

PRESTRESSED CONCRETE STEEL WIRE STRAND FROM FRANCE

**Determination of the Commission in
Investigation No. 701-TA-153 (Final)
Under the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

USITC PUBLICATION 1325

DECEMBER 1982



UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E Eckes, Chairman

Paula Stern

Veronica A Haggart

Kenneth R. Mason, Secretary to the Commission

This report was prepared by:

David Coombs, Investigator
Laszlo Boszormenyi, Analyst
Anita Miller, Economist
Clark Workman, Economist
Jack Simmons, Attorney
Chand Mehta, Accountant

Vera A. Libeau, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

C O N T E N T S

	<u>Page</u>
Determination-----	1
Views of the Commission-----	3
Information obtained in the investigation:	
Introduction-----	A-1
The product-----	A-2
U.S. tariff treatment-----	A-4
Nature and extent of bounties or grants-----	A-5
The U.S. market-----	A-6
U.S. producers-----	A-9
Foreign producers-----	A-11
The importer-----	A-12
The question of alleged material injury-----	A-13
U.S. producers' capacity and production-----	A-14
U.S. producers' shipments-----	A-17
Inventories-----	A-17
Employment-----	A-18
Financial experience of U.S. producers-----	A-20
Unit costs of production-----	A-22
Rod prices-----	A-22
Interest expenses-----	A-23
Return on investment-----	A-23
Cash flow from operations-----	A-24
Research and development and capital expenditures-----	A-24
The question of the threat of material injury-----	A-25
Consideration of the causal relationship between subsidized imports and the alleged injury:	
U.S. imports-----	A-26
France-----	A-32
Prices-----	A-32
Price suppression/depression-----	A-38
Lost sales-----	A-40
Appendix A. Commerce's final countervailing duty determination-----	A-43
Appendix B. Witnesses appearing at the hearing-----	A-63
Appendix C. Commission's notice of institution-----	A-67
Appendix D. Other investigations concerning prestressed concrete steel wire strand-----	A-71

Figures

1. Prestressed concrete steel wire strand-----	A-3
2. Prestressed concrete steel wire strand: U.S. consumption, 1966-81-----	A-8
3. Indexes of producer prices for prestressed concrete steel wire strand, finished steel mill product, and carbon steel wire rod, by quarters, January 1979-September 1982-----	A-35

CONTENTS

Tables

	<u>Page</u>
1. Prestressed concrete steel wire strand: U.S. producers' and importer's shipments, by states, 1981-----	A-9
2. Prestressed concrete steel wire strand: U.S. producers' plant location, period production began, and percentage distribution of 1981 shipments-----	A-10
3. Prestressed concrete steel wire strand: Chiers-Chatillon-Gorcy's productive capacity, production, and exports, 1979, 1980, 1981, and January-June 1982-----	A-12
4. Prestressed concrete steel wire strand: Distribution of CCG's shipments, by weight, 1980, 1981, January-June 1982-----	A-12
5. Prestressed concrete steel wire strand: U.S. producers' productive capacity, production, and capacity utilization, 1974-81, January-June 1981, and January-June 1982-----	A-14
6. Prestressed concrete steel wire strand: U.S. producers' capacity and production, by firms, 1979-81, January-June 1981, and January-June 1982-----	A-15
7. Wire drawing costs, by type of machine, 1982-----	A-16
8. Machinery used in the production of prestressed concrete steel wire strand: Operating rates and years installed, by types of machinery, and by firms, July 1982-----	A-16
9. Prestressed concrete steel wire strand: U.S. producers' shipments, by types, 1974-81, January-June 1981, and January-June 1982-----	A-17
10. Prestressed concrete steel wire strand: U.S. producers' shipments and inventories, 1974-81, January-June 1981, and January-June 1982-----	A-18
11. Average number of U.S. production and related workers engaged in the manufacture of prestressed concrete steel wire strand, hours worked by such workers, wages paid, total compensation, and productivity, 1974-81, January-June 1981, and January-June 1982-----	A-19
12. Average number of U.S. production and related workers engaged in the manufacture of prestressed concrete steel wire strand, hours worked by such workers, wages paid, total compensation, and productivity, by firms, 1979-81, January-June 1981, and January-June 1982-----	A-19
13. Profit-and-loss experience of U.S. producers on their operations on prestressed concrete steel wire strand, 1974-81, January-June 1981, and January-June 1982-----	A-21
14. Profit-and-loss experience of U.S. producers on their operations on prestressed concrete steel wire strand, by firms, 1979-81, January-June 1981, and January-June 1982-----	A-22
15. Prestressed concrete steel wire strand: U.S. producers' unit costs of production, by firms, 1979-81, January-June 1981, and January-June 1982-----	A-22

CONTENTS

	<u>Page</u>
16. U.S. producers' purchase prices of steel wire rod used in the production of prestressed concrete steel wire strand, by firms, 1979-81, January-June 1981, and January-June 1982-----	A-23
17. Prestressed concrete steel wire strand: U.S. producers' interest expenses, by types, 1979-81, January-June 1981, and January-June 1982-----	A-23
18. Investments in assets used in productive facilities by U.S. producers of prestressed concrete steel wire strand, as of the end of accounting years 1979-81, January-June 1981, and January-June 1982-----	A-24
19. Cash flow from U.S. producers' operations producing prestressed concrete steel wire strand, 1979-81, January-June 1981, and January-June 1982-----	A-24
20. Prestressed concrete steel wire strand: U.S. producers' research and development and capital expenditures, 1974-77 and 1979-81, January-June 1981, and January-June 1982-----	A-25
21. Prestressed concrete steel wire strand: U.S. imports for consumption, by principal sources, 1979-81, January-June 1981, and, January-June 1982-----	A-27
22. Prestressed concrete steel wire strand: U.S. imports and U.S. producers' shipments as a share of consumption, 1974-81, January-June 1981, and January-June 1982-----	A-29
23. Prestressed concrete steel wire strand: U.S. imports, by principal sources, producers' shipments, and consumption, by quarters, January 1980 thru June 1982-----	A-30
24. Prestressed concrete steel wire strand: U.S. imports, as a share of consumption, by principal sources, and U.S. producers' shipments as a share of consumption, by quarters, January 1980-June 1982----	A-31
25. Prestressed concrete steel wire strand: U.S. producers' prices, by quarters, January 1975-September 1982-----	A-34
26. Prestressed concrete steel wire strand: F.o.b. prices and price ranges of U.S. producers and the importer (CCG), by quarters, January 1979-September 1982-----	A-36
27. Prestressed concrete steel wire strand: Delivered prices of U.S. producers' and the importer (CCG), by quarters, January 1979-September 1982-----	A-37
28. Prestressed concrete steel wire strand: Delivered prices paid by three purchasers in the San Antonio area, for U.S.-produced and French-produced merchandise, by quarters, January-1981-June 1982---	A-37
29. Prestressed concrete steel wire strand: Delivered prices paid by two purchasers in the Houston area, for U.S.-produced and French-produced merchandise, by quarters, January 1981-March 1982--	A-37

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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-153 (Final)

PRESTRESSED CONCRETE STEEL WIRE STRAND FROM FRANCE

Determination

On the basis of the record 1/ developed in its countervailing duty investigation on prestressed concrete steel wire strand from France, the Commission unanimously determines, pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)), that an industry in the United States is not materially injured or threatened with material injury, nor is the establishment of an industry in the United States materially retarded, by reason of imports of steel wire strand for prestressing concrete (PC strand), provided for in item 642.11 of the Tariff Schedules of the United States, upon which bounties or grants are being paid.

Background

On August 6, 1982, the Department of Commerce made a preliminary determination that there was reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. § 1671) are being provided to manufacturers, producers, or exporters in France of PC strand.

Accordingly, effective August 25, 1982, the Commission instituted an investigation under section 705(b) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports of PC strand from France.

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

Notice of the institution of the Commission's investigation and of a hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on September 1, 1982 (47 F.R. 38647). The hearing was held in Washington, D.C. on October 19, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in this investigation, we find that an industry in the United States is not being materially injured or threatened with material injury, nor is the establishment of an industry in the United States being materially retarded, 1/ by reason of subsidized imports of steel wire strand for prestressing concrete (PC strand) from France.

Domestic industry

Under title VII of the Tariff Act of 1930 (the Act), our analysis of the information gathered in this investigation begins with a definition of the scope of the relevant domestic industry. Section 771(4)(A) of the Act defines the domestic industry as consisting of "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." 2/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . ." 3/

The imported article that is the subject of this investigation is PC strand from France, a product consisting of one center wire and six helically placed outer wires that is used in prestressing concrete. This same product was involved in the recent Commission investigation regarding imports of PC

1/ Since there is an established domestic industry, material retardation is not an issue in this investigation and will not be discussed further.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

strand from Spain 4/ and in recent preliminary investigations regarding imports of PC strand from Brazil, France, and the United Kingdom. 5/ In our opinion in those preliminary investigations we noted:

The U.S. product that is like the imported product is all wire strand of steel for prestressing concrete. The domestic and imported products are made to the same ASTM specifications and are devoted to the same uses. 6/

The Commission found that the domestic industry consisted of the U.S. producers of this like product. We made the same finding in the investigation of PC strand from Spain. 7/

In this investigation, the parties have not suggested, nor does the information that has been developed support, a revision of this industry definition. 8/ We therefore find it appropriate to adopt the same definition of the domestic industry in this case. 9/

No material injury by reason of subsidized imports from France 10/

The record in this investigation reveals that with respect to many of the important economic factors the condition of the U.S. industry is

4/ Prestressed Concrete Steel Wire Strand from Spain, Inv. No. 701-TA-164 (Final), USITC Pub. 1281 (1982) (PC Strand from Spain).

5/ Prestressed Concrete Steel Wire Strand from Brazil, France, and the United Kingdom, Inv. Nos. 701-TA-152 and 153 (Preliminary) and 731-TA-89 (Preliminary), USITC Pub. 1240 (1982).

6/ Id. at 4.

7/ PC strand from Spain, p. 4.

8/ Although there was some discussion at the Commission's hearing that there are quality differences between the domestically-produced and French PC strand, these allegations have not been substantiated.

9/ Two domestic producers -- Sumiden and CF&I -- were neither petitioners nor interested parties in support of the petitioners in this investigation.

10/ At the Commission's hearing, the petitioners argued for the first time that this case should be considered on a regional basis, pursuant to section 771(4)(C) of the Tariff Act of 1930. 19 U.S.C. § 1677(4)(C). Petitioners urged the Commission to divide the United States into two regions--an Eastern Region and a Western Region--but offered no factual (Footnote continued)

healthy. 11/ 12/ Domestic production steadily increased from 1979 to 1981, although the period January-June 1982 showed some decline when compared to the same period in 1981. 13/ U.S. producers' shipments of PC strand followed the same trend as production. 14/ The domestic industry's capacity to produce PC strand has increased steadily and significantly each year from 1979 through June 1982. 15/ Further, one domestic producer recently has increased its productive capacity significantly and another has stated that it will increase its productive capacity in the near future. 16/ Despite the rapid increase in capacity, capacity utilization has remained at relatively high levels throughout this period, falling only in the first six months of 1982. 17/ Employment, when measured by the number of production and related workers and by hours worked, showed no appreciable change over the period 1979 to June 1982, and hourly wages, total consumption, and worker productivity all

(Footnote continued) basis for delineation between the two in the hearing. Hearing transcript, pp.12-13, 91. Petitioners did not follow-up on these allegations in their post-hearing brief. The evidence of record reveals that there is not the requisite concentration of imports--either into the East or into the West--to permit us to find a regional industry. Although we do not believe that a regional industry finding is appropriate in this investigation, this does not preclude an examination of competition in certain markets as part of our analysis of the presence of material injury by reason of the subject imports. See PC Strand from Spain; see also the views of Commissioner Stern in Anhydrous Sodium Metasilicate from France, inv. No. 731-TA-25 (Preliminary), USITC Pub. No. 1080 (1980).

11/ Most of the statistical data developed by the Commission in this investigation constitute confidential business information. Therefore, the information can be discussed only in general terms.

12/ Petitioner argued that the Commission should consider only the narrow period from January 1981 to the present in this investigation. Under the circumstances of this case, we deem it appropriate to examine the more representative period from 1979 to June 1982.

13/ Report Table 5, p. A-14.

14/ Report, Table 9, p. A-17.

15/ Id. Table 5.

16/ Report, p. A-15.

17/ Id., Tables 5 and 9, pp. A-14 and 17.

increased. 18/ The only significant negative trend in this industry is profitability. Although the industry's net sales increased from 1979 to 1981, net profits declined, with a net loss occurring in the first half of 1982. 19/ 20/

The foregoing economic data suggest that the only period of time in which the domestic industry could have suffered injury is the first half of 1982. Even assuming that this injury meets the statutory standard of "material injury," 21/ our analysis of the effects of imports of PC strand from France during that six month period demonstrates that any such injury is not by reason of the subject imports. Our analysis has focused on both the absolute and relative levels of imports, on pricing data, on information regarding allegations of price suppression and depression, and on lost sales.

Imports from France increased irregularly, from 2.0 million pounds in 1978 to a peak of 6.1 million pounds in 1981. However, these imports declined from 3.9 million pounds in January-June 1981 to 1.8 million pounds in January-June 1982. 22/ Imports from France as a share of increasing domestic consumption 23/ reached their peak in 1981, and decreased significantly in the

18/ Id., Table 11, p. A-19.

19/ Id., Table 13, p. A-21.

20/ As noted in the legislative history to the Trade Agreements Act of 1979--

The significance of the various factors affecting an industry will depend upon the facts of each particular case. Neither the presence nor the absence of any factor listed in the [statute] can necessarily give decisive guidance with respect to an injury determination.

H.R. Rep. 96-317, 96th Cong., 1st Sess., 46 (1979). In this investigation, the profitability data alone are not sufficient, when considered with all the other facts in this case, to support a finding of material injury.

21/ 19 U.S.C. § 1677(7).

22/ Report, p. A-32.

23/ Consumption has increased steadily throughout the period of this investigation. Domestic consumption of PC strand is expected to grow in the near future. Report, p. A-7.

first half of 1982 compared with the first half of 1981. Thus, during the only period in which there is any evidence of deterioration in the condition of the domestic industry, the quantity of PC strand imported from France has decreased significantly, both in absolute terms and as a percentage of increasing domestic consumption. 24/ 25/ 26/

Data gathered on the pricing of imports from France do not demonstrate any causal connection between such imports and the condition of the domestic industry. As a part of our analysis, we compared domestic producers' f.o.b. mill price with the importer's f.a.s. duty-paid price. This comparison shows that the range of prices offered by domestic producers on a quarter-by-quarter basis was consistently greater than that offered by the importer. In fact, from 1980 through the third quarter of 1982, with one exception, the lowest price offered by domestic producers was consistently lower than the lowest price offered by the French importer. 27/ 28/

24/ We also note that at the same time that the market penetration of French PC strand has decreased significantly, imports from "other countries" have substantially increased their share of domestic consumption. Report, Table 22.

25/ We did not reach the issue of cumulation of the impact of imports from France with that of imports from other countries because we did not find imports from France to be a contributing cause of material injury. See our discussion on pricing, price suppression/depression, and lost sales, infra. Although we did not cumulate imports from France with imports from other countries, we did consider these imports, to the extent information was available, as factors in the market which may have contributed to the overall condition of the domestic industry.

26/ Report, Table 22, p. A-29.

27/ Report, Table 26, p. A-36.

28/ U.S. producers' prices were compared to the importer's prices using weighted average prices calculated from information supplied by domestic producers nationwide, while the average price for the importer was limited to the f.a.s. price at its ports of entry. Report, Table 26. Thus, these figures do not reflect the fact that many, if not most, of the reported sales by U.S. producers were in areas other than those in which the French imports competed. These price comparisons are also of limited value because they do not reflect transportation costs, which can be a significant share of the delivered price of PC strand.

The more informative price comparison for this industry is a comparison of delivered prices of French and domestic PC strand to purchasers in selected urban areas. 29/ 30/ Although the data show that there was some underselling in both markets in 1981, the single instance of underselling in January-June 1982 does not represent a pattern of significant underselling. 31/

Although PC strand prices have remained relatively level since 1970, despite increased production costs, any apparent suppression of domestic prices is not attributable to the effects of imports from France. Information gathered in response to the domestic industry's allegations of price suppression/depression fails to support those allegations. None of the seven allegations of price suppression/depression -- three of which involve transactions in the first six months of 1982 -- were confirmed by the purchasers contacted by the Commission's staff. Three of the purchasers indicated that they did not purchase French PC strand, rather they purchased PC strand from either domestic producers or from other foreign sources. Others indicated that they did not even obtain price quotes from the French. Another purchaser indicated that he had not spoken to the French for six months because their price was too high. Another only indicated that French and domestic prices were in the same range, but this purchaser denied a specific allegation of price suppression in 1982. 32/

29/ This comparison is based on Tables 28 and 29 of the Report.

30/ Table 27, p. A-37 of the Report, presents a comparison of delivered prices primarily of two domestic producers with the delivered prices of the sole importer of French PC strand. This table is of limited value because the locations of the domestic producers' customers and the importer's customers differ; their respective customers are located in widely dispersed geographic markets.

31/ Tables 28 and 29.

32/ Report, pp. A-38-40.

Finally, lost sales information supports the conclusion that there has been no significant underselling. Although certain allegations of sales lost to imports from France because of price occurring in 1980 and 1981 were confirmed, only one of four such allegations regarding the period January-June 1982 was confirmed. 33/ The information gathered in the process of investigating the allegations of lost sales indicates that price is only one of several factors affecting the decision to purchase PC strand from a specific supplier. Strand purchasers noted other factors, including availability of service, delivery time, proximity of the vending firm, and quality of the product. Of the eight purchasers who responded to this section of the questionnaire, four firms ranked proximity of the vending firm highest, while only one firm ranked price highest. 34/ Other available information indicates that in six of eight cases during 1981, factors other than price induced these firms to purchase higher-priced strand, for reasons such as packaging, quality, service, and supplier's inventory levels. 35/

The conditions of trade 36/ in this industry suggest a further analysis of the impact of French imports. Generally, U.S. producers tend to ship the major portion of their production to customers located in relatively close proximity to their plants. 37/ Similarly, the importer of PC strand from France markets in three geographic areas. 38/ Consequently, it is

33/ Report, pp. A-40-41.

34/ Report, p. A-38.

35/ Report, pp. A-37 and 38.

36/ The legislative history make it clear that the Commission is to focus on the conditions of trade and development within the industry under examination. See, e.g., H.R. Rep. 96-317, 96th Cong., 1st Sess., 46 (1979).

37/ Report, Table 1, p. A-9.

38/ Id.

appropriate to consider the impact of French imports on those domestic producers who most directly compete 39/ with those imports. This comparison demonstrates that those companies competing most directly with the imported product from France are expanding vigorously. 40/ 41/ The combined capacity, production, and shipments of these firms have increased steadily during the period covered by this investigation. Further, their capacity utilization compares favorably with the capacity utilization for the rest of the domestic industry. The profits of these firms are generally higher than the profits of other domestic producers. The profitability of U.S. producers has been evaluated in light of the sizeable start up and expansion costs for certain of the producers, which would normally result in decreased profitability.

Based on the information on the record in this investigation -- especially data relating to the condition of the domestic industry during the first six months of 1982 and the impact of imports of PC strand from France during the same period -- we determine that an industry in the United States is not being materially injured by reason of subsidized imports of prestressed concrete steel wire strand from France.

Threat of material injury by reason of the subsidized imports

With respect to threat of material injury, the Commission examines, among other factors, demonstrable trends in the following areas: (1) rate of increase in importation of the dumped merchandise in the United States

39/ Report, Table 1, p. A-9.

40/ This contrasts markedly with the situation in the carbon steel industries which we have recently examined.

41/ Report, Table 6, p. A-15.

market; (2) importer's inventories; (3) capacity in the exporting country to generate exports; and (4) the likelihood that such exports will be directed to the United States market taking into account the availability of other export markets. 42/ In this case, the imports from France into the United States are decreasing, both in absolute terms, and as a share of total imports and apparent domestic consumption. 43/ Importer's inventories have decreased dramatically during the first six months of 1982 when compared with the same period in 1981, and the absolute level of inventories is insignificant. 44/ There is no available capacity of the French producer of PC strand to generate additional exports and there are other significant available markets for French PC strand. 45/ Therefore, we find that imports of PC strand from France pose no threat of material injury to the domestic industry.

42/ Section 207.26 of the Commission's Rules (19 CFR § 207.26); H.R. Rep. 96-317, 96th Cong., 1st Sess., 46 (1979); Stainless Steel Sheet and Strip from West Germany, inv. No. 731-TA-92 (Preliminary), USITC Pub. No. 1252, pp. 14-15 (1982).

43/ Report, Tables 21 and 22, pp. A-27 and 29.

44/ Report, p. A-25.

45/ Report, p. A-11 and 12.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On March 4, 1982, counsel for six U.S. producers 1/ of prestressed concrete steel wire strand filed petitions with the U.S. International Trade Commission and the U.S. Department of Commerce (Commerce) alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of prestressed concrete steel wire strand (PC strand) provided for in item 642.11 of the Tariff Schedules of the United States (TSUS), from France, upon which bounties or grants are alleged to be paid. Accordingly, the Commission instituted preliminary countervailing duty investigation No. 701-TA-153 (Preliminary), under section 703 of the Tariff Act of 1930 (19 U.S.C. 1671b), to determine whether there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of the importation of such merchandise into the United States. On April 14, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury 2/ by reason of the allegedly subsidized imports from France (47 F.R. 18200, Apr. 28, 1982).

On August 6, 1982, Commerce made a preliminary determination that there is reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters of PC strand in France (47 F.R. 34173). Accordingly, on August 25, 1982, the Commission instituted investigation No. 701-TA-153 (Final), pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)), to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

The Department of Commerce made its final determination that certain benefits which constitute subsidies are being provided to manufacturers, producers, or exporters of PC strand in France on October 22, 1982 (47 F.R. 47031). 3/ Therefore, the Commission must render its final determination concerning injury before the 45th day after the day on which Commerce made its affirmative final determination, or by December 6, 1982.

1/ American Spring Wire Corp. (Spring Wire), Armco Inc. (Armco), Bethlehem Steel Corp. (Bethlehem), Florida Wire & Cable Co. (Florida Wire), Pan American Ropes, Inc. (Pan American Ropes), and Shinko Wire America, Inc. (Shinko).

2/ Commissioners Alberger and Haggart found a reasonable indication of present material injury only.

3/ Copies of the Commerce Department's determination and the amendment to its determination are presented in app. A.

In connection with the Commission's investigation, a public hearing was held in the Commission's hearing room in Washington, D.C., on October 19, 1982. 1/ Notice of the institution of the investigation and of the public hearing was duly 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 on September 1, 1982 (47 F.R. 38647). 2/ 3/

The Product

Steel wire strand for prestressed concrete is produced from uncoated, round, high-carbon steel wire which has been cold-drawn from wire rods to suitable sizes and then fabricated into the required strand sizes by a stranding machine. After fabrication, the strand is subjected to a continuous heat treatment, which relaxes the stresses built up in the individual wires of the strand as a result of the drawing and stranding processes. The resultant steel wire strand consists of one center wire and six helically placed outer wires (fig. 1). Steel wire strand for prestressed concrete is available in two grades, 250 and 270, which refer to minimum ultimate stress (tensile strength) of 250,000 pounds per square inch (psi) and 270,000 psi, respectively. According to the American Concrete Institute, both grades of prestressed concrete strand conform to American Society for Testing & Materials specification A416-74, "Uncoated seven-wire stress-relieved strand for prestressed concrete," and are generally available in the following sizes: 4/

Nominal diameter

1/4 in (0.250 in, 6.35 mm)
 5/16 in (0.313 in, 7.94 mm)
 3/8 in (0.375 in, 9.53 mm) 1/
 7/16 in (0.438 in, 11.11 mm) 1/
 1/2 in (0.500 in, 12.70 mm) 1/
 3/5 in (0.600 in, 15.24 mm) 1/

1/ Sizes predominantly used by the industry.

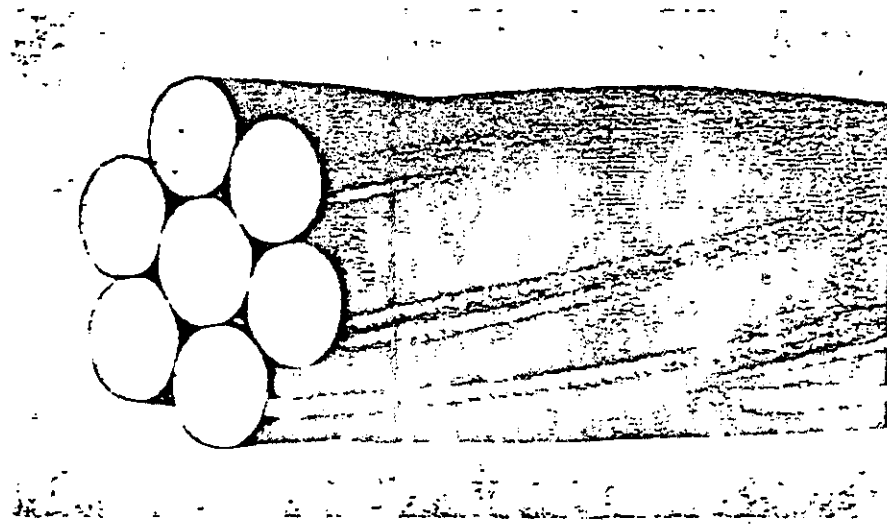
1/ A list of witnesses appearing at the hearing is presented in app. B.

