its impact on a domestic industry. Though an unquestioned practice at the Commission before 1980, such "margins analysis" has been the subject of much recent controversy at the Commission. These cases presented the first occasion where it has made a difference in Commission determinations whether the Commission

considered or ignored the role of the subsidies in causing injury. For this reason I have attempted to treat the subject in exhaustive detail in my views.

Cumulation.--Margins analysis is not the sole basis for examining causality in countervailing duty cases. Sometimes imports from several sources, each of which taken alone may not be causing material injury, when taken in combination do cause material injury. The long-established, discretionary practice for dealing with such situations is "cumulation." Because some of the present cases include imports that when taken alone could not possibly be causing material injury, I have in each such situation considered the wisdom of cumulating the impact of those imports with the others in that product line.

Lost Sales.--Another subject regularly a part of any examination of causality is the information on sales lost by the domestic industry to potentially unfairly traded imports. Such information is important, but may be misleading.

All of these issues on causality are treated in these views to establish the appropriate framework for the discussion of the merits of each case. My views conclude with an overview of what this investigation has told us about the role of the subsidized imports in the U.S. steel industry.

II. Statutory Standards and Causality

A. Margins Analysis: An Important Tool

The issue of what information the Commission should consider when determining causality in countervailing duty investigations has now come to a head in a final case. Because the outcome on the matter of margins analysis was critical to certain determinations in this case, the causation standard in sections 701 and 705 of the Act was not surprisingly among the issues most hotly contested during the course of these investigations. The conceptual importance of the subject, as well as my profound disagreement with the apparent views of my colleagues, prompts me to expand on the views I first presented in Certain Steel Wire Nails from the Republic of Korea (1982) 3/, developed in Carbon Steel Wire Rod from Brazil, Belgium, France and Venezuela (1982) 4/,

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3/ Certain Steel Wire Nails from the Republic of Korea, Inv. No. 701-TA-145 (Prel.), USITC Pub. No. 1223 (March 1982). See "Additional Views of Commissioner Paula Stern" at 11-14.

Interestingly enough, after initiating the controversy over margins analysis in Certain Steel Wire Nails, Commissioner Calhoun when faced with the situation of allegations of material injury from both dumping and subsidies on the same imports was forced to back away somewhat from his earlier arguments on causation. See "Additional Views of Commissioner Calhoun," Fireplace Mesh Panels from Taiwan, Inv. No. 701-TA-185 (Prel.) (1982). He stated:

> . . . if our finding here is to be by reason of the merchandise under investigation, to wit subsidized fireplace mesh panels from Taiwan, then it seems to me we must be able to identify how the subsidized character of the merchandise and not the LTFV character of the merchandise is causing material injury. To undertake this kind of analytical process given the fact situation here seems to me only to be logical. (at 24)

4/ Carbon Steel Wire Rod from Brazil, Belgium, France, and Venezuela, Inv. No. 701-TA-148, 149, 150 (Prel.), and Inv. No. 731-TA-88 (Prel.), USITC Pub. 1230 (March 1982). See "Additional Views of Commissioner Paula Stern" at pp. 21-32.

and most recently reaffirmed in Fireplace Mesh Panels from Taiwan (1982). */

Most succinctly put, the general issue is whether the Commission's task is to determine if any material injury has been suffered or is threatened by reason of the subject imports or by reason of the subsidization of the imports. In Certain Steel Wire Nails (1982), **/ the issue first arose in preliminary countervailing duty cases. In Carbon Steel Wire Rod 5/ that concern arose in a preliminary antidumping case as well.

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*/ Fireplace Mesh Panels from Taiwan, Inv. No. 701-TA-185 (Prel.), USITC Pub. 1284, Sept. 1982. See "Additional Views of Commissioner Paula Stern" at pp. 11-18.

**/ Certain Steel Wire Nails from the Republic of Korea, Inv. No. 701-TA-145 (Prel.), USITC Pub. No. 1223 (March 1982).

5/ Carbon Steel Wire Rod from Brazil, Belgium, France, and Venezuela, Inv. No. 701-TA-148, 149, 150 (Prel.),zand Inv. No. 731-TA-88 (Prel.), USITC Pub. No. 1230 (March 1982).

However, this is the first occasion in which the Commission as a whole has reached this issue in a final investigation under the Tariff Act of 1930 (the Act) since it was amended by the Trade Agreements Act of 1979. 6/ It is also the first occasion on which a Commission majority apparently has rejected the position which I most strongly believe to be the correct one.

Discussion was focused on two interpretations of the phrase, "the effects of the subsidized imports" 7/ and "by reason of imports" 8/: (1) judging the full impact of the subject imports, which happen to benefit from a subsidy or are being sold at less than fair value; or (2) judging the impact of the dumped or subsidized imports by performing "Margins analysis." I believe the language of the Act on this subject is not intuitively clear on its face and, therefore, merits careful examination.

6/ 19 U.S.C. section 1671 b.

7/ E.g., section 771(4)(D) uses this phrase.

8/ E.g., section 701(a), 703(a) and 705(b) -- which deal with the countervailing duty determinations of the Commission -- employ such a phrase. The same phrase is found in sections 731(a), 733(a), and 735(b) which concern antidumping determinations.

The conceptual difference between these two approaches cannot be underestimated. The first alternative would attach no weight to whether, for instance, a subsidy was 0.000 percent, 0.5 percent, or 50 percent. Any imports benefitting from a subsidy -- no matter how insignificant, even if de minimis -- would be equally tainted for purposes of causality analysis under the first formulation. By contrast, the second formulation would require the causality analysis to trace, to whatever extent possible, the role of the subsidy in the imports' impact on the domestic industry.

A practical example at the outset of how margins analysis in countervailing duty (CVD) cases might be conducted may help further focus the subject. The Commerce Department, prior to the Commission completing a final CVD case prepares a final estimate in the form of an ad valorem equivalent 9/ of all bounties and grants the subject foreign producers receive from their governments. Let us assume that the subsidy provided by the Government of Oz to its widget producers is evaluated at 10 percent. Furthermore, in our hypothetical case let us assume that American widget makers are suffering enormous losses and have appealed to the Commission for relief from the injury caused by subsidized Ozien widgets, which are capturing 0.05 percent of U.S. consumption. Other factors aside, one might conclude that the subsidy, whatever its magnitude, is having a rather inconsequential impact. If an error were discovered, and the Ozien market share turned out to be 5 percent, the causality analysis

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9/ As a percentage of the customs valuation which is the foreign export value, F.O.B. foreign port.

would have to go further. If Ozien widgets were underselling the American product by only 2 percent and their presence was stable or growing, it might be fair to conclude, all other factors being the same, that the subsidy was responsible for giving Ozien widgets a competitive edge. In the absence of the subsidy, the hard pressed U.S. widget makers' fate would have been materially better. But if that margin of underselling were 30 percent, it might be difficult to see how eliminating with a countervailing duty only 10 percent of the large Ozien advantage would materially assist the U.S. industry. Notice all the conditionals: might, could, all other factors being equal, etc. Margins analysis is but one tool, albeit a potentially important one, in the analytical arsenal of the Commission. While the analysis makes use of certain quantitative data, it remains essentially qualitative in nature.

I would like to examine the statute, the legislative history, and Commission practice before responding to objections that have been raised to the wisdom of this kind of analysis. The statute in section 771(c)(ii) mandates that the Commission consider certain factors in "evaluating the effects of imports of such merchandise." But how these factors should be evaluated to determine causality is not explicit in this phrase. I believe that the statute, the legislative history, and the relevant international agreements taken together clearly demonstrate that the second alternative is the proper basis for assessing causality in the Commission's countervailing duty and antidumping investigations and is true to the intended meaning of the phrases "the effects of the subsidized imports" and "by reason of imports."

The Senate Finance Committee's "Report on the Trade Agreements Act" (Senate Report) directs the Commission to continue its practice of looking to the effects of the net subsidy in its countervailing duty determinations:

> In determining whether injury is "by reason of" subsidized imports, the ITC now looks at the effects of such imports on the domestic industry. The ITC investigates the conditions of trade and competition and the general condition and structure of the relevant industry. It also considers, among other factors, the quantity, nature, and rate of importation of the imports subject to the investigation, and how the effects of the net bounty or grant relate to the injury, if any, to the domestic industry. Current ITC practice with respect to which imports will be considered in determining the impact on the U.S. industry is continued under the bill. (Emphasis added.) 10/

With even greater significance and clarity, the Senate Report goes on to add:

> While injury caused by unfair competition, such as subsidization, does not require as strong a causation link to imports as would be required in determining the existence of injury under fair trade import relief laws, the Commission must satisfy itself that, in [the] light of all the information presented, there is a sufficient causal link between the subsidization and the requisite injury. (Emphasis added.) 11/ 12/

No more direct encouragement to use the subsidy margins provided by Commerce in the analysis of causality could possibly be given.

10/ Senate Comm. on Finance, Trade Agreements Act of 1979, S. Rept. No. 96-249, 96th Cong., 1st Sess. (1979) at 57.

11/ Ibid., at 58.

12/ A review of the drafting of the Subsidies and Antidumping Codes contains background on what should be used to determine causation of material injury --

(footnote continued on page 11)

The Senate Report employs the identical language in directing the Commission with regard to antidumping deliberations, replacing only the phrase "net bounty or grant" with "margin of dumping." 13/ The "by reason of imports" language of the Trade Agreements Act tracks similar language in the Antidumping Act, 1921. The statutory repetition of this causality language in the absence of any criticism of the Commission's prior practice constitutes implicit approval by Congress of the Commission's causality methodology.

(footnote 12/ continued from previous page)

> [t]he language finally agreed upon provided that: "[i]t must be demonstrated that subsidized imports are, through the effects of the subsidy, causing injury within the meaning of this Agreement."
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> Richard Rivers and John Greenwald: The Negotiation of a Code on Subsidies and Countervailing Measures: Bridging Fundamental Policy Differences, 11 L. & Pol'y Int'l Bus. 1447, 1457 (1979).

The Director-General of GATT in April of 1979 described the negotiations at the Tokyo Round on this same issue:

> Many participants took the firm position that . . . [t]he existence of a significant material injury must be proven and the causal link between injury and the particular subsidy established.
>
> Director-General of GATT, The Tokyo Round of Multilateral Trade Negotiations, 59.

See also U.S. Office of Special Trade Representative, Background Papers on MTN, Subsidies and Countervailing Duties (May 2, 1979).

13/ S. Rept. No. 96-249, at 74.

The Commission's longstanding practice under the 1921 Act was to link the dumping margin to the injury. As a matter of administrative practice under the Antidumping Act, 1921, the Commission sought to establish a "causal link" between the weighted average of the margins of less-than-fair-value sales determined by the Treasury Department in its dumping investigation and the average by which the dumped imports undersold competing articles produced by the U.S. industry. If the dumped merchandise undersold the merchandise produced in the United States by more than the weighted average of the less-than-fair-value sales, the Commission would conclude that the margin did not have a causal relationship to any injury resulting from the underselling. This reasoning was adopted by a Commission majority in the negative determination in Plastic Mattress Handles from Canada (1969). 14/ The most recent investigation in which a unanimous Commission either expressed this reasoning or concurred in its result was Welded Stainless Steel Pipe and Tube from Japan (1978). 15/ The time span alone between these cases is an indication of the consistent interpretation by the Commission.

14/ Inv. No. AA1921-57, T.C. Pub. 298, Oct. 1969, at 5. The analysis may have been used in earlier cases. This is the first instance of which I am aware in which the Commission states that it was employing the analysis.

15/ Inv. No. AA1921-180, USITC Pub. 889, July 1978 at 5, 11-12. This uniform and consistent interpretation by an agency in administering these provisions should be given considerable weight.

This practice was carried over to the duty-free provisions of the countervailing duty statute enacted in the Trade Act of 1974 (section 303(b) of the Tariff Act). In the first Commission countervailing duty investigation, Certain Zoris from the Republic of China (1976), the Commission stated that

> . . . the bounty or grant paid on the subject imports of zoris would amount to only about 1.3 cents per pair. Such a bounty or grant would account for only a fraction of the margin of underselling which the subject imports enjoy over casual footwear produced in the United States. 16/

In the later antidumping case, Welded Stainless Steel Pipe and Tube from Japan (1978), the Commission found in the negative also because the dumping margins accounted for only a small part of the amount by which the imports undersold the U.S. product. 17/ In Certain Fish from Canada (1978), a unanimous Commission found in the negative. It concluded that there was no likelihood of injury due to the subject imports because those subsidies not scheduled for immediate elimination "are not likely to have any injurious impact on the U.S. industry." 17a/

16/ Certain Zoris from the Republic of China (Taiwan), Inv. No. 303-TA-1, USITC Pub. No. 787, Sept. 1976, at 7.

17/ Welded Stainless Steel Pipe and Tube from Japan, Inv. No. AA1921-180, USITC Pub. 899, July 1978. In the majority opinion, Chairman Joseph O. Parker, and Commissioners George M. Moore and Catherine Bedell concluded: ". . . the dumping margin accounted for only a small part of the amount by which the Japanese pipe and tubing undersold the domestic product. Even without the LTFV margins, the Japanese pipe and tubing would have been priced substantially below domestically produced pipe and tubing and at a price differential to attract sales from domestic producers. Under these circumstances, any sales that U.S. producers might have lost to Japanese imports or any price suppression that might have been experienced by U.S. producers cannot be attributed to the LTFV margins applicable to imports from Japan." ("Views" at 5-7.) In the concurring "Reasons for Negative Determination," Commissioners Bill Alberger and Daniel Minchew adopted similar reasoning and came to an identical conclusion. ("Reasons" at 11-12.)

17a/ Certain Fish from Canada, Inv. No. 303-TA-3, USITC Pub. No. 919 (September 1978). "Statement of Reasons of Chairman Joseph O. Parker, Vice Chairman Bill Alberger and Commissioners George M. Moore, Catherine Bedell, and Italo H. Ablondi," at 8.

In Unlasted Leather Footwear Uppers from India (1980) 18/, the first countervailing duty case decided after the Trade Agreements Act of 1979 took effect, the Commission majority relied in large part on the "inconsequential" size of the subsidy in coming to a negative determination. In our "Statement of Reasons," Chairman Bedell and Commissioner Moore and I noted:

> . . . the impact of a subsidy of 1.01 percent ad valorem on the price of finished nonrubber footwear is inconsequential . . . . If the Indian subsidies had any effect on U.S. nonrubber footwear prices, it was to make them more competitive with prices of imported footwear, since it is U.S. nonrubber footwear producers which purchase the Indian shoe uppers. 19/

In their concurring views, Vice Chairman Alberger and Commissioner Calhoun also relied on an analysis of the subsidy in making the Commission's determination unanimous. They observed:

> . . . the impact of the 1.01 percent ad valorem Indian subsidy on production costs of nonrubber footwear is also small . . . . In view of these considerations, particularly in combining the low level of market penetration and the low level of the subsidy, the fact of material injury by reason of these subsidized imports cannot be established. 20/

18/ Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (Final), USITC Pub. No. 1045, March 1980. See also Anhydrous Sodium Metasilicate from France, Inv. No. 731-TA-25 (Prel. and Final), USITC Pub. Nos. 1080 and 1118, June and December 1980.

19/ Ibid., "Statement of Reasons of Catherine Bedell, Commissioners George Moore and Paula Stern" at 6.

20/ Ibid., "Views of Commissioners Alberger and Calhoun" at 14.

In Certain Iron-Metal Castings from India (1980) 21/, the Commission again returned to the issue of the impact of a subsidy on the domestic industry. I noted in my views, "My analysis shows that subject imports caused price suppression as a result of the subsidies despite the fact that margins of underselling were larger than the levels of subsidy." 22/ Chairman Alberger also observed: "The margin of underselling by the importers' product was more than twice the amount of the subsidy . . . ." 23/ Though we reached different conclusions, both Chairman Alberger and I recognized the importance of analyzing the effect of the subsidy.

In a subsequent preliminary antidumping case, Certain Iron-Metal Castings from India (1981), Vice Chairman Calhoun and Commissioners Moore and Bedell spoke of a reasonable indication of material injury "beyond, and entirely separate from, any injury caused by the export subsidies already found to exist on Indian castings." 24/ In my concurring opinion and in Chairman Alberger's dissenting opinion, we both referred to the LTFV margins and the subsidies in examining causation. 25/

21/ Certain Iron-Metal Castings from India, Inv. No. 303-TA-13 (Final), USITC Pub. No. 1098, September 1980.

22/ Ibid., "Statement of Reasons of Commissioner Paula Stern" at 24.

23/ Ibid., "Views of Chairman Bill Alberger" at 34.

24/ Certain Iron-Metal Castings from India, Inv. No. 731-TA-37 (Preliminary), USITC No. 1122, January 1981, "Statement of Reasons for the Affirmative Determination of Vice Chairman Michael J. Calhoun and Commissioners George M. Moore and Catherine Bedell" at 5.

25/ Ibid., "Views of Commissioner Paula Stern" at 9 and "Views of Chairman Bill Alberger" at 10.

Thus, it has been a long and continuous Commission practice in both antidumping and countervailing duty cases to base its analysis of causality in part 26/ on the links between the offending act and any impact of the imports on the domestic industry. Obviously, the offending act is injurious subsidization, not importation. When the net subsidy or margin of dumping has accounted for only a small portion of the margin of underselling, the Commission has reasoned in general that the injury could not be remedied by a countervailing or antidumping duty and found in the negative.

The recent discussion of the problems of causality analysis suffered from a mistaken belief that the "plain language" of the statute is "unambiguous" and that, therefore, reference to the legislative history and the GATT code is "irrelevant." 27/ However, the Senate Report devotes much space to a discussion of this "unambiguous" subject. The Act itself is necessarily streamlined and the entire discussion of the issue by all parties in the present cases and two of the Commissioners in Certain Steel Wire Nails (1982), Carbon Steel Wire Rod (1982) and Fireplace Mesh Panels (1982) testifies to the need for further explication

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26/ Analysis of subsidies or margins of dumping has formed only one part of the Commission's considerations of causality. This has always been my position.

27/ E.g., see "Additional Views of Vice Chairman Michael J. Calhoun" in Certain Steel Wire Nails from the Republic of Korea (1982) at 15-22.

of the statutory language. Of course, the legislative history and the GATT discussion are only of assistance to the extent they explain, rather than contradict, the statute.

Furthermore, it should first be noted that the so-called "plain meaning" rule is the result of an analysis, not its beginning. 28/ A "plain meaning" pronouncement is a statement to the effect that there is no reason to conclude that the language in question should be expanded or restricted in light of another section of the statute, or that the plain meaning of the language in question is repugnant to the overall statute, or that the legislative history of the Act shows that the Congress intended the language to be used in a sense other than its common meaning. I am willing to grant the literal language in both the Act and the MTN codes which they implemented does not require that the Commission must trace injury from subsidized imports to the subsidy or from dumped goods to the margin of dumping. Nor does the language of the Act forbid such an exercise. The analysis offered above surely establishes that the meaning of the phrase "effect of subsidized imports" is not intuitively obvious to the most casual observer. Examined in its appropriate context, as I have attempted to do here, the meaning which I have suggested for the statutory language has a greater claim to the "plain" meaning than that offered by the majority. And the interpretation I have championed has the added advantage of making economic sense of the material injury test which the Act embodies, because causality depends on the

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28/ Sutherland on Statutory Interpretation, Vol. 24 (4th Ed., 1973) at 48-49.

magnitude of injurious impact in the same manner that the remedy, a special duty, reflects only the magnitude of the unfair practice.

Failing to demonstrate that subsidy analysis contradicts the plain meaning or legislative intent of the statute, the proponents of conducting an analysis of the impact of imports blind to the subsidy involved here have underlined the weakness of their theoretical position by resorting to a seemingly endless series of "practical" arguments. Detailed tracing of margins has alternately been characterized as an impossible burden, an exercise lacking economic relevance, an encroachment on the statutory bifurcation of authority between the Commission and Commerce, or an administrative nightmare. I will deal with each of these in turn.

Impossible burden. -- It has been suggested that the purpose of the Act would be defeated if it made a remedy "contingent upon a detailed tracking" of the impact of such practices on the domestic industry. This argument apparently applies only to subsidies since dumping by definition is the relatively direct activity of selling at below home-market fair value (however difficult it may be to determine properly fair value). Moreover, if it were an impossible burden to make such a detailed tracing, the Act is surely self-defeating because a rather detailed tracing -- on occasion more complex than that suggested here for the

Commission -- is required of Commerce by the Act when its prepares its final margins. All information on subsidies and/or dumping is distilled -- quantified -- into simple margins based on prices. Application of the remedy is absolutely dependent on this "detailed tracing," and the Commission -- at least in final investigations -- benefits from the knowledge Commerce has acquired.

