CERTAIN WELDED CARBON STEEL PIPES AND TUBES FROM THE REPUBLIC OF KOREA

Determination of the Commission
in Investigation No. 701-TA-168
(Final) Under the Tariff Act
of 1930, Together With
the Information Obtained
in the Investigation

USITC PUBLICATION 1345

FEBRUARY 1983

United States International Trade Commission / Washington, D.C. 20436

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--

Judith Zeck, Office of Investigations
James Lukes, Office of Industries
Chandrakant Mehta, Office of Investigations
William Perry, Office of the General Counsel
Andrew Valiunas, Office of Economics

Vera A. Libeau, Supervisory Investigator

Address all communications to

Office of the Secretary

United States International Trade Commission

Washington, D.C. 20436

CONTENTS

Tables

CONTENTS

Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

Investigation No. 701-TA-168 (Final)

CERTAIN WELDED CARBON STEEL PIPES AND TUBES
FROM THE REPUBLIC OF KOREA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)(1)), that an industry in the United States is materially injured by reason of imports of small diameter welded carbon steel pipes and tubes 3/ which have been found by the Department of Commerce to be subsidized by the Republic of Korea.

Background

Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. and by publishing the notice in the Federal Register on November 3, 1982 (47 F.R. 49908). The hearing was held in Washington, D.C. on January 6, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).
2/ Commissioner Stern dissenting.
3/ For purposes of this investigation the term "small diameter welded carbon steel pipes and tubes" covers welded, jointed, or seamed carbon steel pipes and tubes with walls not thinner than 0.065 inch, of circular cross section, and 0.375 inch or more but not more than 16 inches in outside diameter, as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247 of the Tariff Schedules of the United States Annotated (TSUSA). Pipes and tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feed water heaters, or conforming to API specifications for oil well tubing with or without couplings; cold drawn pipes and tubes; and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are not included.

VIEWS OF THE COMMISSION

Introduction

Chairman Eckes, Commissioner Stern and Commissioner Haggart join in the discussion of the appropriate domestic industry and the condition of that industry. The joint views of Chairman Eckes and Commissioner Haggart on causation are set forth following the section on the condition of the domestic industry. The separate views of Commissioner Stern on causation follow.

Definition of the domestic industry

The domestic industry against which the impact of the imports under investigation is to be gauged is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 1/ "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 . . . ." 2/

The imported products in this investigation are welded carbon steel pipes and tubes of circular cross section, 0.375 inch to 16 inches in outside diameter (with walls not thinner than 0.065 inch), generally including standard, line, and structural pipes and tubes (hereinafter called small-diameter welded pipes and tubes). 3/

1/ 19 U.S.C. § 1677(4)(A).
2/ 19 U.S.C. § 1677(10).
3/ Pipes and tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feed water heaters, or conforming to API specifications for oil well tubing, with or without couplings, cold drawn pipes and tubes, and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are not included.

Domestically produced steel pipes and tubes may be welded or seamless; composed of carbon, alloy, heat-resisting or stainless steel. In the trade, they are also subdivided into six categories: standard, line, structural, mechanical, pressure, and oil country tubular goods (OCTG).

We have determined that the like products consist of welded carbon steel pipes and tubes, generally referred to as standard, line and structural pipes and tubes. The basis for our determination is set forth below.

As all parties to this investigation agree, welded pipes and tubes have different characteristics and uses than seamless pipes and tubes. 4/ In contrast to seamless pipes and tubes, which are generally made to order, welded pipes and tubes are largely off-the-shelf items. 5/ Welded pipes and tubes are smoother, have more uniform wall thickness and generally are not considered to be as strong as seamless pipes and tubes. 6/ Thus, in a situation where strength and reliability are very important, welded pipes and tubes will not be substituted for seamless pipes and tubes. 7/ We, therefore, conclude that the domestically produced seamless pipes and tubes are not like the imported welded pipes and tubes.