2/ A copy of the Commission's notice is presented in app. C.

3/ There have been a number of other Commission investigations concerning PC strand. These are discussed in app. D.

4/ Grade 270 is not available in diameters of 1/4 and 5/16 inch.

Figure 1.--Prestressed concrete steel wire strand



Enlarged.

Source: "Wire: A Growing Concept in Construction," Wire Journal, June 1973, p. 60.

The 1/2-inch strand accounts for about 90 percent of the U.S. market. Most prestressed concrete steel wire strand is sold coiled in standard packs of 12,000 feet of continuous strand. Steel wire strand is purchased by construction firms, which tension the strand nearly to its elastic limit and use it to compress concrete to provide increased resistance to loads. Prestressed concrete is widely used in the construction of bridge girders, beams, pilings, and railroad ties, as well as in a variety of building products, such as columns, roofs, and floors.

Pretensioning and posttensioning are the methods used to prestress concrete. In pretensioning, steel wire strands are stretched between abutments; concrete is then poured into forms which encase the steel wire strands and is allowed to harden and bond to the tensioned steel. After the concrete has reached a specified strength, the strands are cut off at the ends of the concrete unit and the steel wire strand contracts. The contraction of the strand forces the concrete to contract and bow slightly. As a result, the load-bearing capability of the concrete is substantially increased. Plain concrete has a load-bearing capability of 2,500 psi; reinforced concrete, a capability of 3,000 to 4,000 psi; and prestressed concrete, a capability of 5,000 to 6,000 psi. By using large volumes of prestressed concrete steel wire strand, load limits of 10,000 psi have been achieved in prestressed concrete.

In posttensioning, strand is encased in tubing or wrapped, positioned in a form, and concrete is poured into the form. When the concrete sets and reaches a specified strength, the steel wire strand in the concrete unit is then stretched and anchored at the ends of the concrete unit. Stress is transferred to the concrete by the permanent end anchorages. In general, posttensioned, prestressed concrete is stronger, because it uses four to five times more strand than pretensioned concrete. This factor, combined with the greater ease of shipping steel wire strand alone compared with shipping concrete with strand inside, has resulted in a greater use of posttensioning for beams, bridges, and other large units. In contrast, pretensioned concrete is used more extensively in the construction of building decks, floors, and walls, which can be mass produced in a plant and transported.

U.S. Tariff Treatment

Imported steel wire strand for prestressing concrete is classifiable under item 642.11 of the TSUS. As a result of the agreements made during the Tokyo round of trade negotiations, the most-favored-nation (MFN) (col. 1) ^{1/} rate of duty for this item was reduced from 7.5 percent ad valorem (effective from Jan. 1, 1972, through Dec. 31, 1979) to 7.2 percent ad valorem (effective Jan. 1, 1980) to 6.9 percent ad valorem (effective Jan. 1, 1981) and to

^{1/} Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, these rates would not apply to products of developing countries where such articles are eligible for preferential tariff treatment provided under the Generalized System of Preferences or under the "LDDC" rate of duty column.

6.5 percent ad valorem (effective Jan. 1, 1982). This MFN rate of duty is scheduled to be further reduced in stages to 4.9 percent ad valorem, effective January 1, 1987. The rate of duty for imports under this item from least developed developing countries (LDDC's) 1/ is 4.9 percent ad valorem. The column 2 rate 2/ of duty is 35.0 percent ad valorem. Imports under this item have not been designated as articles eligible for duty-free entry under the Generalized System of Preferences (GSP). 3/

Nature and Extent of Bounties or Grants

In its final determination, Commerce found that the Government of France is providing certain benefits which constitute subsidies to manufacturers, producers, or exporters of PC strand, which totaled 6.974 percent ad valorem in 1981. Included in this total are export subsidies, which equaled 2.796 percent ad valorem. The programs found to constitute subsidies and the benefits received are presented in the following tabulation:

<u>Program</u>	<u>Subsidy</u> <u>(percent ad valorem)</u>
Preferential loans issued prior to 1978:	
Long-term loans--	
Nonexport oriented-----	0.014
Export-----	0.088
Medium-term loans with floating interest rates.	
Nonexport oriented-----	0.026
Export-----	0.418
Preferential loans issued since 1978:	
Nonexport oriented-----	0.818
Export-----	2.290
Short-term loan on accounts payable (1981)-----	1.797
Cancellation of debt:	
Pass-through to Chiers-Chatillon-Gorcy of subsidies provided to Usinor (1981 benefit)-----	1.523
Total-----	6.974

1/ The preferential rates of duty in the "LDDC" column reflect the full U.S. Multilateral Trade Negotiations concession rates implemented without staging for particular items which are the products of LDDC's enumerated in general headnote 3(d) of the TSUS.

2/ Col. 2 rates of duty apply to products imported from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ The GSP, enacted as 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 in Executive Order No. 11888, of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

In addition to the programs found to confer subsidies, Commerce determined that seven programs alleged to confer subsidies, in fact, do not; Commerce found that five programs which could possibly confer subsidies were not used by this industry.

The U.S. Market

The first practical application of prestressed concrete is credited to a Frenchman, Eugene Freyssinet, in 1928. Prestressed concrete began to be widely used in bridge construction in Europe shortly after World War II; the first major prestressed concrete bridge in the United States was built in 1950. Demand for prestressed concrete (and consequently for steel wire strand for prestressed concrete) has increased steadily since that time, as prestressed concrete has replaced structural steel as a building material in many applications due to its lower cost and greater strength compared with those elements of reinforced concrete. In addition, construction with prestressed concrete requires less steel and less concrete than other methods of constructing columns, beams, walls, panels, and floor and roof slabs.

According to the Prestressed Concrete Institute (PCI), prestressed concrete accounted for 7 percent of total U.S. construction of walls, floors, and roofs in 1973 and is projected to account for 30 percent of such construction in 1982. Currently, it accounts for approximately 6 percent of the sales value of the portland cement industry. However, only 2.5 percent of U.S. production of steel wire rod, the basic raw material used in the production of prestressed concrete steel wire strand, was used for this purpose in 1981.

Both domestic producers and importers sell steel wire strand for prestressed concrete directly to about 200 prestressed concrete contractors, which together operate more than 400 plants. The contractors either produce the concrete unit containing strand at a factory and then transport and install it at the building site (pretensioning), or transport the strand to the building site, where it is installed and tensioned within the concrete unit which has been poured on site (posttensioning). Pretensioning contractors accounted for about 75 percent of the market, and posttensioning contractors, of which there are about 10, accounted for about 25 percent of the market in 1981.

U.S. consumption of prestressed concrete steel wire strand increased irregularly from 217 million pounds in 1966 to 441 million pounds in 1973, representing an average annual rate of growth of 10.7 percent. There was a strand shortage in 1973 and 1974, which was a peak period for heavy construction in the United States. In response to the chaotic market conditions which existed at that time--higher prices, longer delivery times, and no certainty regarding sources of supply--strand production capacity was expanded both in the United States and in other countries. This expansion was followed by the 1975 recession, which had a particularly severe impact on major construction projects and, consequently, depressed demand for prestressed concrete strand. U.S. consumption of strand fell by 48 percent

from 1973 to 1976, totaling 229 million pounds in the latter year, and subsequently increased irregularly to * * * million pounds in 1981, or by an average annual rate of growth of *** percent during 1976-81. The level obtained in 1981 was *** percent below the level obtained during the peak year of 1973. In January-June 1982, U.S. consumption continued to increase and was * * * percent higher than the level of consumption in the corresponding period of 1981, as shown in figure 2 and the following tabulation (in millions of pounds): 1/

Period	Consumption	Period	Consumption
1966-----	217	1976-----	229
1967-----	205	1977-----	291
1968-----	257	1978-----	375
1969-----	244	1979-----	***
1970-----	351	1980-----	***
1971-----	<u>1/</u>	1981-----	***
1972-----	386	January-June--	
1973-----	441	1981-----	***
1974-----	433	1982-----	***
1975-----	254		

1/ Not available.

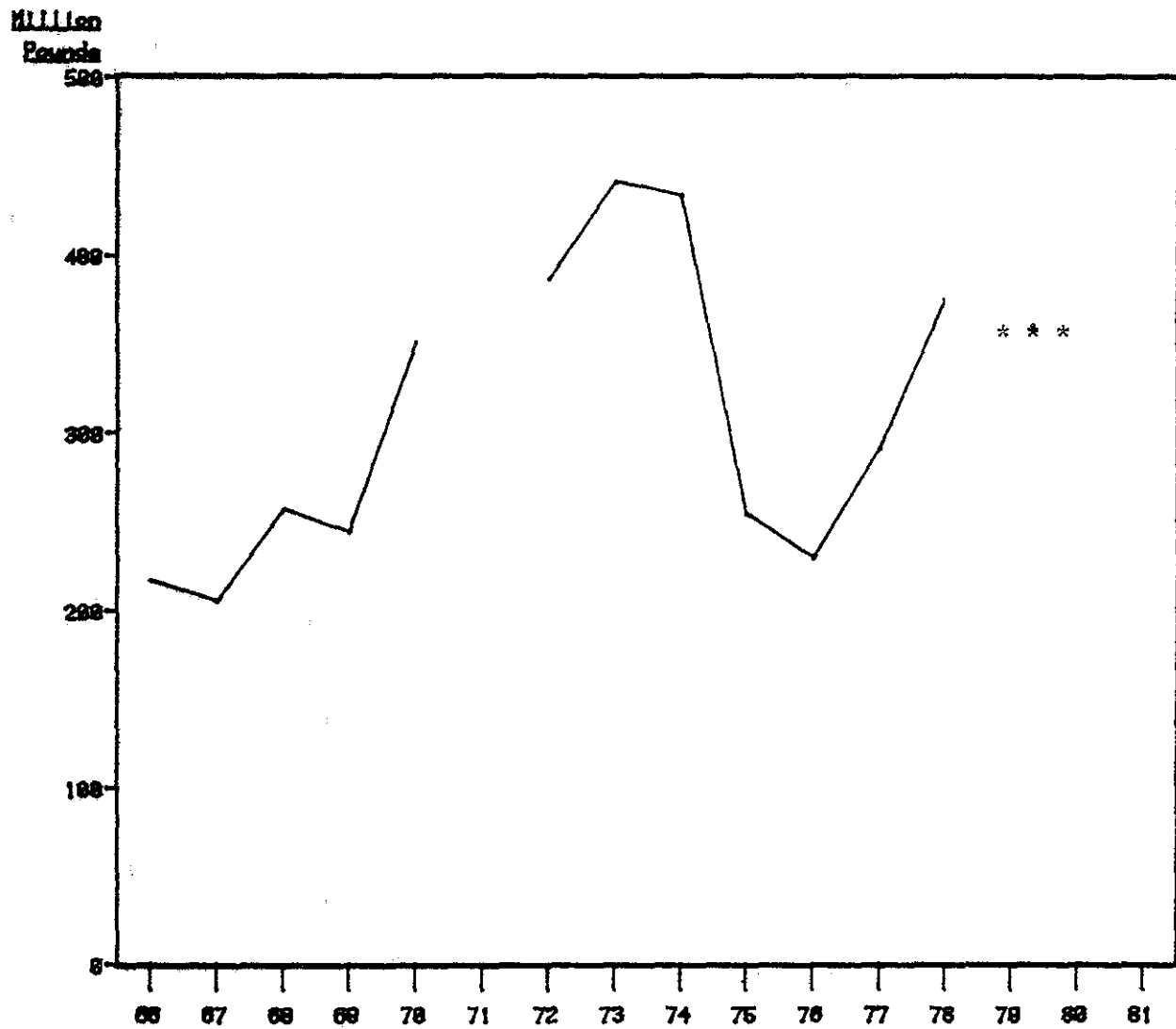
According to projections by the PCI and by Frederick Hunt, vice president of Florida Wire & Cable Co., U.S. consumption of prestressed concrete steel wire strand is expected to increase at an average rate of 5 to 6 percent a year for the next few years. 2/ However, Mr. Hunt has stated that the market has recently been relatively constant. 3/ During the next 2 years, U.S. consumption of strand is expected to grow in markets such as bridges, interstate highways, condominiums, apartments, parking garages, Government buildings, and airports. U.S. consumption of prestressed concrete is seasonal; consumption is strongest during the spring, summer, and autumn, and decreases during the winter.

1/ Information in this report was compiled from: Steel Wire Strand for Prestressed Concrete From Japan: Determination of Injury in Investigation No. AA1921-188 . . ., USITC Publication 928, November 1978; Prestressed Concrete Steel Wire Strand from Brazil, France, and the United Kingdom: Determinations of the Commission in Investigations Nos. 701-TA-152 and 153 (Preliminary) and No. 731-TA-89 (Preliminary) . . ., USITC Publication 1240, April 1982; Prestressed Concrete Steel Wire Strand from Spain: Determination of the Commission in Investigation No. 701-TA-164 (Final) . . ., USITC Publication 1281, August 1982; and questionnaire responses in this investigation and in PC Strand from Brazil, Inv. No. 701-TA-152 (Final).

2/ Transcript of the conference for investigations Nos. 701-TA-152 and 701-TA-153 and 731-TA-89 (Preliminary), pp. 47 and 48.

3/ Transcript of the hearing for investigations Nos. 701-TA-152 and 153 (Final), pp. 42, 63, and 64.

Figure 2.--Prestressed concrete steel wire strand: U.S. consumption
1966-81.



Source: Based on data in the tabulation on p. A-7.

Note.--Data for 1971 are not available.

U.S. producers tend to ship the major portion of their product within geographic areas which are readily accessible from their plants (table 1). ^{1/} However, producers also make significant shipments to locations which are far outside these areas. An example is * * * which ships the bulk of its product in the * * *, but also sells significant amounts as far * * *.

Competition among producers varies considerably from State to State. Although one producer may be virtually the only domestic competitor in some markets (* * *, for example), there is sharp competition between domestic producers in others. *** domestic producers compete in Texas, as well as French and other importers.

As shown, imports from France were shipped in * * * market supplied by each producer, with the exception of * * *, in 1981.

Table 1.--Prestressed concrete steel wire strand: U.S. producers' and importer's shipments, by States, 1981

* * * * *

U.S. Producers

There are currently seven firms which produce prestressed concrete steel wire strand in the United States. The names of the producers, their plant locations, and percentage distribution of their shares of 1981 shipments are presented in table 2.

^{1/} Plant locations of U.S. producers are presented in table 2.

Table 2.--Prestressed concrete steel wire strand: U.S. producers' plant locations, period production began, and percentage distribution of 1981 shipments

Firm	Plant location	Period production began	Percentage distribution of 1981 shipments
American Spring Wire Corp----	Bedford Heights, Ohio	1975	***
Armco Inc-----	Kansas City, Mo.	1950	***
Bethlehem Steel Corp-----	Sparrows Point, Md.	1958	***
CF&I Steel Corp-----	Pueblo, Colo.	1957	***
Florida Wire & Cable Co-----	Jacksonville, Fla.	1959	***
Pan American Ropes, Inc. 1/--	Houston, Tex.	1980	***
Shinko Wire America, Inc-----	Houston, Tex.	1980	***
Sumiden Wire Product Corp----	Stockton, Calif.	1980	***
Total-----	-	-	100.0

1/ Pan American Ropes, Inc., filed for bankruptcy on Aug. 12, 1982, and ceased production of prestressed concrete strand. This action is discussed in more detail later in this section.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from information submitted by counsel for the petitioners.

Three of the companies (Armco Inc., Bethlehem Steel Corp., and CF&I) are integrated steel producers manufacturing a wide range of steel products, including wire rod. The remaining five are independent producers which purchase wire rod for use in fabricating strand and other wire products. In 1981, the integrated producers accounted for * * * percent of total U.S. producers' shipments, and the independent producers, for * * * percent.

Steel wire strand for prestressed concrete was first produced in the United States in 1950 by Union Wire Rope Co., of Kansas City, Mo. (now owned by Armco). Bethlehem began production in 1958. By 1960, there were about 11 producers in the United States; most ceased production in the late 1960's and early 1970's.

In 1974, * * *.

In mid-1978, Washburn Wire Products, Inc., a Federally financed minority-owned enterprise, was established to produce prestressed steel wire strand in New York City. Later that year, the firm secured a contract to supply the product to Amtrak for use in the manufacture of concrete ties in the Northeast corridor. The firm had rated capacity to produce * * * million pounds of prestressed concrete steel wire strand in 1978; two-thirds of this capacity was dedicated to the Amtrak contract. Washburn's bid for this business was well below the next lowest bid, which was submitted by Florida Wire. According to counsel for Florida Wire, at the beginning of the delivery period under the contract, Washburn was not able to meet the quality requirements of the specifications. To perform its contractual obligations, Washburn purchased

strand from Florida Wire at the latter's price. After a time, Washburn was able to meet the quality standards, and for a period of about 6 months the company made deliveries to Amtrak from its own production. However, quality and financial problems continued, and on January 30, 1981, the firm filed for bankruptcy. In September 1981, the firm's assets were sold in a bankruptcy sale.

In 1980, Shinko and Sumitomo Electric Industries, Ltd., * * * Japanese producers of prestressed concrete steel wire strand, opened production facilities in the United States. These two firms together accounted for about * * * percent of the imports of strand which were found to be sold at less than fair value (LTFV) during the 1978 antidumping investigation. The two new U.S. plants opened by these firms are located in Texas and California, two prime markets for prestressed concrete steel wire strand, and utilize the most modern and up-to-date machinery. In May 1981, a Canadian steel concern, Ivaco, acquired an 80-percent interest in Florida Wire, the largest U.S. producer of PC strand.

As mentioned earlier, Pan American Ropes, 1/ a firm which began to produce small quantities of the product in 1980, filed for bankruptcy under chapter 11 on August 12, 1982. The firm's president, Mr. S. K. Tripathi, said * * *. 2/

Foreign Producers

In recent years, the French steel industry has undergone consolidation; it is now dominated by two major groups, which together account for about 75 percent of total steel production. These two groups, Usinor and Sacilor, were nationalized by the French Government on November 27, 1981. Both are fully integrated and produce a full line of carbon, stainless steel, and alloy products. Chiers-Chatillon-Gorcy (CCG), a subsidiary of Usinor, is the only French producer of prestressed concrete steel wire strand which exports the product to the United States.

1/ Pan American Ropes, Inc., is one of the petitioners in this investigation.

2/ Telephone interview with David Coombs of the Commission's staff on Sept. 21, 1982.

CCG's production capacity for PC strand * * * from * * * million pounds in 1979 to * * * million in 1980 (table 3). This * * * in capacity can be attributed to * * *.

Table 3.--Prestressed concrete steel wire strand: Chiers-Chatillon-Gorcy's productive capacity, production, and exports, 1979, 1980, 1981, and January-June 1982

* * * * *

* * *. The company reported * * * levels of capacity utilization: * * * percent in 1979, * * * percent in 1980, and * * * percent in 1981. Exports of the strand to the United States accounted for * * * percent of the firm's production and * * * percent of its exports in 1981. The company projects that its sales in 1982 and 1983 will * * * because of * * *. ^{1/} In 1981, CCG sold * * * million pounds of PC strand to the * * *. In 1982, the company estimates that * * *.

Another French firm, Fils et Cables d'Aciers de Lens (FICAL), also produces prestressed concrete steel wire strand. This firm is also a subsidiary of Usinor and has the capacity to produce about * * * million pounds a year of prestressed concrete steel wire strand; however, it does not export the product to the United States.

The Importer

Chiers-Chatillon-Gorcy (CCG) accounted for virtually all U.S. imports of PC strand from France in 1981. CCG is a subsidiary of the French wire strand producer, Chiers-Chatillon-Gorcy.

During January 1979-June 1982, CCG had a total of * * * customers for prestressed concrete steel wire strand in the United States. These customers' prestressing plants are located along the South Atlantic coast, the gulf coast, and the west coast. Shipments by CCG * * * (table 4).

Table 4.--Prestressed concrete steel wire strand: Distribution of Chiers-Chatillon-Gorcy's (CCG's) shipments, by weight, 1980, 1981, and January-June 1982

* * * * *

1/ Among * * *. Posthearing brief of CCG, p. A-3.

Shipments to * * * from * * * percent of total shipments in 1980 to * * * percent in 1981, and then * * * to * * * percent in January-June 1982. Of CCG's customers, only *** are considered steady customers. CCG maintains that it can retain these customers because of its high-quality strand, 1/ its superior service, and its ability to sell strand in sizes other than 1/2 inch. 2/ CCG states that it is able to capture sales of 1/2-inch strand to * * *. CCG's sales of strand in these other sizes are presented in the following tabulation:

	<u>Sizes other than 1/2 inch</u> <u>as a share of total</u> <u>sales</u> <u>(percent)</u>
1979-----	***
1980-----	***
1981-----	***
1982 (January-June)-----	***

In 1979, * * * percent of CCG's sales were in the other-size category. This share * * * to * * * percent in 1980, when CCG stopped selling strand to posttensioning contractors, which primarily purchased strand in the other sizes. These customers, according to CCG, required long-term price commitments and were slow in paying their bills. In 1981, CCG's sales of the other size strand * * * to * * * percent of total sales and in January-June 1982, this share * * * to * * * percent, partially due to * * *. CCG expects that its sales of the other size strand will * * *.

CCG employs * * * people in its U.S. sales office, * * *. CCG does not advertise its product in the United States and does not take booths at national wire or PCI conventions.

CCG's warehouses its product in Charleston, S.C., Houston, Tex., and Tacoma, Wash., and sells from inventory.

The Question of Alleged Material Injury

To obtain information for this section of the report, the Commission sent questionnaires to all known U.S. producers of prestressed concrete steel wire strand. Data going back to 1974 on capacity, production, capacity utilization, producers' shipments, inventories, employment, hours worked, profit-and-loss experience, research and development, and capital expenditures

1/ Counsel for the petitioners has submitted independent laboratory tests in opposition to this argument. Posthearing statement of petitioners, pp. 4 and 5.

2/ Counsel for the petitioners has stated that such sizes are available from domestic producers also. Posthearing statement of petitioners, pp. 5 and 6.

obtained by the Commission from questionnaires in prior investigations on prestressed concrete steel wire strand are also presented. As stated in the section of the report on the U.S. market, 1973 and 1974 were peak years for heavy construction in the United States, and apparent consumption of strand was at record high levels in those 2 years.

Except for * * * all producers responded to each section of the questionnaires sent in connection with both the preliminary and final investigations. * * *. The Commission did not collect information from Washburn, which went out of business in 1981. * * *.

U.S. producers' capacity and production

U.S. producers' productive capacity for prestressed concrete steel wire strand increased from 134 million pounds in 1974 to * * * million pounds in 1981, representing an average annual rate of increase of * * * percent (table 5). Capacity increased again in January-June 1982, when it was * * * percent higher than capacity in January-June 1981. About * * * U.S. productive capacity can be attributed to the steady expansion of Florida Wire's annual capacity from * * * million pounds in 1974 to * * * million pounds in 1982. The * * * of the increase in productive capacity resulted

Table 5.--Prestressed concrete steel wire strand: U.S. producers' productive capacity, 1/ production, and capacity utilization, 1974-81, January-June 1981, and January-June 1982

Period	Capacity	Production	Capacity utilization
	Million pounds		Percent
1974-----	134	119	89
1975-----	130	77	59
1976-----	177	78	44
1977-----	181	92	51
1978 <u>2/</u> -----	198	153	77
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***
January-June--			
1981-----	***	***	***
1982-----	***	***	***

1/ Data do not include *** pounds of annual capacity reported by *** because this firm did not report data on production.

2/ Estimated by the staff of the U.S. International Trade Commission by multiplying data for January-August 1978 by 1.5.

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

from the opening of new plants by Spring Wire in 1975 (* * * million pounds annual capacity), Sumiden in 1980 (* * * million pounds), and Shinko in 1980 (* * * million pounds). In * * * 1982, * * * added * * * million pounds of capacity; 1/ * * * expects to increase its productive capacity in 1983. 2/

The basis on which each firm estimated its capacity in response to questionnaires sent in connection with this investigation is presented in the following tabulation:

<u>Firm</u>	<u>Hours per week</u>	<u>Weeks per year</u>
Spring Wire-----	***	***
Armco-----	***	***
Bethlehem-----	***	***
CF&I-----	***	***
Florida Wire & Cable-----	***	***
Shinko-----	***	***
Sumiden-----	***	***

U.S. production of prestressed concrete steel wire strand decreased substantially from 119 million pounds in 1974, a year of shortages in the strand market, to 77 million and 78 million pounds in 1975 and 1976, respectively. U.S. production recovered to 92 million pounds in 1977 and thereafter rose fairly steadily to * * * million pounds in 1981, increasing at an average annual rate of * * * percent from 1977 to 1981. All producers except * * * reported increases in production from 1979 to 1981 (table 6). U.S. production decreased by * * * percent in January-June 1982 compared with the level of production in the corresponding period of 1981. * * * reported decreases in production in 1982; * * * reported increases; and * * * remained about the same.