There are two indications in the statute that Congress envisioned the Commission as having the wherewithall to complete the tracing which Commerce begins by constructing the margins. Section 771(7)(E)(i) provides:

> Nature of Subsidy -- In determining whether there is threat of material injury, the Commission shall consider such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement) provided by a foreign country and the effects likely to be caused by the subsidy. 29/

This section of the statute applies only to threat cases. But it does demonstrate Congressional faith in the ability of the Commission

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29/ To date the Commission has relied on section 771(7)(E)(i) in Leather Wearing Apparel from Uruguay, Inv. No. 701-TA-68 (Final), USITC Pub. 1144, May 1981; Hot-Rolled Carbon Steel Plate from Brazil, Inv. No. 701-TA-84 (Prel.), USITC Pub. No. 1207, January 1982; and Hot-Rolled Carbon Steel Plate from Brazil, Inv. No. 701-TA-87 (Prel.), USITC Pub. 1221, Feb. 1982.

to perform subsidy analysis. Surely, if the burden were "impossible," Congress would not have directed the Commission to assume it under any conditions. Congressional confidence in the Commission's ability to perform this kind of task is further exhibited in the construction of section 104(b) of the Trade Agreements Act, which provides for review investigations of outstanding countervailing duty orders. The Commission must assess what effect an outstanding order has had on the pricing and other marketing strategies of the importers and exporters subject to it. This kind of retrospective analysis or projection is surely as difficult as any I, or the full Commission, in the cases earlier cited, believe should be conducted in ordinary non-review cases.

An Exercise Without Economic Relevance. -- The next practical argument concerns the economic relevance of the margins found by Commerce. Harald Malmgren is cited:

> The charging of different prices for the same product in different markets can result from the fact that there are always some impediments to arbitrage and from the fact that elasticities of demand vary from market to market . . . . This has nothing to do with the question of subsidies. 30/

Nor may I add would <u>such</u> international price differences have anything to do with predatory dumping. The point here is that pricing below home market in a foreign market can be a perfectly rational reflection of different supply and demand situations and not reflect any inately unfair activity. This is a potential problem with the statutes themselves, and

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30/ Harald B. Malmgren, International Order for Public Subsidies (London, 1977) at 40-41.

has nothing whatever to do with the most rational way of applying them. The argument continues by noting that Commerce's calculations are based on foreign accounting principles and the principles may vary by company as well. In general, accounting principles for the purposes of valuation in a taxation proceeding do not measure economic phenomena outside the accounting system and the taxation regulations. There is nothing surprising in any of this. Commerce has an admittedly difficult task in wading through indirect subsidy programs and foreign firms' books to arrive at the ad valorem values of a foreign subsidy for the purpose of assessing an offsetting tax.

Two further comments are prompted. First, the conversion of indirect subsidies into an ad valorem equivalent (carried to the third decimal point) is Commerce's duty and one which I trust it approaches with the greatest care. I must rely on this information because it is the best available, and in the bifurcated scheme of responsibilities, it is Commerce's undisputed bailiwick. Second, the problems encountered by Commerce in dealing with accounting quantities which may not conform directly to economic reality are those encountered by the Commission itself in compiling aggregate data on the economic performance of the domestic industry. In case after case, financial performance data of individual firms reflect incompatible accounting years, various methods for treating inventories, different depreciation practices, and highly individual methods of allocating expenses to the product lines under consideration. The complexity of this problem does not afford the Commission the idle luxury of ignoring the results unless

the data is utterly worthless. Our practice is to use the best available information and do our best to adjust our analysis for any shortcomings in the data.

Bifurcation of Responsibilities. -- Margin analysis preserves the statutory bifurcation of responsibilities between Commerce and the Commission. The purpose of Commerce's calculations are to develop an offsetting tax. The purpose of the Commission's work is to determine the impact on the market place of the original subsidy. To simplify the analysis to the level of freshman economics, the subsidy is presumed to shift the supply curve of the foreign producers to the right so that at any given market price a greater quantity is supplied. Commerce estimates the amount of the shifting. The Commission then determines whether material injury to the U.S. industry results from the shifting, not from the simple presence of imports. If the Commission finds in the affirmative, the countervailing duty is applied to shift the foreign supply curve back to where it presumably would have been without the subsidy. The statutory scheme allows a similar result to be achieved by a settlement in which the foreign government, for instance, places an equivalent export tax on the product.

An Administrative Nightmare. -- A further "practical" concern is that making affirmative determinations dependent on subsidy analysis would destroy their stability by opening them up to remands by the reviewing court if it found the net subsidy to be significantly smaller than that found by Commerce. Such analysis would destroy the "stability"

of ill-founded affirmative decisions. But in general, effective administration of a statute should never be divorced from the specific acts the statute is intended by all accounts to remedy. If, as I have maintained, margin analysis should continue as an element of the Commission's deliberations, then any significant correction to the margins may be proper cause for reconsideration. 31/ One might argue by analogy that the "stability" of Commission affirmatives could be increased by making them independent of profit data which may be incorrectly calculated. 32/ But such independence would eliminate the material injury standard of the statute in the same manner as blindness to margins cripples the causality standard.

To conclude, I do not believe that an affirmative determination critically depends on the most intricate tracing of the incidence of the subsidies and dumping margins on the domestic market. But the information is a consideration of the first order, and we are required to base our determinations on the best available information. The process is not unnecessarily burdensome to the Commission. Indeed, with the bifurcation of responsibilities between Commerce and the Commission, Commerce lightens our task considerably by conducting the examination and determination of the margins. Rather than ignoring the information provided on this subject, the Commission should continue to incorporate it into its causality considerations. The Commission comes to this task well prepared as it is accustomed to the "intricate tracing" of many other market phenomena.

31/ Of course the statute provides that changes in subsidy margins subsequent to a Commission determination can be accommodated by an annual Commerce review mechanism without further reference to the Commission. See 19 U.S.C. 1675 a .

32/ Atlantic Sugar, Ltd., et al. v. United States, USCIT No. 80-5-00754, Slip Opinion 81-62 (July 8, 1981). The Court remanded the case to the Commission in part because of errors in the calculation of certain data. The solution is to do the calculations correctly, not throw out the indicator involved.

From the above, it is clear that I have concluded that causality is what common sense tells us it ought to be -- connecting unfair practices, LTFV and/or subsidized sales of imports to the material injury they cause. Refusing to do so violates the logical scheme of the statute and would fundamentally undermine the standard for causation, particularly in final investigations such as those before the Commission here. 33/

33/ In some preliminary investigations, an argument was made that the very attempt to tie the proscribed practices to the imports creates a de facto double standard for material injury in preliminary and final cases. I believe that this conclusion is unwarranted. I have always been of the view that the concepts of the Act (e.g., material injury, by reason of, industry), have a single meaning common to both preliminary and final cases. Indeed, the definitions of such terms are found in section 771 which applies to preliminary and final antidumping and countervailing duty cases alike. But there is a fundamental, inescapable difference between preliminary and final cases -- the evidentiary standards. In preliminary cases, a reasonable indication must be shown; in final cases, material injury due to subsidized or LTFV imports must be proven. Using information on subsidies or dumping margins in final cases imposes no double standard other than the different evidentiary requirements already stated.

B. The De Minimis Subsidies

In analyzing causality in the present cases, the Commission was confronted with the three affirmative final subsidy determinations by Commerce in which Commerce itself terms them subsidies and evaluates them as 0.000 percent. A "de minimis" subsidy is one which is trifling, i.e., not legally cognizable. Inasmuch as the subsidies themselves are trifles, their effects, too, cannot be measurable. Accordingly, I have no difficulty with finding that a "de minimis" subsidy cannot be the cause of present material injury.

For such subsidized imports to cause future material injury, two conditions would have to be met. First, the level of subsidization would have to increase at some point in the future from the present "de minimis" amount. Second, the future non-"de minimis" subsidies would have to be shown to enable the subsidized imports to threaten material injury. There is nothing on the record, however, indicating that these subsidies will increase. To assume that the subsidies will increase merely because there are on-going programs would be mere conjecture. The Congressional standard for a finding of a threat of material injury is that the Commission's record contain "information showing that the threat is real and injury is imminent, not a mere supposition of conjecture." 34/ The mere possibility that a significant subsidy might be funded at some time in the future does not meet this standard. 35/

34/ Senate Report No. 249, 96th Cong., 1st Sess., 88, 89 (1979), House Report No. 317, 96th Cong., 1st Sess., 47 (1979), cited in Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (1981).

35/ Cf., Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 791 (1981).

Therefore, to connect imports benefitting from such subsidies to hypothetical future material injury would be to engage in two levels of supposition -- in the first instance about the future of the subsidy and in the second instance about the subsequent impact on the domestic industry.

C. The Circumstances for Cumulation

The Commission long ago adopted the practice of using its discretion in cumulating the impact of competitive imports from more than one country in reaching its determinations regarding material injury. 36/ The circumstances which indicate whether cumulation is appropriate concern the competitiveness of the imported products with the domestically-produced products and with each other. It is standing Commission practice that it must be demonstrated that "the factors and conditions of trade in the particular case show its relevance to the determination

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36/ Pig Iron from East Germany, Czechoslovakia, Romania, and the U.S.S.R., Inv. Nos. AA1921-52 to 55, TC Pub. 265 (1968), at 17 (Views of Commissioner Clubb); Potassium Chloride from Canada, France, and West Germany, Inv. Nos. AA1921-58 to 60, TC Pub. 303 (1969). See S. Rept. No. 93-1298, 93rd Cong., 2d Sess., 180 (1974).

of injury." 37/ Factors and conditions which could combine to create a collective "hammering effect on the domestic industry" would be of most concern. These might include:

-- volume of subject imports

-- fungibility of imports

-- competition in markets for the same end-users

-- common channels of distribution

-- simultaneous impact

-- trend of import volume

-- pricing similarity

-- any coordinated action by importers

The record contains ample information to demonstrate that virtually all these factors and conditions argue for cumulation. There is no evidence of coordinated actions by importers and in invididual cases, import volume trends and pricing behavior show some differences.

The product lines subject to these steel investigations contain competitive, often totally fungible, products. The record of these investigations indicates that brokers buy on the open market and may not even know the identity of the producer of the materials purchased. Where these factors are present, it would be unrealistic to attempt to differentiate the effects of imports from individual countries. In

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37/ S. Rept. No. 93-1298, 93rd Cong., 2d Sess. (1974), at 180. There are no criticisms in the legislative history accompanying the Trade Agreements Act of 1979 of this long-standing, uniform and consistent practice of the Commission.

these circumstances, the cumulative effect of all of the imports subject to these particular investigations contribute to the prevailing market conditions. 38/

Cumulation is obviously unnecessary in cases where affirmative determinations are possible on an individual basis. Furthermore, in those cases on which I have voted negatively, the imports in question could not possibly have contributed to material injury. The standard of "contributing to material injury" is obviously a lower one than that of individually causing material injury. But the logic of cumulation, if it is to remain in accord with the carefully constructed causation standards of the Act, requires that the imports of any country being cumulatively assessed must, at the very least, contribute to the overall material injury to be remedied. This standard has been enunciated by former Chairman Alberger, Commissioner Eckes, and myself in the preliminary cases. 39/ In the explanation of my determinations for each product line I distinguish those situations in which cumulation was deemed appropriate.

38/ I have not cumulated the impact of subsidized imports with that of imports sold at less than fair value, nor with that of imports for which the Department of Commerce has not made final determinations as to the net subsidy. With regard to imports from South Africa, a country which has not signed the international subsidies agreement, I have taken their presence into account but found that it is not necessary to cumulate them as their inclusion or exclusion would not result in a change in any of my determinations.

39/ Certain Steel Products . . . , Inv. Nos. 701-TA-86 through 144, 701-TA-146 and 701-TA-147 (Preliminary) andzInv. Nos. 731-TA-53 through 86 (Preliminary), USITC Pub. 1221 (Feb. 1982). See "Views of Chairman Alberger, Vice Chairman Calhoun, and Commissioners Stern and Eckes" at 16. Footnote 36/ makes clear that this approach was also adopted by Chairman Alberger and myself in the May 1980 preliminary steel cases.

D. The Meaning of Lost Sales

As the language of the determination plainly notes, the Commission must examine injury to an entire industry in the United States, not merely to individual producers. Clearly this requires a judgment about the aggregate effect of the subsidized imports on the aggregate condition of the domestic industry. The Commission's record contains information ranging in generality from individual transactions to the performance of the entire economy. All this data can be useful. However, great care must be employed in the use of micro data to form conclusions about aggregate phenomena. Lost sales data in particular offer both unique advantages and disadvantages in forming judgments on the causality of injury. I believe that my colleagues, in their efforts to avoid looking at the aggregate impact of subsidies, may be placing an unjustified emphasis on lost sales representing a biased selection never covering more than 5.7 percent of foreign sales in any of these final cases.

The reasons for such a temptation are clear enough. Confirmed lost sales by domestic producers to the imports in question are a tangible link between the two. Aggregate pricing comparisons are extremely difficult to calculate on a comparable basis for the domestic product and the imports; lost sales data on the other hand, give a head on comparison of domestic and foreign prices at the same time, in the same location, and often on the identical grade of product. The multitude of differences in characteristics within each steel product line makes lost sales information a particularly seductive alternative to the complex pricing analysis performed by the staff

and reported in great detail with many qualifiers. But lost sales except in the most unusual of circumstances remain but an indication of the possible diversion of business from the domestic producers to persons selling the subsidized imports. To establish that such diversion actually occurred and the reasons for it, the Commission does not rely on information merely indicating reduced sales of domestic producers or increased sales of the imported merchandise. Rather, the Commission attempts to find customers of the domestic producers who have shifted appreciable amounts of their requirements from the domestic producers to the imports. Moreover, the Commission attempts to discern the reason for the shift. In those cases where price is the principal reason for the switch and aggressive pricing is characteristic of the market, lost sales could be a confirmation of the loss of market share from aggressive marketing. On the other hand, this would not be the case if customers sought out alternative sources of supply in response to quality or delivery problems with domestic producers.

In cases where the Commission staff verifies that a domestic producer lost sales to subsidized imports, the lost sale is not necessarily representative of a general business diversion in the market place. It is not common for the customers of a domestic customer to disclose to the producer their reasons for reducing orders. Many claims of lost sales made by domestic producers, when investigated, turn out to involve business won by other domestic companies or by non-subject imports not cited in the complaints. Confirmed lost

sales information comes from a sample selected by the petitioners. They do not in general tell the Commission of sales won from foreign competitors. The reasons for a lost sale furnished by the customer may be self-serving as well.

In addition to not being representative of overall business diversion in the market place, confirmed lost sales represent transactions which may not, in turn, represent trends in market share. Indeed, any truly competitive market should be characterized by all producers -- domestic and foreign -- experiencing lost -- and gained -- sales. Such behavior could be perfectly compatible with constant market shares for all participants, growing overall demand, and a healthy industry with no party inflicting injury. A domestic consumer may switch suppliers and purchase subsidized merchandise in a market in which overall subsidized imports are declining. In such cases, lost sales would in no way represent the aggregate impact of subsidized imports on the domestic producers of the merchandise under investigation.

Nevertheless, lost sales information is useful. The absence of any confirmed lost sales could be a strong indicator of the lack of a causal link. The presence of lost sales invites further investigation of aggregate pricing trends to find whether imports are underpricing or otherwise unfairly aided in their competition with the domestic product by the subsidies in question. Such aggregate pricing information is collected by random sampling, rather than through self-selected lost sales. In a statistical sense, there should be a stochastic element to prices in all competitive markets. Lost sales are a biased selection of those sales on which the successful bidder is most likely to have offered a lower price. They demonstrate very little about aggregate pricing behavior unless they

cover a significant percentage of foreign sales in the U.S. market. In a preliminary investigation, where comparable pricing data may often be totally lacking, lost sales may provide the required indication of causality needed for an affirmative. The investigations before us today are final ones and require proof of causal link, not merely a reasonable indication. In the absence of comparable aggregate pricing information, lost sales that were truly representative could theoretically provide such proof. But the coverage of the lost sales information is a paltry 0.0 to 6 percent of the subject imports. There are absolutely no indications that the data are representative. Furthermore, there is comparable pricing data which the staff has compiled on a random, unbiased basis. Undue reliance on the lost sales information in this situation would be myopic and misleading.

Having discussed the principles underpining my case-by-case analysis, I will now focus on the sixteen individual cases taken product line by product line.

III. Hot-rolled carbon steel plate

A. Belgium 40/

1. Imports

Imports from Belgium fell from 386,000 short tons in 1978 to 214,000 tons in 1979, but then increased to 286,000 tons in 1980 and 287,000 tons in 1981. Imports in January-June 1982 amounted to 116,000 tons, 11 percent below the level for the same period of 1981. */ The ratio of these imports to apparent U.S. consumption fell irregularly from 4.6 percent to 3.9 percent in 1981. In the first half of 1982 the market share rose to 4.7 percent compared to 3.2 percent for the like period of 1981. */

2. Prices and Lost Sales

Data adequate for analysis indicate underselling in 42 of 54 observations with margins of underselling generally ranging from 5 to 15 percent. */

Of 26 lost sales allegations checked, 18 were confirmed, all because of price. */ Confirmed lost sales covered 0.9 percent subject Belgian sales. 41/

40/ Official import statistics do not separate Luxembourg from Belgium and therefore the numbers are given for for the two combined. However, virtually all imports of this product originate in Belgium. See Report at II-29.

41/ Unless otherwise noted lost sales coverage figures show the total volume of confirmed allegations of lost sales verified in the final investigation as a percentage of total U.S. imports for consumption between January 1980 and June 1982. The source is calculations performed for my office by the Office of Economics.z

*/ Report at II-29, II-32; II-35; II-52; and II-57, respectively.

3. Subsidy

The size of subsidies found on subject Belgian steel ranged from 0 to 13.4 percent. The most substantial Belgian producer, Clabecq, was continued by Commerce with a de minimis margin. Because it is inappropriate for the Commission to exclude firms that Commerce has included in its affirmative determinations, a weighted average subsidy margin was constructed. 42/ The result was a margin well under two percent because Clabecq accounts for the lion's share of Belgian exports. Even assuming a full pass through of these subsidies to the market place, a highly unlikely event, there would not be a material impact on the U.S. industry.

B. The United Kingdom

1. Imports

Imports from the United Kingdom fell from 34,000 tons in 1978 to 6,000 tons in 1980 before returning to 35,000 tons in 1981. In January-June 1982, 9,000 tons were imported, or 50 percent more than during the like period of 1981. */

The ratio of imports to U.S. consumption was 0.4 percent in 1978 and 0.5 percent in 1981. In the first half of 1982 the level was 0.4 percent compared to 0.1 percent for the like period of 1981. */

42/ Source of weighted average calculations: Memorandum to Commissioner Stern from Director, Office of Investigations, September 30, 1982, submitted in confidence.

*/ Report at II-38 and II-35, respectively.

2. Pricing and Lost Sales

The only pricing comparison showed a margin of underselling of 1 percent. */ Of five lost sales investigated, 4 were confirmed all on the basis of price. */ Confirmed lost sales covered 0.1 percent of subject U.K. sales.

C. Federal Republic of Germany

1. Imports

Imports from Germany fell irregularly from 183,000 tons in 1978 to 96,000 tons in 1981. In January-June 1982 there were 28,000 tons or 22 percent below the level for the like period of 1981. */

The ratio of imports to U.S. consumption fell from 2.2 percent in 1978 to 1.3 percent in 1981. In January-June 1982 they were 1.2 percent compared with 0.9 percent for the first half of 1981. */

2. Prices and Lost Sales

Margins of underselling by the imports generally ranged from 10 to 15 percent and were calculated on a small base. */

Of 9 lost sales checked, only 3 were confirmed, all on the basis of price. */ The data covered 2.2 percent of German sales.

3. Subsidy

Commerce found de minimis level of subsidy on German imports and evaluated it at zero.

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*/ Report at II-52; II-58; II-38; II-35; II-52; II-58, respectively.

D. Determinations

I have made negative determinations in all three of the hot-rolled carbon steel plate cases. The significant underselling despite the de minimis level of the German subsidies and the declining penetration of imports rule out any possibility that German imports have contributed to any injury the U.S. industry is experiencing. Similarly, the extremely low level of subsidy on Belgian imports (evaluated at zero for most of the imports considered) coupled with significant margins of underselling demonstrate that Belgian imports would be a strong factor in this market without the benefit of the subsidies noted by Commerce. Belgian imports are not causing or contributing to material injury. The tiny presence of imports from the United Kingdom is simply not significant enough to cause material injury.

Furthermore, nothing on the record demonstrates that these subsidized imports taken separately or cumulated with each other threaten to cause material injury in a real and imminent manner. Imports from Belgium have declined from their high point in 1978, with the decline especially noticeable in the most recent period, Jan.-June 1982. Imports from the U.K. have been at a very low level and stable, over the entire 4-1/2 year period January 1978-June 1982.

In terms of import penetration, Belgium's share of the U.S. market has also declined. But more importantly, the Belgium producer Clabecq, which accounted for the vast bulk of Belgium plate exports to the United States throughout the entire period, was found to have been granted de minimis subsidies by Commerce. */ Without Clabecq, import penetration by Belgium plate was less than 1 percent in all periods, January 1978-June 1982. (The import penetration ratios without Clabecq's figures are confidential.) U.K. import penetration for plate only reached 0.5 percent in calendar year 1981, and has receded since then.

Pricing information on Belgian plate supply indicates no evidence of price cutting to gain market share. Price data for the U.K. were not available, probably due to the country's small presence in the market.

The EC has a voluntary quota system for steel plate. Belgium and U.K. producers have had to cut production on these products during the period of investigation, and the amount of the cutback has increased. 43/ This system restricts total production, including exports to the U.S. market. Belgium and U.K. producers are pledged under the Davignon Plan of the European Communities to end state subsidies, and rationalize production and capacity by 1985. Such rationalizations if undertaken will result in capacity cutbacks for most steel products, including hot-rolled plate. 44/

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*/ See Report at II-32.

43/ See Report at E-5.

44/ See Report at E-8.