The imported pipes and tubes in this investigation are all made from carbon steel. Historically, the Commission has treated carbon steel products as distinct from alloy steel products because the chemical composition of alloy steel results in unique characteristics. As a result of the unique

---

4/ Hearing transcript at 69 and 91.

5/ Furthermore, welded steel pipes and tubes are made by forming flat-rolled steel sheet, strips, or plate into a tubular configuration and then by welding along the joint axis. Unlike welded pipes and tubes, seamless pipes and tubes are produced by forming a central cavity in solid steel stock.

6/ Report at A-2.

7/ Hearing transcript at 69.

characteristics of alloy steel, carbon steel products cannot be substituted for alloy steel products except in rare instances. Since the imported product is carbon steel welded pipes and tubes, in this case we again determine that domestically produced pipes and tubes made from alloy steels are not like carbon steel pipes and tubes. 8/

Welded carbon steel pipes and tubes can be subdivided into categories commonly referred to as standard, line, structural, mechanical, and pressure pipes and tubes and oil country tubular goods (OCTG). Since domestically produced line, standard, and structural pipes and tubes are generally substitutable for the imported products and for each other, 9/ we conclude that standard, line and structural welded carbon steel pipes and tubes are like the imported products subject to the investigation.

Mechanical and pressure pipes and tubes are generally made to different specifications, 10/ and these pipes and tubes would not be substituted for line, standard, and structural pipes and tubes. Mechanical tubing is employed in mechanical applications and pressure tubing is used to convey gases and fluids at high temperatures or pressure. Other pipes and tubes are not suited to these uses. 11/ Since domestically produced mechanical and pressure pipes and tubes have distinct characteristics and uses, we determine that mechanical and pressure pipes and tubes are not like the imported products. 12/

8/ See Certain Carbon Steel Products from Spain, Invs. Nos. 155, 157-160, 162 (Final), USITC Pub. 1331, (1982), and Hot-Rolled Stainless Steel Bar and Stainless Steel Wire Rod from Spain, Invs. Nos. 701-TA-176-178, USITC Pub. 1333 (1982).

9/ Hearing Transcript at 14.

10/ Preliminary Conf. Tr. at 27.

11/ Report, at A-3 and A-4.

12/ Id., at A-4.

OCTG are steel pipes and tubes, which are also made to particular specifications, are used in the drilling of oil and gas wells and in conveying oil and gas to the ground level. In contrast to line, standard, and structural pipes and tubes which are made to different specifications, normally OCTG have "upset" ends (i.e. flared up in a way suitable for threading). OCTG have to meet stringent standards, require more testing, and frequently are subjected to additional processing (e.g. cold-drawing, annealing, tempering, upsetting, pickling, and threading) before being sold. 13/ An examination of the characteristics and uses of OCTG, demonstrates that OCTG are not like the imported standard, line, and structural pipes and tubes.

Based on the foregoing, we conclude that the like product is welded carbon steel pipes and tubes, generally referred to as standard, line and structural. Accordingly, the domestic industry is composed of the domestic producers of these products.

Condition of the domestic industry

The condition of the U.S. industry which produces the small-diameter pipes and tubes under investigation generally improved through 1981, but in January-September 1982, the condition of the industry declined significantly. 14/

Production increased by 10 percent, from 2.5 million short tons in 1979 to 2.7 million short tons in 1981. Production then declined by almost 40 percent in January-September 1982 compared with the corresponding period of

13/ Hearing transcript, at 37.
14/ The Commission has collected information accounting for at least 85 percent of the industry based on shipment figures maintained by the American Iron and Steel Institute (AISI) on the subject pipes and tubes. Report at A-9.

1981. Production capacity dropped from 3.3 million short tons in 1979 to 3.2 million short tons in 1981. This decline in capacity coupled with the increase in production from 1979 to 1981 led to an increase in capacity utilization from 59 percent in 1979 to 68 percent in 1981. In January-September 1982, capacity increased by 5,000 short tons or by less than 1 percent compared with the corresponding period of 1981. This slight increase along with the significant decline in production resulted in a decline in capacity utilization to 42 percent in January-September 1982 compared with a capacity utilization rate of 70 percent in the corresponding period of 1981.