Table 6.--Prestressed concrete steel wire strand: U.S. producers' capacity and production, by firms, 1979-81, January-June 1981, and January-June 1982

* * * * *

U.S. producers' capacity utilization regarding prestressed concrete steel wire strand decreased dramatically from 89 percent in 1974 to 59 percent in 1975 and 44 percent in 1976. With the recovery of the construction industry in 1977 and 1978, capacity utilization increased to 51 and 77 percent, respectively. It subsequently decreased to * * * percent in 1981 because the addition of new capacity outpaced the increase in production. Capacity utilization during January-June 1982 was * * * percent, a decline from * * * percent during January-June 1981, and * * *. This low level is attributable to a * * * million pound increase in capacity during the period

1/ This increase is not reflected in tables 5 or 6.

2/ Information on * * * expansion of capacity was obtained from questionnaire data; * * * expansion plans, from a letter from Eugene Stewart to Abigail Eltzroth of the Commission's staff dated July 9, 1982.

while production declined. Of the * * * firms which increased capacity during this period, * * *, * * * continued production at comparable 1981 levels while increasing capacity by * * * million pounds, and the latter increased production by * * * percent.

According to * * *, when capacity utilization of strand-producing machinery reaches approximately 85 to 90 percent, these firms will consider adding new machinery as well as operating the existing machinery at higher levels if market demand has increased sufficiently to justify such an expansion. ^{1/} Officials of these companies state that although the strand-producing machinery can operate profitably at higher rates of utilization with decreased unit costs, higher total maintenance costs will also occur. As a consequence, the useful life of the machinery decreases.

The cost of producing strand when new, high-speed machinery is used can be significantly less than the cost when old, low-speed machinery is used.

For example, according to data provided by Florida Wire, a new drawing machine which produces wire at a rate of 1,500 feet per minute has a cost advantage of * * * percent compared with a machine which produces wire at a rate of 800 feet per minute (table 7). Similar savings are available to producers which use high-speed stranding and stress-relieving machinery, if their total operation is balanced and high-speed machinery can be fitted into their individual manufacturing process.

Table 7.--Wire drawing costs, by types of machines, 1982

* * * * *

The speed of the machinery is only one factor which influences the efficiency of strand-producing operations. For example, * * * uses low-grade steel wire rod in the production of prestressed concrete steel wire strand. The wire made from this lower quality rod tends to break when high-speed machinery is used. Therefore, according to the firm, the most efficient speeds of its machinery are those presented in table 8.

Table 8.--Machinery used in the production of prestressed concrete steel wire strand: Operating rates and years installed, by types of machinery, and by firms, July 1982

* * * * *

^{1/} Telephone conversations on July 14, 1982, between the Commission's staff and * * *, and on Oct. 24, 1982, between the Commission's staff and * * *, and on Oct. 25, 1982, between the Commission's staff and * * *.

U.S. producers' shipments

U.S. producers' shipments of prestressed concrete steel wire strand followed the same trend as production, decreasing from 1974 to 1975 and increasing between 1975 and 1981, and decreasing again in January-June 1982 (table 9). Their average annual rate of increase from 1975 to 1981 was * * * percent. Shipments decreased by * * * percent in January-June 1982, compared with shipments in the corresponding period of 1981. Exports accounted for only a minor share of U.S. producers' shipments during January 1974-June 1982.

Table 9.--Prestressed concrete steel wire strand: U.S. producers' shipments, by types, 1974-81, January-June 1981, and January-June 1982

(In millions of pounds)				
Period	Domestic	Export	Total	
1974-----	117 :	3 :	120	
1975-----	73 :	2 :	74	
1976-----	80 :	1 :	81	
1977-----	91 :	1 :	92	
1978 ^{1/} -----	151 :	1 :	152	
1979-----	*** :	*** :	***	
1980-----	*** :	*** :	***	
1981-----	*** :	*** :	***	
January-June--	:	:		
1981-----	*** :	*** :	***	
1982-----	*** :	*** :	***	

^{1/} Estimated by the staff of the U.S. International Trade Commission by multiplying data for January-August 1978 by 1.5.

^{2/} * * *.

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

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

Inventories

Yearend inventories of prestressed concrete steel wire strand held by U.S. producers increased from 3.0 percent of shipments in 1974 to 10.5 percent in 1975 (table 10). Yearend inventories subsequently decreased to 5.7 percent of shipments in 1976 and * * * through December 1981. Inventories increased from * * * percent of annualized shipments on June 30, 1981, to * * * percent of annualized shipments on June 30, 1982.

Table 10.--Prestressed concrete steel wire strand: U.S. producers' shipments and inventories, 1974-81, January-June 1981, and January-June 1982

Period	Shipments	Inventories	Inventories as a share of shipments
	1,000 pounds		Percent
1974-----	120,419	3,608	3.0
1975-----	74,103	7,806	10.5
1976-----	81,253	4,608	5.7
1977-----	91,599	5,029	5.5
1978-----	1/ 151,454	2/ 7,806	5.1
1979-----	3/ ***	***	***
1980-----	3/ ***	***	***
1981-----	3/ ***	***	***
January-June--			
1981-----	3/ ***	***	4/ ***
1982-----	3/ ***	***	4/ ***

1/ Estimated by the staff of the U.S. International Trade Commission by multiplying data for January-August 1978 by 1.5.

2/ As of Aug. 31, 1978.

3/ Excludes shipments of 2 companies, * * *, which did not report inventories.

4/ Based on annualized shipments.

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

Employment

There were * * * fewer production and related workers engaged in the production of prestressed concrete steel wire strand in 1981 than in 1974 (table 11). However, the total number of hours worked increased irregularly from 672,000 in 1974 to * * * in 1981. The average number of hours worked per employee increased from * * * hours in 1974 to * * * hours in 1981, as these employees worked a considerable amount of overtime. Productivity increased irregularly throughout the period, increasing from 176 pounds per hour in 1974 to * * * pounds per hour in January-June 1982. The average total compensation received by employees in the industry increased from * * * in 1979 to * * * in January-June 1982. The average hourly total compensation received by the employees of Sumiden and Shinko, two new entrants in the prestressed concrete steel wire strand market, was * * * per hour in 1981 (table 12).

Table 11.--Average number of U.S. production and related workers engaged in the manufacture of prestressed concrete steel wire strand, hours worked by such workers, wages paid, total compensation, and productivity, 1974-81, January-June 1981, and January-June 1982

Period	Number of workers	Hours worked	Wages paid	Total compensation	Productivity
		Thousands	Per hour	Per hour	Pounds per hour
1974-----	341	672	1/	1/	176
1975-----	238	461	1/	1/	168
1976-----	270	581	1/	1/	134
1977-----	278	584	1/	1/	158
1978-----	2/ 320	3/ 564	1/	1/	3/ 270
1979-----	***	***	***	***	***
1980-----	***	***	***	***	***
1981-----	***	***	***	***	***
January-June--					
1981-----	***	***	***	***	***
1982-----	***	***	***	***	***

1/ Not available.

2/ Data reported for January-August 1978.

3/ Estimated by the staff of the U.S. International Trade Commission by multiplying data for January-August 1978 by 1.5.

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

Table 12.--Average number of U.S. production and related workers engaged in the manufacture of prestressed concrete steel wire strand, hours worked by such workers, wages paid, total compensation, and productivity, by firms, 1979-81, January-June 1981, and January-June 1982

* * * * *

* * *, workers at Armco, Bethlehem, and CF & I, 1/ three large integrated steel producers, received an average of * * * per hour in total compensation in 1981.

1/ Employees at these firms are unionized, while those at American Spring Wire, Florida Wire & Cable, Shinko, and Sumiden, are not.

Financial experience of U.S. producers

Total net sales of U.S. producers of prestressed concrete steel wire strand decreased from \$28 million in 1974 to \$25 million in 1975 (table 13) owing to a 38-percent decrease in the quantity sold. Prices of prestressed concrete steel wire strand decreased sharply in 1976, and, as a result, net sales decreased again to \$21 million. They subsequently increased each year, to * * * million in 1981, because of the * * * and increasing prices. Net sales decreased by * * * percent in January-June 1982 compared with sales in the corresponding period of 1981 owing to the * * * percent decrease in the volume of shipments during the period.

Net profit before taxes decreased from a profit of \$6.0 million in 1974 to a loss of \$2.1 million in 1977. As a share of net sales, pretax net profit decreased from a positive 21.3 percent in 1974 to a negative 8.5 percent in 1977. The sharp decline in profitability of the domestic producers in 1976 and 1977 was partially the result of the decline in the average unit selling price which began in 1976 and continued in 1977; the average unit cost to manufacture strand during the same period increased. One of the components of the increase in average unit cost was the increase in the price of domestic wire rod, the basic raw material in strand production, between 1975 and 1976. Expenses related to production downtime in 1976 and 1977 also contributed to the poor financial performance of the domestic industry in those years.

U.S. producers' pretax net profit recovered to \$1.1 million, or 2.7 percent of net sales, in 1978 and * * * million, or * * * percent of net sales, in 1979. Pretax net profit decreased again to * * * in 1980, or * * * percent of net sales.

Table 13.--Profit-and-loss experience of U.S. producers on their operations on prestressed concrete steel wire strand, 1974-81, January-June 1981, and January-June 1982

Period	Net sales	Cost of goods sold	Gross profit	General, selling, and administrative expenses	
<hr/>					
<div><div></div><div><div>1,000 dollars</div></div></div> <hr/>					
1974-----	28,063	20,328	7,735	1,673	
1975-----	24,636	17,940	6,696	1,908	
1976-----	20,905	19,575	1,330	1,942	
1977-----	24,848	24,261	587	2,314	
1978 <u>1/</u> -----	41,960	37,416	4,544	2,974	
1979-----	***	***	***	***	
1980-----	***	***	***	***	
1981-----	***	***	***	***	
Jan.-June--					
1981-----	***	***	***	***	
1982-----	***	***	***	***	
<hr/>					
	Net operating profit or (loss)	Other expenses	Net profit or (loss) before taxes	Ratio of net profit or (loss) to net sales	Number of firms reporting a loss
<div><div></div><div><div>1,000 dollars</div></div></div>			<div><div></div><div><div>Percent</div></div></div>		
1974-----	6,062	83	5,979	21.3	0
1975-----	4,788	125	4,663	18.9	0
1976-----	(612)	198	(810)	(3.9)	3
1977-----	(1,727)	389	(2,116)	(8.5)	5
1978 <u>1/</u> -----	1,570	434	1,136	2.7	2
1979-----	***	***	***	***	***
1980-----	***	***	***	***	***
1981-----	***	***	***	***	***
Jan.-June--					
1981-----	***	***	***	***	***
1982-----	***	***	***	***	***

1/ Estimated by the staff of the U.S. International Trade Commission by multiplying data for January-June 1978 by 2 because of non-availability of full-year data.

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

The decrease in profitability in 1980 can be attributed, in part, to * * *. (table 14). In 1981, net profit for all firms decreased again to * * *, or * * * percent of net sales. * * *.

Table 14.--Profit-and-loss experience of U.S. producers on their operations on prestressed concrete steel wire strand, by firms, 1979-81, January-June 1981, and January-June 1982

* * * * *

Unit costs of production.--In the questionnaire sent in connection with this investigation, domestic producers were requested to provide data on their unit costs of production. The incomplete responses do not allow a detailed analysis of each firm's costs by item; however, the average industry costs for 1979-81, January-June 1981, and January-June 1982 are presented in the following tabulation:

<u>Average unit costs of production</u> <u>(per 1,000 feet)</u>	
1979-----	*** <u>1/</u>
1980-----	***
1981-----	***
January-June--	
1981-----	***
1982-----	***

1/ * * *.

As shown, the industry's average costs of production increased annually during the period, from * * * in 1979 to * * * in 1981, or by * * * percent, and from * * * in January-June 1981 to * * * in January-June 1982, or by * * * percent. Data on individual firm's total costs of production, by periods, are presented in table 15. As shown, company costs varied considerably. However, * * * consistently achieved the lowest costs of production during the period, and * * * exhibited the highest.

Table 15.--Prestressed concrete steel wire strand: U.S. producers' unit costs of production, by firms, 1979-81, January-June 1981, and January-June 1982

* * * * *

At the hearing, counsel for the petitioners alleged that of the total elements that constitute the cost of production, only the wire rod costs have been uncontrollable. 1/ These are presented in the following section.

Rod prices.--High-carbon steel wire rod constitutes about 60 percent of the cost of producing prestressed concrete steel wire strand. U.S. producers' average purchase price for rod rose by * * * percent from 1979 to January-June 1982, as shown in the following tabulation (in cents per pound):

1/ Transcript of the hearing, pp. 27 and 28.

Period	:	Unit	:	Period	:	Unit
	:	value	:		:	value
1975-----	:	14.59	:	1979-----	:	***
1976-----	:	15.00	:	1980-----	:	***
1977-----	:	14.99	:	1981-----	:	***
1978 (Jan.-Aug.)----	:	16.06	:	1982 (Jan.-June)----	:	***
	:		:		:	

Information on U.S. producers' average purchase prices of rod, by firms, is shown in table 16.

Table 16.--U.S. producers' purchase prices of steel wire rod used in the production of prestressed concrete steel wire strand, by firms, 1979-81, January-June 1981, and January-June 1982

* * * * *

Interest expenses.--Data on U.S. producers' interest expenses on their operations on prestressed concrete steel wire strand are presented in table 17. Total interest expenses increased from * * * million in 1979 to * * * million in 1981. Such expenses decreased from * * * in January-June 1981 to * * * in January-June 1982, or by * * * percent.

Table 17.--Prestressed concrete steel wire strand: U.S. producers' interest expenses, by types, 1979-81, January-June 1981, and January-June 1982

* * * * *

Return on investment.--Data on U.S. producers' assets used in the production of prestressed concrete steel wire strand are presented in table 18. U.S. producers' return on investment, as measured by the ratio of net profit before taxes to original cost of assets, decreased from * * * percent in 1979 to * * * percent in January-June 1982.

Table 18.--Investments in assets used in production facilities by U.S. producers of prestressed concrete steel wire strand, as of the end of accounting years 1979-81, January-June 1981, and January-June 1982

* * * * *

Cash flow from operations.---Cash flow generated from U.S. producers' operations on prestressed concrete steel wire strand, as shown in table 19, decreased from * * * million in 1979 to * * * million in 1980, or by * * * percent. It remained at * * * million in 1981 and decreased from * * * million in January-June 1981 to * * * in January-June 1982, or by * * * percent.

Table 19.--Cash flow from U.S. producers' operations producing prestressed concrete steel wire strand, 1979-81, January-June 1981, and January-June 1982

* * * * *

Research and development and capital expenditures---U.S. producers spent approximately * * * per year during January 1974-June 1982, 1/ or a total of * * * million, on research and development expenditures connected with prestressed concrete steel wire strand (table 20). During this period, two U.S. producers * * *.

U.S. producers of prestressed concrete steel wire strand spent * * * million on capital improvements during 1974-81. 1/ * * *, accounted for * * * percent of the capital expenditures, and * * * accounted for * * * percent of such expenditures. * * *, accounted for * * * percent of capital expenditures in 1975 and accounted for * * * percent of such expenditures during 1974-81. * * *, together accounted for * * * percent of capital expenditures in * * * and * * *, and accounted for * * * and * * * percent, respectively, of total expenditures during 1974-81 (excluding 1978). In 1982, * * * plans to spend * * * million in its plant expansion program. During January-June 1982, * * * incurred * * * million on * * *, and * * * spent * * * million on * * *, accounting for * * * percent and * * * percent of reported capital expenditures, respectively.

1/ Excluding 1978, for which data are not available.

Table 20.--Prestressed concrete steel wire strand: U.S. producers' research and development and capital expenditures, 1974-71, 1/ January- June 1981, and January-June 1982

(In thousands of dollars)				
Period	:	Research and development	:	Capital
	:		:	
1974-----	:	488	:	1,623
1975-----	:	476	:	3,709
1976-----	:	472	:	2,405
1977-----	:	407	:	1,683
1979-----	:	***	:	***
1980-----	:	***	:	***
1981-----	:	***	:	***
January-June--	:		:	
1981-----	:	***	:	***
1982-----	:	***	:	***
	:		:	

1/ Data for 1978 are not available.

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

The Question of the Threat of Material Injury

Data on CCG's end-of-period inventories of PC strand imported from France are presented in the following tabulation:

Period	:	Inventories	:	Inventories as a share of import shipments
	:	<u>1,000 pounds</u>	:	<u>Percent</u>
1978-----	:	***	:	***
1979-----	:	***	:	***
1980-----	:	***	:	***
1981-----	:	***	:	***
June 30--	:		:	
1981-----	:	***	:	***
1982-----	:	***	:	***

Inventories * * * from 1980 to 1981, * * * from June 30, 1981, to June 30, 1982.

Data concerning production, capacity, and exports of PC strand for France are presented in the "Foreign Producers" section of this report.

Consideration of the Causal Relationship Between Subsidized
Imports and the Alleged Injury

U.S. imports

Total U.S. imports of prestressed concrete steel wire strand decreased from 316 million pounds in 1974 to 149 million pounds in 1976 (table 21). Total imports subsequently increased to 200 million pounds in 1977, 224 million pounds in 1978, and 226 million pounds in 1979. They then decreased by 21 percent to 178 million pounds in 1980 and by 19 percent to 143 million pounds in 1981. The level of imports in 1981 was less than half the level attained in 1974. Imports totaled 88 million pounds in January-June 1982, representing a 36-percent increase from the January-June 1981 level of 65 million pounds.

Imports of prestressed concrete steel wire strand account for an important but decreasing share of U.S. consumption. The ratio of imports to consumption decreased irregularly from 73 percent in 1974 to * * * percent in 1981 (table 22). However, imports increased from * * * percent of apparent consumption in January-June 1981 to * * * percent in January-June 1982. This increase is primarily attributable to imports from countries not specified in tables 21 and 22, which more than quadrupled during the period. The countries which accounted for the increase in this category are West Germany, the Netherlands, Italy, Austria, and Argentina.

The following tables (tables 21 through 24) present individual imports from those countries which have been found by Commerce to export subsidized or dumped PC strand to the United States. Of these, France is the subject of the present investigation, the United Kingdom is the subject of an ongoing investigation (No. 731-TA-89 (Final)), and Spain was found to provide subsidies, although the Commission's injury determination was negative. Brazil will offset its subsidies not later than November 30, 1982, and the Republic of South Africa will do so with respect to its subsidies not later than November 21, 1982, under the terms of their respective suspension agreements. Japan is the subject of an outstanding antidumping order. These individual countries are discussed in more detail in appendix D of this report.

Table 21.--Prestressed concrete steel wire strand: U.S. imports for consumption, by principal sources, 1974-81, January-June 1981, and January-June 1982

Period	France	Brazil	United Kingdom	Republic of South Africa
Quantity (1,000 pounds)				
1974-----	718	2,294	1,115	28
1975-----	527	1,436	336	0
1976-----	0	18	233	156
1977-----	0	0	2,259	5,249
1978-----	2,027	10,403	5,523	10,222
1979-----	3,343	12,704	6,741	16,825
1980-----	2,352	7,809	650	16,682
1981-----	6,148	13,680	9,809	17,813
January-June--				
1981-----	3,890	6,752	4,005	10,266
1982-----	1,760	7,992	3,779	9,693
Quantity (1,000 pounds)				
	Spain	Japan	All other	Total
1974-----	190	295,304	16,395	316,044
1975-----	351	166,750	13,009	182,409
1976-----	230	139,096	9,020	148,753
1977-----	92	176,452	15,711	199,763
1978-----	17,449	157,727	20,196	223,547
1979-----	13,810	151,600	20,846	225,869
1980-----	15,638	126,205	8,771	178,107
1981-----	21,064	59,315	15,597	143,426
January-June--				
1981-----	7,798	27,503	4,793	65,007
1982-----	13,575	30,337	21,062	88,198

Table 21.--Prestressed concrete steel wire strand: U.S. imports for consumption, by principal sources, 1974-81, January-June 1981, and January-June 1982--Continued

Period	France	Brazil	United Kingdom	Republic of South Africa
Value (1,000 dollars)				
1974-----	185	564	220	7
1975-----	338	432	103	0
1976-----	0	4	48	22
1977-----	0	0	470	962
1978-----	562	2,257	1,301	2,282
1979-----	885	3,072	1,860	4,545
1980-----	665	1,899	183	4,737
1981-----	1,731	3,335	2,752	4,863
January-June--				
1981-----	1,089	1,678	1,143	2,710
1982-----	494	1,881	1,079	2,643
	Spain	Japan	All other	Total
Value (1,000 dollars)				
1974-----	66	67,589	4,834	73,465
1975-----	209	52,973	4,510	58,565
1976-----	39	28,662	1,778	30,553
1977-----	15	34,372	3,027	38,846
1978-----	3,272	37,581	4,872	52,127
1979-----	3,407	46,344	5,672	65,785
1980-----	3,968	36,316	2,534	50,302
1981-----	5,118	17,414	4,117	39,330
January-June--				
1981-----	1,885	8,357	1,323	18,185
1982-----	3,297	8,357	5,650	23,401

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

Table 22.--Prestressed concrete steel wire strand: U.S. imports and U.S. producers' shipments as a share of consumption, 1974-81, January-June 1981, and January-June 1982

(In percent)						
Period	France	Brazil	United Kingdom	Republic of South Africa		
1974-----	0.2	0.5	0.3	<u>1/</u>		
1975-----	.2	.6	.1		0	
1976-----	0	<u>1/</u>	.1		.1	
1977-----	0	0	.8		1.8	
1978-----	.5	2.8	1.5		2.7	
1979-----	***	***	***		***	
1980-----	***	***	***		***	
1981-----	***	***	***		***	
January-June						
1981-----	***	***	***		***	
1982-----	***	***	***		***	
	Spain	Japan	All other	Total imports	U.S. producers' shipments	Total
1974-----	<u>1/</u>	68.2	3.8	73.0	27.0	100.0
1975-----	0.1	65.6	5.1	71.8	28.5	100.0
1976-----	.1	60.7	3.9	65.0	35.1	100.0
1977-----	<u>1/</u>	60.7	5.4	68.6	31.2	100.0
1978-----	4.7	42.1	5.4	59.6	40.4	100.0
1979-----	***	***	***	***	***	***
1980-----	***	***	***	***	***	***
1981-----	***	***	***	***	***	***
January-June--						
1981-----	***	***	***	***	***	***
1982-----	***	***	***	***	***	***

1/ Less than 0.05 percent.

Source: Based on data in table 21 and the tabulation on p. A-7.

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

Table 23.--Prestressed concrete steel wire strand: U.S. imports, by principal sources, producers' shipments, and consumption, by quarters, January 1980-June 1982

(In thousands of pounds)						
Period	France	Brazil	United Kingdom	Republic of South Africa		
1980:						
Jan.-Mar-----	308	1,850	345	3,397		
Apr.-June-----	366	2,007	40	4,044		
July-Sept-----	677	1,965	265	5,478		
Oct.-Dec-----	1,002	1,987	0	3,763		
1981:						
Jan.-Mar-----	1,807	2,554	918	4,989		
Apr.-June-----	2,083	4,198	3,088	5,277		
July-Sept-----	1,598	3,411	2,825	4,385		
Oct.-Dec-----	660	3,517	2,978	3,162		
1982:						
Jan.-Mar-----	674	4,490	1,878	6,375		
Apr.-June-----	1,086	3,502	1,902	3,318		
	Spain	Japan	All other	Total imports	U.S. producers' shipments	Consumption
1980:						
Jan.-Mar-----	6,611	32,080	1,533	46,123	***	***
Apr.-June-----	5,694	38,813	2,185	53,148	***	***
July-Sept-----	10	31,934	1,351	41,681	***	***
Oct.-Dec-----	3,323	23,379	3,702	37,156	***	***
1981:						
Jan.-Mar-----	149	14,501	2,528	27,446	***	***
Apr.-June-----	7,649	13,002	2,264	37,561	***	***
July-Sept-----	5,869	17,514	3,882	39,484	***	***
Oct.-Dec-----	7,396	14,299	6,923	38,935	***	***
1982:						
Jan.-Mar-----	9,993	14,628	10,084	48,122	***	***
Apr.-June-----	3,583	15,709	10,976	40,076	***	***

Source: U.S. producers' shipments, compiled from data submitted by counsel for the petitioners and by Sumiden and CF&I; imports, compiled from official statistics of the U.S. Department of Commerce.

Note.--U.S. producers' shipments include exports, which accounted for *** percent of total U.S. producers' shipments in 1980 and 1981.

Table 24.--Prestressed concrete steel wire strand: U.S. imports, as a share of consumption, by principal sources, and U.S. producers' shipments as a share of consumption, by quarters, January 1980-June 1982

(In percent)							
Period	France	Brazil	United Kingdom	Republic of South Africa			
1980:							
Jan.-Mar-----	***	***	***	***			
Apr.-June-----	***	***	***	***			
July-Sept-----	***	***	***	***			
Oct.-Dec-----	***	***	***	***			
1981:							
Jan.-Mar-----	***	***	***	***			
Apr.-June-----	***	***	***	***			
July-Sept-----	***	***	***	***			
Oct.-Dec-----	***	***	***	***			
1982:							
Jan.-Mar-----	***	***	***	***			
Apr.-June-----	***	***	***	***			
					Spain	Japan	All other
					Total imports	U.S. producers' shipments	Total
1980:							
Jan.-Mar-----	***	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***
1981:							
Jan.-Mar-----	***	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***	***
1982:							
Jan.-Mar-----	***	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***	***

Source: Compiled from data presented in table 23.