IV. Hot-rolled carbon steel sheet and strip

A. Belgium

1. Imports 45/

Imports from Belgium grew irregularly from 77,000 tons in 1978 to 108,000 tons in 1981. */ Imports in January-June 1982 were 54,000 tons compared to 13,000 during the first half of 1981. */

As a share of apparent U.S. consumption they grew from 0.4 percent in 1978 to 0.7 percent in 1981. In January-June 1982, they had risen to 0.9 percent compared to 0.2 percent for January-June 1981. */

2. Pricing and Lost Sales

On a small base, margins of underselling by Belgian hot-rolled sheet ranged from 1 to 8 percent.In other instances the domestic product undersold comparable Belgian products. */

Of lost sales allegations checked, three were confirmed, all due to price. */ They covered 0.5 percent of Belgian sales. 46/

3. Subsidies

The subsidies reported on subject Belgian steel ranged from 0 to 13.4 percent. A weighted average margin was calculated which was very close to the top range of this margin, a reflection of the small role played by Clabeq, with its zero subsidy.

45/ Data for Belgium and Luxembourg are not separately reported. However, the overwhelming bulk of the combined imports are from Belgium. See Report at II-24.

46/ The period of coverage is January 1980 through December 1981 because the Belgium/Luxembourg data cannot be disaggregated for January-June 1982

*/ Report at III-24; III-27; III-30; III-43; III-48, respectively.

B. France

1. Imports

Imports from France fell irregularly from 694,000 tons in 1978 to 461,000 tons in 1981. In January-June 1982 they were 125,000 tons, 28 percent below levels for the comparable period of 1981. */

The U.S. market share of such imports fell irregularly from 3.8 percent in 1978 to 3.1 percent in 1981. In January-June 1982 this ratio was 2.2 percent, about the same level as that recorded for the first half of 1981. */

2. Pricing and Lost Sales

The pattern of pricing is not particularly clear. In about half of the observations, French imports undersold the domestic product by margin ranging from 1 to 10 percent. In the other half, the French prices were equal to or greater than domestic prices. */

Of 27 lost sales allegations checked, 19 were confirmed, 16 due to price. The confirmed lost sales represented 0.4 percent of French sales. */

3. Subsidies

French subsidies ranged from 4.0 to 21.4 percent. The weighted average margin was close to twenty percent and thus at the high end of the range. */

C. Italy

1. Imports

The volume of imports from Italy fell from 250,000 tons in 1978 to 70,000 tons in 1981. For January-June 1982, they were 62,000 up dramatically from the one year earlier level of 5,000 tons. */

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*/ Report at III-32; III-30; III-43; III-47 and 48; III-21; and III-27, respectively.

As a ratio of apparent U.S. consumption, they fell from 1.4 percent in 1978 to 0.5 percent in 1981. In January-June 1982, the share was 1.1 percent, up from the 0.1 percent level of the like period of 1981. */

2. Prices and Lost Sales

Little comparative pricing information is available on Italy. What is available indicates that Italian steel is not underselling U.S. steel by large margins.

Of 3 lost sales allegations checked, two small ones were confirmed, both on the basis of price. */ They represent 0.2 percent of Italian sales.

3. Subsidies

The size of subsidies reported on Italian steel ranged between 6.3 and 14.6 percent. No weighted average could be calculated.

D. Federal Republic of Germany

1. Imports

Imports from Germany fell from 677,000 tons in 1978 to 329,000 tons in 1981. In January-June 1982, they were 179,000 tons, up 66 percent from the level for the first half of 1981. */

Their share of U.S. consumption fell from 3.7 percent in 1978 to 2.2 percent in 1981, before rebounding to 3.2 percent in the first half of 1982. However, these figures are significantly overstated because approximately two-thirds of the volume comes from firms excluded from Commerce's final subsidy determinations.

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*/ Report at III-30; III-47; and III-32, respectively.

2. Pricing and Lost Sales

Price comparisons with just the steel imported from the German mills included in Commerce's final subsidy determination were not possible. The overall data, including steel from all German sources, indicate a pattern of overselling by the German imports.

Of 18 lost sales allegations checked, only 6 were confirmed, 5 of them due to price. */ The confirmed lost sales represent 0.4 percent of all sales of subject German imports during the period.

3. Subsidies

The only German producer not excluded from Commerce's final subsidy determination, Stahlwerke Peine-Salzgitter AG, received a de minimis subsidy which would be assessed at zero.

E. Determinations

Because of the de minimis subsidies involved, subsidized hot-rolled carbon steel sheet and strip from the Federal Republic of Germany cannot be contributing to material injury to the U.S. industry in this product line. Nor is it threatening to do so within the meaning of the Act. I have found it appropriate to cumulate the impact of subject imports from Belgium, France, and Italy, all of which are receiving significant subsidies. I find in the affirmative on these three cases because taken together, the subsidization of this subject steel has been shown to be having a material impact on the worsening situation of the domestic industry.

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*/ Report at III-47.

V. Cold-rolled Carbon Steel Sheet and Strip

A. France

1. Imports

The volume of French imports declined irregularly from 260,000 short tons in 1978 to 154,000 tons in 1981. In January-June 1982, imports of 94,000 short tons were recorded compared to 67,000 tons during the same period of 1981. */

As a share of apparent U.S. consumption, French imports declined slightly from 1.2 percent in 1978 to 1.0 percent in 1982. In January-June 1982, French import penetration was 1.4 percent compared to 0.8 percent for the same period one year earlier. */

2. Pricing and Lost Sales

Comparable pricing data shows wide variations with margins of underselling by French sheet never in excess of 13 percent and more instances of overselling than underselling. */

Of 17 allegations of lost sales investigated, 13 were confirmed, seven of them due to price. */ Confirmed lost sales covered 3.4 percent of French sales.

3. Subsidies

The subsidies reported on French cold-rolled sheet ranged from 3.7 percent to 19.5 percent with a weighted average of 14.3 percent.

B. Italy

1. Imports

The volume of Italian imports declined irregularly from 213,000 short tons in 1978 to 55,000 short tons in 1981. During the

*/ Report at IV-25; IV-28; IV-42; and IV-43, respectively.

January-June 1982 they reached 43,000 tons compared to a negligible amount for the first half of the previous year. */

As a ratio of U.S. consumption, Italian imports declined from 1.2 percent in 1978 to 0.3 percent in 1981. In January-June 1982 they registered 0.6 percent compared to a share of less than 0.05 percent for the first half of the previous year. */

2. Pricing and Lost Sales

Comparable pricing data show that Italian cold-rolled sheet undersold the domestic product by a maximum of 8 percent; in a slightly greater number of instances they oversold the domestic product by margins as great as 21 percent. */

Lost sales data show that one of three allegations checked was confirmed, and it was not attributable to price. The lost sale did not cover even a tenth of one percent of Italian sales during the period.

3. Subsidies

The size of subsidies found by Commerce varied from 6.3 to 14.6 percent. No weighted average could be calculated.

C. The Federal Republic of Germany

1. Imports

Total German imports declined from 665,000 tons in 1978 to 400,000 tons in 1981. In January-June 1982 their volume reached 166,000 tons compared to 104,000 tons for the same period of 1981. */

The ratio of German imports to apparent consumption declined slightly from 3.0 percent in 1978 to 2.5 percent in 1981. The penetration was

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*/ Report at IV-25; IV-28; IV-42, and IV-25, respectively.

2.5 percent in January-June 1982 compared to 1.2 percent in the same period of 1981. */

However, these data grossly overstate the volume of imports subject to Commerce's final affirmative subsidy determination. Export data suggest that the latter have hovered around a level less than one-fifth of the data given above.

2. Pricing and Lost Sales

Comparative pricing data show German imports to have generally oversold the domestic product.

Lost sales information show that only 9 of the 20 allegations checked were confirmed, and none were due to price as the major reason. */ Confirmed lost sales covered 0.02 percent of total German sales during the period, January 1980-June 1982.

3. Subsidies

Only one German producer of cold-rolled sheet and strip, Stalwerke Peine-Salzgitter AG, was found to be receiving subsidies. Commerce reported them as de minimis and would assess them at zero.

D. Determinations

The absence of any subsidy margins on the subject imports of German steel, as discussed earlier, eliminates them as a source of material injury or threat thereof. Nor could they contribute in any way to material injury from other subject imports. The significant subsidy margins on the French and Italian imports, coupled with the low or negative margins of underselling, lead to the conclusion that the subsidies have been instrumental in causing a cumulated impact of material injury to the weak domestic industry.

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*/ Report at IV-28; IV-43, respectively.

VI. Carbon Steel Structural Shapes

A. Belgium 47/

1. Imports

Imports of structural shapes from Belgium and Luxembourg 48/ grew from 307,000 short tons in 1978 to 403,000 tons in 1981. In the first half of 1982 their level was 161,000 tons, down from 189,000 tons for the same period of 1981. */

Their ratio to U.S. consumption grew from 5.4 percent in 1978 to 6.9 percent in 1981. In January-June 1982 the level was 6.9 percent compared to 6.0 percent for the same period in 1981. */

Analysis of export data indicates that roughly half of the total volume originates in each nation. 49/

2. Pricing and Lost Sales

Comparable pricing data show margin of 1 to 27 percent by which the Belgian imports generally undersold the domestic product.

Of 25 allegations of lost sales checked, 23 were confirmed, all of which were due to price as the major reason. Confirmed lost sales covered 0.3 percent of Belgian sales. 50/

3. Subsidies

Belgian steel was found to benefit from a subsidy of 13.2 percent.

47/ Official import data for Belgium and Luxembourg are not separately reported.

48/ See Report at V-34.

49/ The period for lost sales coverage for Belgium and Luxembourg was January 1980 through December 1981.

50/ See footnote 46 and Report at V-53.

*/ See Report at V-29 and V-32, respectively.

B. France

1. Imports

Imports of French structural shapes fell from 99,000 short tons in 1978 to 52,000 tons in 1981. In January-June 1982, their level was 27,000 tons, just 2,000 tons below thatzfor the same period of 1981. */

The French ratio of apparent U.S. consumption declined from 1.7 percent in 1978 to 0.9 percent in 1981. In January-June 1982, the French penetration was 1.2 percent, compared to 0.9 percent for the same period of one year earlier. */

2. Pricing and Lost Sales

Comparable pricing data showed French imports generally underselling the domestic product by margins of 1 to 11 percent. */

Of six allegations of lost sales covered, six were confirmed, all due to price. */ The confirmed lost sales covered 0.5 percent of French sales in the period.

3. Subsidies

French imports were found to benefit from a subsidy of 11-14 percent.

C. The United Kingdom

1. Imports

Imports of structural shapes from the United Kingdom grew irregularly from 72,000 short tons in 1978 to 136,000 tons in 1981. In January-June 1982, 37,000 tons were imported compared to 75,000 tons for the same period of 1981. */

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*/ Report at V-29; V-32; V-49; V-53; and V-29, respectively.

The United Kingdom's share of consumption grew from 1.3 percent in 1978 to 2.3 percent in 1981. The penetration in January-June 1982 was 1.6 percent compared to 2.4 percent for the same period of 1981. */

2. Pricing and Lost Sales

On a small sample, comparable pricing data revealed that U.K. imports undersold the domestic product by 13 percent. */

Of 5 allegations of lost sales checked, four were confirmed, all due to price. */ The confirmed lost sales covered 2.7 percent of U.K. sales during the period.

3. Subsidies

Imports from the United Kingdom were found to benefit from subsidies of 20.3 percent.

D. Luxembourg

1. Imports

The import volumes and ratios for Luxembourg were discussed above with those for Belgium.

2. Pricing and Lost Sales

Comparable pricing data revealed a pattern in which the imports undersold the domestic product by generally large margins which ranged from 2 to 38 percent. */

Of 24 allegations of lost sales checked, all 24 were confirmed with price cited as the major reason. */ Confirmed lost sales covered 2.8 percent of imports from Luxembourg.

3. Subsidies

Imports from Luxembourg were found to benefit from subsidies ranging in size from 0.5 to 1.5 percent, with a weighted average of about 0.5 percent.

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*/ Report at V-32; V-49; V-53; V-49; and V-53, respectively.

E. The Federal Republic of Germany

1. Imports

Total German imports fell from 167,000 tons in 1978 to 109,000 tons in 1981. In January-June 1982, the volume was 62,000 tons compared to 48,000 tons for the same period of 1981. */

The German share of U.S. consumption declined from 2.9 percent in 1978 to 1.9 percent in 1981. In January-June 1982, the import penetration was 2.7 percent compared to 1.5 percent for the like period of 1981. */

However, these figures overstate the magnitude of subject imports because they include imports from German firms found not to be receiving subsidies. A comparison with export data provided by German producers indicates that the degree of overstatement is modest.

2. Pricing and Lost Sales

Comparable pricing data revealed a pattern of frequent underselling by the German imports. The margins varied from 1 to 28 percent. */

Of 9 allegations of lost sales checked, 8 were confirmed, all with price as the major reason. */

3. Subsidies

Only one German producer of structural shapes, Stahlwerke Rochling-Burbach Gmbh was found to receive a subsidy greater than zero percent. It was evaluated at 1.131 percent. Another producer, Stahlwerke Peine-Salzgitter AG, received an affirmative subsidy finding in which the subsidy was officially listed as 0.000. The weighted average of these subsidies on subject steel in 1981 was 0.0 percent.

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*/ Report at V-29; V-32; V-53; and V-53, respectively.

F. Determinations

Within the meaning of the Act, imports of subsidized German structural shapes cannot possibly contribute to or threaten to contribute to any material injury experienced by the U.S. industry. The vast majority of these imports benefit from a subsidy evaluated at zero, while a tiny portion receive a small subsidy. These facts are played against a picture in which the German steel generally undersells the domestic product by up to 8 percent. The German subsidies cannot possibly have any significance whatsoever in the performance of German imports in the U.S. market.

The reasons for my negative determination on Luxembourg are similar. Though the subsidies are somewhat higher with a weighted average of 0.6 percent, Luxembourg's margins of underselling are even greater. Surely, the insignificant subsidies have accorded these imports no measurable advantage in the market place that they would not have had without the subsidies. Nor is there any real and imminent threat to the U.S. industry that this situation will change. There is no information demonstrating that subsidies will rise above their present levels. The import penetration is stable and there are no indications of a policy of price cutting to gain market share. Structural shapes are also subject to voluntary quotas on production in the EC. The amount of cutbacks has been substantial, and in general, increasing. 51/ This has the effect of restraining total production (including that available for export). As in plate, Luxembourg is pledged under the Davignon Plan to end all state subsidies by 1985, and rationalize its steel industry.

51/ See Report at E-6.

If successful, this restructuring will result in capacity reductions for most steel products, including structurals.

Finally, I have found the cumulated impact of imports from Belgium, France, and the United Kingdom to be one of material injury to the weakened U.S. industry. The significance of imports from all three countries, which benefit from large subsidies, is manifest when the sizes of the subsidies are compared to the margins of underselling for these imports.

VII . Hot Rolled Carbon Steel Bar from the United Kingdom

A. Imports

Imports of hot rolled bar from the United Kingdom grew irregularly from 88,000 tons in 1978 to 117,000 tons in 1981. For January-June 1982 they stood at 42,000 tons, identical to the level for the same period of 1981. */

The share of the United Kingdom is apparent. U.S. consumption grew from 1.3 percent in 1978 to 2.6 percent in 1981. For January-June 1982, import penetration stood at 2.4 percent compared to 1.7 percent for the first half of 1981. */

B. Pricing and Lost Sales

The comparative pricing data on this product line indicate margins of underselling of between 9 and 12 percent. */ Reports of overselling by the British product are on the record. */

Of six confirmed lost sales, three were due to price. Confirmed lost sales represented 5.7 percent of U.K. sales.

C. Subsidies

The size of subsidies ranged from 1.88 to 20.33 percent, with a weighted average of about 15 percent (based on 1981 export volumes).

D. Determination

I have determined that subsidized imports of hot-rolled bar from the United Kingdom are causing material injury to the domestic industry. The major factors included the significance of the subsidies in maintaining the competitiveness of British steel;

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*/ See Report at VI-23, VI-26; VI-33; and VI-34, respectively.

elimination of the subsidies found by Commerce would have an impact on the ability of the United Kingdom to maintain its market share in competing with a severely injured U.S. industry. The size of the U.K. share in itself is rather small. But that share has increased significance to the extent it is maintained with the aid of large subsidies at a time when the U.S. industry is operating with the specter of daily shut-down decisions.

VIII. These Cases, the Industry, and its Problems

There are some important conclusions and questions to be drawn from the range of individual cases before the Commission in these investigations, and it would be extremely myopic to close these views without taking a longer view of the United States steel industry, of which the five carbon steel product lines before us here form but a segment.

The general perception of this industry is that it is suffering its most severe crisis in modern times, a crisis brought on by the most severe recession since the Great Depression, by years of neglect, and by the successful inroads of imports into once secure markets. All these factors have had a bearing on this investigation. But, unlike the automobile import relief investigation of December 1980 52/, the issue before the Commission was not whether imports as a whole are a substantial cause of the industry's problems. Rather, we were to decide whether the specific imports had caused material injury or threatened to do so because of subsidies which Commerce found them to be receiving. These sixteen cases are but a small part of the steel proceedings presently before the Commission. The petitions filed in January 1982 resulted in 92 preliminary investigations, 59 of them countervailing duty and 33 antidumping in nature. That "only" sixteen have been decided at this time is a reflection of the fact that 39 of the 59 countervailing duty cases were ended by negative preliminary determinations by the

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52/ Certain Motor Vehicles . . . , Inv. No. TA-201-44, USITC Pub. No. 1110, December 1980.

Commission, three were terminated by Commerce because no final subsidies were found, one was suspended for a time by Commerce, and the surviving antidumping cases are on a slower time track. More recently initiated steel cases on these and other product lines are in progress.

A. Overall Industry Performance

Despite the narrow scope of the present cases, certain overall industry data serve as a necessary background. Aggregate capacity utilization, profit, and employment data for the raw steel melting facilities common to all lines are crucial to understanding industry performance in the individual product lines, and thus, to determinations made on the best available information.

Capacity utilization in raw steel is particularly significant since it measures the common constraint on full simultaneous utilization of all milling operations. There is normally planned excess capacity in the milling operations of any individual product category to allow continuous adjustment of the product mix to maximize aggregate profits on all lines. 53/

Capacity utilization in U.S. raw steel production in 1978 was 87 percent. The May 1980 cases, which were terminated by the petitions before the conclusion of the final investigations, were conducted when raw steel capacity utilization had just peaked at 88 percent (1979). At that time I concluded that:

> . . . with raw steel operating at what amounts to almost full capacity, it does not appear that the solution to these problems can be found in selling more steel. Rather, the problems of all product lines and the larger industry appear to lie in the price at which the steel is sold and the costs at which it is made, not the quantity produced. 54/

53/ See next page

54/ See next page

By the time of the February 1982 preliminary determinations, the situation had changed: the U.S. industry had a significant overall volume problem. Since February the steel industry has further declined, and its capacity utilization is presently at 40 percent. 55/

In an industry with high fixed costs, reduced levels of production usually have a rather dramatic impact on profits because the financial breakeven point occurs at a relatively high level of capacity utilization.

53/ It is important to note that although the condition of the individual industries cannot be fully understood without reference to data for the overall steel industry, each of the five product categories is in itself a relatively large aggregate. The Commission is charged with the responsibility to assess the impact of subject imports on the domestic production of a like product, available data permitting. Combining all five categories -- plus perhaps others not included in these investigations -- into a single industry producing all steel would violate the clear meaning of the statutory language of section 771(4)(A) and (D). To do so would fly in the face of consistent Commission practice in all previous steel cases and blunt beyond recognition the meaning of "like product." To date, the product line approach used by the Commission here has been employed in over 200 investigations without objection from the U.S. industry or importers.

There is no substitute for a careful, discriminating approach which makes use of the best available information on the individual product lines as well as the overall industry of which they are components.

54/ See Certain Carbon Steel Products . . . (May 1980), "Statement of Reasons of Commissioner Paula Stern," at 39-71.

55/ American Metal Market, October 13, 1982, at 4. Figure for week ending October 9, 1982.

The data assembled by the staff indicate that it is unlikely that the industry could show any profits on all steel operations if raw steel is at much less than 70 percent capability utilization. For 17 steel producers accounting for 82 percent of U.S. production in 1980, overall operating profits on steel operations as a ratio of net sales fell from 5.0 percent in 1978 to 2.0 percent in 1980. Although 1981 saw a slight recovery 56/, there is no doubt that 1982 will be far more catastrophic.

Carbon steel production is far less profitable to the domestic industry than overall steel operations. Since the banner year of 1978, profits on overall operations of establishments producing carbon steel products have steadily declined, with the exception of 1981. By June 1982 the 926 million dollar profits of 1978 had become staggering losses of 1.2 billion dollars, and that is just for a half-year reporting period. For the first half of 1982, 14 of 20 reporting firms reported losses on their carbon steel operations.

The catastrophic impact of this decline on steelworkers is shared by the huge number of unemployed workers in the industry. Estimates vary between 150,000 and 180,000, perhaps a third of all steel workers in the country. 57/

56/ The profit data for 1981 in the Report at I-53 are not comparable because they do not include the performance of a firm operating under Chapter XI of the Federal Bankruptcy Act; therefore I have not mentioned them.