Shipments followed generally the same pattern as production increasing from 2.5 million short tons in 1979 to 2.7 million short tons in 1981, an increase of 7 percent. Shipments declined by 708,000 short tons or 36 percent in January-September 1982, compared with January-September 1981.

The 1982 decline in production and shipments has also had an adverse impact on employment levels. The number of workers in the industry increased from 9,817 workers in 1979 to 10,350 workers in 1981 an increase of 5.4 percent. Employment in the industry was at a peak for the period under investigation of 10,817 in January-September 1981. Employment dropped sharply, however, by 33 percent to 7,258 workers in January-September 1982. Hours worked by these workers followed much the same trend increasing by 4 percent from 19.9 million hours in 1979 to 20.6 million hours in 1981. The number of hours worked then declined by 35 percent in January-September 1982 compared with the corresponding period of 1981. Wages also dropped sharply in January-September 1982, by 34 percent from the level in the corresponding period in 1981.

U.S. producers' operating profits declined from $18 million in 1979 to $12 million in 1980 then increased to $58 million in 1981. 15/ The industry reported an operating loss of $23 million in the interim period ended September 30, 1982 compared with an operating profit of $45 million in the corresponding period of 1981. The ratio of operating profit or loss to net sales dropped slightly from 1.9 percent in 1979 to 1.2 percent in 1980 then increased to 4.9 percent in 1981. In the interim period ending September 30, 1982 the ratio of operating losses to net sales declined to 3.7 percent compared with a ratio of operating profit to net sales of 4.9 percent during the corresponding period of 1981.

15/ Most of the machinery and equipment used in the production of welded pipes and tubes covered in this investigation is also used to produce other products. Therefore, data on profitability and employment are based on allocations. Such data are a useful indication of trends in profitability. Report, at A-16 and A-18.

VIEWS OF CHAIRMAN ALFRED E. ECKES AND COMMISSIONER VERONICA A. HAGGART

Material injury by reason of subsidized imports

As we noted in our recent views in Certain Carbon Steel Products from Spain, Inv. Nos. 701-TA-155, 157-160, 162, USITC Pub. 1331, (1982), we have determined that based on the plain language of the statute, the legislative history and Congressional intent, once the Commerce Department makes an affirmative determination on subsidization, the Commission must only establish a causal link between the subsidized imports under investigation and any injury to the domestic industry. 1/

Imports of the subject small diameter pipes and tubes from Korea increased from 350,000 short tons in 1979 to 554,000 short tons in 1981, an increase of 204,000 short tons or 58 percent. In the first three quarters of 1982, imports from Korea declined by 60,000 short tons or by 15 percent compared with the first three quarters of 1981. Although imports from Korea declined in January-September 1982, compared with the corresponding period of 1981, they were still at a higher level for the first nine months of 1982 than they had been for the full-year of 1979. 2/

1/ See also the Additional Views of Commissioner Haggart in Certain Carbon Steel Products from Spain, supra. Commissioner Haggart also notes that this investigation is distinguishable from Hot-rolled Stainless Steel Bar, Cold-formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, Inv. Nos. 701-TA-176-178, USITC Pub. 1333 (1982). (Stainless Steel from Spain). In Stainless Steel from Spain, the Commerce Department determined that the company which was responsible for two-thirds of the imports from Spain, had not received subsidies since 1979. In this investigation, however, the Commerce Department determined that all of the imports subject to investigation had been subsidized during the period of investigation and those subsidies were not de minimis.

2/ Report at A-22.