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

Japan is the largest source of imports of PC strand into the United States; it supplied almost 92 percent of total imports during 1974-77. Beginning in 1978, the year in which a dumping order concerning imports of this merchandise from Japan was issued, imports from Japan decreased sharply. In 1981, imports from Japan were approximately one-fifth the level attained in 1974 and accounted for 41 percent of total imports. The percentage distribution of imports of strand from all countries is presented in the following tabulation:

<u>Source</u>	<u>Percentage distribution</u>
Japan-----	41
Spain-----	15
Republic of South Africa-----	12
Brazil-----	10
United Kingdom-----	7
France-----	4
All other-----	11
Total-----	100

Imports of prestressed concrete steel wire strand from all countries decreased by 80 million pounds from 1978 to 1981, and imports from Japan decreased by 98 million pounds.

France.---Imports of PC strand from France amounted to less than 1 million pounds in 1974 and 1975, accounting for 0.2 percent of U.S. consumption in each of those years. In 1976 and 1977, no imports of this merchandise entered the United States from France. Thereafter, imports from France increased irregularly, from 2.0 million pounds in 1978 to 6.1 million pounds in 1981. Imports from France declined from 3.9 million pounds in January-June 1981 to 1.8 million pounds in January-June 1982. Such imports accounted for 0.5 percent of U.S. consumption in 1978, * * * percent in 1979, * * * percent in 1980, and * * * percent in 1981. French imports represented * * * percent of U.S. consumption in January-June 1981, * * *, but then declined to * * * percent in January-June 1982.

Prices

Although price is a major consideration in determining the purchase source for strand, other considerations, including the proximity of the seller, product quality, service availability, and timeliness of delivery, also weigh heavily in purchasing decisions. Therefore, significant differences in prices between suppliers may often be required to induce purchasers to switch from one supplier to another.

Domestic producers commonly publish list prices; the importer, CCG, does not. However, discounting from these published prices has been so common in

recent years that list prices have not usually been representative of actual transaction prices for strand. ^{1/} Therefore, although at least five domestic producers announced price increases during 1979-82, with the most recent increase being announced in April 1982, it is questionable whether these announced increases reflected actual upward movements in transaction prices.

U.S. producers and the importer were requested to provide data on their quarterly f.o.b. and delivered prices on sales to their four largest customers for January 1979-September 1982. Seven U.S. producers and the importer provided f.o.b. prices, but only two U.S. producers and the importer provided long-term data on delivered prices.

Data from past investigations indicate that PC strand prices fluctuated widely between 1975 and 1979. Prices fell steadily from a peak level of \$198 per 1,000 linear feet in January-March 1975 to only \$131 in the January-March 1977 and then recovered during the next 2 years, reaching \$184 in the April-June 1979 (table 25).

Data which were developed during the present investigation show that prices remained fairly stable between January 1979 and September 1982. They increased from \$182 to \$184 between the first and second quarters of 1979 and then edged downward during the next year, reaching a low of \$172 during the third and fourth quarters of 1980. Prices then recovered during the following year, reaching \$185 in the first quarter of 1982 before declining to \$174 in the third quarter of 1982.

Domestic strand prices decreased from \$182 in the first quarter of 1979 to \$174 in the third quarter of 1982, or by 4 percent, but prices of related products and key material inputs increased significantly during this period. For example, the Producer Price Index for all finished steel products increased by 28 percent, and the price of carbon steel wire rod increased by 39 percent between January 1979 and September 1982 (fig. 3). ^{2/}

^{1/} At the hearing, witnesses for Armco, Spring Wire, and Florida Wire stated that they have not sold at list price since early 1979. A spokesman for Shinko stated that his firm has made sales at list price since 1980, but that discounts from the list price have been increased. Transcript of the hearing, pp. 60 and 61.

^{2/} Developed from data provided by the Bureau of Labor Statistics of the U.S. Department of Labor. Data from U.S. producers' responses to questionnaires of the U.S. International Trade Commission indicate that U.S. producers' average purchase price for rod rose by only * * * percent between 1979 and June 1982.

Table 25.--Prestressed concrete steel wire strand: U.S. producers' prices, 1/
by quarters, January 1975-September 1982

Quarter	Price	Period	Price
	<u>Per 1,000</u>		<u>Per 1,000</u>
	<u>linear feet</u>		<u>linear feet</u>
1975:		1979:	
January-March-----:	\$198	January-March-----:	\$ 182
April-June-----:	190	April-June-----:	184
July-September-----:	176	July-September-----:	183
October-December-----:	165	October-December-----:	181
1976:		1980:	
January-March-----:	156	January-March-----:	175
April-June-----:	134	April-June-----:	174
July-September-----:	133	July-September-----:	172
October-December-----:	132	October-December-----:	172
1977:		1981:	
January-March-----:	131	January-March-----:	174
April-June-----:	133	April-June-----:	177
July-September-----:	137	July-September-----:	181
October-December-----:	137	October-December-----:	182
1978:		1982:	
January-March-----:	148	January-March-----:	185
April-June-----:	150	April-June-----:	177
July-September-----:	160	July-September-----:	174
October-December-----:	<u>2/</u>		

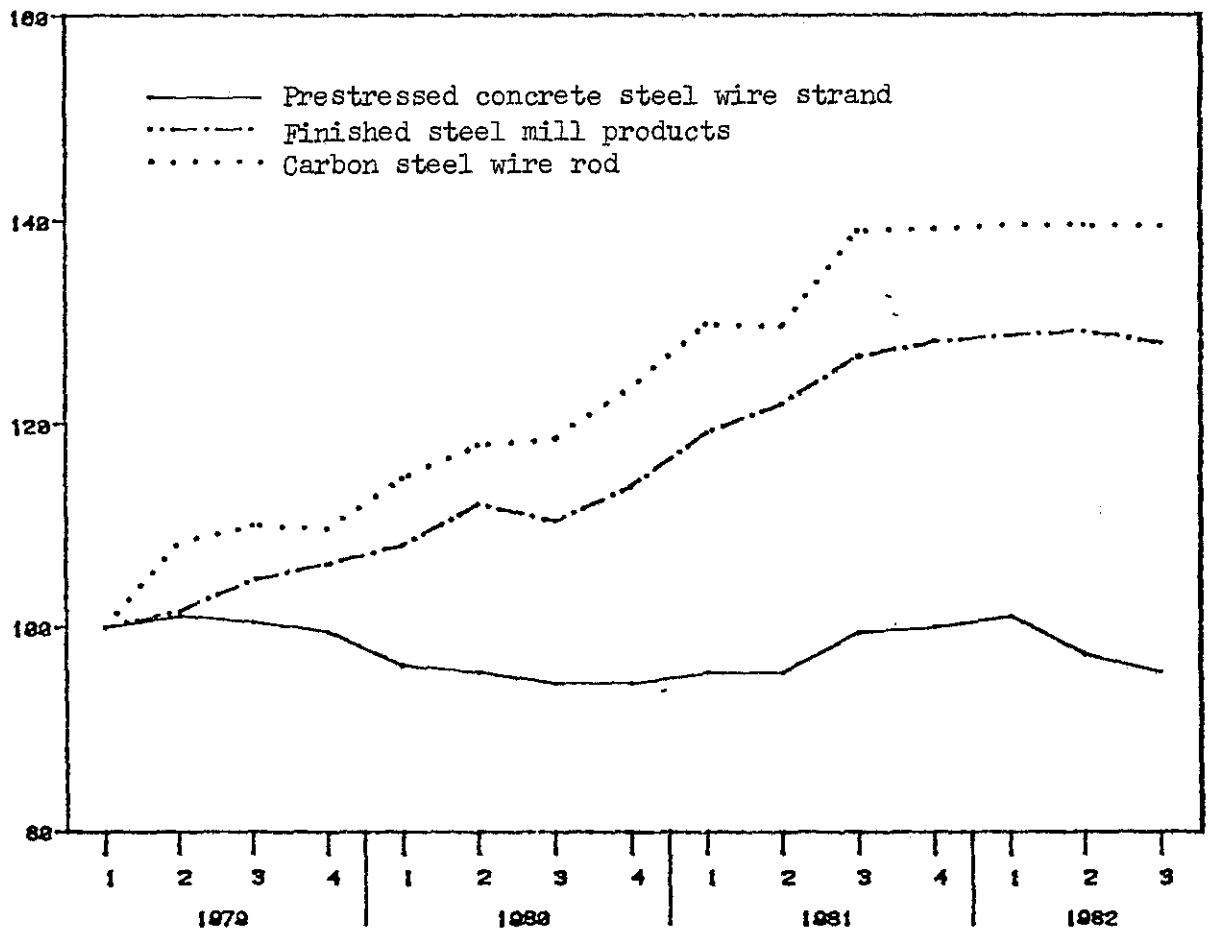
1/ Weighted-average f.o.b. mill prices of U.S. producers' shipments of
1/2-inch, 270K, stress-relieved, 7-wire strand to their 4 largest customers.

2/ Not available.

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

Figure 3.--Indexes of producer prices for prestressed concrete steel wire strand, finished steel mill products, and carbon steel wire rod, by quarters, January 1979-September 1982.

Index
(1st Qtr 1979=100)



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

The ranges of domestic prices provided by U.S. producers were consistently much wider than the ranges of import prices throughout the period from January of 1979 through September 1982. In all quarters of this period, the * * * was higher than the * * * often by significant margins, and from October 1979 onward, the * * * was always below the * * * with the exception of the * * * (table 26).

Prices of imported strand from France * * * (table 26). * * *.

A comparison of f.o.b. domestic and import prices provides evidence of underselling by French strand * * *.

Table 26.--Prestressed concrete steel wire strand: F.o.b. prices and price ranges of U.S. producers and the importer (Chiers-Chatillion-Gorcy), 1/ by quarters, January 1979-September 1982

Period	Domestically produced strand		Imported from France		Margin of underselling	
	Range	Weighted: average:	Range	Weighted: average:	Actual	Percent
	Per 1,000 linear feet					
1979:						
January-March-----	***	\$182	***	***	***	***
April-June-----	***	184	***	***	***	***
July-September-----	***	183	***	***	***	***
October-December-----	***	181	***	***	***	***
1980:						
January-March-----	***	175	***	***	***	***
April-June-----	***	174	***	***	***	***
July-September-----	***	172	***	***	***	***
October-December-----	***	172	***	***	***	***
1981:						
January-March-----	***	174	***	***	***	***
April-June-----	***	177	***	***	***	***
July-September-----	***	181	***	***	***	***
October-December-----	***	182	***	***	***	***
1982:						
January-March-----	***	185	***	***	***	***
April-June-----	***	177	***	***	***	***
July-September-----	***	174	***	***	***	***

1/ Weighted average prices of U.S. producers' and importer's shipments of 1/2-inch, 270K, stress-relieved, 7-wire strand to their 4 largest customers.

2/ Not available.

3/ No evidence of underselling.

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

Note.--U.S. producers' prices are on an f.o.b., plant-of-manufacture basis; importers' prices are on an f.a.s., port-of-entry, duty-paid basis. A-36

The petitioners have stated that there is an increasing trend by domestic producers towards freight absorption (delivered prices) on their sales of PC strand due to delivered prices being offered by the importers. 1/ The data presented in table 27 provide a comparison of delivered domestic prices for two domestic producers, * * *, with the delivered prices for the importer, CCG. The results, * * *.

Table 27.--Prestressed concrete steel wire strand: Delivered prices of U.S. producers' and the importer (Chiers-Chatillion-Gorcy), 1/ by quarters, January 1979-September 1982

* * * * *

In order to compare prices of domestic and imported strand at specified locations during recent periods, the Commission sent questionnaires to 37 purchasers of strand from various sources, in selected urban areas. The questionnaire requested prices paid for the firm's largest purchases of strand during 1981 and January-September 1982. Twenty purchasers responded to the questionnaire, of which 6 provided price data that could be used in making comparisons between the French and domestic products. The results provided some additional data relating to underselling during 1981 and January-March 1982.

Data provided by three purchasers in the San Antonio, Tex., area indicate that French prices * * * (table 28).

Table 28.--Prestressed concrete steel wire strand: Delivered prices paid by 3 purchasers in the San Antonio area for U.S.-produced and French-produced merchandise, 1/ by quarters, January 1981-June 1982

* * * * *

Data provided by two purchasers in the Houston area indicate that French prices * * *.

Table 29.--Prestressed concrete steel wire strand: Delivered prices paid by 2 purchasers in the Houston area for U.S.-produced and French-produced merchandise, 1/ by quarters, January 1981-March 1982

* * * * *

The Commission asked purchasers of French strand to rank five factors on a scale of one (lowest) to five (highest) in terms of their importance in the decision to purchase strand from a particular supplier. Along with price, the

1/ Prehearing brief of the PC Strand Group, p. 96.

factors included availability of service, delivery time, proximity of the vending firm, and quality of the product. The responses from the eight purchasers that completed this section of the questionnaire varied widely. Proximity of the vending firm was ranked highest by four firms, and two firms ranked quality as the most important consideration. Price and availability of service each received the highest rank from one firm. Interestingly, quality and proximity of the vending firm received the greatest number of least important rankings, three apiece.

The questionnaire also asked purchasers if they had purchased strand from a higher priced rather than a lower priced source at any time during 1981 because of any of the stated factors. Six of the eight firms offered affirmative responses. One firm indicated that it had purchased PC strand imported from Great Britain due to its packaging. Two other firms cited quality and service, and the supplier's inventory level, respectively, as the reasons for their purchases. One firm bought domestic strand because of quality and delivery considerations, and another firm bought French PC strand due to problems with domestically produced material. Finally, an additional firm bought domestically produced PC strand because of the engineering assistance provided by the domestic producer.

Price suppression/depression

Domestic producers of PC strand were asked to submit information regarding price suppression or price depression they have experienced which is attributable to imports from France. Only one producer, * * *, provided specific allegations regarding French imports. However, three additional firms commented on the suppression and depression of prices in general.

Of these three, * * * stated that it had to offer its product at reduced levels due to competitive prices, but had no documentation regarding imports from France. * * * stated that it has felt the effect of French imports in price suppression and lack of business. Finally, * * * responded that it was increasing its inland sales due to "cheap imports at low prices."

Of * * * price suppression/depression allegations, six were received during the preliminary investigation, and four were received during the final. These allegations involved seven firms, each of which was contacted by the Commission's staff. The results of these contacts are presented below.

1/ One other observation of head to head pricing was possible from the purchasers' questionnaires. A firm in the Spartanburg, South Carolina, area provided prices that it paid for purchases of 1/2" domestic and French strand during * * *.

*** alleged that it had to lower its price to *** due to a low French quote. *** stated that the firm has never taken a quote from the French. 1/ However, *** stated that his firm takes quotes from everyone in the market, and then buys the strand from a primary supplier if that source is within the range. He generally buys from ***, but has purchased from ***. As an example of his purchasing system, *** stated that he took quotes for his strand purchases for January-March of 1982 from ***. He awarded the contract to ***, which had the lowest price.

***, which was alleged to have received a low quote from the French on ***, stated that it gathers quotes from as many sources as possible to see what strand is selling for. 2/ *** of that firm stated that this information comes from both strand salesmen and from information his concrete salesmen gather through the "grapevine," from contact with other salesmen, and from purchasers. *** stated that his firm determines the price it wants to pay based on the market prices at the time. *** then tells the producers what his firm wants to pay, and they then negotiate on a final price. The price *** pays must be close to the market price, but not necessarily the lowest. As to the specific allegation, *** stated that he received a French quote in ***, but did not remember the date. He said the French quotes enter into price to some degree because they are part of a large pie, which includes both domestic producers and other importers.

*** cited three examples of price suppression regarding ***, a purchaser in ***. *** stated that price is the number one factor in strand purchases. 3/ *** said that if the strand is certified, he will buy it if the price is right. *** stated that he does not have to play one source against another, since with the soft market sellers offer their best price on the first quote. *** has not spoken with the French for approximately 6 months, because their price is too high. He also could not respond to the allegations, saying that he could not be specific as to when he had received quotes on French strand.

*** was mentioned as the purchaser ***. *** of that company stated that his firm calls domestic producers *** for quotes, and importers call him ***. 4/ *** generally buys the lowest priced strand, and *** stated that buying strand was like buying a used car, with "wheeling and dealing." *** stated that he generally does not get French quotes and has never purchased the French product. However, he did not know if the French price was used as leverage to get a lower price from a domestic producer at any time. *** last purchase was from ***.

1/ Conversations with the Commission's staff of Aug. 8, and Oct. 29, 1982.

2/ Conversations with the Commission's staff of Oct. 22, and Oct. 29, 1982.

3/ Conversations with the Commission's staff of Oct. 22, and Oct. 29, 1982.

4/ Conversations with the Commission's staff of Oct. 22, and Oct. 29, 1982.

* * * of * * * said that he purchases strand from the French, but stated that the allegation cited as occurring in * * * involved * * * strand. 1/ * * * of * * * stated that his firm * * * and purchases a limited amount of strand exclusively from * * *. 2/ * * * stated that he dismisses all other quotes.

Finally, * * * of * * * stated that he purchases strand simultaneously from the French and * * *. 3/ * * * said the two were in the same price range, and that he may pay a slight premium to either producer. * * * denied the allegation of price suppression during early 1982.

The petitioners submitted an additional allegation of price depression in their posthearing statement. 4/ * * * stated that it could not compete with the French price offered to * * *. However, no mention was made of whether an actual quote was offered to * * * by * * *, or whether a sale was ever made.

Lost sales

Domestic producers alleged that 15 sales totaling 10.9 million pounds were lost to imports from France. Twelve of these allegations were submitted in the preliminary investigation, and three were submitted in the final. Purchasers of French strand reported that price was important in their decision. One purchaser noted favorable 60-day terms; several indicated a need to maintain alternative sources. Purchasers in three instances reported they had not purchased French strand.

Three lost sales involving a total of * * * million pounds of strand from France were alleged to have occurred in 1980, and involved one purchaser. The purchaser reported that it had purchased these amounts at * * * per 1,000 linear feet, compared with domestic offers of * * *.

Domestic producers reported allegations of eight lost sales involving approximately * * * million pounds in 1981. In four of these allegations, delivered prices were from * * * for French strand compared with * * * f.o.b. for domestic strand. Purchases were made on the basis of price, but purchasing from alternative sources was specifically mentioned in two of the four instances.

In an additional allegation, the purchaser reported a slight quality edge to the French strand in the coiling of the pack and that it was at least * * * per 1,000 linear feet cheaper. Terms were also considered a factor. Another alleged purchaser was only able to confirm the competing price quotes of * * * per 1,000 linear feet for French strand and * * * for domestic.

1/ Conversation with the Commission's staff on Sept. 13, 1982.

2/ Conversation with the Commission's staff on Sept. 17, 1982.

3/ Conversation with the Commission's staff on September 13, 1982.

4/ Posthearing statement of the petitioners, p. 9.

In two more instances, firms denied the lost sales allegations. One alleged lost sale of * * * million linear feet was obtained from * * *. In the other allegation, the firm does not buy strand from France; furthermore, in the instance in question, it had lost the bid for the contract and did not buy any strand.

Questionnaire responses for the final investigation involved three allegations of lost sales to imports from France of approximately * * * million pounds. One firm reported that it had purchased French strand because of a lower price of * * * per 1,000 linear feet at its seaport receiving point. In this instance, the producer's allegation had specified * * * pounds of strand, but the purchaser reported that the amount was * * * pounds. Another firm had purchased * * * pounds of French strand in January-July 1982. It had bought * * * strand in the past, purchasing all of its other needs from * * *. The third purchaser bought exclusively from * * * in 1982 at delivered prices below those of any competitor.

The petitioners submitted an additional lost sale allegation in their posthearing statement. 1/ The allegation asserted that * * * lost a sale to * * * in April 1982, due to foreign competition. Although the foreign source was not specified, * * *. 2/

1/ Posthearing statement of the petitioners, p. 8.

2/ Posthearing brief on behalf of CCG, exhibit 1.

APPENDIX A

COMMERCE DEPARTMENT'S FINAL
COUNTERVAILING DUTY DETERMINATION
AND AMENDMENT

DEPARTMENT OF COMMERCE**International Trade Administration****Final Affirmative Countervailing Duty Determination; Prestressed Concrete Steel Wire Strand From France**

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determination; prestressed concrete steel wire strand from France.

SUMMARY: We have determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in France of prestressed concrete steel wire strand (PC strand), as described in the "Scope of Investigation" section of this notice. The estimated net subsidy is 4.792 percent *ad valorem*. The U.S. International Trade Commission (ITC) will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry.

EFFECTIVE DATE: October 22, 1982.

FOR FURTHER INFORMATION CONTACT: Nicholas C. Tolerico, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230, telephone: (202) 377-4036.

SUPPLEMENTARY INFORMATION:**Final Determination**

Based upon our investigation, we have determined that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in France of PC strand, as described in the "Scope of Investigation" section of this notice. The following programs are found to confer subsidies:

- Government preferential financing including loans and equity infusions through the parent company
- Certain labor-related aid/early retirement and layoff benefits

We determine the estimated net subsidy to be 4.792 percent *ad valorem*.

Case History

On March 4, 1982, we received a petition from counsel for six domestic manufacturers of PC strand: American Spring Wire Corporation, Armco Inc., Bethlehem Steel Corporation, Florida Wire and Cable Company, Pan

American Ropes, Inc., and Shinko Wire America, Inc., filed on behalf of the U.S. industry producing PC strand. The petition alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters in France of PC strand. We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on March 24, 1982, we initiated a countervailing duty investigation (47 FR 13397).

In our notice, we stated that we expected to issue a preliminary determination by May 28, 1982. We subsequently determined that the investigation was "extraordinarily complicated", as defined in section 703(c) of the Act, and postponed our preliminary determination to no later than August 2, 1982 (47 FR 21114).

Since France is a "country under the Agreement" within the meaning of section 701(b) of the Act, an injury determination is required for this investigation. Therefore, we notified the ITC of our initiation. On April 19, 1982, the ITC determined that there is a reasonable indication that imports of PC strand from France are materially injuring, or threatening to materially injure, a U.S. industry (47 FR 18200).

We presented questionnaires concerning the allegations to the Delegation of the Commission of the European Communities and to the government of France in Washington, D.C. On April 8 and 9, 1982, we received the responses to the questionnaires. Supplemental responses were received on June 30, 1982. On August 2, 1982, we issued our preliminary determination in this investigation (47 FR 34173). The preliminary determination stated that the government of France was providing its manufacturers, producers, or exporters of PC strand with benefits which constitute subsidies. The programs preliminarily determined to bestow countervailable benefits were:

- Export credit insurance
- Preferential financing including equity infusions
- Governmental assistance channeled through parent company
- Certain labor-related aid

Scope of Investigation

The product covered by this investigation is prestressed concrete steel wire strand (PC strand) from France. This product is fully described in Appendix 1, which follows this notice. Treilles et Cableries Chiers Chatillon Gorcy (CCG) and Fis et Cables d'Acier de Lens (FICAL) are the only

known producers in France of PC strand exported to the United States. The period for which we are measuring subsidization is calendar year 1981.

Analysis of Programs

In their responses, the government of France and the Delegation of the Commission of the European Communities provided data for the applicable periods. Additionally, we received information from CCG which produced and exported PC strand to the U.S. in 1981. FICAL did not submit a response to the questionnaire because it did not export PC strand to the United States in 1981.

Throughout this notice, general principles applied by the Department of Commerce to the facts of the current investigation of PC strand are described in detail in Appendices 2, 3 and 4 of this notice. Based upon our analysis of the petition, responses to our questionnaires, our verification and oral and written comments by interested parties, we determine the following.

I. Programs Determined to Confer Subsidies

We have determined that subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in France of PC strand.

A Government Preferential Financing Including Loans and Equity Infusions Through the Parent Company

Petitioners alleged preferential financing in the form of low-interest loans and loan guarantees, and the conversion of accumulated debt into equity.

1 Loans and Loan Guarantees A number of French government organizations have issued loans and/or loan guarantees to CCG or its predecessors. The majority of these loans were provided by the following institutions:

Fonds de Developpement Economique et Social (FDES)

Created by the French Parliament in 1955, FDES is a fund which provides loans to businesses and corporations in order to further the French government's economic, social, industrial, and regional development objectives. The fund, which is actually a line item in the French government budget, is approved on an annual basis by Parliament.

As FDES is not an organization but a budgetary item, it is administered by the Ministry of Finance which receives the applications for FDES loans. However, the decision to issue a loan rests with

the FDES Board, which is composed of government ministers and career civil servants whose agencies are involved in economic policy.

A semi-public financial institution, Credit National, disburses FDES funds to recipients approved by the Ministry of Finance (see discussion on Credit National below).

FDES loans are always part of a global financial package, as other lenders such as government credit institutions and public and private banks participate in the funding of a project. An FDES loan never covers the entire cost of a project. Usually, loans are secured by a mortgage or a pledge. We were advised by the government of France that FDES lending rates were consistently lower than commercial rates.