57/ American Iron and Steel Institute, from responses from 26 companies representing 85 percent of domestic steel production, reports 134,049 wage workers and 10,737 salaried workers were on lay-off status as of October 16, 1982.

There is no question that the physical and human resources are available to increase enormously the output of this industry in all the product lines before us here.

Weakened State of Steel Industry. -- Any industry becomes especially vulnerable to additional injury when it is operating in the red. The steel industry, for the products being dealt with here, is so far below its break-even point that the prospect of continuing huge short-term losses is forcing shutdown decisions, many of which may be long-term in nature. 58/ Shut downs create particularly severe hardships for the affected employees and communities. Because of this unique situation, I have voted affirmative in some cases on imports involving very small shares of the U.S. market in the belief that qualitative decisions on some plant shut downs hang in the balance. This situation reflects the Commission's long-established practice of approaching every investigation with an eye for the salient details of the particular industry. The framework for such considerations is a consistent application of statutory principles. 59/

58/ See Report at I-11 and I-12.

59/ S. Rept. No. 96-249, 1979, at 57 notes that industries facing a multiplicity of problems are "often the most vulnerable to subsidized imports."

B. Problems of the U.S. Industry

The legislative history of the Act specifically instructs the Commission to take into account causes of injury, other than the subject imports 60/, without weighing those other causes against those of the subsidized imports. These factors include a delayed modernization, the prolonged, deep recession, a non-competitive cost structure, an overvalued dollar, and other foreign competitors not the subject of these investigations.

60/ Committee on Ways and Means, U.S. House of Representatives, Trade Agreements Act of 1979, H.R. 96-317, 96th Cong., 1st Sess. (1979) at 47:

> Of course, in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors.
>
> However, the petitioner will not be required to bear the burden of proving the negative, that is, that material injury is not caused by such other factors, nor will the ITC be required to make any precise, mathematical calculations as to the harm associated with respect to such factors. In short, the Committee does not view overall injury caused by unfair competition, such as dumping, to require as strong a causation link to unfairly competitive imports as would be required for determining the existence of injury under fair trade conditions.

Prolonged, Deep Recession. -- Perhaps the most serious short-range, but increasingly long-lived, problem facing the U.S. steel industry is the sharp drop in demand for its products caused by the continued slump in two major steel end-markets, the automobile and construction industries. This decline in demand is compounded by structural changes within these end-markets, such as the downsizing of automobiles and the use of lighter-weight materials in their construction. If total steel consumption in the United States in 1982 finishes out at the first-half rate, it will be significantly below the lowest level recorded in the last decade.

Delayed Modernization. -- There has been much discussion about the level of investment undertaken by this industry. For at least a decade investment levels have been inadequate to keep the U.S. industrial plant modern. Testimony in the January 1982 cases pointed to a capital replacement cycle moving toward fifty years compared to a desirable one of fourteen years. 61/ The industry's gains from its most recent upswing -- which is now long over -- were totally inadequate to sustain a rate of investment necessary to improve significantly this situation. Key investment in new technology continues "waiting for Godot."

Furthermore, a large portion of the total investment that has been undertaken has gone to satisfying stricter mandatory standards for environmental and safety protection. 62/

61/ Hot-Rolled Carbon Steel Sheet from France, Inv. No. 701-TA-85 (Prel.), USITC Pub. 1206, January 1982, "Views of Commissioner Paula Stern" at 21.

62/ Mandated costs for pollution control and worker safety have been estimated at about $365 million per year during the 1970s, or about 17 percent of the total annual capital available for investment generated by the U.S. steel industry.

Further investment funds have gone into diversification beyond the traditional bounds of the steel industry. 63/ While these investments may be socially desirable or economically sound, they have not added in the short run to productivity in the steel industry. All these investment factors -- not under the control of steel workers -- may also help explain in part why productivity gains of U.S. steel workers have not kept pace with the growth of their wages.

Non-competitive Cost Structure. -- Partly as a result of a very effective cost-of-living adjustment negotiated by the United Steel Workers of America and the unexpected increase in the rate of inflation during the last decade, there has been an accelerating growth of wages at a rate far higher than in general manufacturing. In the decade 1971-1981, total cost per hour (payroll and benefits) of wage workers in steel grew at an annual rate of 12.4 percent while productivity grew at 2.0 percent per year. In 1977 steel wages stood at 153 percent of those in general manufacturing. By 1980 this number had grown to 175 percent. The wages of foreign steel workers seem to have remained considerably below those of their U.S. counterparts over the entire decade. For example, in 1980 the English average hourly compensation in steel was about 49 percent of that in the United States, the Japanese rate was 53 percent, the French rate was 62 percent, and the German rate was 78 percent. Only the Belgian rate approximated that for American steel workers. The gap grew wider in 1981 due to the rise of the dollar.

63/ An important question underlies the issue of diversification of investments: why has investment in traditional steel making activities been so relatively undesirable for U.S. firms?

Wages have not been the only cost problem to this industry. The delayed modernization means that highly-paid U.S. workers are often forced to use obsolete equipment which further drives up unit costs. Additionally, structural changes are occurring in the U.S. economy which have brought the U.S. steel industry additional cost problems. Chief among these is the shift in economic activity from the Northeast and Midwest sections of the country to the Gulf Coast and West. Because the U.S. steel industry is primarily located in the "steel belt" of the Northeast-Midwest, it faces disproportionately high transport costs to the West and Gulf Coasts, where the growth in steel consumption is taking place. These costs have diminished the relative competitiveness of U.S. steel. U.S. producers, as a result, have sometimes been minor players in the Gulf and West Coast markets.

Over-valued Dollar. -- The unusually restrictive monetary policy which has raised interest rates to record levels for the past two years has produced a dramatic climb in the value of the dollar. Since the beginning of 1980, the dollar has appreciated about 35 percent against the currencies of the European nations involved in these cases, making their steel relatively cheaper by about 25 percent. In some instances this has been a key factor in enabling the subsidies to produce a competitive edge by bringing relatively less competitive products into the range of serious consideration by U.S. purchasers. Exchange rate changes have also affected foreign producers not the subject of these investigations.

Correlations prepared by staff 64/ show an extremely high and statistically significant positive correlation between changes in the relative value of the dollar (sometimes lagged one year), and import penetrations of EC members and Japan. 65/

Other Foreign Competitors. -- There is no question that the share of the U.S. consumption of steel mill products supplied from foreign sources has grown beyond any cyclical variations due to phenomena such as relative changes in exchange rates. 66/ Over the last decade, domestic producers have supplied between 87.6 percent of U.S. consumption (1973) and 77.4 percent (January-June 1982). With the exception of 1979, each successive year since 1973 has seen the domestically produced share of the U.S. market decline. The EC share of 7.6 percent in January-June 1982 is about one-tenth above the previous high recorded in 1971. Japan in January-June 1982 is near its previous high share, reached in 1976. Canada has enjoyed slow, steady growth of its share of the U.S. market,

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64/ See Memorandum to the Chairman from the Director, Office of Economics, October 14, 1982.

65/ For Japan and Canada, the correlations were higher without a lag indicating a more rapid response to exchange rate changes than found for EC nations.

66/ See Table I-12 in Report at I-35.

and in January-June 1982 is somewhat below its high level of 2.8 percent achieved in 1981. All other foreign sources, however, achieved an all-time high market share of 22.6 percent in January-June 1982 after a record share in 1981. Clearly what is unusual about the present situation is the recent, general, and simultaneous success of virtually all foreign competitors in expanding their shares of the U.S. market. These results are compatible with a significant role being played by the recent appreciation of the U.S. dollar against most other currencies. But they also indicate the growing prominence of newly industrialized countries such as Taiwan, Korea, Brazil, Spain (as well as South Africa) in the international trade in steel. There is a definite shift in comparative advantage underway to nations with newly installed, state-of-the-art technology and cheap labor. The pinch is being felt in Japan and Europe as well as in the United States -- particularly in the lower value-added steel products which formed the subject of this investigation.

In this entire picture, the exact strategy (or strategies) of the European producers has not become crystal clear. But the massive efforts expended by staff to examine pricing behavior have produced no hard evidence to show that the Europeans are price leaders or depressing prices in the U.S. market. 67/ A much more likely conclusion is that they are seeking to maintain market share while going through a very painful

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67/ The information given in the report under the title "Price suppression, depression" represents only lost revenues on specific transactions. Price suppression/depression is an aggregate market phenomena that can only be demonstrated by data on market prices. The lost revenue information has a bias similar to that discussed on lost sales information.

rationalization of their own industry. However, none of my determinations have relied on the success of the Davignon plan for the substance of a conclusion that there was no threat or injury.

C. The Replacement Question and the Wharton Model

In the preliminary investigations, I was not able to dismiss "the possibility that some other foreign producer stands to gain if subject imports are reduced." 68/ The issue is not a minor one. If the subsidized imports are exclusively replacing other foreign suppliers, rather than U.S. steel firms, ipso facto, they could not be causing material injury to the domestic industry. In the hearings, this issue was dubbed the replacement question. No totally adequate methodology for answering it within the time frame and budgets of the parties or the Commission was developed. 69/

Econometric work prepared by Professor Lawrence Klein was the first numerical approach to the problem that the Commission has ever received on record. With all its faults -- in fact, because of its faults -- an examination of Klein's work offers some insights. This is not the

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68/ See "Views of Commissioner Paula Stern, Certain Steel Products . . ., February 1982, at 118.

69/ In the following I rely heavily on staff work. See Memorandum to Commissioner Stern from Director, Office of Economics, September 27, 1982. Commission economists went to great effprts to secure and examine the Wharton work in detail. Additional runs were performed for the Commission by Wharton.

proper forum for a detailed econometric critique. But I believe some points merit general attention.

The usefulness of any model requiring econometric estimates depends critically on the quality of the theory it embodies, the data employed in the estimate, and the assumptions made in using the results. The strong points of Professor Klein's work include its use of the respected Wharton macroeconomic model which has an established track record, its reliance on economic theory which allows examination of the effects of price changes on subject imports from the imposition of countervailing duties and results which give estimates for potential revenue gains to U.S. producers from such duties.

But there are serious problems in Klein's work as well. While using the large Wharton model which has a demonstrated reliability an unproven mini-model was grafted to the larger one to study market share and price behavior in the steel industry as a result of changes in import pricing. No attempt was made to estimate simultaneously supply and demand. Thus, the model did not reflect the very different supply behavior one might expect as capacity utilization varied over wide ranges. 70/

70/ In fact, Professor Klein in response to my questions at the hearing indicated that the present capacity utilization in the steel industry was below the bottom range of what this model could handle with reasonable accuracy. Hearing Transcript at 449.

None of the three import categories of this study -- the EC, Japan, and All Other -- adequately matched the subject imports. The product groupings did not match those of these investigations. Further, Klein assumed a full pass-through of all countervailing duties to the price of imports, a very unlikely event given that steel is not inelastically demanded.

Despite these and other faults, I believe the results of his first set of estimates, when adjusted for only a 60 percent pass through of the subsidy, yield estimates that give us ballpark figures for the impact of the subsidies involved. These results, prepared by the staff in cooperation with Wharton Econometrics, indicate that had countervailing duties been imposed in 1981, domestic sales for the U.S. industry might have increased a total of $300 million on all the products. In absolute terms, this is no small sum. But it represents only 0.54 percent of the 55.2 billion dollars of net sales reported by the U.S. industry in 1981. 71/ Because there is no set of supply or cost functions for this industry on the record, the potential contribution to U.S. steel profits from such duties cannot be calculated. But it can be certain that if duties are assessed, the dent made in the current billion dollar losses of this industry will be a small one.

71/ See Report at I-39. If the $55.2 billion were adjusted upward to include the 18 percent of U.S. raw steel uncovered in this total, the sales gain would drop to only 0.45 percent. Using a most generous 100 percent pass-through and Klein's estimate of $464 million, the estimate of affected sales rises to a still small 0.8 percent.

Presumably in response to the debate on the role of subsidy analysis, Klein submitted two sets of estimates in the final investigations compared to the one in the preliminary. This second set attempts to judge the impact of the subject imports in toto, rather than merely the impact of the subsidy. As I have made amply clear, I do not accept the legal theory underlying this. But it is quite interesting that in the original presentation, Klein's professional inclination was to study the subsidies themselves when preparing estimates to demonstrate material injury due to subsidized imports. It is even more interesting that the second set of estimates to study the total impact of imports are virtually worthless because the model simply was not designed to do that.

To study the total impact of imports, the second Klein model attempts to estimate the hypothetical effect on U.S. producers of the total elimination of subject imports. The results are unrealistic: imports of non-EC steel do not change under elimination, whereas they increase 204,000 tons in the subsidy imposition estimates. This flies in the fact of the logical expectation that eliminating subject imports would certainly have a much greater effect on non-EC imports than the mere imposition of duties on EC steel. These bizarre results arise from the model's inability to translate such an elimination into a price change that could be entered into the model. The price of subject steel did not rise or fall, it disappeared! As a result, the modelers decided to keep the average price of steel sold in the United States unchanged, an assumption lacking any economic merit. As a result, the level of non-EC imports, which only responds to price changes in the model,

could not change. All of the drop in EC steel sales thus was captured by U.S. producers in the elimination estimates. Thus, the second set of estimates is not in any sense a study of the replacement issue.

It is fortunate that the result-oriented tampering with the non-EC prices produced an absurd result, otherwise the underlying assumptions might not have been so carefully examined. What is to be made of all this? The model as originally set up by Wharton is a good, if somewhat limited, first attempt to study the complex replacement phenomenom and effect of the European subsidies on U.S. steel producers. It ran aground when forced to do something a good economist would be unlikely to suggest: that the appropriate measure of the injury inflicted as a result of unfair subsidies should be the total impact of the imports, rather than the subsidies. 72/

D. Employment Effects of the Subsidies

The presence in the record of import share price elasticities for the steel industry afforded the unique opportunity to quantify the employment impact of the subsidies. While any such estimates are fraught

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72 / The results of the total elimination model were presented in testimony before the Commission without a discussion of its underlying assumptions.

with qualifications, they can shed some light on the magnitude of the problem faced by the distressed steelworkers of the United States as a result of the subsidized imports in these cases.

The estimates prepared for me by staff gave the domestic industry its most sympathetic estimate. The import share elasticities were supplied by Wharton Econometrics, active as consultants to a group of U.S. steel firms. A complete pass-through of countervailing duties to the prices of imports was assumed. It was further assumed that U.S. producers would capture all European sales lost as a result of such duties. The present low U.S. productivity figures were used even though productivity will definitely rise as a result of any such additional sales. These are an heroic set of assumptions which should produce a large over-estimate. 73/

To my astonishment, the total change in U.S. direct employment in the steel product lines if duties had been imposed on all the subject steel in 1981 would have been only 2,259 production jobs. 74/

73/ The estimates are based on 1981 consumption levels, the last year for which there are full-year estimates of figures. If consumption falls yet further, the estimates should be reduced.

74/ To check roughly whether my estimate picked up total direct steel employment effects or just mill employees, I calculated the average total productivity of wage workers in the steel industry in 1981. This yielded an estimate of 2,029 jobs, quite close for a rough approximation.

This number constitutes less than 1.5 percent of the total number of unemployed steelworkers in the United States.

Incidentally, the total estimated U.S. employment gains from levying duties on all the German imports is 4, absolutely insignificant in these cases, let alone the overall industry.

E. Coverage of Affirmative Determinations

Although I have made affirmative determinations in 9 of the 16 cases, these affirmative determinations cover about four-fifths of the volume of subsidized imports under consideration where there were subsidies found to be greater than zero. This translates into about two-thirds of the volume of imports before the Commission in these cases.

Over 92 percent of the rather small total employment effects of the subsidies as estimated above are covered by my affirmative determinations. This is testimony to the great weight I have given to the perilous overall situation of the industry and its workers.

F. Conclusion

The overall problems of the steel industry have very little to do with the subsidized European imports under investigation. Under a large number of assumptions most generous to the U.S. industry's position, applying duties may affect 1.5 percent of unemployed steel workers, may increase the sales of U.S. firms by less than 1 percent, and possibly forestall some marginal plant closings. To an industry plagued by prolonged, deep recession, delayed modernization, a non-competitive

cost structure, and an over-valued dollar, the duties for which I have voted -- or even the slightly more extensive ones supported by the majority -- are no panacea. Some massive readjustments are necessary in this industry if it is to regain its competitive standing in the long run. But even more crucial in the short run is an end to the worst recession since the Great Depression. In the steel industry, the Great Depression II has already arrived and to blame subsidized imports for any significant share of the problems would be to deceive.

APPENDIX A: CONTAINED DRAFT VIEWS ON THE DEFINITION AND CONDITION OF THE DOMESTIC INDUSTRIES

APPENDIX B: CONTAINED COMMISSIONER STERN'S MEMORANDUM

CO2-F-74 ON TERMINATION OF THE INVESTIGATIONS

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On September 30, 1982, a petition was filed by counsel on behalf of Atlantic Steel Corp., Continental Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., and Raritan River Steel Co. with the Commission and with the Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Brazil and Trinidad and Tobago (Trinidad) of carbon steel wire rod allegedly being sold in the United States at less than fair value (LTFV). Accordingly, effective September 30, the Commission instituted preliminary material injury investigations under section 731 of the Tariff Act of 1930. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in these cases, by November 15, 1982.

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 October 14, 1982 (47 F.R. 45980). 1/ The conference was held in Washington, D.C. on October 25, 1982. 2/

The Product

Description and uses

For the purpose of these investigations, carbon steel wire rod is a hot-rolled, semifinished, coiled product of solid, approximately round cross section, not under 0.20 inch nor over 0.74 inch in diameter, which has not been tempered, treated, or partly manufactured. Carbon steel wire rod can be differentiated by its chemistry, diameter, and the process by which it is manufactured. It is categorized by carbon-content levels based on specifications provided by the American Iron & Steel Institute (AISI). These categories are low-carbon rod (encompassing AISI grades 1006 through 1022, with a maximum carbon content of 0.23 percent), medium-high carbon rod (encompassing AISI grades 1023 to 1040, in which the carbon content varies from 0.24 to 0.44 percent), and high-carbon rod (encompassing AISI grades 1041 through 1095, with a maximum carbon content exceeding 0.44 percent).

The traditional method of making wire rod is the ingot method, which is employed most frequently by the integrated producers. 3/ In this process, pig iron and/or scrap steel are charged into basic oxygen, open hearth, or electric

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1/ A copy of the Commission's notice of institution of preliminary antidumping investigations is presented in app. A. Copies of the Department of Commerce's notices of institution of preliminary investigations are presented in app. B.

2/ A copy of the calendar of the conference is presented in app. C.

3/ Defined as those companies utilizing blast furnaces and whose principal commercial activity is the production and sale of carbon steel products.

furnaces. The resultant molten steel is poured into ladles which transport the liquid steel to ingot molds (typically 3 or 4 feet square by 6 feet deep) into which the steel is poured and allowed to solidify. When solid, the ingots are removed from the molds and placed in soaking pits for uniform heating. From the soaking pits the ingot is gradually reduced (rolled) into billets and then transferred to the rod mill.

Continuous casting is a newer method of converting raw steel into billets. This process is used extensively by the nonintegrated wire rod producers. Continuous casting is more efficient than the ingot method of billet making, as it forms the billet directly from molten steel, bypassing the need to form, reheat, and reduce ingots.

In the continous-casting method, molten steel is transferred in preheated ladles to the continuous-casting facilitites by overhead cranes. Here the molten steel is poured into a receiving basin called the tundish, which channels the molten steel into spigots. At this stage the steel is "killed" 1/ with silicon or aluminum, so that the molten steel is able to flow evenly through the spigots and into the continuous-casting molds. In the molds, the steel is cooled by water sprays and partially solidifies into a moving strand of steel 4 or 5 inches square. This strand proceeds to the end of the billet preparation line and is cut into lengths of 40 to 50 feet. These billets are normally cooled and stored before being rolled into wire rod.

All billets are converted into wire rod by a hot-rolling process. The first step is the heating of the billet in the reheat furnace to uniform temperatures of 2,200° F to 2,400° F. Billets are then moved into the roughing, intermediate, and finishing stands which reduce them, at exiting speeds of up to 15,000 feet per minute, to predetermined diameters. A typical billet will produce about 4.5 miles of 7/32-inch diameter wire rod.

After exiting the last finishing stand, the rod is coiled into concentric loops on a conveyor, which moves the hot wire rod along while it cools. The speed at which the wire rod is cooled affects the formation of its metallurgical structure, which may be varied according to the rod's intended end use. The loops of wire rod are fed into various devices, depending on the particular plant, and collect into coils which are compacted, tied, and readied for shipment. The time span from the billet exiting the reheat furnace to the loading of a finished coil may be as little as 10 minutes.