In addition, while imports from Korea declined in the first nine months of 1982, U.S. producers' shipments dropped at an even greater rate. As a result, the ratio of imports to apparent domestic consumption, which had increased from 10 percent in 1979 to 14 percent in 1981, continued to increase to 16 percent in January-September 1982. 3/

Available pricing information clearly indicates that the imported products from Korea were underselling the comparable domestically produced pipes and tubes. Comparable pricing information provided by purchasers shows margins of underselling for every quarter and on every product for which there is data. 4/ The information relating to lost sales supports the allegation that the pipes and tubes from Korea were underselling the U.S. produced products. Nine of the firms who responded to the Commission's purchasers questionnaires reported buying the subject pipes and tubes from Korea because the price was lower. In addition, 10 of the purchasing firms reported that the prices of the Korean products were lower by margins ranging from 6 to 40 percent. A number of purchasers indicated that they would purchase the domestic product if the price were within 5 to 10 percent of the Korean price. There were also reports that domestic producers had on occasion lowered their prices to be more competitive with the Korean products. 5/

Based on the declining condition of the domestic industry, the level of imports from Korea and the increasing ratio of these imports to consumption, and the clear evidence of underselling, we determine that the domestic industry is materially injured by reason of imports of certain small-diameter welded carbon steel pipes and tubes from the Republic of Korea.

3/ Id. at A-14, and A-23.
4/ Id. at A-29.
5/ Id. at A-30-35.

VIEWS OF COMMISSIONER PAULA STERN

I have determined that the domestic industry which produces small-diameter welded carbon steel pipes and tubes is not materially injured or threatened with material injury by reason of subsidized imports from Korea. I agree with the majority of the Commission that this industry experienced problems in the first nine months of 1982. However, I do not find the requisite causal relationship between the subject imports and the problems in this industry.

The issue of the causal nexus on which my determination turns in this investigation again illustrates the importance of interpreting our statutes in light of the purpose for which they were enacted. 1/ The Congress has established standards for relief from fair competition

---

1/ For a detailed discussion of my views on causality, see my views in Certain Carbon Steel from Belgium, et al. as incorporated in Carbon Steel Bar and Wire Rod from Brazil and Trinidad and Tobago, Inv. Nos. 731-TA-113 and 114 (Preliminary) USITC Pub. No. 1316 (November 1982), Certain Steel Products from Spain, Inv. Nos. 701-TA-115 through 163 (Final) USITC Pub. No. 1331 (December 1982) and in Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, Inv. Nos. 701-TA-176 through 178 (Final) USITC Pub. No. 1333 (December 1982).

which are more stringent than those that apply to unfair competition. 2/ Some theories on causality would have the Commission ignore the subsidies margins in assessing the impact of "subsidized imports" on the domestic industry. 3/ Such theories can lead to a breakdown of the carefully constructed framework that Congress 4/ established for providing protection from imports which is consistent with the public interest and U.S. international obligations.

An affirmative finding in any unfair trade case is premised on the existence of subsidization or less than fair value sales. As I have discussed previously, it is clear from the legislative history that the subsidy in question must be causally linked to the material injury or threat thereof. In pointing out that the significance of

---

2/ The standards for relief from fairly traded imports are set forth in section 201 of the Trade Act of 1974. In a section 201 investigation, the Commission must determine whether --

> an article is being imported into the United States in such increased quantities as to be a <u>substantial</u> cause of <u>serious</u> injury, or the threat thereof, to the domestic industry . . ." (emphasis added).

3/ In several very recent cases, the Commission made affirmative determinations despite the fact that for most or all of the subject imports subsidies were evaluated at zero.

Hot-rolled Carbon Steel Plate from Belgium, Inv. Nos. 701-TA-86 and 701-TA-93.
Hot-rolled Carbon Steel Sheet and Strip from the FRG*, Inv.No. 701-TA-101.
Carbon Steel Structural Shapes from the FRG, Inv. Nos. 701-TA-124 and 701-TA-121.

An asterisk indicates that subsidies on all the subject imports were evaluated at zero by the Department of Commerce.

4/ The framework is found in our trade statutes implementing the international agreements negotiated over the last thirty-five years under the General Agreement on Tariffs and Trade (GATT).

various factors will differ from industry to industry, the Senate noted:

> Similarly, for one type of product, price may be a factor in making a decision as to which product to purchase and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; for others the size of the differential may be of lesser significance. 5/ (Emphasis added.)