There is some evidence which suggests that FDES loans are available to all industries and regions. At verification, we requested French government authorities to provide sample FDES loan applications and agreements, and to specify the criteria on which these loans were actually granted. As in our investigations of "Certain Steel Products from France" (47 Fed. Reg. 39322), the French government did not provide this information. In light of this refusal, we cannot conclude that these loans are generally available. Therefore, we consider these loans to confer subsidies within the meaning of the countervailing duty law to the extent that they were provided at preferential, below-market rates.

• Credit National (CN)

Credit National (CN) is a semi-public credit institution with special legal status which issues medium- and long-term loans to French industry, including the steel industry. Loan funds are raised by offering bonds in the public marketplace. These bonds are guaranteed by the government of France.

CN acted as the conduit through which FDES loans were granted to the steel industry. The French government, either directly or through CN, also guarantees some loans to the steel companies. In addition, CN has participated in bank loans to the steel industry through such means as assuring the banks that they can rediscount the loans with CN, which in effect constitutes a guarantee.

In most cases, CN acts only as part of a loan syndicate. The terms of any loans CN makes on behalf of the French government are set by the French government. We verified that CN loans to the French steel industry were made with government backing and that

Credit National's operating budget is financed by the French government.

There is some evidence suggesting that CN loans are available to all industries and regions. At verification, we requested French government authorities to arrange a meeting with CN officials, to provide sample loan applications, and to specify the criteria on which these loans were actually granted. As in our earlier investigations of "Certain Steel Products from France" (47 FR 39322), CN officials declined to meet with us. Therefore, we were unable to establish that these loans were not given at the specific direction of the government of France, or that CN loans are generally available. Consequently, we consider these loans to confer subsidies within the meaning of the countervailing duty law, to the extent that they were provided at preferential, below-market rates. Similarly, we find that bank loans in which CN participated to confer subsidies within the meaning of the countervailing duty law to the extent that they were provided at preferential, below-market rates.

Further, a number of the loans provided by CN to CCG were linked to export performance. We determine that those CN loans which carry a preferential interest rate that is specifically linked to a target level of exports are export subsidies within the meaning of the countervailing duty law.

• Regional Development Agencies

CCG received loans from LORDEX, CENTREST, and SUDEST which are regional development agencies. At verification we were informed by government officials that each region of France is served by a regional development agency. We have also reviewed publications which indicate that all regions of France are covered by such agencies and that assistance from these agencies is generally available. Based on this information, we do not consider these loans to be regional or industry-specific. However, a number of these loans were specifically linked to export performance. To the extent that loans from these agencies were tied to increasing exports and were provided at preferential, below-market rates, we determine that these loans are export subsidies within the meaning of the countervailing duty law.

2. Creditworthiness Issue The petition contained allegations that CCG is uncreditworthy. In our preliminary determination, we found that, for purposes of this investigation, CCG has been uncreditworthy since its formation in 1977. During verification, we established that, although CCG was in

operation during 1977, the company was not legally established until December, 1977. In every year of operation, CCG has registered significant operating losses. In addition, certain financial condition since 1977. While CCG incurred significant losses in 1977, and had unfavorable financial ratios such as the sales to net earnings ratio and the interest expenses to net earnings ratio indicate a deteriorating financial ratios, we cannot conclude that the company was uncreditworthy in that year because commercial lenders, not having the year-end figures for 1977, might have made loans to, or investments in, CCG. Accordingly, we now determine, for purposes of this determination, that CCG became uncreditworthy in 1978 and remained so through 1981.

Therefore, for the reasons outlined in Appendix 2, loans of more than one year made to CCG during this period are treated essentially as equity. Since equity infusions into CCG during this period cannot be considered to be consistent with commercial considerations, they give rise to a potential subsidy.

3. Loans and Equity Infusions from Parent Company Since 1979, CCG has been a wholly-owned subsidiary of Usinor. In the recent "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France" (47 Fed. Reg. 39322), we determined that Usinor received substantial subsidies from, or at the direction of, the government, from the European Coal and Steel Community (ECSC), and from the European Investment Bank (EIB), in the form of preferential loans and loan guarantees, cash infusions and cancellation of debt in exchange for equity. CCG, in turn, received medium-term loans from Usinor in 1980 and 1981, as well as a short-term loan in 1981 on accounts payable. In addition, Usinor made equity infusions into CCG in 1979 in the form of cash payments and debt cancellation in exchange for new stock.

Both the loans and infusions were made at a time when we consider CCG to have been uncreditworthy (see Creditworthiness Issue in section 2 above.) The loans from Usinor were made at preferential, below-market rates and, since CCG had never registered a positive rate of return on equity, the cash payments and debt cancellation in exchange for stock cannot be considered as investments that were consistent with commercial considerations. Moreover, at the time the loans and equity infusions were made, Usinor was also experiencing serious financial difficulties, as evidenced by heavy operating losses

and unfavorable financial ratios (see "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France", 47 FR 39322). Inasmuch as Usinor was not in a financial position to make loans to and equity infusions in CCG, and the loans and equity infusions were inconsistent with commercial considerations, we determine that Usinor indirectly channeled to CCG subsidies received from the government, the ECSC, and the EIB

4. *Calculation of Countervailable Benefits.* Our treatment of preferential loans from FDES, CN, the regional development agencies, and Usinor, is outlined in parts (a-b) below. Our treatment of cash infusions from Usinor and cancellation of debt in exchange for additional stock is outlined in parts (c-d) below. We calculated the *ad valorem* subsidy by allocating the countervailable benefits as follows:

- Where benefits were provided to all steel production, or were not specifically tied to plants or equipment, the 1981 net benefit was allocated over total steel sales; and

- Where export subsidies were provided, the 1981 net benefit was allocated over total export sales of all steel products.

a. *Preferential Loans Issued Prior to 1978* CCG and its predecessor companies received both medium- and long-term preferential loans prior to 1978 which remained outstanding on CCG's books through 1981. The benefit from any long-term loan from FDES, the regional development agencies, CN, or bank syndicates in which CN participated for which principal was still outstanding in 1981, and which was made at a rate below the commercial benchmark for a comparable loan in the year of issue, is calculated according to the general methodology for loans and loan guarantees outlined in Appendix 2. To determine the commercial benchmark for France, we used the monthly financial statistics for the secondary market yields of private bonds in France, published by the Organization for Economic Cooperation and Development (OECD). For the discount rate, we used the average annual yield of public and semi-public sector bonds on the secondary market published by the OECD because it represents the best estimate of the risk-free rate in France.

Using the methodology in Appendix 2, we calculated the following subsidies. For non-export oriented loans, we calculated a subsidy rate of 0.011 percent *ad valorem*. For export loans, we calculated a subsidy rate of 0.068 percent *ad valorem*.

For medium-term loans with floating interest rates, we compared the average floating interest rate in each month in 1981 with the monthly commercial benchmark. To determine the commercial benchmark for medium-term loans in France, we used the OECD monthly statistics for medium-term loans in 1981. For each month that the average floating interest rate was below the commercial benchmark, we multiplied the difference by the principal outstanding for that month during 1981 to derive a 1981 monthly countervailable benefit. We then summed the monthly benefits to determine the total 1981 countervailable benefit. For loans with floating interest rates that were not export-oriented, we calculated a subsidy of 0.026 percent *ad valorem*. For export loans with floating interest rates, we calculated an export subsidy of 0.418 percent *ad valorem*.

b. *Preferential Loans Issued Since 1978.* Because we consider CCG to have been uncreditworthy since 1978, loans of more than one year issued since then by FDES, the regional development agencies, CN, bank syndicates in which CN participated, or Usinor, with principal still outstanding during 1981, are treated as loans to companies considered to be uncreditworthy. Using the methodology for loans to uncreditworthy companies (see Appendix 2), we compared the national average rate of return on equity in France with CCG's 1981 rate of return on equity. To prevent countervailing a higher amount than if the loan had been an outright grant to the company, we compared the 1981 benefit of these loans under the methodology used for loans to uncreditworthy companies with the result under the grant methodology described in Appendix 2. Using the amount calculated under the grant methodology we found a subsidy rate of 0.389 percent *ad valorem* for non-export oriented loans. For export loans issued since 1978, we used the same methodology and calculated an export subsidy of 1.241 percent *ad valorem*.

As described above, CCG received a short-term loan on accounts payable in 1981. Since this loan was provided for the purchase of inputs that are utilized within a period of less than one year, any benefits from this loan accrue to the year of receipt and not to subsequent years. Moreover, at the end of 1980 and 1981, Usinor, CCG's parent company, converted a significant percentage of the outstanding amount of the short-term loan on accounts payable into medium-term loans, which have been treated above as loans to uncreditworthy companies.

This short-term loan carries a floating interest rate, and is accounted for in CCG's books on a quarterly basis. To calculate the subsidy we compared the average floating interest rate in each quarter in 1981 with the quarterly commercial benchmark. To determine the commercial benchmark for comparable short-term loans in France, we used the OECD monthly statistics on the mobilization of trade debts for short-term credits to enterprises. We then computed a quarterly average for the commercial benchmark. For each quarter that the average interest rate was below the commercial benchmark, we multiplied the difference by the principal outstanding at the beginning of each quarter during 1981 to derive a 1981 quarterly countervailable benefit. We then summed the quarterly benefits to determine the 1981 total countervailable benefit. We found a subsidy of 1.797 percent *ad valorem*.

c. *Loss Coverage.* Since the 1979 cash infusion provided by Usinor in exchange for additional stock was neither tied to capital assets nor explicitly earmarked, we consider these funds to have been available to cover cash-based losses.

We assume that, when a company running large cash-based losses receives funds, it will use these funds to meet immediate obligations such as wages, materials, and interest expenses, which are items normally expensed in one year. As explained in Appendix 2, we calculated CCG's 1978 cash-based loss and compared it to the cash received in 1979. Since the loss exceeded the cash infusion, we consider the entire amount of the infusion to have been expensed in 1979. Therefore, no 1981 countervailable benefit remains from the 1979 cash infusion.

d. *Cancellation of Debt.* In 1979, Usinor also cancelled debt owed to it by CCG in exchange for new stock. As explained above, we consider this debt cancellation to have been a pass-through to CCG of government subsidies provided to Usinor, and to have made on terms inconsistent with commercial considerations. Using the methodology outlined in Appendix 2, we calculated the 1981 benefit by comparing the company's rate of return on equity with the national average rate of return on equity. If the company's rate of return was less than the national average, we multiplied the difference by the amount of debt cancelled in order to determine the 1981 benefit. To prevent countervailing a higher amount than if this equity infusion had been an outright grant to the company, we calculated as a grant the amount of debt cancelled and chose the lower of the two benefit

amounts as the 1981 net benefit. Since the benefit calculated under the grant methodology was lower, we applied this amount over the value of all sales and computed a subsidy of 0.822 percent *ad valorem*.

B. Certain Labor-Related Aid/Early Retirement and Layoff Benefits

French corporations have certain statutory and contractual obligations to pay severance to their employees in case of interruption or cessation of employment. There are several French government early retirement plans designed to compensate for the effects of mass layoffs. The plan designed to cover all industries is the Fonds National de l'Emploi (FNE). Because of the significant problems faced by the steel industry with respect to restructuring, two special early retirement and layoff agreements, were negotiated between certain steel companies and the labor unions.

These are the Convention de Protection Sociale of June 1977 (CPS), which applies to engineers and executives of the steel industry, and the Convention Generale de Protection Sociale of July 1979 (CGPS), which applies to all other steel industry workers.

Under these special steel agreements, workers laid off between the ages of 55 and 60 must retire. This is the "anticipated cessation of activity" plan which is financed in the same manner as the FNE; that is, by government, employer, and employee contributions to the unemployment fund and government contributions financed by company payments.

Workers between the ages of 50 and 55 who are laid off fall under the "dispensation of activity" plan. Under this plan, the workers are still under contract to the company, but their salaries are paid by the government. While the companies are under no contractual or statutory obligation to pay wages to laid-off workers, they do have contractual and statutory obligations to pay severance to laid-off workers. Since the workers who are laid-off at age 50 continue to receive wages, the companies' requirement to pay severance is deferred until the worker reaches age 55. In our "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France" (47 FR 39322), we determined that the deferral of severance pay provided for under the "dispensation of activity" plan of the CGPS agreement conferred a subsidy on the steel companies involved in those investigations. The benefit to the steel

companies of the deferral payment of severance was the difference between the liability accrued in each year for severance pay and the actual expense incurred in each year for severance pay.

CCG had fewer than twenty-five employees affected by the "dispensation of activity" plan under the CGPS agreement. This number is insignificant when compared to the large number of employees from the steel companies involved in the investigations of "Certain Steel Products from France" who were affected by the dispensation of activity plan. Because CCG had so few employees affected by the dispensation of activity plan, the annual differences between the liability accrued and the expense incurred in each year are negligible. Consequently, the amount of any countervailable benefit conferred on CCG under the dispensation of activity plan even assuming the "worst case", is so small that it has virtually no discernible impact on the subsidy rate.

II. Programs Determined Not to Confer Subsidies

We have determined that subsidies are not being provided under the following programs to manufacturers, producers, or exporters in France of PC strand.

A. Export Credit Insurance

CCG insures its exports to the United States through the Compagnie Francaise d'Assurance pour le Commerce Extérieur (COFACE). COFACE is a government corporation that provides export insurance to cover commercial, political, exchange rate fluctuation and inflation risks. For our preliminary determination, we reviewed COFACE's 1980 annual report (the most recent report available at that time) and found that, while the company showed an overall profit, its insurance activities operated at a deficit. Revenues from financial and real estate investments allowed COFACE to offset the operating deficit on insurance. Our preliminary review of the annual reports for 1976-1980 revealed a pattern of yearly operating deficits on insurance activities that were offset by revenues from investments. However, we reviewed the 1981 data and verified that only the political risk program suffered losses, not the commercial risk program. We also verified that premiums for COFACE's commercial risk insurance program exceeded losses incurred by that program. Consequently, we now determine that COFACE export insurance for commercial risks does not

confer a subsidy with respect to exports to the United States. We verified that CCG insures its exports to the United States only for commercial risks.

B. Assistance to Improve Working Conditions

CCG received a small grant for employee training from the "aides des actions de formation" (FAAF) program, and another grant from the "aides pour l'amélioration des conditions de travail" (FACT) program to ameliorate working conditions by decreasing fumes emanating from a lead bath.

In our preliminary determination, we found these grants to confer subsidies. However, official government documents obtained since the preliminary determination show that grants under both of these programs are generally available throughout the country. Any enterprise is eligible for funding, and if a grant is awarded, the recipient must agree to allow the results of the project to be made public. Therefore, we now determine that grants provided under the FAAF and FACT programs do not confer subsidies within the meaning of the countervailing duty law.

C. Regional Anti-Pollution Agencies

Created by Law No. 64-1245 of 1964, these regional agencies, known generically as "Agences Financières de Bassin", provide incentives for the installation of anti-pollution devices. The agencies' operations are funded by dues from industrial users. In return, they award bonuses and loans to combat pollution. Since we consider these programs to be generally available, and not to benefit a specific industry or group of industries, we find that they do not confer subsidies within the meaning of the countervailing duty law.

D. Assistance to Coal Suppliers

In our preliminary determination, we found that subsidies to French coal producers did not bestow a countervailable benefit upon the production, manufacture or exportation of French steel.

In our investigations of "Certain Steel Products from France", we analyzed and verified aspects of the French coal subsidy program as it applies to steel. As detailed in our "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France" (47 Fed. Reg. 39322), we find that the French coal subsidy program does not confer a countervailable benefit on French steel producers for the following reasons:

Benefits bestowed upon the manufacturer of an input do not flow down to the purchaser of that input if the sale is transacted at arm's length. In an arm's length transaction, the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear.

These principles apply to French coal sales as follows. We find that the price charged for French coal does not undercut the market price. Absent special circumstances warranting a contrary conclusion, the French steel producers apparently do not benefit from French coal subsidies as long as the price for French coal does not undercut the market price.

Further consideration is warranted, however, for one special circumstance. The government of France directly or indirectly owns all French coal producers and partially owns major French steel companies. The issue arises whether transactions between them are conducted on an arm's length basis. We do not believe that government ownership *per se* confers a subsidy, or that common government ownership of separate companies necessarily precludes arm's length transactions between them. To determine whether coal sales between government-owned coal and steel producers appear to have been consummated on arm's length terms, we considered whether the government-owned coal producers sold to the government-owned steel producer at the prevailing market price. We found that French coal producers did charge the prevailing market prices. On this basis, we conclude that coal subsidies were not conferred on steel producers as a result of government ownership.

Based upon the above considerations, we determine that French coal subsidies do not confer upon French steel producers a subsidy within the meaning of the Act.

Regarding the allegation that the French steel industry indirectly benefits from German government assistance provided to the coal industry in the Federal Republic of Germany, we do not consider such assistance to confer a countervailable benefit on the French steel producers for the reasons outlined in Appendix 2.

The ECSC provides various production and marketing grants to ECSC coal and coke producers. However, we do not consider this assistance to confer a countervailable benefit on the French steel producers for the reasons described in Appendix 3.

Since we do not consider any of the above programs to confer countervailable benefits to steel

producers, no benefits exist which can be passed through to companies such as CCG which transform steel.

E. Indirect Benefits Through the Purchase of Wire Rod From Usinor

Petitioners alleged that, since Usinor has received subsidies from the government or at the direction of the government, CCG receives benefits when it purchases wire rod from Usinor. Since 1979, CCG has been a wholly-owned subsidiary of Usinor, which is currently 90 percent government-owned. Wire rod is the principal input into PC strand. With respect to sales of Usinor's wire rod to CCG, we believe that benefits bestowed upon the manufacturer of an input do not necessarily flow down to the purchaser of that input, if the sale is transacted at arm's length. In an arm's length transaction, we believe it is reasonable to assume that the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear.

When sales transactions are made at arm's length, economic considerations are also taken into account to determine if a benefit received by a seller would be passed on to the purchaser. According to economic theory, a benefit will not be passed on if the 'own' price elasticity of demand for the seller's product is less than one. Studies show that 'own' price elasticity of demand for steel is less than one. Therefore, there is no economic rationale for a seller of a subsidized steel product to pass its subsidy on to the buyer in the form of lower prices.

The application of these principles to the allegation that CCG benefits from the purchase of Usinor's subsidized wire rod is as follows. Usinor is CCG's primary supplier of the wire rod used in the production of PC strand. Most of CCG's remaining wire rod requirements are furnished by unrelated suppliers located outside of France. During verification, we established that the prices charged by Usinor for wire rod were comparable to prices for the same quality of wire rod from suppliers outside of France.

Since CCG is a wholly owned subsidiary of Usinor and purchases almost all of its wire rod requirements from Usinor, we also reviewed prices charged by Usinor to its largest unrelated customer for wire rod in order to determine whether the transactions between Usinor and CCG can be considered to be at arm's length. During verification we established that CCG pay no less for Usinor's wire rod than the largest unrelated purchaser of

Usinor's wire rod. We consider that this dual price comparison establishes that wire rod transactions between CCG and Usinor are at arm's length. Therefore, we determine that, while Usinor has used other means, such as preferential loans and equity infusions, to channel benefits to CCG, the benefits to Usinor's wire rod production are not passed through to CCG in the form of lower prices for wire rod.

F. Bank Loans

Before the creation of CCG in 1977, CCG's predecessors received loans from Societe Generale and Banque Nationale de Paris. Since we have no evidence that these loans were made at the direction of the government, we do not consider these loans to confer subsidies within the meaning of the countervailing duty law.

G. Loans From Private Cooperative Financial Institutions

Two private cooperative financial institutions awarded loans to CCG's predecessors. These institutions are:

Groupement Interprofessionnel Financier Antipollution (GIFIAP); and Groupement des Industries de la Mer et des Activites Sous-Marines (GIMER).

GIFIAP and GIMER emerged after World War II to raise capital for French industry for environmental protection and to promote marine industries. By floating bond issues, these cooperative institutions raised capital and made loans to their member companies. Since these are private, cooperative institutions, and since the loans were made prior to the period in which we consider the company to have been uncreditworthy, we do not consider these loans to confer subsidies within the meaning of the countervailing duty law.

III. Programs Determined Not To Be Used

We have determined that the following programs, which were listed in the notice of "Initiation of Countervailing Duty Investigation", are not used by the manufacturers, producers, or exporters in France of PC strand.

A. European Coal and Steel Community (ECSC) and European Investment Bank (EIB) Loans and Loan Guarantees

PC strand is not listed in Annex I of the Treaty Establishing the European Coal and Steel Community, and, therefore, is not an ECSC product. Accordingly, CCG is not eligible to receive loans and loan guarantees from these institutions. For a more detailed

description of these ECSC programs, refer to Appendix 3.

B ECSC Labor-Related Aid

Petitioners alleged the existence of ECSC aid for steel worker retraining to permit the absorption of redundant workers, job creation, resettlement allowances and layoff payments. As explained above, PC strand is not eligible for ECSC benefits. For a more detailed description of these ECSC programs, refer to Appendix 3.

C. Export Financing

In France, exports may be financed or guaranteed through the Commission Interministerielle des Garanties et du Credit au Commerce Extérieur and the Banque Française du Commerce Extérieur. We have no evidence that CCG availed itself of these programs.

D 1978 Rescue Plan

Petitioners alleged that producers, manufacturers, or exporters in France of PC strand received a benefit through the recapitalization of the French carbon steel industry under the 1978 Rescue Plan. While subsidies provided to Usinor under the Rescue Plan may have been passed through to CCG in the form of preferential loans and equity infusions (as described in Section I-A, above), we have no evidence that CCG participated in or benefitted directly from the 1978 Rescue Plan.

E Research and Development (R&D) Assistance

We verified that CCG does not receive research and development funds from either the "Institut de Recherches de la Siderurgie Française (IRSID), the R&D organization of the French steel industry, or from the ECSC. For a more detailed description of ECSC R&D programs, refer to Appendix 3.

IV. Petitioners' Comments

Comment 1

Counsel argues that subsidies must be found to exist from any governmental programs providing benefits, regardless of whether these programs are generally available.

DOC Position

See Appendix 4.

Comment 2

Counsel argues that assistance from anti-pollution agencies is countervailable since it benefits a specific industry or industries, i.e., those that significantly pollute.

DOC Position

We do not consider loans and incentives for pollution control to confer subsidies, because such loans and incentives constitute general assistance to any company with a pollution problem. Although not all companies would necessarily be eligible at any one time, loans for pollution control are not selective in the same manner as regional or industry-specific programs, because there is no predetermination of eligible areas or industries, and no part of the country, and no industry, is excluded from eligibility in principle.

Comment 3

Counsel argues that CCG received a countervailable benefit through its wire rod purchases from Usinor, its subsidized parent. Counsel asserts that, since Usinor and CCG consolidate their financial statements, the transfer price for wire rod paid to Usinor by CCG is irrelevant, in that subsidies to Usinor allow Usinor to sell rod at a lower price than would otherwise be possible. Counsel argues that, at the very least, DOC should countervail that portion of the subsidy which flows through the cost of wire rod. Counsel also argues that when a company is required to purchase its supplies from a subsidized producer, that company receives the benefit of purchases of an input sold at a lower price as a result of the producer's subsidy.

DOC Position

Our determination concerning the pass-through of benefits from the purchase of Usinor's wire rod is detailed in Section II-F above. Regarding the consolidation of financial statements, consolidated financial statements would not negate the conclusion that transactions between CCG and Usinor represented prices charged in arm's length dealings. Consolidated financial statements simply reflect the economic position of the entity as a whole. It cannot be concluded solely from the consolidation of financial statements that the subsidiaries or the parent are not operating independently. Regarding counsel's argument that a company receives a subsidy when it is required to purchase its supplies from a subsidized producer, we consider that the deal comparison of prices paid by CCG to Usinor with the prices paid by Usinor's largest unrelated customer, and with the prices paid by CCG to unrelated suppliers, demonstrates that CCG is not receiving any benefit from purchasing most of its wire rod from Usinor. Further, while there is an unwritten agreement that CCG will purchase most

of its wire rod from Usinor, there is no written contractual obligation which requires CCG to purchase from Usinor.

Comment 4

Counsel argues that, even if the Department compared prices paid by CCG with prices paid by unrelated purchasers of Usinor's wire rod, a benefit which constitutes a subsidy within the meaning of the statute is provided to all purchasers of Usinor's wire rod.

DOC Position

In the absence of any evidence that Usinor's prices to unrelated parties are distorted by subsidization, price comparisons are the best available and most reasonable basis for determining whether CCG benefits from discriminatory pricing for wire rod. We established that CCG pays no less for Usinor's wire rod than any other purchaser. Further, as explained in Section II-F above, we believe when transactions are at arm's length that there is generally no economic rationale for a seller of a subsidized steel product to pass on its subsidy in the form of lower prices to the buyer.

Comment 5

Counsel concurs with DOC's preliminary determination of uncreditworthiness and urges DOC to reject "CCG's contention that ITA should ignore the uncreditworthy status of CCG as a whole and merely look at the PC strand division of CCG". To focus on just one division of a company ignores the fact that money is fungible.

DOC Position

It is the Department's position that the financial condition of the company as a whole, and not just of one division, is the basis on which investment decisions are made. While the performance of a division is certainly taken into account by potential lenders, it is the company and not the division which receives loans and incurs the resulting financial obligations of those loans. Accordingly, our determination on creditworthiness is based on CCG as a whole, and not merely on the PC strand division.