The two methods of billet making produce different types of steel, which may be preferred or even specified by consumer of wire rod, depending on the wire rod's intended end use and the wire fabricators wire-drawing facilities. Wire rod produced by the ingot process may be either killed to stop the evolution of gases and segregation of residuals or "rimmed," in which gas

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1/ "Killed" is an expression used to describe steel to which deoxidizing agents, such as aluminum or silicon, have been added in order to stop the evolution of gases during cooling. The process also causes residual impurities to be more evenly distributed throughout the billet.

evolution and residual segregation are allowed to occur; continuous-cast (cast) steel is of necessity always killed. 1/

Since the amount of oxygen dissolved in molten steel varies inversely with its carbon content, ingot or cast steel intended for use in the production of high-carbon wire rod can be readily killed or semi-killed (in the case of ingots) by the introduction of deoxidation agents, principally silicon or aluminum. However, the lower the desired carbon content of the melt, the higher the amount of deoxidation agents required to kill the steel. Besides increasing the cost of the steel, the presence of the deoxidizing agents results in a product higher in nonmetallic inclusions (residuals), which make the resultant billet less ductile. Since the killing process also prevents segregation of these residuals, a killed steel will be inherently less ductile than a rimmed steel of the same carbon content, and conversely, will possess a higher tensile strength. 2/ Thus, wire rod produced from continuous-cast billets, although more economical to produce, is sometimes not preferred by customers for end uses where ductility is required or desired. Rimmed wire rod, although it may sell for a premium over cast rod, 3/ can provide a greater yield and normally results in less die wear for the wire drawer. 4/

The differences between cast and rimmed wire rod, and the end uses for which the rimmed rod is preferred or required, were discussed extensively at the hearing in investigation Nos. 701-TA-148 and 150 (Final), on Carbon Steel Wire Rod from Belgium and France, and in interested party submissions in the same investigations. Data from these and other industry sources contacted by the Commission indicate a consumer preference for rimmed wire rod in applications where ductility is important. Such customers will weigh the price advantage of the cast product against the workability and greater yield of the rimmed product in making purchasing decisions. However, aside from consumer preference, there exist only limited end uses of wire rod that require the rimmed product. These include very fine wire such as that used to make door and window screens, certain chemistries of welding quality wire where control of residuals (especially copper) is critical, and aluminum-killed wire used for some industrial fasteners. These applications represent

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1/ Cast steel must be killed to prevent solidification of the molten steel in the tundish as it is slowly being poured into the strand caster.

2/ Raw steel may also contain higher residuals if it is the product of an electric arc furnace, which utilizes scrap as a raw material instead of pig iron produced in the blast-furnace process. The nonintegrated producers of wire rod use the electric arc furnace exclusively.

3/ The premium charged for rimmed wire rod has been estimated to be $25 to $30 per ton under normal market conditions. The premium decreases or is eliminated in times of slack demand.

4/ Producers of both rimmed and cast wire rod assert that through scrap selection, enrichment of the charge with direct-reduced iron pellets, and other practices, cast wire rod producers can make a rimmed steel substitute with ductility approaching that of the rimmed product. However, such practices increase the cost of cast rod, which lessens its cost advantage vis-a-vis the rimmed product. Transcript of the hearing in investigations Nos. 701-TA-148 and 150 (Final), pp. 126-130.

less than 5 percent of the total market for wire rod according to industry sources.

Carbon steel wire rod is distinguished by its chemical composition and its method of manufacture. In all phases of production, various practices are employed which determine the characteristics and quality of the finished product. The internal structure, surface quality, and physical properties of wire rod are affected by the method of casting the steel from which the rod is made and by altering the chemical composition of the steel. Some common qualities of carbon steel wire rod and their end uses are discussed below.

Low-carbon rod is used where malleability is required. Typical uses are in drawing into wire for wire mesh, home appliance shelving, shopping carts, nails, screws and bolts, baling wire, and chain link fences. Standard industrial quality rod and fine wire quality rod are low-carbon wire rod. Some cold-heading quality, welding quality, and cold-finishing quality rod may also be low-carbon rod. Low-carbon steel wire rod accounts for an estimated 60 to 65 percent of the U.S. market for carbon steel wire rod, with standard industrial quality rod as the industry's mainstay. Standard industrial quality steel rod is used primarily in the production of wire mesh, clothes hangers and chain link fences where the tolerances required of the product are relatively low. Thus, because product differentiation is less significant, standard industrial quality rod is a fungible product, and the market for this product is highly competitive.

Medium-high carbon steel wire rod is used in applications where greater strength and hardness is desired. Major end uses include bolts and screws, snap-tie wire, bicycle spokes, and high-tensile balewire.

High-carbon rod is used where even greater strength is desired. Typical uses include mechanical springs, upholstery springs, tire bead, tire cord wire, and bridge cables. Traditionally, high-carbon wire rod has sold at higher prices than has medium-high or low-carbon wire rod, and to different end users.

The imported product

Virtually all of the wire rod imported from the cited countries is low-carbon rod. 1/ The product imported from Brazil and Trinidad and Tobago is generally a cast rod, although one Brazilian exporter supplies mostly rimmed rod. Brazil also has the capability to produce carbon steel wire rod of all grades and qualities, but the bulk of Brazilian exports to the United States consists of "standard quality" rod. In 1981, imports from the cited countries consisted of approximately 30 percent rimmed rod and 70 percent cast rod.

1/ Based on returns of Commission questionnaires accounting for 115 percent of imports reported in the official statistics of the U.S. Department of Commerce in 1981.

The domestic product

U.S.-produced carbon steel wire rod (both ingot and cast) is available in all grades and qualities. However, based on estimates received from 14 major U.S. producers, shipments of carbon steel wire rod were approximately 61 percent low carbon, 10 percent medium-high carbon, and 29 percent high carbon in 1981.

Approximately 40 percent of U.S. production of wire rod is captively consumed in the production of wire, nails, staples, and other wire products. The rest of the wire rod is shipped to independent wire fabricators. In 1981, domestic production of carbon steel wire rod consisted of 51 percent cast rod and 49 percent rimmed rod.

U.S. tariff treatment

Carbon steel wire rod is classified under items 607.14 and 607.17 of the Tariff Schedules of the United States (TSUS). 1/ TSUS item 607.14 provides for wire rod of iron or steel, other than alloy iron and steel, not tempered, not treated, and not partly manufactured, and valued at not over 4 cents per pound. However, because there were no imports reported from the cited countries for this item during 1979-81, it has been excluded from these investigations. Item 607.17 provides for wire rod of iron or steel, other than alloy iron and steel, not tempered, not treated, and not partly manufactured, and valued at more than 4 cents per pound. As of January 1, 1982, the column 1 (most-favored-nation) rate of duty for item 607.17 was 2.0 percent ad valorem. 2/ As a result of a concession granted in the Tokyo round of the Multilateral Trade Negotiations (MTN), this rate will be reduced on January 1, 1985, to 1.9 percent ad valorem; no further reductions are scheduled.

The column 2 rate of duty for item 607.17 is 5.5 percent ad valorem. 3/ Imports under this item are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). 4/ However, imports from the least developed developing countries (enumerated in general headnote 3(d) of the TSUS) are assessed the preferential rate of 1.9 percent ad valorem, representing the full MTN concession rate.

1/ Prior to Jan. 1, 1980, carbon steel wire rod was classified under TSUS items 608.70 and 608.71.

2/ In 1980 and 1981, the col. 1 rate of duty for item 607.17 was 0.25 cent per pound. 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.

4/ 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.

Nature and Extent of Alleged Sales at LTFV

Brazil

The petition alleges that carbon steel wire rod from Brazil is being sold in the United States at LTFV. Petitioners estimate that the factory netback price in Brazil is $229.90 per ton for wire rod sold in the United States, whereas the foreign-market value of equivalent merchandise (i.e., standard 1008, industrial-quality wire rod sold in Brazil) is $500 per ton. Comparing U.S. price with foreign-market value, the petitioners compute a difference of approximately $270 per ton, equivalent to an LTFV margin of 117 percent.

Trinidad

The petition alleges that LTFV sales have also occurred with respect to wire rod from Trinidad. Petitioners claim that U.S. offerings of such wire rod have been at approximately $286 per ton. This amount is then reduced to account for cost adjustments such as loading, freight, insurance, and duty incurred in shipment and results in a factory netback price in Trinidad of $245.55 per ton. Petitioners believe that the foreign-market value for wire rod sold in Trinidad is $280. Comparing this foreign-market value with the factory netback price on sales to the U.S. market, petitioners calculate an LTFV margin of 14 percent.

Channels of Distribution 1/

Wire rod is ordinarily sold directly from the mill to the customer, who is almost always a wire drawer. The customer may either convert the wire rod into wire for his own purposes or sell it as such for use in an estimated 150,000 different wire products. Thus, the U.S. demand for carbon steel wire rod is dependent on the demand for wire products and the state of the overall economy.

As noted later in this report, over 40 percent of total domestic shipments of carbon steel wire rod is captively consumed by the manufacturer in the production of wire products. Therefore, wire rod producers owning wire fabricating facilities compete directly with their customers for sales to consumers of wire products in numerous instances.

U.S. Producers

Total U.S. raw steel production in January-June 1982 was 43 million tons (according to AISI statistics); carbon steel wire rod production, as reported in the Commission's questionnaires, was 1.9 million tons. There are currently 16 firms which are known to produce carbon steel wire rod in the United States. The following tabulation was compiled from data submitted in response to questionnaires of the Commission and lists the carbon steel wire rod pro-

1/ A more detailed description of marketing practices and the pricing of wire rod is presented in the pricing section of this report.

ducers, their plant locations, each firm's carbon steel wire rod production capacity in 1981, and whether the firm is an integrated (I) or nonintegrated (N) producer.

Company	Location(s)	Capacity (1,000 tons)
Georgetown Steel 1/ (N)	Georgetown S.C.	***
	Beaumont, Tex.	
United States Steel Corp. (I)	Cuyahoga, Ohio	***
	Fairless Hills, Pa.	
	Joliet, Ill.	
Armco, Inc. (I)	Kansas City, Mo.	***
Bethlehem Steel Corp. (I)	Johnstown, Pa.	***
	Sparrows Point, Md.	
Keystone Consolidated Ind., Inc. (N)	Peoria, Ill.	***
Raritan River Steel Co. (N)	Perth Amboy, N.J.	***
Northwestern Steel & Iron Co. (N)	Sterling, Ill.	***
CF&I Steel Corp. (I)	Pueblo, Colo.	***
Jones & Laughlin Steel, Inc. (I)	Aliquippa, Pa.	2/ ***
Continental Steel Corp. (N)	Kokomo, Ind.	***
Atlantic Steel Corp. (N)	Atlanta, Ga.	***
Laclede Steel Co. (N)	Alton, Ill.	***
Ameron Corporation (N)	Etiwanda, Calif.	***
Charter Rolling (N)	Saukville, Wis.	***
Republic Steel Corp. (I)	S. Chicago, Ill.	***
Roblin Steel Co. (N)	N. Tonawanda, N.Y.	***

1/ Includes Georgetown Texas Steel Corp. and Georgetown Steel Corp., both owned by Korf Industries.

2/ Jones & Laughlin closed its wire rod facilities in October 1981.

In 1981, domestic producers operated a total of approximately 20 establishments in which carbon steel wire rod was produced. These plants are scattered throughout the United States, but are concentrated in the Great Lakes area and Pennsylvania. Six of the firms are fully integrated producers, four are specialty steel producers, and the remaining companies are minimills. Of the total U.S. production of carbon steel wire rod in 1981, the integrated steel producers accounted for 46 percent, the minimills, for 36 percent, and the specialty steel producers, for 18 percent. 1/

Production capabilities vary among the domestic producers in respect to the manufacture of rimmed and cast carbon steel wire rod. The following tabulation was compiled from data submitted in response to questionnaires of the Commission and presents each producer's current production capabilities.

1/ For statistical purposes in this report, specialty steel producers and minimills are referred to as nonintegrated producers.

Company	Wire rod production	
	Rimmed	Cast
Ameron Corp		X
Armco, Inc	X	X
Atlantic Steel Corp		X
Bethlehem Steel Corp	X	
CF&I Steel Corp	X	X
Georgetown Steel		X
Keystone Consolidated	X	X
Laclede Steel Co	X	
Northwestern Steel & Iron Co		X
Penn-Dixie Steel Corp	X	
Raritan River Steel Co		X
United States Steel Corp	X	

U.S. Importers

Information provided by the U.S. Customs Service identifies approximately 10 importers of carbon steel wire rod from the countries whose imports are the subject of these investigations. The bulk of exports from the subject countries entered the United States through one or two importers. Major importers of carbon steel wire rod from the subject countries are listed in the following tabulation:

Country	Importing firm
Brazil	* * *
	* * *
Trinidad	* * *

The Question of Material Injury

U.S. production, capacity, and capacity utilization

The Commission requested specific information on U.S. producers' operations on low, medium-high, and high-carbon steel wire rod in its questionnaires. Returns indicated that such data are not available on employment, financial experience, shipments, or inventories. Data on percentage distributions of production types by carbon contents are presented in the following tabulation: 1/

1/ Producers were generally able only to estimate their production of wire rod based on carbon content (low, medium-high, or high) and type (ingot or cast). Also, see p. 122 of the transcript of the hearing of investigations Nos. 701-TA-148 and 150 (Final).

Carbon content	Ingot or Rimmed steel	Cast steel	Overall
Low	53	70	61
Medium-high	16	4	10
High	31	26	29
Total	100	100	100

U.S. production of carbon steel wire rod declined from 1979 to 1981, from 5.3 million tons to 4.7 million tons, or by 11 percent. The decline in production in January-June 1982 compared with that in the corresponding period of 1981 was sharper, at 29.5 percent (table 1).

Table 1.--Carbon steel wire rod: U.S. production, by types of firms, 1/ 1979-81, January-June 1981, and January-June 1982

Type of firm	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Integrated producers	3,172,237	2,359,494	2,197,839	1,224,520	671,906
Nonintegrated producers	2,159,032	2,139,043	2,524,754	1,271,080	1,087,298
Total	5,331,269	4,498,537	4,722,593	2,495,600	1,759,204
	Percent of total				
Integrated producers	59.5	52.5	46.5	49.1	38.2
Nonintegrated producers	40.5	47.5	53.5	50.9	61.8
Total	100.0	100.0	100.0	100.0	100.0

1/ Production data include responses from 14 firms.

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

Despite the closing of the Jones & Laughlin rod mill in October 1981 and the closing of * * * rod mills operated by U.S. Steel in 1979 and 1981, U.S. capacity to produce carbon steel wire rod increased over the period under consideration (table 2), rising from 6.1 million tons in 1979 to 6.2 million tons in 1981, or by about 2 percent. Production capacity dropped by about 9 percent in January-June 1982 compared with that in January-June 1981. This drop was caused by the shutdown of rod mills at * * * and * * *.

Table 2.--Carbon steel wire rod: U.S. production, production capacity, and capacity utilization, by types of firms, 1/ 1979-81, January-June 1981, and January-June 1982

Type of firm	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Integrated producers	3,172,237	2,359,494	2,197,839	1,224,520	671,906
Nonintegrated producers	2,159,032	2,139,043	2,524,754	1,271,080	1,087,298
Total	5,331,269	4,498,537	4,722,593	2,495,600	1,759,204
	Production capacity 2/ (short tons)				
Integrated producers	3,221,219	2,852,565	2,756,940	1,490,033	1,235,034
Nonintegrated producers	2,856,255	3,106,255	3,449,255	1,714,628	1,674,378
Total	6,077,474	5,958,820	6,206,195	3,204,661	2,909,412
	Capacity utilization (percent)				
Integrated producers	98.5	82.7	79.7	82.2	54.4
Nonintegrated producers	75.6	68.9	73.2	74.1	64.9
Total	87.7	75.5	76.1	77.9	60.5

1/ Data include responses from 14 firms.

2/ Capacity is defined as the greatest level of output a firm can achieve within the framework of a realistic and sustainable work pattern. Aggregate capacity is based on production facilities operating an average of 149 hours per week, 50.5 weeks per year.

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

The recent increases in U.S. capacity are the result of modernizations and expansions on the part of the minimills, as well as the entry of Raritan, the newest minimill. The capacity of the integrated producers declined by more than 400,000 tons during 1979-81 and declined by another * * * tons in 1982 because of the closing of the Jones & Laughlin mill.

The distribution of U.S. production has also changed significantly during the period under consideration. In 1979, the integrated steel producers accounted for 59.5 percent of overall production. Their market share has eroded to 38.2 percent of production in January-June 1982. The nonintegrated producers, and the minimills in particular, have increased market shares during the period under investigation.

Utilization of U.S. producers' capacity to produce carbon steel wire rod declined during the period under consideration from 88 percent in 1979 to 76 percent in 1981, and plummeted in January-June 1982 to 61 percent. Capacity was defined as the greatest level of output a firm could achieve within the framework of a realistic and sustainable work pattern. Several firms were able to produce more than their stated capacity in 1979 by reducing the time allowed for maintenance work. Additionally, many of the integrated producers reported annual capacity for wire rod by allocating a predetermined amount of steelmaking capacity to wire rod based on projections of sales of wire rod for that year. Some integrated firms reported production 10 to 15 percent above stated capacity in 1979. However, such a work pattern could not be continued on a sustained basis.

U.S. producers' shipments

U.S. producers' commercial shipments 1/ increased slowly over the period under consideration from 2.8 million tons in 1979 to 2.9 million tons in 1981 (table 3). However, this does not reflect a uniform trend among all U.S. producers of carbon steel wire rod. The commercial shipments of the integrated producers totaled 1.9 million tons in 1979. By 1981, the integrated producers' commercial shipments had declined by 28 percent to 1.3 million tons.

The integrated producers' share of commercial shipments fell from 67.1 percent in 1979 to 35.3 percent in January-June 1982. During that period, the average unit value of the integrated producers' shipments rose by 22.2 percent from $356 per ton to $432 per ton, and the average unit value of the nonintegrated producers' shipments declined irregularly from $350 per ton to $345 per ton. Both integrated and nonintegrated producers experienced sharp declines in sales in January-June 1982 compared with those in the corresponding period of 1981. Commercial shipments by the nonintegrated producers fell 9.5 percent; commercial shipments by the integrated producers plunged by 55.2 percent.

1/ About 50 to 60 percent of U.S. producers' total shipments of carbon steel wire rod consist of commercial shipments. The remainder is consumed internally in the production of other products. Data on total shipments are presented in the section of this report on apparent U.S. consumption.

Table 3.--Carbon steel wire rod: U.S. producers' commercial shipments, 1/ by types of firms, 1979-81, January-June 1981, and January-June 1982 2/

Type of firm	1979	1980	1981	January-June-- 1981	January-June-- 1982
	Quantity (short tons)				
Integrated producers	1,856,822	1,612,573	1,331,028	810,771	363,252
Nonintegrated producers	909,369	1,160,056	1,543,293	734,156	664,338
Total	2,766,191	2,772,629	2,874,321	1,544,927	1,027,590
	Value (1,000 dollars)				
Integrated producers	660,444	577,497	537,414	321,943	158,160
Nonintegrated producers	318,517	372,839	520,069	251,349	228,899
Total	978,961	950,336	1,057,483	573,292	387,059
	Unit value (per short ton)				
Integrated producers	$356	$358	$404	$397	$435
Nonintegrated producers	350	321	337	342	345
Average	354	343	368	371	377
	Percentage distribution of quantity				
Integrated producers	67.1	58.2	46.3	52.5	35.3
Nonintegrated producers	32.9	41.8	53.7	47.5	64.7
Total	100.0	100.0	100.0	100.0	100.0

1/ Noncaptive domestic sales plus exports.

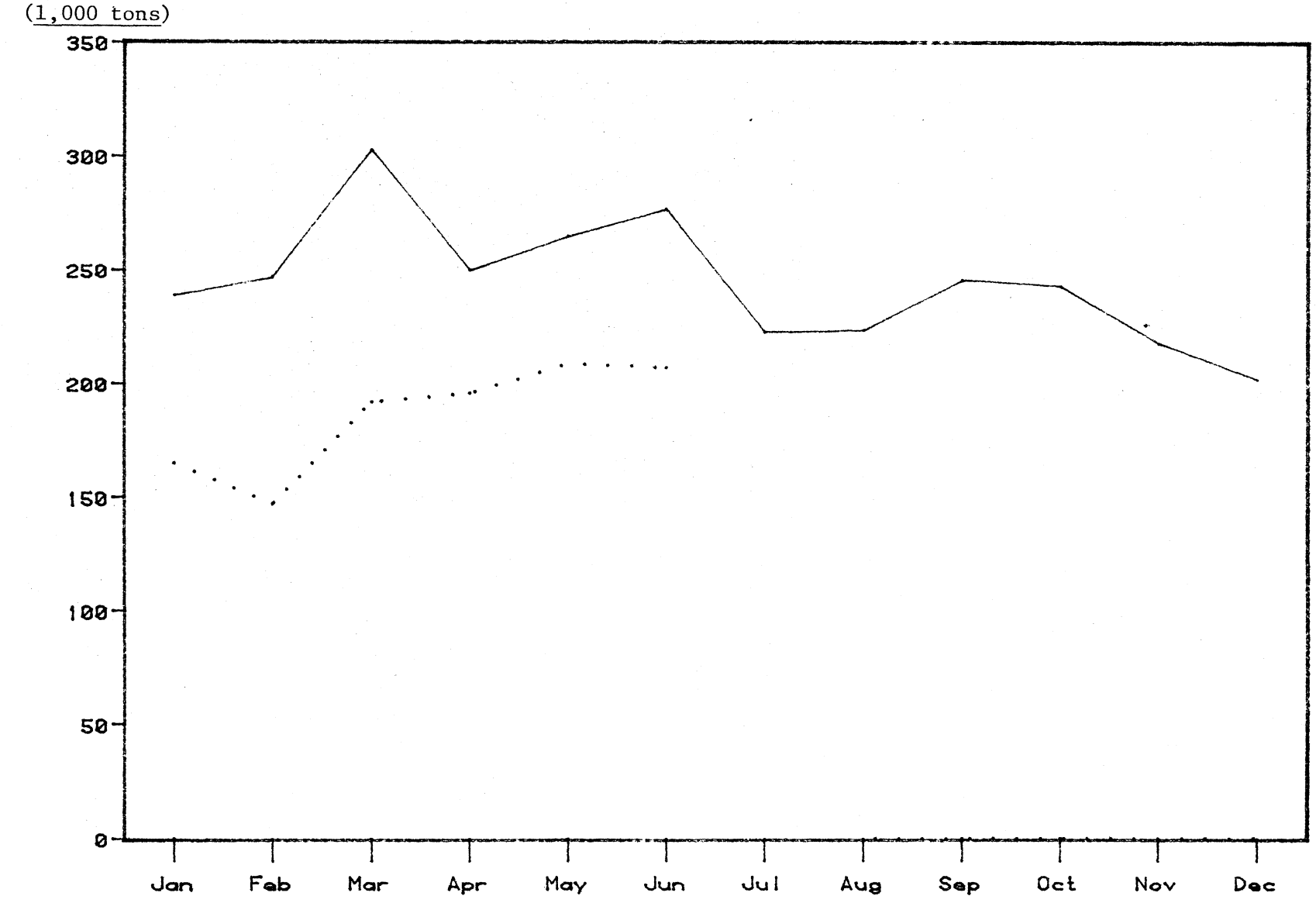
2/ U.S. producers submitting usable data accounted for 98.3 percent of net shipments of carbon steel wire rod in 1981, as reported by the American Iron & Steel Institute.