The Congress was concerned about price differences resulting from a subsidy which could affect the condition of a domestic industry, and so am I.

The notice from the Department of Commerce on its subsidy findings in this investigation was particularly complex. But a careful analysis of that notice and the facts before us in this case make it imminently clear that injurious unfair trade has not taken place.

5/ S. Rep. 96-249, 96th Cong., 1st Sess. (1979), p. 88. See also pp. 57-58 and H. Rep. 96-317, 96th Cong., 1st Sess. (1979), p. 46.

In its notice of suspension of liquidation, the Department of Commerce evaluated the subsidies at zero for nearly all exports of this product from Korea. 6/ Thus, Commerce's finding related to suspension of liquidation speaks for itself: any injury evident in the industry is not presently attributable to or threatened by "subsidized" imports from Korea. 7/

Title VII is a remedial, not a punitive, statute. Congress designed it to provide relief from present or imminent material injury from unfair trade practices. The law does not provide compensation to an industry harmed in the past if that harm does not continue into the present. Countervailing or antidumping duties are only meant to offset current unfair advantages that imports may enjoy in the marketplace.

My decision has been based on the fact that nearly all the imports are not currently subsidized. I do note, however, that in 1981 there was a subsidy program which has since been terminated. Even if the statute had provided for an examination of terminated subsidy programs, I would have concluded that the 1981 subsidy was not linked to material injury to the domestic industry. The Department of Commerce found that subsidies of 1.16 percent ad valorem were provided on all exports

---

6/ This statement is based on 1981 import levels.

7/ For one Korean company, Masan Tube, which accounted for three percent of Korean exports to the U.S., a subsidy of 1.86 percent ad valorem was found; for another company, Dong Jin, a 1.88 percent ad valorem rate was determined, though that company did not export pipes and tubes to the U.S. in 1981.

from Korea in 1981. 8/ In addition, one firm which accounted for less than five percent of exports in that year was found to be subsidized by the additional amount of 1.86 percent and three other producers were found to have additional de minimis levels of subsidy. The net effect was that more than 95 percent of the exports from Korea to the United States in 1981 were receiving subsidies of less than two percent, and the rest had benefits of just slightly over three percent.

In this investigation, based on the available price data, it is clear that these Korean subsidies have not had an effect on the performance of imports from Korea in the U.S. market. The weight of the available information on pricing shows that the imports from Korea have been underselling the domestic product by margins substantially greater 8/ than the two to three percent level of subsidization. Lost sales cite margins of underselling ranging from five to forty percent, with most in the twenty to thirty percent range. Even if it is assumed that a purchaser would pay a five to ten percent premium to

---

8/ In June of 1982, the Government of Korea eliminated the benefits of the program which had provided all the exports with a subsidy of 1.16 percent. Thus, the Department of Commerce did not include this amount in its suspension of liquidation, because no exports from Korea to the United States subsequent to June 1982 would benefit from this program.

9/ Purchaser price comparisons are confidential.

buy the domestic product, 10/ elimination of the small subsidy margin would not have brought the price of the domestic product within range. Thus, the performance of the domestic industry in 1982 is unrelated to the subsidized imports of Korean welded carbon steel pipes and tubes. As discussed above, present and future injury by subsidized imports is precluded here because the very small amount of Korean exports of this product currently subsidized could not impact pricing or market share in the U.S.

In conclusion, I note again that I consider it most unfortunate that the Commission as a whole can find injury from unfair imports under Title VII where there has been no unfair trade or clearly no present or future impact from some very small level of subsidy. If the condition of a domestic industry has not been materially injured or threatened with such injury by imports benefitting from a potentially unfair trade practice, affirmative findings by this Commission mislead the public concerning the origins of our industries' domestic competitive problems.

10/ Seven purchasers cited willingness to pay such a premium. There are thousands of purchasers in this industry. (Staff Report at p. A-34).