Comment 6

Counsel argues that applying a risk-free discount rate to an admittedly uncreditworthy company like CCG is unrealistic. Counsel also opposes the Department's use of the "grant cap."

DOC Position

See Appendix 2.

Comment 7

Counsel argues that subsidies to the French coal industry confer benefits on CCG.

DOC Position

Since we do not consider that subsidies to French coal producers, subsidies to West German coal producers, or that coal subsidies from the ECSC confer subsidies on French steel producers (as described in Section III above and in Appendices 2 and 3), no countervailable benefits, which could have been passed through to steel transformers such as CCG, exist.

Comment 8

Counsel objects to using the average annual yield to maturity of newly issued corporate bonds on the Paris Bourse as the benchmark for preferential loans.

DOC Position

We used OECD statistics to determine the benchmark and the discount rate because we consider these statistics to be the best available estimates of the rates for comparable commercial loans and the risk-free rate in France.

Comment 9

Counsel argues that loans and loan guarantees from the ECSC and EIB benefit CCG because they are passed through from Usinor. Counsel also argues that ECSC labor-related aid to Usinor benefited CCG.

DOC Position

PC strand is not listed as an ECSC product in Annex I of the Treaty Establishing the European Coal and Steel Community. Thus there is no statutory basis whereby the ECSC may provide direct benefits to CCG. We also verified that CCG receives no direct benefits under these programs.

In our "Final Affirmative Countervailing Duty Determinations: Certain Steel Products From France" (47 Fed. Reg. 39322), we determined that ECSC and EIB loans, loan guarantees and interest rebates conferred subsidies on Usinor. These subsidies, as well as those provided by the government of France or at the direction of the government, confer benefits that can potentially be passed through to CCG by Usinor. Since Usinor provided loans and made equity infusions in CCG at a time when, for purposes of this investigation, CCG was uncreditworthy, Usinor's investments were on terms inconsistent with commercial considerations. Therefore, we find that subsidies to Usinor from the government of France, the ECSC, and the EIB have been indirectly channeled to CCG by Usinor.

Comment 10

Counsel argues that the 1978 Rescue Plan benefitted CCG.

DOC Position

To the extent that the French government provided subsidies to Usinor either under the Rescue Plan or through other means, and Usinor, in turn, provided assistance to CCG that was on preferential terms or inconsistent with commercial considerations, we found that a subsidy from the French government was indirectly channeled through Usinor to CCG. However, we found no evidence that CCG participated in or benefitted directly from the Rescue Plan.

*Respondent's Comments**Comment 1*

Counsel contends that Credit National (CN) loans and loan guarantees are not industry-specific. Counsel also argues that CN loans to increase exports were used for plant and equipment tied to all production, and not merely to production for export.

DOC Position

As indicated in the section on preferential financing above, that there is some evidence to suggest that CN loans are available to all industries. However, the government of France would not provide us with the criteria on which the loans were based. We were not permitted to meet with CN officials or to view sample CN loan applications. Inasmuch as we were not satisfied that CN loans were not industry-specific, or given at the specific direction of the government, we could not find that they were not subsidies.

Regarding CN loans to increase exports, we consider that if a loan is linked to export performance, it constitutes an export subsidy, to the extent that the loan is provided on preferential terms. Even though the loan may be used to purchase plant and equipment, these purchases are intended to increase or enhance exporting capacity with the net result of increasing exports. Therefore, such loans constitute export subsidies within the meaning of the countervailing duty law.

Comment 2

Counsel argues that FDES loans are not made on a regional basis, and, therefore, are not countervailable.

DOC Position

As indicated above in the section on preferential financing, there is some evidence to suggest that FDES loans are available to all regions. However, FDES

is a government fund administered by the French Treasury. The government of France would not provide us the criteria on which the loans were awarded. Therefore, we were not satisfied that FDES loans were not regional and that they did not confer subsidies.

Comment 3

Counsel contends that COFACE's commercial risk and political risk insurance programs should be considered separately, as the former operates at a profit and the latter at a loss. CCG's exports to the United States are insured under the commercial risk program exclusively.

DOC Position

We determined that COFACE's commercial risk insurance program does not confer a benefit which constitutes a subsidy within the meaning of the countervailing duty law.

Comment 4

Counsel asserts that the allegedly new methodology used in the preliminary determination should be rejected for failure to follow proper administrative procedures.

DOC Position

See Appendix 4

Comment 5

Counsel argues that the methodology used in the preliminary determination to calculate the benefits of loans and equity infusions is incorrect.

DOC Position

The methodology used in this investigation is outlined in Appendix 2. We consider that it has been applied accurately and consistently in this determination.

Comment 6

Counsel objects to the use of the grants methodology which involves the imputation of a future value designed to reflect the time value of money.

DOC Position

See Appendix 4

Comment 7

Counsel argues that the creditworthiness concept adopted by the Department which results in preferential loans being treated as infusions of equity is inconsistent with the Act. Counsel further argues that no standards have been articulated for determining creditworthiness.

DOC Position

See Appendix 2.

Comment 8

Counsel argues that an error was made in the application of DOC's methodology regarding the creditworthiness determination for CCG

DOC Position

In our preliminary determination we found CCG to have been uncreditworthy since its creation in 1977. We now determine that CCG has been uncreditworthy since 1978. The basis for this determination is outlined in section I-A-2 above.

Comment 9

Counsel argues that our treatment of floating interest rate loans failed to reflect repayment of principal over the life of the loan.

DOC Position

This determination reflects repayment of principal over the life of the loan in the calculation of benefits of floating interest rate loans.

Comment 10

Counsel argues that our treatment of quarterly and semi-annual interest payments as single year-end interest payments, did not yield accurate results.

DOC Position

In this determination, we have taken into account the repayment schedule of both interest and principal in calculating the 1981 benefits from preferential loans issued prior to 1978.

Comment 11

Counsel argues that DOC failed to apply uniformly the equity/grant methodology in calculating the benefit to CCG of Usinor's equity infusions.

DOC Position

We consider that the methodology outlined in Appendix 2 has been applied consistently in this determination.

Comment 12

Counsel contests our finding of a benefit to CCG via certain labor-related programs.

DOC Position

We verified that grants provided by the FAAF and FACT programs are available to all enterprises. We, therefore, do not consider that grants provided to CCG under these programs constitute subsidies within the meaning of the countervailing duty law.

Regarding the "Convention Generale De Protection Sociale" (CGPS), we do consider that benefits are provided to companies with employees that are covered under the "dispensation of

activity" plan. However, as explained in Section I-B above, the amount of any countervailable benefit is so small that it has virtually no discernible impact on the subsidy rate.

Comment 13

Counsel argues that an unreasonably high rate of return on equity was used as the standard for calculating the amount of the subsidy conferred by equity infusions.

DOC Position

See Appendix 2

Comment 14

Counsel contends that ITA "failed to focus on the question whether a subsidy is provided to CCG with respect to PC strand, the merchandise which is the subject of the investigation, and thus failed to meet the requirements of the Act".

DOC Position

It is our position that subsidies provided to a company which are not specifically tied to a particular plant or piece of equipment, benefit all production of that company, including the product under investigation.

Since the 1981 benefits of such subsidies are allocated over the value of all sales, the product under investigation only receives a subsidy rate in proportion to its share of the value of all production. Similarly, where subsidies are tied specifically to the product under investigation, the 1981 benefits are allocated over the value of sales of that product.

If subsidies are tied to plant and/or equipment that are not in any way related to the production of the product under investigation, we have not included these subsidies in our determination.

Comment 15

Counsel argues that the "PC strand" division is sufficiently productive and profitable to justify investments of equity capital in CCG which can be allocated to that Division" and that the PC strand division's performance is adequate to attract free market capital.

DOC Position

While the performance of a particular division within a company is undoubtedly taken into account by lenders when deciding whether or not to lend funds, the ultimate decision to lend funds is based on the viability of the company as a whole. Further, it is the company, not the divisions, that receives the loans and incurs the resulting financial obligations. As stated

elsewhere in this notice, we have determined that CCG was uncreditworthy for purposes of this investigation, and that it could not attract market capital.

Comment 16

Counsel argues that the capitalization of CCG by Usinor beginning in 1979 is consistent with commercial considerations as it was in Usinor's commercial interest to provide the means for its new subsidiary to achieve future profitability.

DOC Position

While capitalization of a new subsidiary may be consistent, in some instances, with commercial considerations, we consider that this was not the case with respect to the cash provided and the debt cancelled by Usinor in exchange for additional stock in CCG. As stated in section I-A-3 above, at the time Usinor invested in CCG through cash payments and cancellation of debt, CCG had never registered a return on equity. Further, as stated in our "Final Affirmative Countervailing Determinations: Certain Steel Products from France" (47 FR 39322), Usinor has incurred significant operating losses in every year since 1975, and its financial ratios have been unfavorable. Therefore, Usinor was not in a financial position to invest in an uncreditworthy company, and could not have done so without the assistance received from the government.

Comment 17

Counsel asserts that the Department "mistakenly allocated to PC strand the benefits of loans tied to products other than PC strand, and even loans to other companies at the time unrelated to the production facilities at Ste. Colombe".

DOC Position

See DOC Position on Comment 14.

Comment 18

Counsel argues that loans granted by LORDEX, CENTREST and SUDEST were used to finance energy-efficient plant and equipment and that promotion of exports was at most an incidental consideration in determining the terms of such loans.

DOC Position

In a number of the loan agreements between CCG and LORDEX, CENTREST, and SUDEST, the interest rate of the loan was linked specifically to export performance. Accordingly, we consider these loans to be export subsidies. If this linkage was not

specified in the loan agreement, we did not countervail against these loans

Comment 19

Counsel argues that PC strand production does not receive an upstream subsidy via the purchase of wire rod from Usinor.

DOC Position

While we have determined that subsidies provided by the government to Usinor have been passed through to CCG in the form of preferential loans and equity infusions, we do not consider that the production of PC strand received a subsidy through the purchase of wire rod from Usinor. Our reasons for this determination are outlined in Section II-B above.

Comment 20

Counsel argues that the Department cannot legally presume that Usinor's financing of CCG is provided or required by government action.

DOC Position

We consider that subsidies provided to Usinor by the government of France can potentially be passed through to subsidiaries. Since Usinor made investments in CCG on terms inconsistent with commercial considerations, and since they were made at a time when Usinor itself was experiencing serious financial difficulties, we determine that subsidies provided to Usinor by the government of France have been indirectly channeled to CCG and, as such, are subsidies to CCG within the meaning of section 771(5)(B) of the Act.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determination. During this verification, we followed normal procedures, including inspection of documents, discussions with government officials and on-site inspection of the manufacturer's operations and records.

Administrative Procedures

The Department has afforded interested parties an opportunity to present oral views in accordance with its regulations (19 CFR 355.35). A public hearing was held on September 15, 1982. In accordance with the Department's regulations (19 CFR 355.34(a)), written views have been received and considered.

Suspension of Liquidation

The suspension of liquidation ordered in our preliminary affirmative

countervailing duty determination shall remain in effect until further notice. Since CCG is the only firm in France that exported PC strand to the United States in 1981, the *ad valorem* subsidy found for CCG shall apply to all manufacturers, producers or exporters of PC strand. Therefore, the estimated net subsidy for all manufacturers, producers or exporters of PC strand from France is 4.792 percent *ad valorem*. We are directing the United States Customs Service to require a cash deposit or the posting of a bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication of this notice in the Federal Register.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC certifies that it will not disclose such information, either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted or cash deposited as a result of the suspension of liquidation will be refunded or canceled. If, however, the ITC determines that such injury does exist, within 7 days of notification by the ITC of that determination, we will issue a countervailing duty order, directing Customs officers to assess countervailing duty on PC strand from France entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the net subsidy determined or estimated to exist as a result of the annual review process prescribed by section 751 of the Act. The provision of section 707(a) of the Act will apply to the first directive for assessment.

This notice is published pursuant to section 705(d) of the Act and § 355.33 of the Department of Commerce Regulations (19 CFR 355.33)

Dated: October 15, 1982

Lawrence J. Brady,
Assistant Secretary for Trade Administration

Appendix 1

Description of Product For Purposes of This Investigation

The term "prestressed concrete steel wire strand" covers wire strand of steel other than stainless steel for prestressed concrete, as currently provided for in item number 6421120 of the *Tariff Schedules of the United States Annotated*.

Appendix 2--Methodology

This appendix describes in some detail the general principles applied by the Department when dealing with issues, such as government assistance through grants, loans, equity infusions, loss coverage, research and development projects, and labor programs, arising within the factual context of this investigation of prestressed concrete steel wire strand from France. Most of the principles described below were set forth in the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Belgium" (47 FR 39304).

Grants

Petitioner alleged that numerous grants have been provided to the respondent steel company for various purposes. Under section 771(5)(B) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1677(5)(B)), domestic subsidies are countervailable where they are "provided or required by government action to a specific enterprise or industry, or group of enterprises or industries" (emphasis added).

It has been argued that \$100 million today is much more valuable to a grant recipient than \$10 million per year for the next 10 years, since the present value (the value in the initial year of receipt) of the series of payments is considerably less than the amount if initially given as a lump sum. We agree with this position. As long as the present value (in the year of grant receipt) of the amounts allocated over time does not exceed the face value of the grants, we are consistent with both our domestic law and international obligations in that the amount countervailed will not exceed the total net subsidy.

The present value of any series of payments is calculated using a discount rate. We have determined that the most appropriate discount rate for our purposes is the "risk-free" rate as indicated by the secondary market rate for long-term government debt (in the home country of the company under investigation). The basic function of the "present value" exercise is to allocate money received in one year to other years. Domestic interest rates perform this function within the context of an economy. The foundation of a country's interest rate structure is usually its government debt interest rate (the risk-free rate). All other borrowings incorporate this risk-free rate and add interest overlays reflecting the riskiness of the funded investment.

When we allocate a subsidy over a number of years it is not the intention of the

Department to comment on or judge the riskiness of the project undertaken with the subsidized funds, nor to evaluate the riskiness of the company as a whole. We do not intend either to speculate how a project would have been financed absent government involvement in the provision of funds. Rather, we simply need a financial mechanism to move money through time so as to accurately reflect the benefit the company receives. We believe that the best discount rate for our purposes is one which is risk free and applicable to all commercial actors in the country. Therefore we have used in this final determination long-term government debt rates (as reflected in the secondary market) as our discount rates.

The legislative history of Title VII of the Act states that where a grant is "tied" to—that is, bestowed specifically to purchase—costly pieces of capital equipment, the benefit flowing from the grant should be allocated in relation to the useful life of that equipment.

The subsidy is allocated in equal nominal increments over the entire useful life, since money tomorrow is less valuable than money today, thus the subsidy is effectively front loaded.

For this steel investigation we have allocated a grant over the useful life of equipment purchased with it when the value of the grant was large (in these investigations, greater than \$50 million) and specifically tied to pieces of capital equipment. Where the grant was small (generally less than one percent of the company's gross revenues and tied to items generally expensed in the year purchased, such as wages or purchases of materials), we have allocated the subsidy solely to the year of the grant receipt. We construe that a grant is "tied" when the intended use is known to the subsidy giver and so acknowledged prior to or concurrent with the bestowal of the subsidy. All other grants are allocated over 15 years, a period of time reflecting the average useful life of capital assets in steel mills. We are using time-period because we sought a uniform period of time for these allocations and this was the best available estimate of the average steel asset life worldwide. We could not calculate the average life of capital assets on a company-by-company basis, since different accounting principles, extraordinary write-offs, and corporate reorganizations yielded extremely inconsistent results.

Funds to Cover Losses

In the preliminary determination we did not distinguish funds (either in the form of untied grants or cash infusions in exchange for equity) which were available for loss coverage from other grants or equity infusions. We stated that since grants used for loss coverage often have the effect of helping keep the firm in business, we allocated the benefit over 15 years when the funds were in the form of a grant or used the appropriate equity methodology when the loss coverage funds were in the form of equity.

Based on comments and suggestions from interested parties to this case and the cases on "Certain Steel Products", and on advice from the Department's accountants and

outside consultants on the issue of the appropriate treatment of funds for loss coverage, we have decided not to allocate the subsidy benefit of these funds over time but rather to allocate them to the year of receipt.

We have done so on the advice of these accounting experts in order to reflect the nature of the liabilities giving rise to the loss. These liabilities are generally the basic costs of operations (e.g., wages, materials, certain overhead expenses)—items generally expensed in the year incurred.

We calculated the magnitude of the loss from a company's financial statements beginning with net earnings and working back to a cash-based measure of loss. We allocated to loss coverage only those grants and equity infusions which were truly cash inflows into the company and were actually available to cover losses.

In any instances in which infusions were specifically tied to loss coverage, we allocated such infusions accordingly. If infusions were not so tied, we concluded that general, untied grants were a more logical source of loss coverage assistance than general infusions of equity. Accordingly, in making these allocations we treated funds available from grants as the primary source of monies available for loss coverage. We allocated funds available from equity infusions to loss coverage only in the absence of grants or after available grant funds had been exhausted. We treated such cash inflows as covering the losses incurred in the previous fiscal year and allocated the subsidy benefit flowing from such funds to the year of their receipt.

Loans and Loan Guarantees for Companies Considered Creditworthy

In this investigation various loan activities give rise to subsidies. The most common practices are the extension of a loan at a preferential interest rate where the government is either the actual lender or directs a private lender to make funds available at a preferential rate, or where the government guarantees the repayment of the loan made by a private lender. The subsidy is computed by comparing what a company would pay a normal commercial lender in principal and interest in any given year with what the company actually pays on the preferential loan in that year. We determine what company would pay a normal commercial lender by constructing a comparable commercial loan at the appropriate market rate (the benchmark) reflecting standard commercial terms. If the preferential loan is part of a broad, national lending program, we used a national average commercial interest rate as our benchmark. If the loan program is not generally available the benchmark used instead, where available, is the company's actual commercial credit experience (e.g., a contemporaneous loan to the company from a private commercial lender). If there were no similar loans, the national commercial loan rate is used as a substitute rate. Finally, where a national loan-based interest rate was not available, an average industrial bond rate was used as best evidence.

After calculating the payment differential in each year of the loan, we then calculated

the present value of this stream of benefits in the year the loan was made, using the risk-free rate (as described in the grants section of this appendix) as the discount rate. In other words, we determined the subsidy value of a preferential loan as if the benefits had been bestowed as a lump-sum grant in the year the loan was given. This amount was then allocated evenly over the life of the loan to yield the annual subsidy amounts. We did so with the exception: where the loan was given expressly for the purchase of a costly piece of capital equipment, the present value of the payment differential was allocated over the useful life of the capital equipment concerned.

For loans not tied to capital equipment with mortgage-type repayment schedules, this methodology results in annual subsidies equivalent to those calculated under the methodology previously employed by the Department whereby we considered the difference in total repayments in each year of a loan's lifetime to be the subsidy in that year. For loans with constant principal repayments (*i.e.*, declining total repayments), loans with deferral of repayments, and loans for costly capital equipment, the present value method results in even allocations of the subsidy over the relevant period. This effectively front loads countervailing duties on these loan benefits in the same manner as grants are front loaded.

A loan guarantee by the government constitutes a subsidy to the extent the guarantee assures more favorable loan terms than for an unguaranteed loan. The subsidy amount is quantified in the same manner as for a preferential loan.

If a borrowing company preferentially received a payment holiday from a government lending institution or from a private lender at government direction, an additional subsidy arises that is separate from and in addition to the preferential interest rate benefit. The subsidy value of the payment holiday is measured in the same manner as for preferential loans, by comparing what the company pays versus what it would pay on a normal commercial loan in any given year. A payment holiday early in the life of a loan can result in such large loan payments near the end of its term that, during the final years, the loan recipient's annual payments on the subsidized loan may be greater than they would have been on an unsubsidized loan. By reallocating the benefit over the entire life of the loan through the present value methodology described above, we avoid imposing countervailing duties in excess of the net subsidy. Where we have sufficient evidence that deferment of principal is a normal and/or customary lending practice in the country under consideration, then such deferral has not been considered as conferring an additional subsidy.

Loans and Loan Guarantees for Companies Considered Uncreditworthy

The petition contained allegations that the respondent company was uncreditworthy, and that it could not have obtained commercial loans without government intervention.

Where the company under investigation has a history of deep or significant continuing losses, and diminishing (if any) access to private lenders, we generally agree with petitioners. This does not mean that such a company is totally uncreditworthy for all purposes. Virtually all companies can obtain limited credit, such as short-term supplier credits, no matter how precarious their financial situation. Our use of the term uncreditworthy means simply that the company in question would not, in our view, have been able to obtain comparable loans in the absence of government intervention. Accordingly, in these situations neither national nor company-specific market interest rates provide an appropriate benchmark since, by definition, an uncreditworthy company could not receive loans on these or any terms without government intervention. Nor have we been able to find any reasonable and practical basis for selecting a risk premium to be added to a national interest rate in order to establish an appropriate interest benchmark for companies considered uncreditworthy. Therefore, we continue to treat loans to an uncreditworthy company as an equity infusion by or at the direction of the government. We believe this treatment is justified by the great risk, very junior status, and low probability of repayment of these loans absent government intervention or direction. To the extent that principal and/or interest is actually paid on these loans, we have adjusted our subsidy calculation (which is performed using our equity methodology, *infra*) to reflect this. We have applied the rate of return shortfall (the amount by which the corporate rate of return on equity was lower than the national average rate of return on equity) only to the outstanding principal in the year which we are measuring subsidization. From this amount, we additionally subtract any interest and fees paid in that year. Moreover, in no case do we countervail a loan subsidy to a creditworthy or uncreditworthy company in an amount greater than if the government had given the principal of the loan as an outright grant.

Short-Term Credits

Even the most financially troubled companies regularly receive short-term supplier credits. This type of debt is different and easily distinguishable from the loans previously discussed. We find that the short-term credits at preferential rates received by the respondent company from its parent company are an indirect pass-through of government subsidies provided to the parent company.

Where such short-term credits were not given at a preferential rate, we found no subsidy. Furthermore, since the risk involved and the basis for giving supplier credits is qualitatively different than for long-term loans, we did not interpret the presence of supplier credits as an indication of creditworthiness.

Equity

In this case, we have determined that the parent company's cash payments and debt cancellation in exchange for additional shares of stock in the respondent company

constituted a pass-through of government subsidies provided to the parent company. We consider that these equity infusions in the subsidiary were possible because of government subsidies provided to the parent company.

It is well settled that neither government equity ownership *per se*, nor equity purchases made possible by government subsidies provided to the parent company, nor any secondary benefit to the company reflecting the private market's reaction to government ownership, confers a subsidy. Government equity infusions, or equity infusions made possible by government subsidies provided to the parent company, confer a subsidy only when they are on terms inconsistent with commercial considerations. An equity subsidy potentially arises when equity infusions, provided either directly by the government or indirectly channeled through the parent company, are made in a company which is sustaining deep or significant continuing losses and for which there does not appear to be any reasonable indication of a rapid recovery. If such losses have been incurred, then we consider from whom the equity was purchased and at what price, or, absent a market value for the equity, we examine the rate of return on the company's equity and compare it to the national average rate of return on equity.

We respect the characterization of the equity infusions as equity in a commercial venture. However, to the extent in any year that the rate of return realized on the equity investment in a particular company is less than the average rate of return on equity investment for the country as a whole (thus including returns on both successful and unsuccessful investments), the equity infusion is considered to confer a subsidy. This "rate of return shortfall" (the difference between the company's rate of return on equity and the national average rate of return on equity) is multiplied by the original equity infusion (less any loss coverage to which the equity funds were applied) to yield the annual subsidy amount. Under no circumstances do we countervail in any year an amount greater than which is calculated treating the government's equity infusion as an outright grant.

Cancellation of Debt

We have found that government subsidies to the parent company have been passed through to the respondent company in the form of cancellation of an outstanding debt obligation in exchange for additional shares of stock. Where outstanding debt has been converted into equity (*i.e.*, shares in the company are received in return for eliminating debt obligations of the company), a subsidy may result. The existence and extent of such subsidies are determined by treating the conversions as an equity infusion in the amount of the remaining principal of the debt. We then calculate the value of the subsidy by using our equity methodology, *supra*.

Coal Assistance

As explained in detail in the September 7, 1982 notice of "Final Affirmative Countervailing Duty Determinations: Certain

Steel Products from the Federal Republic of Germany" (47 FR 39345), we analyzed and verified aspects of the German coal subsidy program as it applied to steel. Based upon the verified information in the records of those investigations, we determined that this particular program does not confer a countervailable benefit on either non-German or German steel producers.

As we stated in some of the preliminary determinations on Certain Steel Products reached on June 10, 1982 (47 FR 26309), benefits bestowed upon the manufacturer of an input do not flow down to the purchaser of that input if the sale is transacted at arm's length. In an arm's length transaction, the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear.

The application of these principles to sales of German coal outside Germany is as follows. The records of these transactions show that the prices charged for subsidized German coal outside Germany certainly do not undercut the freely available market prices. Therefore, non-German purchasers of subsidized German coal do not benefit from German coal subsidies.

In support of this conclusion, we note that if non-German steel producers did benefit from German coal subsidies, they would attempt to purchase German coal rather than unsubsidized coal from other sources including the U.S., since there are no restrictions on their ability to do so. The fact that they purchase significant amounts of unsubsidized U.S. coal indicates that the subsidies on German coal do not flow to non-German coal consumers.