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

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

Monthly data on U.S. producers' net shipments of carbon steel wire rod for 1981 and January-June 1982 were available from the AISI. These data are presented in figure 1. The data show an increase in U.S. producers' shipments from January to March 1981, but a general decline for the remainder of 1981 and into 1982. U.S. producers' net shipments in 1982 were less than those in 1981 for all months.

Figure 1.--Carbon steel wire rod: U.S. producers' net shipments, by months, January 1981-June 1982.



Source: American Iron & Steel Institute

U.S. exports

Data on U.S. producers' exports of carbon steel wire rod are presented in table 4. These data indicate that, with the exception of 1980, U.S. producers' exports have not represented a significant portion of their overall sales. In 1980, U.S. producers' exports totaled 246,495 tons and accounted for 8.9 percent of U.S. producers' commercial shipments. According to official statistics of the U.S. Department of Commerce, 36 percent of U.S. exports of carbon steel wire rod went to Mexico, 32 percent went to Canada, and 20 percent, to the People's Republic of China in 1981.

Table 4.--Carbon steel wire rod: U.S. producers' exports and commercial shipments 1/, 1979-81, January-June 1981, and January-June 1982

Period	Producers' exports	Commercial shipments	Ratio of exports to shipments
	Short tons		Percent
1979	26,443	2,766,191	1.0
1980	246,495	2,772,629	8.9
1981	84,126	2,874,321	2.9
January-June--			
1981	18,728	1,544,927	1.2
1982	10,844	1,027,590	1.1

1/ Commercial shipments are composed of noncaptive shipments and export shipments.

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

Inventories

The quantity of U.S. producers' end-of-period inventories of carbon steel wire rod declined unevenly from 1979 to 1981 but remained relatively stable as a share of U.S. producers' total shipments of carbon steel wire rod at 3.3 percent in 1979, 3.5 percent in 1980, and 3.4 percent in 1981, as shown in Table 5. Inventories rose, however, to 4.9 percent of shipments in January-June 1982.

U.S. importers' end-of-period inventories are shown in table 6. The data show no inventories of carbon steel wire rod from Brazil in 1979 and 1980 and no inventories of wire rod from Trinidad during any period under investigation. In 1981, however, U.S. importers reported significant inventories from Brazil.

Table 5.--Carbon steel wire rod: U.S. producers' end-of-period inventories and total shipments, 1/ 1979-81, January-June 1981, and January-June 1982

End of period	Producers' inventories	Producers' shipments	Ratio of inventories to shipments
	Short tons		Percent
1979	175,497	5,386,953	3.3
1980	158,296	4,537,926	3.5
1981	163,986	4,767,594	3.4
January-June--			
1981	171,439	2,611,783	2/ 3.3
1982	171,172	1,761,744	2/ 4.9

1/ Total shipments include intraplant and intercompany transfers as well as commercial shipments.

2/ Based on annualized shipments.

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

Table 6.--Carbon steel wire rod: End-of-period inventories held by U.S. importers and imports by these firms, by specified sources, 1979-81, January-June 1981, and January-June 1982

Source and period	Importers' inventories	Imports	Ratio of inventories to imports
	Short tons		Percent
Brazil:			
1979	0	0	-
1980	0	0	-
1981	***	38,202	***
January-June--			
1981	0	0	-
1982	***	24,774	***
Trinidad:			
1979	0	0	-
1980	0	0	-
1981	0	***	-
January-June--			
1981	0	0	-
1982	0	***	-
Total, Brazil and Trinidad:			
1979	0	0	-
1980	0	0	-
1981	***	***	***
January-June--			
1981	0	0	-
1982	***	***	***

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

Apparent U.S. consumption

Apparent U.S. consumption of carbon steel wire rod, including captive consumption, declined sharply from 1979 to 1980, but recovered somewhat in 1981 (table 7). Apparent U.S. consumption declined from 6.2 million tons in 1979 to 5.4 million tons in 1981, or by 13 percent; consumption dropped by over 28 percent in January-June 1982 compared with that in the corresponding period of 1981.

Table 7.--Carbon steel wire rod: U.S. producers' total shipments, imports for consumption, exports, and apparent U.S. consumption, 1979-81, January-June 1981, and January-June 1982

(In short tons)

Item	1979	1980	1981	January-June--	
				1981	1982
U.S. producers' shipments	5,386,953	4,537,926	4,767,594	2,611,783	1,761,743
Imports for consumption	818,799	729,902	760,734	375,928	373,105
Exports	26,443	246,495	84,126	18,728	10,844
Apparent U.S. consumption	6,179,309	5,021,333	5,444,202	2,968,983	2,124,004

Source: U.S. producers' total shipments and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports for consumption, compiled from official statistics of the U.S. Department of Commerce.

Apparent U.S. noncaptive consumption of carbon steel wire rod has followed a somewhat different trend from total U.S. consumption (table 8). Apparent U.S. noncaptive consumption declined from 3.6 million tons in 1979 to 3.3 million tons in 1980, before recovering to 3.6 million tons in 1981. Such consumption, however, declined almost 27 percent from that in January-June 1981 to that in January-June 1982.

Table 8.--Carbon steel wire rod: U.S. producers' commercial shipments, imports for consumption, exports, and apparent U.S. noncaptive consumption, 1979-81, January-June 1981, and January-June 1982

(In short tons)

Item	1979	1980	1981	January-June--	
				1981	1982
U.S. producers' commercial shipments	2,766,191	2,772,629	2,874,321	1,544,927	1,027,590
Imports for consumption	818,799	729,902	760,734	375,928	373,105
Exports	26,443	246,495	84,126	18,728	10,844
Apparent noncaptive consumption	3,558,547	3,256,036	3,550,929	1,902,127	1,389,851

Source: U.S. producers' commercial shipments and exports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports for consumption compiled, from official statistics of the U.S. Department of Commerce.

U.S. employment, wages, and productivity

The average number of all persons employed in U.S. establishments producing carbon steel wire rod declined in each period under consideration, from 114,429 in 1979 to 75,127 in January-June 1982, or by 34.4 percent (table 9). The average number of production and related workers employed in the production of carbon steel wire rod also declined, from 10,284 to 4,703, or by 54.2 percent during the same period. The largest decline in each instance was from 1981 to January-June 1982.

The hours worked by production and related workers producing carbon steel wire rod followed a trend similar to that of employment, declining from 21 million in 1979 to 15 million in 1981, or by 29 percent.

Hourly wages paid to production and related workers followed a slightly different trend, declining from 1979 to 1980, but increasing slightly in 1981. Hourly wages, however, sharply decreased in January-June 1982 compared with those in the corresponding period of 1981, or by 31.2 percent. Hourly wages paid to production and related workers producing carbon steel wire rod accounted for an average of 75 percent of the total compensation paid to such workers.

Labor productivity increased during the period under investigation by 37.7 percent; the hourly cost of labor increased somewhat less at 33.9 percent. This discrepancy between the growth in productivity and the growth in wages and fringe benefits, accompanied by a sharp decline in employment, effectuated the aggregate diminution in unit labor costs.

The productivity of the production and related workers in the carbon steel wire rod industry varies significantly from producer to producer; however, the trend is clearly upward (table 10). As mentioned earlier, it is extremely

difficult for multiproduct producers to accurately account for personnel and materials devoted to the production of carbon steel wire rod. Hence, no attempt will be made to address productivity on a company-by-company basis or on an integrated/nonintegrated producer basis.

Table 9.--Average number of employees, total and production and related workers, in U.S. establishments producing carbon steel wire rod, and hours worked by and hourly wages and total compensation 1/ paid to the latter, 1979-1981, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Average employment:					
All persons:					
Number	114,429	94,349	90,746	94,766	75,127
Percentage change	2/	(17.5)	(3.8)	2/	(20.7)
Production and related workers producing carbon steel wire rod:					
Number	10,284	8,221	7,497	7,073	4,703
Percentage change	2/	(20.1)	(8.8)	2/	(33.5)
Hours worked by production and related workers producing carbon steel wire rod:					
Number-----thousands	20,764	16,111	14,852	8,225	5,502
Percentage change	2/	(22.4)	(7.8)	2/	(33.1)
Hourly wages paid to production and related workers producing carbon steel wire rod					
1,000 dollars	234,781	200,937	203,421	111,445	76,723
Percentage change	2/	(14.4)	1.2	2/	(31.2)
Total compensation paid to production and related workers producing carbon steel wire rod					
1,000 dollars	303,053	266,555	274,719	149,904	106,348
Percentage change	2/	(12.0)	3.2	2/	(29.1)

1/ Includes hourly wages, contributions to social security, and other employee benefits.

2/ Not available.

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

Table 10.--Labor productivity, hourly wages, and unit labor costs in the production of carbon steel wire rod, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Labor productivity:					
Pounds per hour	514	558	636	606	708
Percentage change	1/	8.6	14.0	1/	16.8
Hourly wages: 2/					
Per hour	$14.44	$16.54	$18.50	$18.23	$19.33
Percentage change	1/	14.5	11.9	1/	6.0
Unit labor costs:					
Per ton	$57	$59	$58	$60	$55
Percentage change	1/	3.5	(1.2)	1/	(8.3)

1/ Not available.

2/ Hourly wages includes fringe benefits provided to production and related workers producing carbon steel wire rod.

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

Financial experience of U.S. producers

Overall establishment operations.--Twelve producers of carbon steel wire rod provided profit-and-loss data relative to the overall operations of the establishments or divisions within which such rod is produced. 1/ Total net sales by these producers increased from $17.6 billion in 1979 to $18.6 billion in 1981 (table 11). In the aggregate, the 12 firms derived about 7 percent of the revenues of the overall establishment or division from the sale of carbon steel wire rod.

The 12 firms sustained aggregate operating losses of $8 million in 1979, and $658 million in 1980, and reported a profit of $266 million in 1981. The results for January-June 1982 were bleak, with an overall loss of over $0.5 billion reported.

Operations on carbon steel wire rod.--The 12 firms which furnished profit-and-loss data accounted for about 90 percent of total U.S. producers' shipments of carbon steel wire rod in 1981. Their net sales of carbon steel wire rod dropped by 12 percent between 1979 and 1980, but recovered to $1.2 billion in 1981, nearly equaling the 1979 sales level (table 12).

1/ Raritan River Steel Co., which commenced production of carbon steel wire rod in 1980, * * *. For this and other reasons, the profit-and-loss data of the firm have been excluded from this section of the report.

Table 11.--Profit-and-loss experience of 12 U.S. producers on the overall operations of their establishments or divisions within which carbon steel wire rod is produced, by types of firms, accounting years 1979-81, January-June 1981, and January-June 1982

Period and type of firm	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Ratio of net operating profit or (loss) to net sales	Ratio of cost of goods sold to net sales
	Million dollars					Percent	
1979:							
Integrated producers	16,259	16,002	257	370	(114)	(0.7)	98.4
Nonintegrated producers	1,366	1,213	152	47	106	7.8	88.8
Total or average	17,625	17,215	409	417	(8)	(1/)	97.7
1980:							
Integrated producers	14,879	15,188	(309)	381	(690)	(4.6)	102.1
Nonintegrated producers	1,262	1,181	81	49	32	2.5	93.6
Total or average	16,141	16,369	(227)	430	(658)	(4.1)	101.4
1981:							
Integrated producers	17,245	16,585	659	432	227	1.3	96.2
Nonintegrated producers	1,316	1,229	88	49	39	3.0	93.4
Total or average	18,561	17,814	747	481	266	1.4	96.0
January-June--							
1981:							
Integrated producers	9,118	8,895	222	215	7	0.1	97.6
Nonintegrated producers	692	636	57	25	31	4.5	91.9
Total or average	9,810	9,531	279	240	38	0.4	97.2
January-June--							
1982:							
Integrated producers	6,357	6,661	(304)	225	(530)	(8.3)	104.8
Nonintegrated producers	488	500	(13)	25	(37)	(7.6)	102.5
Total or average	6,845	7,161	(317)	250	(567)	(8.3)	104.6

1/ Less than .05 percent.

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

Note.--Because of rounding, figures may not add to the totals shown and percentages may not compute to the averages shown.

Table 12.--Profit-and-loss experience of 12 U.S. producers on their operations producing carbon steel wire rod, by types of firms, accounting years 1979-81, January-June 1981, and January-June 1982

Period and type of firm	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Ratio of net operating profit or (loss) to net sales	Ratio of cost of goods sold to net sales
	Million dollars					Percent	
1979:							
Integrated producers	802.7	801.0	1.7	21.6	(19.9)	(2.5)	99.8
Nonintegrated producers	455.5	396.1	59.3	21.6	37.8	8.3	87.0
Total or average	1,258.2	1,197.1	61.0	43.2	17.9	1.4	95.1
1980:							
Integrated producers	678.6	715.7	(37.1)	19.8	(56.8)	(8.4)	105.5
Nonintegrated producers	434.6	410.2	24.4	21.5	2.9	0.7	94.4
Total or average	1,113.2	1,125.9	(12.6)	41.3	(53.9)	(4.8)	101.1
1981:							
Integrated producers	694.6	717.5	(22.9)	21.4	(44.3)	(6.4)	103.3
Nonintegrated producers	532.7	490.6	42.1	23.3	18.9	3.5	92.1
Total or average	1,227.3	1,208.1	19.2	44.7	(25.5)	(2.1)	98.4
January-June--							
1981:							
Integrated producers	385.8	400.2	(14.3)	11.5	(25.8)	(6.7)	103.7
Nonintegrated producers	263.7	243.9	19.9	11.2	8.6	3.3	92.5
Total or average	649.5	644.0	5.5	22.6	(17.2)	(2.6)	99.2
January-June--							
1982:							
Integrated producers	226.5	253.4	(26.9)	9.4	(36.2)	(16.0)	111.9
Nonintegrated producers	208.8	200.7	8.1	12.0	(4.0)	(1.9)	96.1
Total or average	435.3	454.1	(18.8)	21.4	(40.2)	(9.2)	104.3

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

Note.--Because of rounding, figures may not add to the totals shown and percentages may not compute to the averages shown.

The 12 firms' aggregated operations of carbon steel wire rod were profitable in 1979, but unprofitable for the remainder of the period under investigation. The integrated producers sustained significant losses in every period, losing as much as $56.8 million in 1980. In contrast, nonintegrated producers showed operating profits in every period, except for January-June 1982, when they sustained operating losses of $4 million. The carbon steel wire rod industry recorded a ratio of net operating loss to net sales of 9.2 percent in January-June 1982.

The ratio of cost of goods sold to net sales rose from 95 percent in 1979 to 101 percent in 1980, indicating that, in the aggregate, the 12 firms sold carbon steel wire rod at less than the cost of production during 1980. In 1981, the ratio of cost of goods sold to net sales declined to 98 percent, before once again rising to above 100 percent in January-June 1982. As a whole, the carbon steel wire rod operations of the minimills * * * were the most profitable operations of all, generally showing profits during 1979-81.

Cash flow from operations.--Cash flow generated by integrated producers and nonintegrated producers from their operations producing carbon steel wire rod are shown in table 13. Cash flow from overall operations ranged from a low of negative $9 million by the integrated producers in 1980 to a high of $52 million for the nonintegrated producers in 1979.

Table 13.--Cash flow for 11 U.S. producers' operations producing carbon steel wire rod, by types of firms, accounting years 1979-81

(In thousands of dollars)

Item	1979	1980	1981
Integrated producers:			
Net operating profit or (loss)	6,598	(18,894)	(23,129)
Depreciation and amortization	11,397	12,282	13,905
Cash flow 1/	17,995	(6,612)	(9,224)
Nonintegrated producers:			
Net operating profit	37,779	2,913	18,786
Depreciation and amortization	13,946	14,686	18,863
Cash flow	51,725	17,599	37,649
Total cash flow	69,720	10,987	28,425

1/ Cash flow is understated to the extent that 1 large producer did not supply depreciation and amortization data.

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

Investment in productive facilities.--Ten firms supplied data relative to their investment in productive facilities during 1979-81. The 10 firms' investment, valued at cost, in facilities used in the production of carbon steel wire rod increased by $64 million during 1979-81 (table 14). The book value of such assets increased by $26 million. The relationship of operating

Table 14.--Investment in productive facilities by 10 U.S. producers of carbon steel wire rod, as of the end of accounting years 1979-81

Item	1979	1980	1981
Original cost----------1,000 dollars--	441,518	475,813	505,822
Book value----------do----	255,195	275,586	281,214
Operating profit or (loss)----------do----	43,294	(15,556)	(4,035)
Ratio of operating profit or (loss) to--			
Net sales----------percent--	5.1	(2.0)	(0.4)
Original cost----------do----	9.8	(3.3)	(0.8)
Book value----------do----	17.0	(5.6)	(1.4)

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

profit or loss to investment in productive facilities, whether valued at original cost or book value, generally followed the same trend as did the ratio of such profits to net sales; the ratios declined from a high in 1979 to a low in 1980, and recovered somewhat in 1981.

Capital expenditures.--Fourteen firms supplied data relative to their expenditures during 1979-81 for land, buildings, machinery, and equipment used in the production of carbon steel wire rod. As shown in the following tabulation, their aggregate capital expenditures rose from $16 million in 1979 to $40 million in 1981:

	Capital expenditures (1,000 dollars)
1979----------	15,804
1980----------	37,747
1981----------	39,723

Research and development expenses.--Only six producers supplied research and development expenses relative to their carbon steel wire rod operations during 1979-81. Such expenses are presented in the following tabulation:

	Research and development expenses (1,000 dollars)
1979----------	***
1980----------	***
1981----------	***

The Question of Threat of Material Injury

U.S. importers' inventories

In January-June 1982, U.S. importers reported significant inventories of carbon steel wire rod from Brazil, as shown in the following tabulation: 1/

Country	Inventories (short tons)	Ratio of inventories to imports (percent)
Brazil	***	***
Trinidad	0	-
Total	***	***

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

Brazil

The Brazilian steel industry produced 14.6 million tons of raw steel in 1981, ranking 13th among world steel-producing countries. This represented a 14-percent decrease from production in 1980, when Brazil ranked 10th among world steel producers.

Although there are reportedly 14 firms in Brazil which produced carbon steel wire rod, 2 companies accounted for the bulk of the wire rod produced in 1981. These companies are COSIGUA and Belgo Mineira, 2/ with reported steel-making capacities of * * * and * * * tons per year, respectively. The Brazilian Government has pursued a long-term policy of expansion of the Brazilian steel wire rod industry and additional carbon steel wire rod productive capability is scheduled for 1982, when Siderurgica FI-EL and Mendes Junior will be expanding their capacities by * * * tons and * * * tons, respectively. 3/

Production of carbon steel wire rod in Brazil increased from 1.3 million tons in 1979 to 1.7 million tons in 1980, or by 31 percent. However, production then declined to 1.4 million tons in 1981, or by 18 percent (table 15). The capacity of firms in Brazil to produce carbon steel wire rod declined 4 percent from 1980 to 1981. Their capacity utilization also declined from 1980 to 1981, but reached its period peak of 88.2 percent in January-June 1982. Total exports of wire rod from Brazil increased sharply in 1981, when they accounted for 11 percent of total Brazilian production. Exports to the United States accounted for 32 percent of total exports from Brazil in 1981.

1/ Complete data on importers' inventories during 1979-81, January-June 1981, and January-June 1982, are presented in table 6.

2/ Belgo Mineira is wholly owned by the integrated Luxembourg steel producer ARBED.

3/ Metal Bulletin, Aug. 19, 1980, and Department of Commerce, "Brazil Government Assistance to Plate Producers," Nov. 11, 1981.

Table 15.--Carbon steel wire rod: Brazil's production, capacity, capacity utilization, and exports, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Production---					
1,000 short tons--	1,283	1,675	1,371	644	750
Capacity----------do----	1/	2,039	1,958	979	850
Capacity utilization percent--	1/	82.1	70.0	65.8	88.2
Exports to--					
United States					
1,000 short tons--	3	0	50	37	26
All other countries do----	29	14	107	52	37
Total---------do----	32	14	157	89	63

1/ Not available.