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On May 7, 1982, United States Steel Corp. filed petitions with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is materially injured and is threatened with material injury by reason of imports from Brazil, France, Italy, the Republic of Korea (Korea), and West Germany of welded carbon steel pipes and tubes, provided for in item 610.32 of the Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid. Accordingly, effective May 7, 1982, the Commission instituted preliminary investigations under section 701 of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States.

On June 21, 1982, the Commission notified Commerce of its determination that there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of imports of small-diameter carbon steel welded pipes and tubes from Brazil 1/ and Korea, and large-diameter carbon steel welded pipes and tubes from France and West Germany. On the same day, the Commission made a negative determination on small- and large-diameter carbon steel welded pipes and tubes from Italy.

On October 12, 1982, the Commission received advice from Commerce that it had made a preliminary determination that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of small-diameter carbon steel welded pipes and tubes in Brazil and Korea. 2/ Commerce also preliminarily determined that certain benefits which constitute subsidies within the meaning of the countervailing duty laws are not being provided to manufacturers, producers, or exporters of large-diameter welded carbon steel pipes and tubes in France and West Germany. Accordingly, the Commission instituted final countervailing duty investigations on small-diameter carbon steel welded pipes and tubes from Brazil and Korea, effective October 12, 1982.

On December 20, 1982, Commerce issued a final determination that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of small-diameter carbon steel welded pipes and tubes in Korea.

On December 27, 1982, Commerce published a notice in the Federal Register suspending the countervailing duty case involving small-diameter welded pipes and tubes from Brazil. The basis for the suspension is an agreement by the Government of Brazil to offset with an export tax all benefits which Commerce found to be subsidies on exports of the subject product to the United States. The Commission consequently suspended its investigation concerning Brazil, effective December 27, 1982.

1/ Commissioner Stern dissenting.
2/ Copies of Commerce's notices are presented in app. A.

Notice of the Commission's institution of investigations Nos. 701-TA-165 and 168 (Final), and the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of November 3, 1982 (47 F.R. 49908). 1/ A Commission hearing was held on January 6, 1983, 2/ and the briefing and vote were held on February 2, with notification of Commerce on February 8, 1983.

Although the Commission has conducted prior investigations on various seamless steel pipes and tubes, and on welded carbon steel pressure pipes and tubes, 3/ the instant investigation and the related preliminary cases are the only recent investigations which the Commission has undertaken with respect to welded carbon steel pipes and tubes for nonpressure end uses.

Description and Uses

For the most part, the terms "pipes," "tubes," and "tubular products" can be used interchangeably. In some industry publications, however, a distinction is made between pipes and tubes. According to these publications, pipes are produced in large quantities to a few standard sizes, whereas tubes are made to customers' specifications for dimensions, finish, chemical composition, and mechanical properties. There is apparently no clear line of demarcation in all cases between pipes and tubes.

Steel pipes and tubes can be divided into two general categories based on method of manufacture--welded or seamless. Each category can be further subdivided by grade of steel: carbon, heat-resisting, stainless, or other alloy. This method of distinguishing among steel pipe and tube product lines is one of several such methods used by the industry. Pipes and tubes typically come in circular, square, or rectangular cross sections.

Welded steel pipes and tubes are generally less expensive to manufacture than seamless steel pipes and tubes, are smoother, and have more uniform wall thickness. Until recently, welded pipes and tubes had not been considered to be as strong as seamless pipes and tubes when both are produced from steel of the same composition. This perception affected the marketability of welded products for particular applications. However, improvements in manufacturing techniques and in the performance of welded pipes and tubes have tended to alter this perception.

The strength (to withstand both external and internal pressure) of both welded and seamless steel pipes and tubes is enhanced by the presence of alloying elements in the steel. The presence of these elements also enables a steel pipe or tube to withstand elevated temperatures and to resist corrosion. Most welded steel pipes and tubes are made from carbon steel.

1/ Copies of the Commission's notices are presented in app. B.
2/ A list of witnesses appearing at the hearing is presented in app. C.
3/ Pipes and tubes suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces, and feedwater heaters.