Moreover, it is extremely unlikely that the German government would significantly subsidize non-German coal consumers unless compelled to do so by obligations with respect to the European Communities. Since there is no evidence of such obligations, we concluded that the German government is not in fact subsidizing non-German coal consumers.

For these reasons, we determine that non-German steel producers do not benefit from subsidization of German coal.

Research and Development Grants and Loans

Grants and preferential loans awarded by a government to finance research that has broad applications and yields results which are made publicly available do not confer subsidies. Programs of organizations or institutions established to finance research on problems affecting only a particular industry or group of industries (*e.g.*, metallurgical testing to find ways to make cold-rolled sheet easier to galvanize) and which yield results that are available only to producers in that country (or in a limited number of countries) confer a subsidy on the products which benefit from the results of the research and development (R&D). On the other hand, programs which provide funds for R&D in a wide range of industries are not countervailable even when a portion of the funds is provided to the steel sector.

Once we determine that a particular program is countervailable, we calculate the value of the subsidy by reference to the form in which the R&D was funded. An R&D grant is treated as a "untied" grant; a loan for R&D is treated as any other preferential loan.

Labor Subsidies

To be countervailable, a benefit program for worker must give preferential benefits to workers in a particular industry or in a particular targeted region. Whether the program preferentially benefits some workers as opposed to others is determined by looking at both program eligibility and participation. Even where provided to workers in specific industries, social welfare programs are countervailable only to the extent that they relieve the firm of costs it would ordinarily incur—for example, a government's assumption of a firm's normal obligation to fund worker pensions.

Labor-related subsidies are generally conferred in the form of grants and are treated as untied grants for purposes of subsidy calculation, where they are small and expensed by the company in the year received, we likewise allocated them only to the year of receipt. However, where they were more than one percent of gross revenues, we allocated them over a longer period of time, generally reflecting the program duration.

Comments by Parties to the Proceeding

Comment 1

Counsel for the respondent argues that the Department's method of determining uncreditworthiness was unfair in that it was based on hindsight which was not available to a lender at the time it made a decision whether or not to provide funds to a company.

DOC Position

As outlined in this notice, our determination as to the creditworthiness of firms was based upon information reasonably available to a potential lender at the time a loan was given. For example, as outline in Appendix 2 to the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Belgium" (47 FR 39304), although British Steel Corporation's financial results for the fiscal year 1976/77 were a major factor pointing to uncreditworthiness, in our final determinations we found it uncreditworthy beginning in fiscal year 1977/78, when the lending community could reasonably have known of the weakness of the firm's financial position in the preceding year. This approach allows the potential lender time to evaluate its behavior in light of the changed circumstances of the firm.

Comment 2

Counsel for petitioners states that to the extent that the Department calculates the benefit from a loan to an uncreditworthy company as if it were a grant, failure to use a discount rate to reflect the greater risk of providing credit to uncreditworthy firms which could not borrow at any average or national rate leads to an understatement of

the true value of the subsidy received.

DOC Position

Although we used the average national debt rate as the discount rate in the preliminary determination, we did not intend this to imply that the choice of the discount rate reflected our speculation as to the riskiness of the company or the cost of alternative financing. As discussed in the *Grants* section of this appendix, we view the discount rate as simply a financial tool to move money through time. It is not our intention to embed in this rate any project-specific risk or company risk. For this reason we are changing the discount rate used in this final determination to the risk-free rate, a rate equally accessible to all companies (including very risky ones) country-wide.

Comments 3

Counsel for petitioners rejects the Department's view that a party receiving a benefit on the production of its merchandise is not assumed to share that benefit with an unrelated purchaser. They maintain that a party may market its products at a lower price than it would be able to charge absent the subsidy in order to secure or hold on to a large share of the market, and thus to increase its profitability by realizing lower unit costs and increased unit sales.

DOC Position

We agree that there is more than one way to seek to achieve maximum profitability. However, the German coal companies do not sell below the prices of coal as sold in Europe and elsewhere. In fact, German steel producers are required to pay a slight but significant premium for German coal. Under these circumstances, we disagree with petitioners' argument that German steel companies are indirectly subsidized through German coal subsidies.

Comment 4

Counsel for petitioners argues that the Department should have considered German coal subsidies to subsidize all steel companies purchasing that coal, both German and non-German, because the intent of the coal subsidies is to stabilize coal supplies to the ECSC steel industry and to insure that industry against the risk of adverse price developments on the world market. Petitioners claim that without this subsidized coal, the ECSC steel companies would have had to pay higher world market prices.

DOC Position

For the reasons indicated *supra*, we believe that it is too speculative to consider possible effects on world prices for coal in the hypothetical absence of German subsidization of its coal industry. However, if coal prices would rise in that event, we believe that they would rise throughout the world. We do not believe that prices would rise for European purchasers of coal rather than non-Europeans.

As also indicated in detail *supra*, we believe that the real economic effect of German subsidies is to penalize, not to assist, German steel companies. As a result of the German coal policy, German steel companies

are required to pay a slight premium above the world market price for their coal purchases. Non-German purchasers of subsidized German coal similarly receive no demonstrable price advantage.

Comment 5

Counsel objects to the Department's alleged requirement that a subsidy on an input be demonstrated to confer an unfair competitive advantage.

DOC Position

Under the Act, the Department is required to determine whether respondents have received subsidies within the meaning of the Act. To do so, the Department seeks to determine whether or not respondents have received directly or indirectly an economic benefit. Whereas this is relatively easy in the case of the direct bestowal of a grant, it is quite difficult with regard to indirect subsidies allegedly conferred through the subsidization of inputs used in a final product. In this more complex area, we believe it is required for the Department to consider whether there is an economic benefit to foreign manufacturers of an individual input. This is quite distinct from the ITC's determination whether imports of the final product into the United States injure a U.S. industry. The Department therefore disagrees with petitioners on this issue.

Appendix 8—Programs Administered by Organizations of the European Communities

The determinations and comments set forth in this appendix are the same as those presented in Appendix 3 of the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Belgium" (47 FR 39304). We are including this appendix with this notice because the petitioners in this investigation made allegations and comments pertaining to the programs administered by the organizations of the European Communities.

I. The ECSC

On April 8, 1965, the three separate European communities—the European Coal and Steel Community ("ECSC"), the European Economic Community ("EEC"), and the European Atomic Energy Community—signed a treaty to merge into the European Communities ("EC"). Article 9 of the merger treaty established the Commission of the European Communities to take the place of the High Authority of each of the formerly independent institutions. The merger became effective in 1967.

The ECSC itself was established by the Treaty of Paris in 1951 to modernize production, improve quality, and assure a supply of coal and steel to the member countries. The Treaty of Paris governs all programs intended directly to affect the steel industry. Funds for these programs flow from two sources:

- (1) ECSC borrowings on international capital markets, and
- (2) the ECSC budget.

A. ECSC Programs Determined To Be Subsidies

1 *ECSC Loan Guarantees* Under Article 54 of the Treaty of Paris, the ECSC is authorized to guarantee loans from commercial lenders to coal and steel companies. Since these guarantees are intended specifically for the steel industry, we find the resulting benefits to be countervailable. The countervailable benefit is the difference between the interest rate charged by private lenders to commercial customers in the ordinary course of business and the rates available with an ECSC loan guarantee.

2 *Programs Funded Through ECSC Borrowings* Because of its quasi-governmental nature, the ECSC is able to raise funds at interest rates lower than those which would be available on commercial terms to European steel companies. When the ECSC relends these borrowed funds to a company without increasing the interest rate, any difference between the lower rate passed on and the rate otherwise available to the steel company in the commercial financial market (the "benchmark") is a benefit to the company. For this reason, we determine that ECSC loans raised through capital market funding are countervailable insofar as they offer preferential interest rates (i.e., rates which would not be available on commercial terms) to steel companies. Consequently, any loan to a steel company involving ECSC funds borrowed on international capital markets, provided under an ECSC assistance program, confers countervailable benefits to the extent that the loan is made at a preferential interest rate.

a. *ECSC Industrial Investment Loans* Article 54 of the Treaty of Paris authorizes the ECSC to provide loans to steel companies in member countries for reducing production costs, increasing production, or facilitating product marketing. Loans provided under this program are funded exclusively from ECSC borrowings on world capital markets. For the reasons discussed above, we determine that this program confers countervailable benefits to loan recipients to the extent that the interest rates are preferential.

b. *ECSC Industrial Reconversion Loans* Under Article 56 of the Treaty of Paris, the ECSC provides loans to companies or public authorities for investments in new non-steel ventures in regions of declining steel industry activity. The goal of the loan program is to provide employment for former steel workers in new industries. To the extent that such industrial reconversion loans are made for steel production, they confer benefits on steel production generally, or possibly on particular types of steel products if the loans were tied. Since this program is funded exclusively from ECSC borrowings on world capital markets, we have determined that these loans to steel producers confer subsidies on steel to the extent that the interest rates are preferential.

3. *Programs Funded Through the ECSC Budget* With respect to programs funded by the ECSC budget, we have information which verified the following facts about the composition of the ECSC budget:

—From 1952 through 1956, the ECSC budget was financed exclusively through producer-generated levies

—From 1971 through 1977, the ECSC budget was financed exclusively through producer-generated levies, funds generated from unexpended levies, and other relatively small amounts obtained from steel companies (e.g., fines and late payment fees)

—Beginning in 1982, the member state contribution is to be used exclusively to fund one particular program, rehabilitation aid provided under Article 56 of the Treaty of Paris

We continue to believe that programs funded by the ECSC budget through 1977 do not confer countervailable benefits

However, since 1978 member state contributions have constituted a portion of the ECSC budget. Upon consideration of this information, for the years 1978–1981, we believe it is reasonable to assume that programs funded by the ECSC budget are subsidized to the extent that the budget derives from member state contributions. To assume the contrary (i.e., that all program assistance derives from levies and levy-generated funds, and that member state contributions are used *exclusively* for expenses other than program assistance) is inappropriate unless member state contributions are expressly earmarked for particular programs. Accordingly, we have treated as a subsidy in 1981 a proportion of the benefits received under programs funded by the ECSC budget.

We note that for 1982, member state contributions have been so earmarked for one particular program: rehabilitation aid provided under Article 56 of the Treaty of Paris. If all member state contributions are expended in funding that program, other programs would then be funded by levies and levy-generated funds, not from member state contributions.

a. *ECSC Labor Assistance and Rehabilitation Aids* Under Article 56 of the Treaty of Paris, the ECSC provides matching grants to member states for programs that assist former steel workers currently unemployed or in training for a new trade. We have information which verifies that some of this assistance has been provided to retrain workers for other jobs in other industries and to cover some worker unemployment and early retirement expenses for which the employing companies were not legally responsible. Where such assistance has been provided to retrain steel workers for new steel jobs, and/or to cover unemployment and early retirement expenses which steel companies would normally be required to pay, then it benefits the steel industry. To that extent, it is considered a subsidy.

This program is funded from the ECSC budget. In view of the relatively small amounts concerned, we are expensing this assistance in the year it was received. Therefore, for purposes of this investigation, we are capturing only assistance provided in the period for which we are measuring subsidies (generally 1981). In 1981, member state contributions accounted for 20.05% of the ECSC budget. Therefore, for the reasons discussed above, 20.05% of the assistance under Article 56 provided to steel companies for programs benefitting steel production in 1981 constitutes a subsidy on the manufacture or production of steel.

b. *ECSC Interest Rebates* (1) Certain Article 54 industrial investment loans qualify for further interest reduction depending on whether they are for environmental projects, removal of industrial bottlenecks, promotion of steel industry competitiveness, or stabilization of coal production. The rebates generally reduce the interest expense for the first five years of the loan repayment schedule by three percentage points. The interest rebates are paid out of the ECSC budget.

(2) Certain Article 56 industrial reconversion loans qualify for further interest reductions. Like the interest rebates on Article 54 industrial investment loans, these rebates are paid out of the ECSC budget. In a few instances the underlying loans made under Article 56 benefit the products under investigation. Most Article 56 loans were given to non-steel ventures. For the reasons discussed above, we determine that both these programs described under (1) and (2) above confer countervailable benefits to the extent that the ECSC budget in the year concerned is financed by member state contributions. In view of the relatively small amounts concerned, we are expensing this assistance in the year it was received. Therefore, we are capturing only assistance provided in the period for which we are measuring subsidies (generally 1981). In 1981, member state contributions accounted for 20.05% of the ECSC budget. Therefore, for the reasons discussed above, 20.05% of the assistance provided in 1981 constitutes a subsidy on the manufacture or production of steel.

c. *ECSC Coal and Coke Aids* Petitioner has alleged that ECSC assistance to coal producers in EC countries constitutes an indirect benefit to steel producers purchasing that coal. In the "Certain Steel Products" investigations, we verified information that, in fact, certain ECSC coal aids are bestowed exclusively on coking coal, which is used primarily by the iron and steel industry. Nonetheless, we continue to believe, for other reasons, that the ECSC coking coal aids do not confer a countervailable benefit on the manufacture or production of steel. We have no evidence that ECSC-assisted coking coal is sold to ECSC steel companies at prices lower than the prices for other freely available coking coal produced in ECSC member countries but not assisted by the ECSC, or for freely available coking coal produced outside ECSC member countries. To the contrary, we have verified information that some coking coal is sold in Europe at prices below the prices of ECSC-assisted coking coal. This indicates that the coking coal subsidies to coal producers are not being passed along, in whole or in part, to steel producers purchasing that coal in arm's length transactions.

Where a subsidized coal producer and a steel producer are related companies, it is reasonable to question whether, in fact, the transfer price for coking coal is established on an arm's length basis. In general, our tests for whether the prices for coking coal charged to a related company were established on an arm's length basis include: (1) Whether the coal producer sold to its related steel

producer at the prevailing price, and/or (2) whether the coal producer sold to its related steel producers and all other purchasers of coking coal at the same price.

B ECSC Programs Determined Not To Confer Subsidies

1 *ECSC Housing Loans for Workers*
Article 54(2) of the Treaty of Paris authorized the ECSC to provide loans for residential housing for steel workers. In some cases these loan funds are provided directly to steel companies which relend them to their workers. In other cases, they are administered through financial institutions or housing authorities. These loans for the construction or purchase of homes are at highly concessionary one percent interest rates.

The preferential ECSC housing loans provide substantial benefits directly to steel workers. We do not believe that such aid relieves the employer steel companies of certain labor wage costs.

In many of the EC countries there is a high rate of unemployment, which reduces upward pressure on wages. Moreover, we have found no instance in which wage rates varied—depending upon the presence or absence of these mortgage loans to steel workers—either within a steel company or between steel companies. Since we have no firm basis for determining that the wage demands of steel workers would be responsive to the (non) availability of this mortgage subsidy, we conclude that the hypothetical benefits to the employing companies are too remote to be considered subsidies to these companies.

2 *ECSC R&D Grants and Loans*—Article 55 of the Treaty of Paris provides funding in the form of grants for up to 60 percent of an R&D project's cost. The projects must be for improvements in the production and use of coal and steel.

We have preliminarily decided to consider ECSC budget-funded programs as countervailable to the extent that the ECSC budget for the year concerned is financed by member state contributions. Nevertheless, because we have evidence that the results of the R&D are made publicly available, we have determined that this program does not confer countervailable benefits.

b With respect to ECSC R&D loans—also made under Article 55 of the Treaty of Paris—we have information which indicates that the results of the research are made publicly available. Therefore, we determine that ECSC R&D loans do not confer countervailable benefits.

II The European Investment Bank

The European Investment bank ("EIB") was created by the Treaty of Rome establishing the EEC to fund projects that serve regional needs in Europe. Article 130 of the Treaty of Rome authorized the EIB to make loans and guarantee financial projects in all sectors of the economy. These projects include the provision of funds to further the development of low-income regions. Funds are drawn from debt instruments floated on world capital markets and from investment earnings. Because EIB loans are designed by charter to serve regional needs, we find them to be countervailable where the interest rate

is less than the rate which would have been available commercially from a private lender without government intervention.

The EIB also provides loan guarantees to companies in EC member countries. Again, because this guarantee was available in some but not all regions, it is regarded as a countervailable benefit.

III The European Regional Development Fund

The European Regional Development Fund was established by the EC to provide funding in the form of low-interest loans for industrial projects designed to correct regional imbalances within the EC. The fund also awards interest subsidies on EIB loans.

We determined that this program was not used by any of the manufacturers, producers or exporters of the products from countries under the "Certain Steel Products" investigations.

Comments Received From Parties to the Proceeding

Comment 1

Counsel for petitioners argues that the Department did not correctly interpret the term "subsidy" and did not countervail ECSC assistance programs to the extent that funds for these programs were derived from the ECSC budget.

DOC Position

As explained in detail *supra*, the Department has determined that ECSC budget-funded assistance is potentially countervailable to the extent that the ECSC budget for the year concerned is financed by Member State contributions.

Whether or not we found particular ECSC budget-funded assistance to confer a subsidy depended on other factors as well. For example, we found that the results of ECSC funded research and development projects were made publicly available, and therefore did not confer subsidies.

Comment 2

Counsel for petitioners argues that ECSC budget-funded assistance programs confer subsidies on ECSC steel producers despite levy financing of the budget, because the ECSC must borrow massively to supplement the levies.

DOC Position

As indicated in detail *supra*, to the extent that the ECSC budget in a given year is funded by Member State contributions, we consider any assistance funded generally from the budget in that year to be partially countervailable. Also as explained *supra*, to the extent that ECSC loans financed by ECSC borrowings on world capital markets are made to steel companies at preferential interest rates, we believe that they are countervailable.

Comment 3

Counsel for petitioners maintains that ECSC budget-funded programs confer subsidies even when financed through levy funding; that the ECSC borrows to finance its programs, and there is no delineation between the programs funded by the levy and the programs funded by debt.

DOC Position

As explained in detail *supra*, we agree that many (though not all ECSC) budget-funded programs confer some countervailable benefit if the assistance was provided in a year in which the ECSC budget was derived partially from Member State contributions. Where it can be shown that ECSC budget-funded assistance derives exclusively from levies and levy-generated funds ultimately derived from steel producers, no countervailable benefit is conferred upon steel producers by the return to them of their own funds. However, for the period of investigation we did not find that any program's funding could be shown to derive exclusively from levy financing.

Comment 4

Counsel for petitioners has claimed that ECSC assistance funded by producer levies confers subsidies wherever an individual producer receives assistance in excess of levies paid by that producer.

DOC Position

As explained elsewhere in this Appendix and in Appendix 4, we do not consider ECSC budget-funded programs to confer subsidies on steel producers to the extent such programs are funded by producer levies. Our view is not affected by the degree to which individuals producers, which have contributed levies, do not participate in or receive benefits from these programs. The producers probably should be viewed as pooling their resources, for their mutual benefit, to create and maintain certain programs which are available to all the producers. Over the relatively short period for which we are measuring subsidies, certain producers have more frequent occasion to use certain programs than other producers. In principle, this is not different from other types of cooperative behavior, such as jointly funded risk insurance, under which not all participants will have identical claims although all contribute equal premiums. Accordingly, insofar as producer levies are directly funding the programs, no subsidies can be said to arise from any apparent short-term disparity of benefits received.

Comment 5

Counsel for petitioners has challenged our determination that benefits received under certain ECSC programs funded by ECSC coal and steel producer levies were not subsidies. Counsel asserts that, in reaching such a determination, we have allowed offsets from subsidies in a manner contrary to law.

We disagree with petitioner's characterization of the determination on this issue. To the extent that we have viewed benefits received under ECSC programs as attributable or allocable to producer levies, we find that no gross subsidy exists. No "offset" or reduction in subsidy amount is made, because the recipients of the program benefits are directly funding those benefits themselves and thus the ECSC is not creating a subsidy. This is not analogous to governmental benefits funded by general tax revenues, for the levies in question are—and since the inception of the levy system have

been—strictly earmarked for the ECSC budget-funded programs for which they are, in fact, used. In reality, the ECSC acts as no more than the administrator and distributor of levies collected, and does so under such tight restrictions as to preclude the conclusion that the return of levy funds to the producers gives rise to a gross subsidy.

Appendix 4—General and GATT-Related Issues

The issues contained in this appendix are the same as those presented in Appendix 4 of the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Belgium" (47 FR 39304). We are including this appendix because these same issues were raised by petitioners and respondents in this case or are relevant to this investigation.

• General Issues

Comment 1

Counsel for petitioners contends that many of the conclusions in our preliminary determination were erroneous insofar as they found that particular programs of general applicability and availability within a country do not give rise to domestic subsidies. They assert that subsidies must be found to exist from any governmental programs providing benefits, regardless whether those programs are generally available.

DOC Position

Section 771(5) of the Act, in describing governmental benefits which should be viewed as domestic subsidies under the law, clearly limits such subsidies to those provided "to a specific enterprise or industry, or group of enterprises or industries." We have followed this statutory standard consistently, finding countervailable only the benefits from those programs which are applicable and available only to one company or industry, a limited group of companies or industries, or companies or industries located within a limited region or regions within a country. This standard for domestic subsidies is clearly distinguishable from that for export subsidies, which are countervailable regardless of their availability within the country of exportation. We view the word "specific" in the statutory definition as necessarily modifying both "enterprise or industry" and "group of enterprises or industries." If Congress had intended programs of general applicability to be countervailable, this language would be superfluous and different language easily could and would have been used. All governments operate programs of benefit to all industries, such as internal transportation facilities or generally applicable tax rules. We do not believe that the Congress intended us to countervail such programs. Further, our conclusion is supported by the clear Congressional intent that "subsidy" be given the same meaning as "bounty or grant" under section 303 of the Act. Never in the history of the administration of this law or section 303 of the Act has a generally available program providing benefits to all production of a product, regardless of whether it is exported, been considered to give rise to a subsidy or a bounty or grant. In enacting the Trade

Agreements Act of 1979, Congress specifically endorsed that interpretation of section 303. Finally, the fact that the list of subsidies in section 771(5) is not an exclusive one in no way compels the conclusion that domestic benefits of general availability must or can be considered subsidies. Indeed, in view of the statute and its legislative and administrative history, we doubt that we are free to treat such generally available benefits of domestic programs as subsidies; certainly we are not compelled to do so.

Comment 3

Counsel for the respondent claims that our adoption in the preliminary determination of a number of new methodologies for the ascertainment and calculation of subsidies was procedurally deficient as a matter of law. They assert that these new methodologies conflict with past practice and, therefore, cannot be implemented in any case before rulemaking procedures have been completed, which procedures would have to provide published notice of proposed changes and opportunity to comment.

DOC Position

We do not agree that the methodologies employed in this case have to be the subject of rulemaking procedures or that such methodologies could not be employed until such procedures have been completed. The adoption of these methodologies is neither rulemaking nor adjudication within the meaning of the Administrative Procedures Act. Some of the methodologies employed cannot be said to be in conflict with any past practice under sections 701 or 303 of the Act, for they address issues and factual situations which, to the best of our knowledge, have not previously been encountered. Others, such as the present value methodology of valuing money over time, do represent a departure from past methods for determining the existence or size of subsidies. However, the prior practice, with which the methodology used in these cases has been alleged to be inconsistent has never been prescribed in the Commerce Regulations or, before that, the Customs Regulations.

Decisions as to the use of such methodologies are not matters requiring rulemaking procedures, but are questions of policy left to the judgment and discretion of the Department and decided on a case-by-case basis, applying the law, as we understand its requirements and intent, to the facts of each case. While the Department could prescribe such methodologies in its regulations, we have not chosen to do so. Unless and until that occurs, no rulemaking procedures can be considered necessary before changing prior methodologies. At the outset of these investigations respondents may have anticipated that certain prior methodologies would be employed in place of ones actually used, but they have no legal right to the maintenance of such prior practices.

Further, our preliminary determination and subsequent disclosures to all interested parties fully explained these methodologies and the respondent took advantage of the opportunity to comment upon them, both orally and in writing. We took all of these

comments fully into account in reaching our final determination. As such, the respondent fully participated in the decision-making process to the extent of its legal rights, and cannot properly be viewed as having been denied any such rights. Moreover, there is no substantial evidence in the record in any of this case which would support a conclusion that the respondent government, when establishing or administering the programs investigated, relied to its detriment on prior methodologies. Indeed, it would be difficult to conclude that the government in any way considered the possible consequences under the U.S. countervailing duty law before taking the actions which resulted in countervailable benefits to the product under investigation.

GATT-Related Issues

Comment 5

The European Communities (EC) assert that in order for a countervailable subsidy to exist under the GATT, there must be a charge on the public account. In support of this contention, the EC cites in particular item (1) of the Illustrative List of Export Subsidies (the List), included as an annex to the Agreement on Interpretation and Application of Articles VI, XVI and XXIV of the General Agreement on Tariffs and Trade (the Code). Item (1) of the List defines as an export subsidy, "Any other charge on the public account constituting an export subsidy in the sense of Article XVI of the General Agreement."

DOC Position

Item (1) does not limit the definition of subsidy to a charge on the public account, but rather makes clear that such a charge is included in the universe of subsidies which constitute on their face prohibited export subsidies. Items (c) and (d) of the List show that preferential treatment for exports, without regard to a charge on the public account, can also constitute a subsidy on its face. These items define as subsidies:

(c) Internal transport and freight charges on export shipments, provided or mandated by governments, on terms more favorable than for domestic shipments.