Source: Compiled from data obtained from U.S. Embassy, Rio de Janeiro.

Trinidad

Trinidad and Tobago are twin islands located on the southern terminus of the Caribbean archipelago, only 5 miles from the coast of Venezuela. The nation's steel industry consists of the Iron & Steel Co. of Trinidad and Tobago (ISCOTT) located on the island of Trinidad. 1/ The ISCOTT industrial complex is an integrated, greenfield facility, which began production in August 1980. ISCOTT currently produces 3 products: direct-reduced iron (DRI) pellets, continuous-cast steel billets, and low, medium-high, and high carbon wire rod.

The ISCOTT facility is modern, possessing certain technologies which, representatives claim, enable the company to produce a distinctly higher quality wire rod than most U.S. producers. 2/ Raw steel is produced primarily from DRI pellets manufactured at ISCOTT's own facility responsible for 992,000 tons per year of DRI. The use of DRI results in a "cleaner" (more residual-free) steel than that produced from scrap. The ISCOTT facility also utilizes a modern cooling line that can control and/or retard the cooling of the wire rod after it emerges from the final rolling stands, thus increasing

1/ Central Trinidad Steel Co., a firm not related to ISCOTT, will bring on line a 90,000 ton per year sections mill in March 1983. This mill will use ISCOTT billets as its raw material.

2/ The representative of ISCOTT stated that the ISCOTT rod was of exceptionally high quality and that domestic mills could not consistently produce rod of comparable quality. See transcript of the conference, pp. 66-68 and 95-97.

its ductility within specified carbon-content ranges. Each of these technologies, ISCOTT representatives claim, may result in a consumer preference for their rod for certain applications. 1/

Production of wire rod began in Trinidad in mid-1981, and its first export shipment to the United States was in November of that year. Trinidad's production, capacity, and exports of wire rod are summarized in table 16. Counsel for Trinidad has cautioned that the low capacity utilization rates are a result of personnel factors and that even in a good market, high capacity utilization cannot be expected for many years.

Counsel for ISCOTT asserts that there is substantial demand for steel products in Trinidad because of the current construction boom on the island. Respondents estimate that approximately ** percent of ISCOTT's wire production has been consumed in the home market since the plant began operation in 1981. Additional markets in neighboring Caribbean countries, Martinique, and in Western Europe are also expected to consume a substantial portion of ISCOTT's wire rod production.

Table 16.--Carbon steel wire rod: Trinidad and Tobago's production, capacity, capacity utilization, and exports, 19781, January-June 1981, and January-June 1982

Item	1981	January-June--	
		1981	1982
Production----------1,000 short tons--	***	1/	***
Capacity----------do----	***	1/	***
Capacity utilization----------percent--	***	1/	***
Exports to--			
United States---------1,000 short tons--	***	1/	***
All other countries----------do----	2/	1/	2/
Total----------do----	2/	1/	2/

1/ ISCOTT's wire rod facilities came on line in the second half of 1981.
2/ Not available.

Source: Counsel for ISCOTT.

1/ For a discussion of ductility properties, consumer preference, and manufacturing processes of wire rod, see the "Description and uses" section of this report.

The Question of the Causal Relationship Between Allegedly Dumped Imports and the Alleged Injury

U.S. imports

The quantity of U.S. imports of carbon steel wire rod from all sources declined from 1979 to 1980, but increased in 1981 (table 17). U.S. imports declined slightly from 375,928 tons in the first half of 1981 to 373,105 tons in the first half of 1982.

Table 17.--Carbon steel wire rod: U.S. imports for consumption, by selected sources, 1979-81, January-June 1981, and January-June 1982

Source	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Brazil	33	0	32,579	0	69,199
Trinidad	0	0	6,010	0	19,645
All other	818,766	729,902	722,145	375,928	284,261
Total	818,799	729,902	760,734	375,928	373,105
	Value (1,000 dollars) 1/				
Brazil	10	-	10,553	0	21,757
Trinidad	-	-	1,806	-	5,426
All other	260,069	235,447	251,205	128,054	99,312
Total	260,079	235,447	263,564	128,054	126,495
	Unit value (per short ton)				
Brazil	307	-	324	-	314
Trinidad	-	-	300	-	276
All other	318	323	348	341	349
Average	318	323	346	341	339
	Percent of total quantity				
Brazil	2/	-	4.3	-	18.5
Trinidad	-	-	0.8	-	5.3
All other	3/	100.0	94.9	100.0	76.2
Total	100.0	100.0	100.0	100.0	100.0

1/ Landed, duty-paid value.
2/ Less than 0.05 percent.
3/ Greater than 99.95 percent.

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

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

The value of total U.S. imports followed a similar trend, although the increase in 1981 was relatively greater. The total value of U.S. imports increased from $260 million in 1979 to $264 million in 1981, or by 1.3 percent. The value of imports in January-June 1982 was 1.2 percent below that in January-June 1981.

Imports of carbon steel wire rod from Brazil have been sporadic, reported only in 1979, the second half of 1981, and the first half of 1982. During these periods such imports comprised less than 0.05 percent, 4.3 percent, and 18.5 percent of total imports, respectively.

Imports of carbon steel wire rod from Trinidad first entered the U.S. market in the fourth quarter of 1981. Imports increased to 19,645 tons in January-June 1982.

On a cumulated basis, imports from the two countries subject to the Commission's investigations increased from 1981 to the first half of 1982 by 130 percent. Brazil and Trinidad's combined share of total imports rose from 5.1 percent in 1981 to 22.8 percent in January-June 1982.

Quarterly imports for July 1981-September 1982 are shown below (in short tons):

	Brazil	Trinidad	Total
1981:			
July-September----	17,144	0	179,040
October-December--	15,435	6,010	205,765
1982:			
January-March-----	55,217	6,716	189,123
April-June--------	13,982	12,929	183,982
July-September----	12,124	14,181	192,107

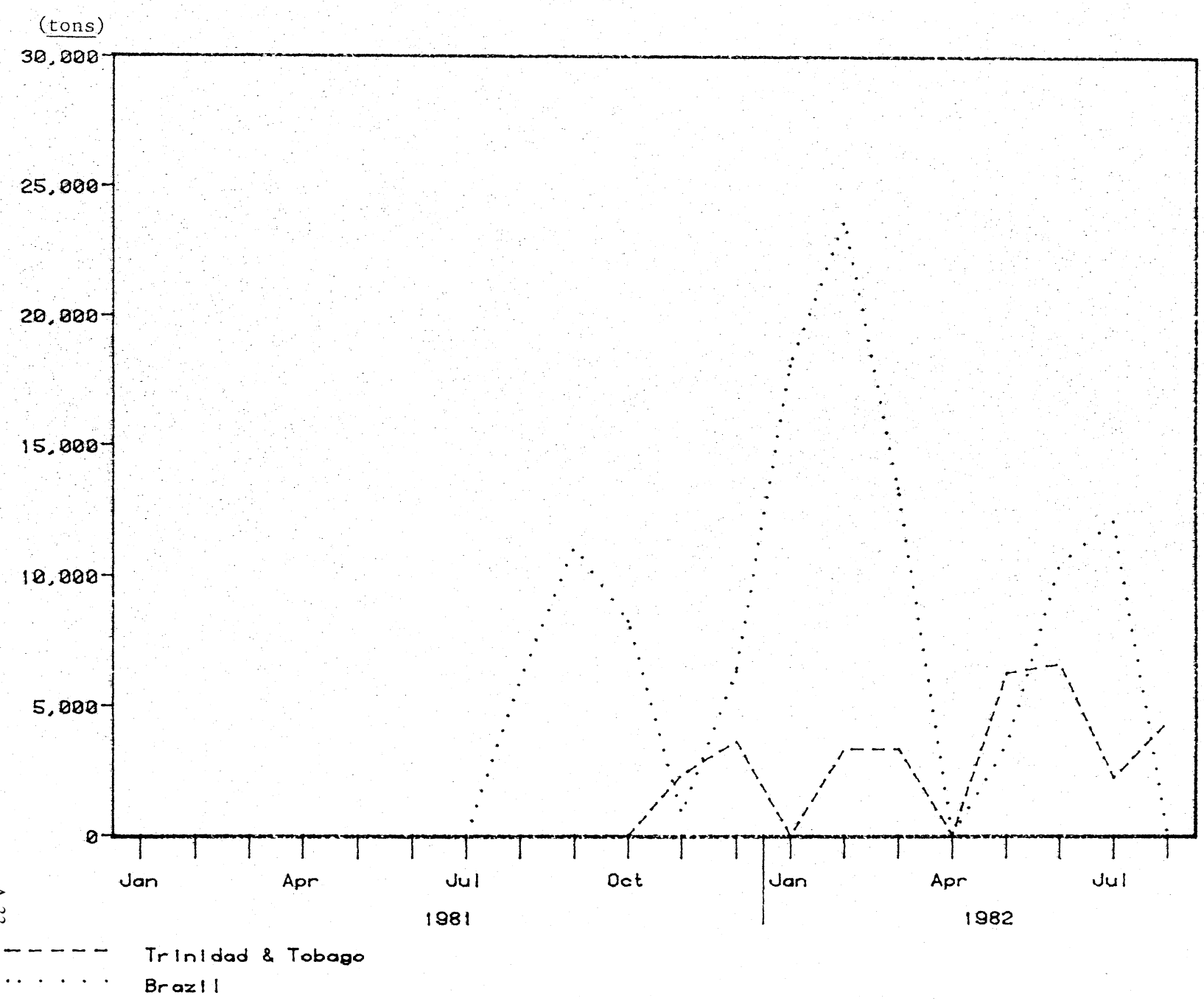
Monthly imports from Brazil and Trinidad are shown in figure 2 for 1981 and the first half of 1982. No imports from the cited countries entered the United States in January-June 1981.

Market penetration of imports

As a share of total apparent U.S. consumption (including captive consumption), U.S. imports of carbon steel wire rod from all sources increased from 13.3 percent in 1979 to 17.6 percent in January-June 1982 (table 18). As a share of apparent U.S. noncaptive consumption, such imports increased during the same period from 23.0 to 26.8 percent.

Imports of carbon steel wire rod from Brazil were insignificant or nonexistent in 1979 and 1980. In 1981, imports from Brazil accounted for 0.6 percent of apparent U.S. consumption and 0.9 percent of apparent U.S. noncaptive consumption; this figure rose to 5.0 percent of noncaptive consumption in January-June 1982.

Figure 2.--U.S. imports for consumption from selected sources, by months, January 1981-June 1982.



Source: Official statistics of the U.S. Department of Commerce.

Table 18.--Carbon steel wire rod: U.S. imports for consumption and ratio of imports to apparent U.S. consumption and apparent U.S. non-captive consumption, by selected sources, 1979-81, January-June 1981, and January-June 1982

Source	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Brazil	33	0	32,579	0	69,199
Trinidad & Tobago	0	0	6,010	0	19,645
Subtotal	33	0	38,589	0	88,844
All other	818,766	729,902	722,145	375,928	284,261
Total	818,799	729,902	760,734	375,928	373,105
	Ratio of imports to apparent U.S. consumption (percent)				
Brazil	1/	-	0.6	-	3.3
Trinidad & Tobago	-	-	0.1	-	1.0
Subtotal	1/	-	0.8	-	4.5
All other	13.3	14.5	13.2	14.4	13.1
Total	13.3	14.5	14.0	12.6	17.6
	Ratio of imports to apparent U.S. non-captive consumption (percent)				
Brazil	1/	-	0.9	-	5.0
Trinidad & Tobago	-	-	0.2	-	1.4
Subtotal	1/	-	1.1	-	6.4
All other	23.0	22.4	20.3	19.8	20.5
Total	23.0	22.4	21.4	19.8	26.8

1/ Less than 0.05 percent.

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

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

In 1981, imports from Trinidad accounted for 0.1 percent of apparent U.S. consumption and 0.2 percent of apparent U.S. noncaptive consumption. These figures increased to 1.0 percent of apparent U.S. consumption and 1.4 percent of apparent U.S. noncaptive consumption in January-June 1982.

On a cumulated basis, imports of carbon steel wire rod from both countries increased their U.S. market penetration during January-June 1982, both as a share of total apparent U.S. consumption (from 0.8 percent in 1981 to 4.5 percent in January-June 1982) and as a share of apparent noncaptive consumption (from 1.1 to 6.4 percent).

Monthly data on U.S. producers' net shipments and on U.S. imports from Brazil and Trinidad are presented together in figure 3. "Net shipments" represents U.S. producers' net shipments as reported by the AISI.

Prices

Demand for carbon steel wire rod is dependent on the demand for wire and wire products drawn or fabricated from the rod. Such products include fencing, wire reinforcing mesh, welding rod, nails, bolts, springs, and other articles used in construction and manufacturing. Demand for many of these articles has been adversely affected by the recessionary period that began in the last half of 1981. It is reported that, although all geographical areas have not suffered either simultaneously or to an equal extent from the recession, even once-thriving markets have more recently shown declines in demand for wire rod products. Wire drawers report that their sales have declined since July-September 1981 by as much as 50 percent and that both they and their customers are experiencing increased competition from foreign suppliers of wire and wire products. 1/ Accordingly, there is increased competition for the lower volume of business at all levels of distribution and increasing downward pressure on transaction prices of wire rod.

Prices of wire rod are traditionally quoted by producers based on established list prices, although this practice has declined in the competitive climate of recent periods. Such prices are calculated from a base price set for a particular standard type and quality rod with additional charges for different carbon content, temper, surface characteristics, impurity level, or other physical and chemical specifications. 2/ Such extra charges are generally based on the cost of producing wire rod to meet customer requirements. It is reported by producers that in times of more intense competition, the premiums attached to the extra processing are often subject to negotiation in any sales arrangement, resulting in downward price adjustment. Producers state that, beginning in late 1981 and continuing into 1982, wire rod falling within wide ranges of specifications has been sold competitively and at about the same price because of fewer orders. Producers allege that a significant portion of this competition results from offerings in U.S. markets of wire rod originating in the countries subject to these investigations.

Transaction prices of wire rod are also affected by the relative location of suppliers to their customers. Freight costs are generally charged to the customer's account or are paid directly by the customer. However, it is common, particularly during periods of slack demand, for producers to offer allowances for certain freight costs. This practice, known as freight equalization, provides that a customer will pay no more for shipping wire rod from his actual supplier than he would for shipping from his closest potential supplier. The difference between the actual freight charges and the equalized charges is absorbed by the supplier. This practice, although not necessarily

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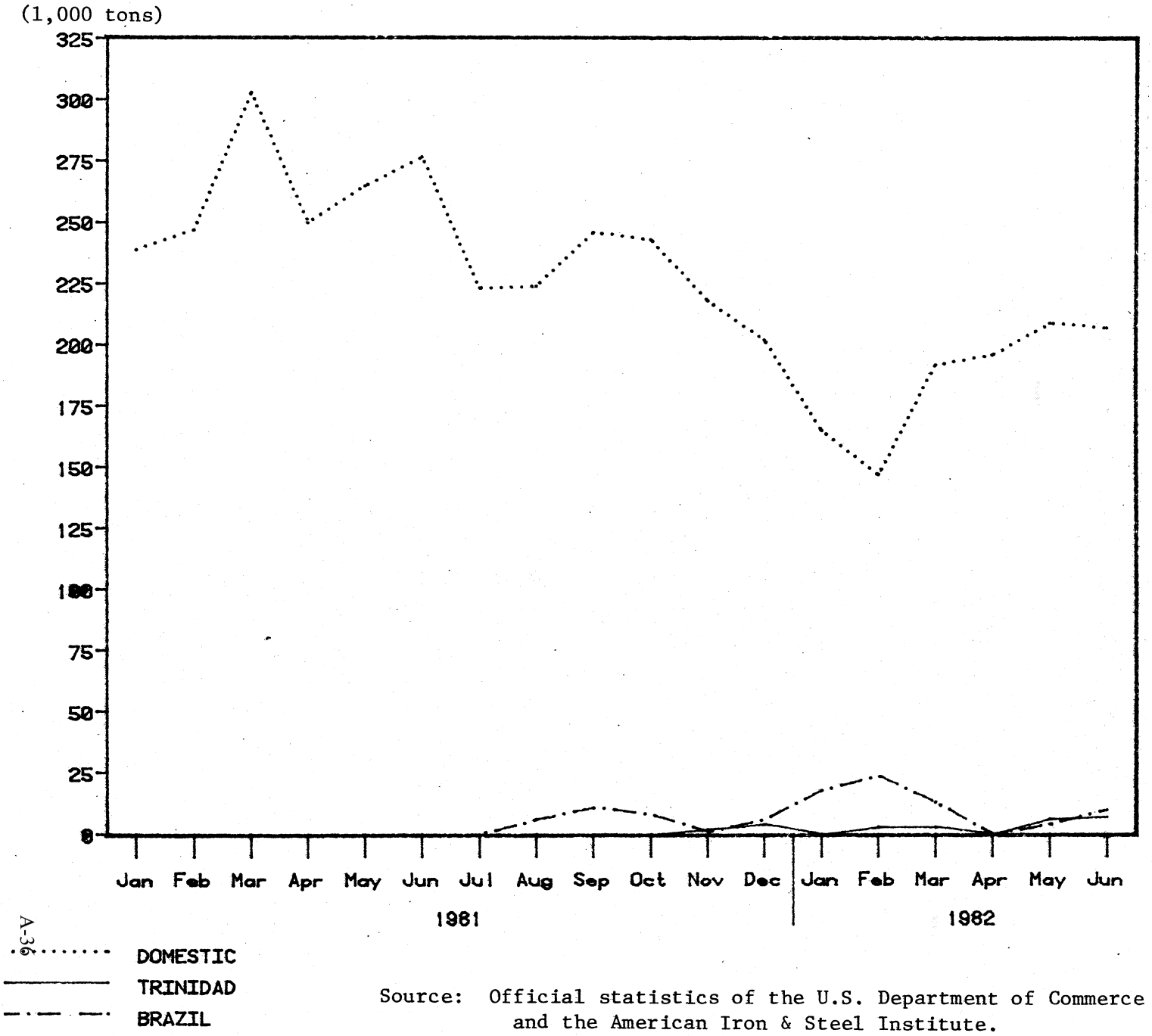
1/ See "Lost sales" section of this report.

2/ Certain of these characteristics are a function of the method by which the steel is produced, as noted in the "Description and uses" section of this report.

Figure 3.--Carbon steel wire rod: U.S. producers' net shipments and imports from selected sources, by months, January 1981-June 1982.



Source: Official statistics of the U.S. Department of Commerce and the American Iron & Steel Institute.

affecting delivered costs to the customer, may significantly reduce the net return realized by the producer of the wire rod. Accordingly, profits from sales made to a distant customer located close to a competing producer may be small or nonexistent. For these reasons, in periods of high demand, producers may choose not to seek orders from distant customers, whereas in periods of slack demand, such low-margin sales may be desirable in order to minimize costs per unit of production or to avoid shutting down a production line.

Since January 1979, the Producer Price Index for low-carbon steel wire rod 1/ has increased by about 40 percent. Although the index shows similar price increases from yearend to yearend, the index remained relatively constant from July 1981 to September 1982, indicating some moderation in increases in list prices coinciding with declining demand during this recent period. During January 1979-December 1981, the trigger price applicable to imports of standard quality carbon steel wire rod increased by 22 percent, as shown in the following tabulation (January-March 1979=100.0):

Period	Producer Price Index	Trigger-price index
1979:		
January-March	100.0	100
April-June	108.3	100
July-September	110.1	99
October-December	109.7	99
1980:		
January-March	114.7	103
April-June	118.0	1/
July-September	118.7	1/
October-December	123.6	116
1981:		
January-March	129.8	117
April-June	129.6	122
July-September	139.0	122
October-December	139.2	122
1982:		
January-March	139.6	1/
April-June	139.5	1/
July-September	139.4	1/

1/ No trigger price was in effect during this period.

The Commission requested data from U.S. producers and importers on prices of five product categories of carbon steel wire rod. Domestic producers provided weighted-average prices realized f.o.b. their mill, net of all shipping or other allowances, and importers provided weighted-average prices f.o.b. their shipping point in the United States (generally landed, duty-paid at the port of entry). Price data for low-carbon steel wire rod, the principal

1/ The Producer Price Index of the U.S. Bureau of Labor Statistics is based on reported list prices of standard quality, AISI designation 1008, hot-rolled carbon steel wire rod, 7/32 inch in diameter, in coils, in quantities of 20 net tons or more, f.o.b. mill to customer.

type imported from Brazil and Trinidad, are discussed below. Price data received from importers of wire rod from Brazil were insufficient to construct indexes.

Standard-quality low-carbon steel wire rod accounts for the largest share of both U.S. production and of imports, and is generally considered by the industry to be fungible for most applications. Parties to the investigations agreed that the most intense price competition is found in wire rod fitting this description. 1/ The Commission requested price data on small diameter (7/32 inch to 27/64 inch) rod, AISI designation 1008.

Average net prices for small-diameter, standard-quality wire rod reported by both integrated and nonintegrated producers followed similar trends from January 1980 through June 1982, ending at a lower level than in January 1980. Prices reported by integrated producers generally showed smaller declines and larger increases than those of nonintegrated producers (table 19).

Table 19.--Carbon steel wire rod: Indexes of weighted average prices of low-carbon steel wire rod, 1/ 7/32 to 27/64 inch in diameter, realized by U.S. producers and by importers of wire rod from Trinidad by quarters, January 1980-September 1982

(October-December 1981 = 100.0)

Period	U.S. producers		Trinidad
	Integrated	Nonintegrated	
1980:			
January-March	93.2	105.4	2/
April-June	92.2	106.3	2/
July-September	91.1	94.6	2/
October-December	90.9	97.4	2/
1981:			
January-March	96.8	103.4	2/
April-June	98.4	105.0	2/
July-September	99.3	103.4	2/
October-December	100.0	100.0	100.0
1982:			
January-March	91.9	102.6	97.6
April-June	90.3	99.1	93.9
July-September	94.0	93.7	93.3

1/ Standard-quality wire rod, AISI specification 1008.
2/ No imports reported.

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

1/ Purchasers responding to the Commission's questionnaires overwhelmingly rated price as their most important consideration. Quality was frequently rated high in importance but only occasionally above price.

Prices reported by the importer of wire rod from Trinidad have declined in each of the four quarters in which sales have been made. From October-December 1981 to July-September 1982, this decline amounted to 6.7 percent.

In investigations Nos. 701-TA-148 and 150, Carbon Steel Wire Rod from Belgium and France, the Commission requested purchasers 1/ of U.S.-produced and imported carbon steel wire rod to provide information on prices paid for wire rod, including all costs associated with the delivery of the product to the purchaser's plant. Thirty-four purchasers provided usable data, 2/ of which the majority reported that their most common purchases were of low-carbon steel (1008) standard quality wire rod with a diameter between 7/32 inch and 27/64 inch. 3/ Prices of domestically produced wire rod included those paid for purchases from both integrated and nonintegrated producers. Weighted-average prices reported are shown in table 20.

Delivered prices reported by purchasers of U.S.-produced wire rod generally followed a trend similar to that found for net prices reported by U.S. producers. The average price of domestic wire rod in January-March 1980 was $16.88 per hundredweight. Prices declined by 5.0 percent from April 1980 through December 1980, and at yearend, the average price was $15.88 per hundredweight. Average delivered prices increased in 1981 and remained relatively stable at about $16.50 per hundredweight from April through December of that year. However, delivered prices declined by 4.1 percent in January-March 1982 and again by 4.0 percent in April-June, reaching $15.13 in that quarter, 10.4 percent below the average price at the beginning of 1980.

Purchasers reported prices on imports accounting for 32 percent of total imports from Brazil from January 1981 through June 1982. Delivered prices of wire rod imported from Brazil declined in each of the four quarters of 1981 and 1982 for which purchases were reported. An average of * * * per hundredweight was paid in July-September 1981, declining to * * * per hundredweight in October-December. Prices of Brazilian rod declined to * * * in January-March 1982 and to * * * in April-June 1982. The decline in prices from July 1981 through June 1982 was 11.5 percent. Only in January-March 1982 did the average delivered price paid for imports from Brazil decline below that paid for domestically produced wire rod. This price, * * * per hundredweight, was * * * percent below the price of the domestic product in the same period.

1/ The purchasers to whom questionnaires were sent were chosen from documents submitted by the petitioners.

2/ These 34 firms reported total purchases of wire rod from all sources accounting for at least 17.9 percent of total U.S. apparent consumption (27.5 percent of noncaptive consumption) in 1981 and 1982.

3/ Petitioners have emphasized that this is the product most affected by import competition, and most purchasers named by them in documents use wire rod of this type. Purchasers did not provide sufficient data on delivered prices of other products to allow meaningful comparisons.

Table 20.--Carbon steel wire rod: Weighted average delivered prices paid by purchasers of standard quality low-carbon steel wire rod 1/ produced in the United States and imported from Brazil and Trinidad, by quarters, January 1980-June 1982.

(Dollars per hundredweight)

Period	U.S. produced wire rod		Wire rod imported from	
	All responding purchasers	Selected purchasers 2/	Brazil	Trinidad
1980:				
January-March	16.88	17.20	3/	3/
April-June	16.70	16.76	3/	3/
July-September	16.20	16.29	3/	3/
October-December	15.88	16.10	3/	3/
1981:				
January-March	16.18	16.90	3/	3/
April-June	16.57	17.04	3/	3/
July-September	16.53	17.37	***	3/
October-December	16.43	16.95	***	3/
1982:				
January-March	15.76	15.44	***	***
April-June	15.13	15.25	***	***

1/ Standard quality wire rod, AISI designation 1008.

2/ Purchasers reporting prices of both U.S.-produced wire rod and rod imported from at least one country subject to these investigations.

3/ No prices reported.

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

Purchasers reported prices on imports accounting for only 6 percent of official imports from Trinidad in 1982. 1/ The weighted-average delivered price of these imports was * * * per hundredweight in January-March 1982 and * * * in April-June 1982. These prices were below average U.S. producers' delivered prices by * * * percent and * * * percent, respectively. 2/

As discussed above, only three instances of underselling were found in comparing the weighted-average delivered price of U.S.-produced wire rod with that paid for imports from the two countries covered by these investigations. However, 11 of the purchasers from whom questionnaires were received did not report having purchased any imports from these countries, 3/ suggesting that prices of imports to those customers may not have been competitive because of considerations such as transportation, quality, delivery time, or other factors. Accordingly, an additional weighted average was constructed using data on delivered prices of U.S.-produced wire rod for only those customers who reported buying both imported and domestically produced wire rod. This series is also shown in table 20.

In general, the average prices paid for U.S.-produced wire rod by purchasers of both imports and domestic rod followed the same trends as those paid by all purchasers. However, with only one exception, prices paid by this group of purchasers were higher than the average delivered price of the U.S. product to all purchasers. This pattern may indicate that purchasers who bought imported wire rod were those who had received prices from U.S. producers less attractive than the average of all purchasers. In addition, the average price paid by this group for wire rod imported from Brazil was below that of U.S.-produced rod in both July-September and October-December 1981. The margins of underselling in these instances were * * * percent and * * * percent, respectively. The average price paid for wire rod from Trinidad was less than prices paid by this group to U.S. producers by * * * and * * * percent in the first two quarters of 1982, respectively.

Petitioners argued at the public hearing held in connection with investigations Nos. 701-TA-148 and 150 that, when imports are competing for customers in a given market, the offering price of imports in one period (for delivery 3 months later) is the price against which domestic producers must bid for delivery in the current period. The problem, according to petitioners, occurs because customers may avail themselves of the "cancel option" on purchases of domestic wire rod until the date the rod is actually

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1/ No information was requested by the Commission in this particular questionnaire concerning imports from Trinidad; two purchasers, however, provided price data on three shipments amounting to * * * tons.

2/ Representatives of ISCOTT submitted extensive data on sales to U.S. customers in the Gulf area. These data suggest that delivered prices of wire rod from Trinidad are not below prices of domestic suppliers to the Gulf. These data are not necessarily inconsistent with questionnaire responses, because ISCOTT's prices are similar in both instances and because data shown in table 20 include U.S. producers' shipments to many other regions as well. Price competition is generally acknowledged to be most intense in the Gulf area.

3/ These 11 purchasers accounted for 50.5 percent of total wire rod consumption by the 34 firms responding to the Commission's questionnaire

shipped. As a result, the current import offering price for future delivery may be used by customers to negotiate lower prices for domestic wire rod until shipment is made, despite prices which may have been agreed upon earlier. Petitioners observed that the prices provided to the Commission reflect the time of delivery rather than the time of the offer. Petitioners believe that the Commission should compare prices of U.S.-produced wire rod in a given period with prices of imports delivered in the following calendar quarter.

When comparisons are made according to the procedure proposed by the petitioners, instances of underselling are found for wire rod from Brazil and Trinidad. 1/ Prices of wire rod imported from Brazil and reported in January-March and April-June 1982 were * * * percent and * * * percent, respectively, below the average price reported by all purchasers for U.S.-produced wire rod in the preceding periods. Prices of wire rod imported from Trinidad and reported in the first two quarters of 1982 were * * * percent and * * * percent below producers' prices in the preceding periods. Additionally, when the prices reported by the smaller selected group of purchasers are compared under the petitioners' proposal, imports from Brazil undersold domestic wire rod from October 1981 through June 1982 by margins between * * * and * * * percent, and imports from Trinidad undersold the domestic product by * * * percent in January-March 1982 and * * * percent in April-June 1982.

The following tabulation, compiled from official statistics of the International Monetary Fund, shows indexes for the fluctuation in exchange rates relative to the U.S. dollar for the currencies of the two countries 2/ whose wire rod exports are subject to these investigations (January-March 1979=100.0):

Period	Brazil	Trinidad
1979:		
January-March	100.0	100.0
April-June	89.4	100.0
July-September	80.4	100.0
October-December	64.5	100.0
1980:		
January-March	48.7	100.0
April-June	44.0	99.8
July-September	40.1	100.0
October-December	35.8	100.0

See footnote at end of tabulation.

1/ This comparison may introduce bias into the determination of margins of underselling when prices are declining owing to general economic conditions or other non-import related factors. This bias occurs because the price of the imported product, as well as of the domestic product, under those conditions usually will be lower in succeeding periods.

2/ The Brazilian currency is the cruzeiro and the Trinidad currency is their own dollar.

Period	Brazil	Trinidad
1981:		
January-March	31.0	100.0
April-June	26.2	100.0
July-September	22.0	100.0
October-December	18.6	100.0
1982:		
January-March	15.9	100.0
April-June	13.7	100.0
July-September	12.0	1/

1/ Not available

The Brazilian cruzeiro severely depreciated between 1979 and September 1982. By July-September 1982, the cruzeiro had declined in value by 88.0 percent. The Trinidad dollar has maintained its official value relative to the U.S. dollar since 1979.

Lost sales

Only 6 of the 14 producers responding to the Commission's questionnaries provided usable information concerning sales lost to the cited imports during January 1980-September 1982. The producers who provided lost sales information were generally the larger nonintegrated producers, although two integrated producers also provided lost sales allegations. The aggregate lost sales information concentrated on imports of carbon steel wire rod from Brazil, since the primary imports from Brazil are low-carbon, standard-quality wire rod--the mainstay of the larger nonintegrated producers. Lost sales allegations totaled approximately 165,800 tons.

The Commission staff investigated 30 of these claims and found price to be a major reason for purchasing the imported product in 16 of the allegations which were confirmed. The following tabulation shows the total allegations submitted, the number checked, and the number confirmed because of price:

	Total allegations made	Total allegations checked	Total allegations confirmed	Instances in which price cited as major reason
Brazil	27	25	20	14
Trinidad	6	5	5	2
Total	33	30	25	16

All of these allegations involved low-carbon, industrial-quality wire rod. The majority of the lost sales, both alleged and verified, involved companies located in the Gulf area--mainly Houston. Many of the purchasing firms in the Gulf area have longstanding traditions of purchasing imported carbon steel wire rod. It should be noted that the Gulf was primarily served by imports prior to the opening of the Georgetown plant in Beaumont, Tex., in 1980.

On an aggregate basis, imports were reported to be of higher quality than wire rod sold by the nonintegrated producers. Hence, quality of rod was an important issue for many of the purchasers. Other purchasers cited alternate sourcing as a determining factor in continuing a mix of domestic and imported wire rod, emphasizing both the importers' price gouging during the mid-1970's and the domestic mills' inability to supply sufficient quantities of wire rod in 1974 and in the early 1980's.

Of the allegations which were not confirmed, two cases involved instances in which the purchasers did not purchase any of the cited imports. In the remaining cases, the purchasers stated that they had quality problems with their normal domestic supplier which necessitated a shift to an alternative (i.e., foreign) source or that the purchase of foreign rod was made only on a sample basis. In these cases, the purchaser had a longstanding policy of procuring a portion of their carbon steel wire rod from offshore (again, these purchasers are located in the Southeast and in the Gulf areas, which were formerly served almost exclusively by imports).

Brazil.--Of the 27 allegations of lost sales because of imports of carbon steel wire rod from Brazil, 25 were checked, 20 were confirmed, and 14 confirmed because of price. The 27 allegations, provided by 6 domestic producers for the period January 1980-June 1982, amounted to approximately 150,000 tons. During the same period, the official statistics of the Department of Commerce show that less than 103,000 tons of carbon steel wire rod from Brazil entered the United States.

The 20 confirmed lost sales amounted to approximately 50,000 tons. A substantial portion of this tonnage was purchased from Brazil for reasons other than price; quality in general, a desire to purchase rimmed rod, and a desire to maintain longstanding alternative sources were cited as the main reasons for purchasing Brazilian rod. Such purchases amounted to approximately 25,000 tons and were consumed by various plants operated by large-volume purchasers of wire rod.

A number of companies, however, reported purchasing carbon steel wire rod from Brazil solely on the basis of price. These firms expressed the need to remain competitive with other wire drawers, since the price of the wire rod sometimes constituted up to 80 percent of their production costs. The 13 firms which verified their purchases because of price accounted for almost 25,000 tons of Brazilian rod since 1980, or over 20 percent of wire rod imports from Brazil since 1980.

Trinidad.--Allegations of lost sales to wire rod from Trinidad were submitted by three companies. 1/ These companies provided six allegations of lost sales amounting to 15,800 tons of wire rod covering the period November 1981-September 1982. Of these six allegations, five were checked, and all were confirmed; however, only two were confirmed because of price. These purchases amounted to * * * tons and were made by two * * * . *** cited domestic supply difficulties as an additional factor in the * * * decision to purchase wire rod from Trinidad.

1/ Based upon incomplete returns of Commission questionnaires.

APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF PRELIMINARY INVESTIGATIONS

[Investigations Nos. 731-TA-113 and 114 (Preliminary)]

Carbon Steel Wire Rod From Brazil and Trinidad and Tobago

AGENCY: International Trade Commission.

ACTION: Institution of preliminary antidumping investigations and scheduling of a conference to be held in connection with the investigations.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of investigations Nos. 731-TA-113 and 114 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(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 Brazil and Trinidad and Tobago of carbon steel wire rod, which are alleged to be sold in the United States at less than fair value. For the purposes of these investigations, carbon steel wire rod is defined as a coiled, semifinished, hot-rolled, carbon steel product of approximately round, solid cross section, not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per sound. As defined, carbon steel wire rod is provided for in item 607.17 of the Tariff Schedules of the United States.

EFFECTIVE DATE: September 30, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen P. Miller, Office of Investigations, U.S. International Trade Commission, Room 337, 701 E Street, NW., Washington, D.C. 20436; telephone 202-523-0305.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on September 30, 1982, by counsel on behalf of Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., Continental Steel Corp., and Raritan Steel Co., all of which are U.S. producers of carbon steel wire rod. The Commission must make its determinations in these investigations within 45 days after the date of the filing of the petition, or by November 15, 1982 (19 CFR 207.17). The investigations will be subject to the provisions of part 207 of the Commission's rules of practice and procedure (19 CFR part 207, as amended by 47 FR 6190 and 47 FR 33682), and particularly subpart B thereof.

Written Submissions.—Any person may submit to the Commission a written statement of information pertinent to the subject of these investigations. A signed original and fourteen (14) true copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, on or before November 1, 1982.

Any business information which the submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules of practice and procedure (19 CFR 201.6). All written submissions except for confidential business data will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m., on Monday, October 25, 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 supervisory investigator for these investigations, Mr. Lynn Featherstone (202-523-0242), not later than October 19, 1982, to arrange for their appearance. It is anticipated that parties in support of the petition for antidumping duties and parties opposed to the petition will be allocated one hour within which to make an oral presentation at the conference.

Inspection of the petition.—A copy of the petition filed in these cases is

available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

For further information concerning the conduct of the investigations and rules of general application, consult the Commission's rules of practice and procedure, part 207, subparts A and B (19 CFR part 207 as amended by 47 FR 6190 and 47 FR 33682), and part 201, subparts A through E (19 CFR part 201 as amended by 47 FR 6188, 47 FR 13791, and 47 FR 33682). Further information concerning the conduct of the conference will be provided by Mr. Featherstone.

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

By order of the Commission.

Issued: October 6, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-28322 Filed 10-13-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

NOTICES OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF PRELIMINARY INVESTIGATIONS

International Trade Administration

Carbon Steel Wire Rod From Brazil; Initiation of Antidumping Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of antidumping investigation—Carbon Steel Wire Rod from Brazil.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether carbon steel wire rod ("wire rod") from Brazil is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission ("ITC") of this action so that it may determine whether imports of this merchandise are materially injuring, or are threatening to materially

injure, a United States industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before November 15, 1982, and we will make ours on or before March 9, 1983.

EFFECTIVE DATE: October 26, 1982.

FOR FURTHER INFORMATION CONTACT: John Brinkman, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-4929.

SUPPLEMENTARY INFORMATION:

The Petition

On September 30, 1082, we received a petition from counsel for Atlantic Steel Company, Continental Steel Corporation, Georgetown Steel Corporation, Georgetown Texas Steel Corporation, and Raritan River Steel Company on behalf of the domestic wire rod industry. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry. Critical-circumstances have been alleged under section 733(e) of the Act. We will make a determination regarding this issue on or before the date of our preliminary determination. The allegation of sales at less than fair value is supported by comparisons of a United States price (estimated by the petitioner and adjusted for ocean freight, handling, off-loading, and United States duty) on sales of the merchandise in the United States with Brazilian f.o.b. home market price (based on price quotations) on sales made in Brazil.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after the petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on wire rod and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping investigation to determine whether wire rod from Brazil is being, or is likely to be, sold at less than fair value in the United States. If our investigation proceeds normally, we will make our preliminary determination by March 9, 1983.

Scope of the Investigation

The merchandise covered by this investigation is carbon steel wire rod, a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, not partly manufactured, and valued over 4 cents per pound. Wire rod is generally drawn through dies into wire. It may be marketed as such or further fabricated into wire-derived products such as shopping carts, bicycle spokes, and upholstery springs. Wire rod is currently classifiable under item 607.17 of the *Tariff Schedules of the United States* (TSUS).

Notification to ITC

Section 732(d) of the Act requires us to notify the United States International Trade Commission of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it 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 consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will detemine by November 15, 1982, whether there is a reasonable indication that imports of wire rod from Brazil are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

October 20, 1982.

[FR Doc. 82-29360 Filed 10-25-82; 8:45 am]

BILLING CODE 3510-25-M

Carbon Steel Wire Rod From Trinidad and Tobago; Initiation of Antidumping Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of antidumping investigation—carbon steel wire rod from Trinidad and Tobago.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether carbon steel wire rod ("wire rod") from Trinidad and Tobago is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission ("ITC") of this action so that it may determine whether imports of this merchandise are materially injuring, or are threatening to materially injure, a United States industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before November 15, 1982, and we will make ours on or before March 9, 1983.

EFFECTIVE DATE: October 26, 1982.

FOR FURTHER INFORMATION CONTACT: John Brinkman, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-4929.

SUPPLEMENTARY INFORMATION:

The Petition

On September 30, 1982, we received a petition from counsel for Atlantic Steel Company, Continental Steel Corporation, Georgetown Steel Corporation, Georgetown Texas Steel Corporation, and Raritan River Steel Company, on behalf of the domestic wire rod industry. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Trinidad and Tobago are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry. The allegation of sales at less than fair value is supported by comparisons of a United States price (estimated by the petitioner and adjusted for ocean freight, United States unloading and wharfage, United States duty, handling, loading and United States reloading, and insurance) on sales of the merchandise in the United States with Trinidadian f.o.b. home market price (based on actual transactions) on sales made in Trinidad and Tobago.

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Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after the petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on wire rod and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping investigation to determine whether wire rod from Trinidad and Tobago is being, or is likely to be, sold at less than fair value in the United States. If our investigation proceeds normally, we will make our preliminary determination by March 9, 1983.

Scope of the Investigation

The merchandise covered by this investigation is carbon steel wire rod, a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, not partly manufactured, and valued over 4 cents per pound. Wire rod is generally drawn through dies into wire. It may be marketed as such or further fabricated into wire-derived products such as shopping carts, bicycle spokes, and upholstery springs. Wire rod is currently classifiable under item 607.17 of the *Tariff Schedules of the United States* (TSUS).

Notification to ITC

Section 732(d) of the Act requires us to notify the United States International Trade Commission of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it 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 consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 15, 1982, whether there is a reasonable indication that imports of wire rod from Trinidad and Tobago are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration

October 20, 1982.

[FR Doc. 82-29361 Filed 10-25-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX C

CALENDAR OF PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-113 and 114 (Preliminary)

CARBON STEEL WIRE ROD FROM BRAZIL AND TRINIDAD AND TOBAGO

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigations on October 25, 1982, in the Commission's Sunshine Room, 701 E Street, NW., Washington, D.C.

In support of the imposition of antidumping duties

Patton, Boggs & Blow
Washington, D.C.
on behalf of

Continental Steel Corp.
Georgetown Steel Corp.
Georgetown Texas Steel Corp.
Raritan River Steel Co.

Frank R. Samolis)--OF COUNSEL

Fried, Frank, Harris, Shriver & Kampelman
Washington, D.C.
on behalf of

Atlantic Steel Co.

David Birenbaum)
William Hoffman) --OF COUNSEL

In opposition to the imposition of antidumping duties

Steptoe & Johnson
Washington, D.C.
on behalf of

Iron and Steel Co. of Trinidad and Tobago (ISCOTT)

Errol Getner, Sales Agent for ISCOTT

Charlene Barshefsky)
Melinda Chandler) --OF COUNSEL