(d) The delivery by governments or their agencies of imported or domestic products or services for use in the production of exported goods, on terms or conditions more favorable than for delivery of like or directly competitive products or services for use in the production of goods for domestic consumption, if (in the case of products) such terms or conditions are more favorable than those commercially available on world markets to their exporters.

Item (1), cited by the EC, derives from the original illustrative list of subsidies of 1960, which represented an agreed interpretation of Article XVI: 4 of the GATT. However, the Department notes that this list also includes items (c) and (d) of the current List. Since the negotiation of Article XVI: 4 in the 1950s, there has never been a consensus on an interpretation such as that advanced by the EC. Rather, it has been generally accepted that the range of activities covered by the term subsidy as used in the GATT is quite broad, including charges on the public

account as well as certain activities which do not necessarily involve such a charge

Comment 6

The EC argues that subsidies other than export subsidies cannot be considered countervailable under the Code unless such subsidies "(a)diversely affect the conditions of normal competition. In the absence of any such distortion, subsidies, other than export subsidies, are recognized as important instruments for the promotion of social and economic policy objectives against which no action is envisaged by the Code." The EC further argues that the Department considered regional aids countervailable "(w)ithout taking into consideration any disadvantages incurred by companies having to operate in economically retarded and remote areas. This approach does not take into account, that under GATT and the Code countervailable subsidies are only those, which adversely affect the conditions of normal competition." In support of this contention the EC cites Article 11 of the Code, "Subsidies Other Than Export Subsidies."

DOC Position

The language of Article 11 does not prejudice the right of any signatory to the code to countervail against non-export subsidies. The language of the Article is the result of compromise between the United States and the EC at the time of the negotiation of the Code; the United States proposed to include an illustrative list of domestic subsidies, while the EC position was that such subsidies should not be considered countervailable. The Department notes that, while no list of domestic subsidies was incorporated *per se* in the Code, examples of such subsidies are included in Article 11. In contrast, the position of the EC was not adopted, as no such prohibition regarding the countervailability of domestic subsidies appears in the Code. The fact that certain subsidies are not prohibited by the Code is not relevant to a determination as to whether such subsidies confer a countervailable benefit in a specific case.

In addition, the Department notes that Article 11:3 of the Code states, "(t)he above form of (non-export) subsidies are normally granted either regionally or by sector." Article 11:2 states:

"Signatories recognize, however, that subsidies other than export subsidies . . . may cause or threaten to cause injury to a domestic industry of another signatory or serious prejudice to the interests of another signatory or may nullify or impair benefits accruing to another signatory under the General Agreement, in particular where such subsidies would adversely affect the conditions of normal competition. Signatories shall therefore seek to avoid causing such effects through the use of subsidies. In particular, signatories when drawing up their policies and practices in this field, in addition to evaluating the essential internal objectives to be achieved, shall also weigh, as far as practicable, possible adverse effects on trade. They shall also consider the conditions of world trade and production (e.g. price, capacity utilization, and supply of the product concerned)

While there is no agreed definition of the term "normal competition" in the context of the GATT, the term can reasonably be construed to include comparative advantage, a concept about which little, if any, serious dispute exists among economists. The argument of the EC flows against the logic of comparative advantage. Subsidies used to alter the comparative advantage of certain regions with respect to the production of a certain product of products are by definition distortive of trade and the allocation of resources, and, therefore, must affect normal competition, including competition with producers in the market of the importing country. There is no evidence that the governments of the countries in question, with regard to most of the programs and benefits under consideration, specifically sought to avoid causing injury to the domestic industries of other Code signatories, or even considered possible adverse effects on trade, as required by Article 11:2.

Finally the Department notes that Article 4 of the Code, "Imposition of countervailing duties", makes no distinction between domestic and export subsidies.

Comment 7

In objecting to the methodology used by the Department to calculate the subsidies found to exist by virtue of grants, preferential loans and loan guarantees (See Appendix 2, Methodology), the EC argues that "Article VI of the GATT provides that a countervailing duty may not exceed the amount of subsidy 'determined to have been granted'." The use of the word 'granted' rather than 'received' and the absence of any reference to 'value' or 'benefit' indicates clearly that the countervailable amount is the financial contribution of the government rather than the much more nebulous benefit to the recipient." (Emphasis in the EC brief).

DOC Position

The position of the Department with respect to the need for a specific financial contribution of the government is discussed above. With respect to the calculation of the amount of the subsidy, the Department believes that the use of the word "granted" in Article VI:3 does not control the question of calculation of the amount of a subsidy, but merely refers to the existence of the subsidy. In fact, as the EC itself notes, Footnote 15 to the Code states, "An understanding among signatories should be developed setting out the criteria for the calculation of the amount of subsidy." Were the amount of subsidy always equal to a charge on the public account, such an understanding would be unnecessary.

Article 4:2 of the Code states that "(n)o countervailing duty shall be levied on any imported product in excess of the amount of the subsidy found to exist. . . ." The position of the Department is that the subsidy is the benefit received by the producer or exporter. In no way does the language of Article 4 of the Code or Article VI of the GATT mandate a methodology to be used by signatories in the calculation of a subsidy as long as no consensus to the contrary exists (as referred to in Footnote 15). As a matter of general interpretation of the Code and the

GATT, the omission of language dealing with a specific issue must be seen as a purposeful decision on the part of the signatories to leave the question open (see Comment 8 and DOC Position, below)

Comment 8

The EC has criticized the Department for making unilateral interpretations of various provisions of the Code, in particular with respect to determinations as to whether certain specific practices are subsidies and with respect to the methodologies employed in calculating the value of a subsidy.

DOC Position

The Department will follow, as far as U.S. law permits, the mandatory provisions of the Code, as well as any interpretations on which a consensus exists among all Code signatories including the United States. However, the Code does *not* require inaction by signatories with regard to areas not clearly covered by the Code or by agreed interpretations of the Code. Such a requirement would be inconsistent with practice under the GATT as it has developed since its inception in 1947. The fact that the Code is silent with respect to whether a specific practice constitutes a subsidy does not mean that no signatory may make a determination with respect to that practice in the course of a proceeding. The fact that the signatories have not agreed on a methodology for the calculation of the amount of a subsidy does not mean that no signatory may adopt a methodology in the absence of such agreement, since the inability to calculate the amount of the subsidy found to exist would clearly frustrate the intent of the Code and the GATT.

Comment 9

The EC objects to the Department's use of average return on investment as a measure of the commercial reasonableness of a government infusion of equity in the absence of a market price for shares. The EC argues that "(i)t follows from the GATT that the decisive criterion is the cost to the Government and therefore the investment should be treated as a long-term loan by the Government and the long-term return should be measured against the rate at which the Government borrowed money to make the investment."

DOC Position

The Code notes in Article 11:3 that possible forms of non-export subsidies include "government subscription to, or provision of, equity capital." However, the Code and the GATT are silent on the question of precisely when such activity does constitute a subsidy and, where found, how such a subsidy should be calculated. The position of the EC with respect to this issue turns on defining a subsidy as the cost to the government. As discussed above in the response to Comment 6, the Department rejects this position. In any event, the equity infusions in question were not long-term and had no provisions for repayment. Accordingly, it is not possible to conclude that the decision of the Department is inconsistent with the GATT or the Code (see Appendix-2 for a discussion of the

methodology employed by the Department with respect to equity, inclusions).

Comment 10

The EC avers that "(t)his distinction (between creditworthy and uncreditworthy companies) is a complete innovation and is not provided for anywhere in the GATT. Since the GATT criterion for the determination of a subsidy is the financial contribution of the government, the creditworthiness of the companies is irrelevant."

DOC Position

The fact that the GATT does not address this issue specifically does not preclude consideration of the issue where it arises in the course of a proceeding. As discussed above, the Department does not agree that the only criterion for the determination of the existence of a subsidy under the GATT is the financial contribution of the government. Therefore, the question of the creditworthiness of a borrower is relevant because a loan to a company unable otherwise to obtain credit is a greater benefit to that company than a comparable loan to a company which is able to obtain financing on its own.

Comment 11

The EC argues that the Code must be interpreted in its entirety, and that the various provisions must be considered in relation to each other. In particular, the EC emphasizes that the List prescribes by implication the manner in which subsidies must be determined to exist and must be calculated.

DOC Position

The Department agrees that the Code must be interpreted as a whole. This includes the code's distinction between subsidies which are prohibited *per se* and subsidies which are prohibited only under certain circumstances. The subsidies which are enumerated in the List are prohibited *per se* under Article 9, and hence, actionable under "Track II", as provided for under Articles 12, 13, 17, and 18. As its title implies, the List is illustrative of the types of practices which constitute grounds for the invocation of Track II dispute settlement procedures.

The list is thus descriptive of prohibited practices, not dispositive of the calculation of the value of any subsidy conferred under any particular practice. Thus there is no inconsistency between the Department's calculation of benefits conferred by export subsidies compared with benefits conferred under domestic programs, since the Department employs uniform methodologies without regard to any distinction between the two types of subsidies.

Comment 12

The EC states that "Appendix B (of the Preliminary Determinations) contains a disturbing assertion: In the absence of special circumstances, a party receiving a benefit on the production of its merchandise is not assumed to share a benefit with an unrelated purchaser. (47 Fed. Reg. 26307, 26309 (1982) emphasis supplied). The implication is that the existence of a countervailable subsidy,

i.e. 'benefit' can be assumed in certain circumstances * * *." The EC asserts that the Code requires that the elements necessary for the imposition of countervailing duties be established by positive factual evidence. Further, the EC adds that "(t)he only instance in which Title VII permits a presumption is under section 771(7)(E)(i) * * *."

DOC Position

The Department agrees that determinations as to the existence of a subsidy should be based on verified facts. However, this is possible only insofar as the facts are made available to the Department during the course of a proceeding. As a matter of normal procedure, the Department requests information from all interested parties, including the foreign government involved, in order to establish the facts upon which its determinations may be based. The Department followed this procedure in the instant cases. In those instances where the Department has been forced to make a determination on the basis of incomplete information, the responsibility rests with the interested parties who, despite the requests of the Department, failed to provide such information to the Department in a timely manner.

Where incomplete information has formed the basis of decisions of the Department in particular cases, there is no contravention of the obligations of the Department with respect to the Code or the statute. Article 2-9 of the Code provides:

"In cases in which any interested party or signatory refuses access to, or otherwise does not provide, necessary information within a reasonable period or significantly impedes the investigation, preliminary and final findings, affirmative or negative, may be made on the basis of the facts available."

Furthermore, Section 776(b) of the Act provides:

"In making their determinations under this title, the administering authority and the Commission shall, whenever a party or any other person refuses or is unable to produce information requested in a timely manner and in the form required, or otherwise significantly impedes an investigation, use the best information otherwise available."

(FR Doc. 82-28862 Filed 10-21-82; 8:45 am)

BILLING CODE 3510-25-M

[A-588-048]

Expanded Metal of Base Metal From Japan; Final Results of Administrative Review of Antidumping Finding

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of final results of Administrative review of antidumping finding.

SUMMARY: On August 12, 1982, the Department of Commerce published the preliminary results of its administrative review of the antidumping finding on

expanded metal of base metal from Japan. The review covers the twenty-five known exporters of this merchandise to the United States and the period January 1, 1981 through December 31, 1981.

Interested parties were given an opportunity to submit oral or written comments on the preliminary results. We received no comments. Except for one change of a clerical error we have made no changes in these final results from those contained in our preliminary results of review.

EFFECTIVE DATE: October 22, 1982.

FOR FURTHER INFORMATION CONTACT: J Linnea Bucher or Susan Crawford, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230 (202-377-3601).

SUPPLEMENTARY INFORMATION:

Background

On January 16, 1974, an antidumping finding with respect to expanded metal of base metal from Japan was published in the Federal Register as Treasury Decision 74-29 (39 FR 1979). On August 12, 1982, the Department of Commerce ("the Department") published in the Federal Register (47 FR 35030-1) the preliminary results of its administrative review of the finding. The Department has now completed that administrative review.

Scope of the Review

Imports covered by the review are shipments of expanded metal of base metal manufactured in three types (standard, flattened, and grating) and various thicknesses. Expanded metal of base metal is currently classifiable under item 652.8000 of the Tariff Schedules of the United States Annotated (TSUSA).

The Department knows of twenty-five exporters of Japanese expanded metal of base metal to the United States. This review covers all of those firms for the period January 1, 1981 through December 31, 1981.

Final Results of the Review

Interested parties were invited to comment on the preliminary results. The Department received no written comments or requests for a hearing. However, we discovered a clerical error in the calculation of the weighted-average margin for Kawatetsu Steel/Kawasho Corp., and we have corrected that margin accordingly. We have no other changes in the final results from those presented in the preliminary results of review.

International Trade Administration**Prestressed Concrete Steel Wire Strand From France; Amendment to Final Affirmative Countervailing Duty Determination****AGENCY:** International Trade Administration; Commerce**ACTION:** Notice of Amendment to Notice of Final Affirmative Countervailing Duty Determination.

SUMMARY: On October 15, 1982, the Department of Commerce signed the final affirmative countervailing duty determination on prestressed concrete steel wire strand from France.

Due to a clerical error, the notice incorrectly stated the net subsidies arising from certain programs. The incorrect subsidy rates listed in the notice were 0.011 percent *ad valorem* for non-export oriented loans issued prior to 1978; 0.369 percent *ad valorem* for non-export oriented loans issued since 1978; 1.241 percent *ad valorem* for export loans issued since 1978; and 0.822 percent *ad valorem* for the cancellation of debt. The correct net subsidy arising from each of these programs is: 0.014 percent for non-export oriented loans issued prior to 1978; 0.818 percent *ad valorem* for non-export oriented loans issued since 1978; 2.290 percent *ad valorem* for export loans issued since 1978; and 1.523 percent *ad valorem* for the cancellation of debt.

Therefore the estimated net subsidy rate for all manufacturers, producers and exporters in the "Suspension of Liquidation" section of the notice should be change from 4.792 percent *ad valorem* to 6.974 percent *ad valorem*.

EFFECTIVE DATE: November 23, 1982.**FOR FURTHER INFORMATION CONTACT:**

Barbara E. Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, telephone: (202) 377-4036.

Dated: November 17, 1982.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

(FR Doc. 82-32888 Filed 11-22-82; 8:45 am)

BILLING CODE 3510-25-48

APPENDIX B
WITNESSES APPEARING
AT THE HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Prestressed Concrete Steel Wire Strand
from Brazil and France

Inv. Nos. : 701-TA-152 and 153 (Final)

Date and time: October 19, 1982 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the petition:

Eugene L. Stewart--Counsel
Washington, D.C.
on behalf of

Prestressed Concrete Strand Group

Gary Sparks, Sales Manager, Prestressed Strand
American Spring Wire Corporation

Gale Dull, Manager, Technical Services, Manufactured
Steel Products Division, Union Wire Rope, Armco, Inc.

Frederick Hunt, Vice President, Florida Wire & Cable Co.

Kenneth Wilson, Vice President, Shinko Wire America, Inc.

Adam Bruettig, Buyer of the Concrete Systems Division of
Inryco, Inc.

Eugene L. Stewart)
Ms. Kathleen T. Weaver)--OF COUNSEL

- 2 -

In opposition to the petition:

Fox, Glynn & Melamed--Counsel
New York, N.Y.
on behalf of

Cableries Chiers Chatillon Gorcy (CCG)

Eric Giblain, Export Sales Manager

ICF Incorporated, Washington, D.C.

John Reilly, Economic Consultant

P. Lance Graef, Economic Consultant

Raymond F. Steckel)
Garry P. McCormack)--OF COUNSEL

Appendix C

COMMISSION'S NOTICE OF INSTITUTION

[Investigations Nos. 701-TA-152 and 153 (Final)]

Prestressed Concrete Steel Wire Strand From Brazil and France

AGENCY: International Trade Commission.

ACTION: Institution of final countervailing duty investigations.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigations Nos. 701-TA-152 (Final) and 153 (Final) to determine, pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)), whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil and France of steel wire strand for prestressing concrete (PC strand), provided for in item 842.11 of the Tariff Schedules of the United States, upon which bounties or grants are alleged to be paid.

EFFECTIVE DATE: August 6, 1982, investigation No. 701-TA-153 (Final), and August 10, 1982, investigation No. 701-TA-152 (Final).

FOR FURTHER INFORMATION CONTACT: David Coombs, Office of Investigations, U.S. International Trade Commission; Telephone 202-523-1376.

SUPPLEMENTARY INFORMATION:

Background.—On March 4, 1982, a petition was filed with the Commission and the U.S. Department of Commerce by counsel for American Spring Wire Corp., Armco Inc., Bethlehem Steel Corp., Florida Wire & Cable Co., Pan American Ropes Inc., and Shinko Wire America Inc., alleging that an industry in the United States is materially injured or is threatened with material injury by reason of imports of PC strand from Brazil and France, upon which bounties or grants are alleged to be paid. On April 14, 1982, the Commission determined, pursuant to section 733(a) of the Tariff Act of 1930 (the Act), that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly subsidized imports from Brazil and France. On August 6, 1982, Commerce issued a preliminary determination that the Government of France pays or bestows, directly or indirectly, bounties or grants upon the manufacture, production, and export of PC strand within the meaning of section 303 of the Tariff Act of 1930. On August 10, 1982, Commerce issued a preliminary

determination that the Government of Brazil is providing its manufacturers, producers, and exporters of PC strand with benefits that are bounties or grants. Accordingly, the Commission is instituting final countervailing duty investigations. The investigations will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207 (1981), as amended by 47 FR 6190 (February 10, 1982)), and particularly Subpart B thereof.

Written submissions.—Any person may submit to the Commission on or before October 26, 1982, a written statement of information pertinent to the subject matter of the investigations. A signed original and fourteen copies of such statements must be submitted. In the event that confidential treatment of the document is requested under § 201.6, at least one additional copy shall be filed in which the confidential business information shall have been deleted and which shall have been marked "nonconfidential" or "public inspection".

Any business information which a submitter desires the Commission to treat as confidential shall be submitted in conformance with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6 (1981)). Each sheet of information for which confidential treatment is desired must be clearly marked at the top "Confidential Business Data". All written submissions, except for confidential business data, will be available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

A staff report containing preliminary findings of facts will be made available to all interested parties on October 4, 1982.

Service of documents.—The Secretary will compile a service list from the record of the preliminary investigations and the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 291.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of the investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a

certificate of service will not be accepted by the Secretary.

Public hearing.—The Commission will hold a public hearing in connection with these investigations on October 19, 1982, in the Hearing Room of the U.S. International Trade Commission Building, beginning at 10:00 a.m. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on September 28, 1982. Persons desiring to appear at the hearing and make oral presentations may file a prehearing brief and should attend a prehearing conference to be held at 9:30 a.m., on September 30, in Room 117 of the U.S. International Trade Commission Building. Prehearing briefs must be filed on or before October 14, 1982.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to new information. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with rule 207.22 (19 CFR 207.22). Posthearing briefs will also be accepted within a time specified at the hearing.

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 (1981), as amended by 47 FR 6190 (Feb. 10, 1982, and Part 201, Subparts A through E (19 CFR Part 201 (1981), as amended by 47 FR 6188 (February 10, 1982)).

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12 (1981)).

Issued: August 25, 1982.

By order of the Commission

Kenneth R. Mason,
Secretary

[FR Doc. 82-23989 Filed 8-31-82; 8:45 am]

BILLING CODE 7020-02-M

Appendix D

**OTHER INVESTIGATIONS CONCERNING PRESTRESSED
CONCRETE STEEL WIRE STRAND**

In 1978, the Commission conducted two antidumping investigations concerning imports of prestressed concrete steel wire strand. In August 1978, the Commission determined that an industry in the United States was not being injured and was not likely to be injured and was not prevented from being established by reason of the importation of prestressed concrete steel wire strand from India that was being, or was likely to be, sold at less than fair value (LTFV). In November 1978, the Commission determined that an industry in the United States was being injured by reason of the importation of such merchandise from Japan that was being or was likely to be sold at LTFV. A dumping order concerning imports of this product from Japan was issued on December 8, 1978 (43 F.R. 57599); this order is still in effect today. According to Commerce's preliminary administrative review of the antidumping finding concerning imports from Japan, issued on May 20, 1982, dumping margins ranging from 0.03 to 0.29 percent have been found regarding strand from four Japanese producers and exporters. 1/

On November 9, 1981, counsel for four U.S. producers 2/ filed a countervailing duty petition with Commerce concerning imports of strand from the Republic of South Africa (South Africa). Since South Africa is not a signatory to the GATT Subsidies Code, the Commission was not required to make a preliminary injury determination. On May 21, 1982, Commerce and Haggie Ltd., the only South African manufacturer and exporter of strand, signed an agreement in which Haggie voluntarily renounced all the benefits which Commerce had preliminarily found to be bounties or grants on exports of strand to the United States. 3/ At the request of the petitioners, Commerce continued its investigation concerning exports of strand from South Africa, and on August 2, 1982, published its final determination, finding the aggregate net bounty or grant to be 27.1 percent of the f.o.b. value of the imported merchandise (47 F.R. 33310). Commerce stated that the suspension agreement will remain in effect, and that liquidation will not be suspended and a countervailing duty order will not be issued, as long as the conditions of the agreement are met.

On November 5, 1981, counsel for five U.S. producers of PC strand 4/ filed a countervailing duty petition with Commerce regarding imports of PC strand from Spain. Because Spain was not a signatory to the General Agreement on Tariffs and Trade (GATT) at that time, the Commission was not required to make a preliminary injury determination. On July 1, 1982, Commerce issued a final determination that the Government of Spain was providing its manufacturers, producers, or exporters with bounties or grants which were estimated to be 1.77 percent of the f.o.b. value of the strand.

1/ Commerce estimates that it will publish the final results of its administrative review in November.

2/ American Spring Wire Corp., Bethlehem Steel Corp., Florida Wire & Cable Co., and Shinko Wire America, Inc.

3/ The petitioners are challenging this agreement in the Court of International Trade. See American Spring Wire Corp. et al. v. United States, No. 82-6-00881.

4/ American Spring Wire Corp., Armco Inc., Bethlehem Steel Corp., Florida Wire & Cable Co., and Shinko Wire America, Inc. Pan American Ropes, Inc., supported the petition.

Spain became a signatory to the GATT on April 14, 1982, and the Commission instituted an investigation concerning imports of PC strand from Spain, under section 705(b) of the Tariff Act of 1930, on April 26, 1982. On August 23, 1982, the Commission determined that an industry in the United States was not materially injured, or threatened with material injury, nor was the establishment of an industry in the United States being materially retarded, by reason of imports of PC strand from Spain, upon which bounties or grants were being paid (47 F.R. 38648).

On March 4, 1982, counsel for six U.S. producers 1/ of PC strand filed a countervailing duty petition, and an antidumping petition 2/ concerning imports of PC strand from Brazil and the United Kingdom, respectively. 3/ On April 14, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury 4/ by reason of the allegedly subsidized imports from Brazil and the United Kingdom (47 F.R. 18200, Apr. 28, 1982). 5/

On August 10, 1982, Commerce preliminarily determined that there is reason to believe or suspect that certain benefits which constitute subsidies are being provided to manufacturers, producers, or exporters in Brazil of PC strand (47 F.R. 34609). 6/ Accordingly, on August 25, 1982, the Commission instituted investigation No. 701-TA-152 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of PC strand from Brazil into the United States (47 F.R. 38647, Sept. 1, 1982). 7/

A hearing was held on October 19, 1982, in connection with the Commission's investigations concerning PC strand from both Brazil and France. However, on October 22, 1982, Commerce suspended its investigation involving PC strand from Brazil, pursuant to a suspension agreement between the United States and the Government of Brazil (47 F.R. 47048). Therefore, the Commission suspended its investigation concerning PC strand from Brazil on October 27, 1982 (47 F.R. 49908, Nov. 3, 1982). However, on November 12, 1982, Commerce received a request to continue the investigation from counsel representing the petitioners. The Commission will have 45 days from the date that Commerce makes its final determination to reach an injury determination.

1/ American Spring Wire Corp., Armco Inc., Bethlehem Steel Corp., Florida Wire & Cable Co., Pan American Ropes, Inc., and Shinko Wire America, Inc.

2/ American Spring Wire Corp, Florida Wire & Cable Co., Pan American Ropes, Inc., and Shinko Wire America, Inc., were the petitioners in this investigation.

3/ The countervailing duty petition concerning PC strand from France, the subject of this report, was filed with these petitions.

4/ Commissioners Alberger and Haggart found a reasonable indication of present material injury only.

5/ The Commission made its affirmative preliminary finding in the French investigation on the same day.

6/ Commerce's preliminary determination regarding PC strand from France was published on Aug. 6, 1982.

7/ The Commission's final investigation regarding PC strand from France (inv. No. 701-TA-153 (Final)) was instituted at the same time. A-73

On October 6, 1982, Commerce announced its preliminary affirmative antidumping determination concerning PC strand from the United Kingdom, and found the preliminary weighted average margin to be 30.11 percent (47 F.R. 44132). Accordingly, the Commission instituted its final antidumping investigation concerning imports of PC strand from the United Kingdom on Oct. 15, 1982 (47 F.R. 47707, Oct. 27, 1982). This investigation is currently proceeding, and the prehearing report will be sent to the Commission on December 17, 1982.