Types of pipes and tubes

The American Iron & Steel Institute (AISI) distinguishes among the various types of steel pipes and tubes according to six end uses, which are described as follows.

Standard pipes

Steel standard pipes are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. These steel pipes may carry fluids at elevated temperatures and pressures and may not be subjected to the application of external heat.

Line pipes

Line pipes are used for the transportation of gas, oil, or water, generally in pipeline or utility distribution systems.

Structural pipe and tubing

Structural pipe and tubing are used for framing and support members for construction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and related industries.

Oil country tubular goods

Oil country tubular goods are steel pipes and tubes used in the drilling of oil and gas wells and in conveying oil and gas to ground level. Included here are oil well drill pipe, oil well casing, and oil well tubing. These pipes and tubes are frequently further processed by an upsetting operation in which the ends are flared. There is no known production of welded oil well drill pipe; oil well casing and tubing may be welded or seamless.

Mechanical tubing

Mechanical tubing is employed in a variety of mechanical applications including bicycle and motorcycle frames and parts, conveyor rolls and links, fishing rods, flagstaffs and masts, furniture tubing, gun barrels, handles, muffler tubes, posts and poles, and vacuum cleaner parts. The products in this category are frequently cold-drawn to improve the smoothness of the material.

Pressure tubes

Steel pressure tubes are used to convey fluids and gases at elevated temperatures or pressures, or both, and may be subjected to the application of heat. These tubes include air heater tubes, boiler tubes, heat-exchanger and condenser tubes, and superheater tubes.

The pipes and tubes in all six AISI categories can be of either welded or seamless construction and can be produced from various grades of steel. In addition, many are suitable for multiple applications. There may be few or no inherent differences among a number of tubular steel products. For example, mechanical tubing which has been tested and warranted to withstand high pressures would be considered pressure tubing, while the same material not tested or warranted would be considered mechanical tubing. Similar problems exist in distinguishing standard pipe from structural pipe and tubing. In many applications, a pipe can be either welded or seamless and meet the required specifications; in such instances, the end user would probably select the pipe which is least expensive. In selecting a grade of steel, an end user frequently has the option of choosing between a longer lasting and more expensive high-alloy product and a shorter lived and less expensive low-alloy product. The end user's choice is likely to be determined by a combination of initial cost considerations and the ease with which a worn pipe or tube can be replaced.

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM); the American Society of Mechanical Engineers; and the American Petroleum Institute (API). Comparable organizations in Japan, West Germany, the United Kingdom, the U.S.S.R., and other countries have also developed standard specifications for steel pipes and tubes.

The imported pipe and tube product lines which are alleged to receive bounties or grants are welded carbon steel pipes and tubes 1/. They are further distinguished by the petitioner by cross sections, sizes, and end uses, as follows: welded carbon steel pipes and tubes of circular cross section, 0.375 inch to 16 inches in outside diameter (with walls not thinner than 0.065 inch), for use as standard, line, and structural pipe.

1/ The small-diameter pipes and tubes covered by this investigation are welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross sections and 0.375 of an inch in outside diameter but not more than 16 inches, as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the Tariff Schedules of the United States Annotated (TSUSA). Pipes and tubes suitable for use in boilers, superheaters, heat-exchangers, condensers, and feedwater heaters, or conforming to API specifications for oil well tubing, with or without couplings, cold-drawn pipes and tubes, and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are not included.

Production process

Welded steel pipes and tubes are made by forming flat-rolled steel--sheet, strips, or plate--into a tubular configuration and welding along the joint axis. There are various ways to weld pipes and tubes. The most popular are the butt weld (continuous weld) (CW), the electric-resistance weld (ERW), the submerged-arc weld, and the spiral weld. Submerged-arc weld and spiral weld are normally used to produce larger diameter pipe and tube.

In the continuous-weld process, skelp, a coiled flat steel product, is heated and formed into a cylinder. The heat in this process, in combination with the pressure created by the rolls, forms the weld. Continuous-weld mills generally produce pipes and tubes between 0.405 inch and 4-1/2 inches in outside diameter.

In the electric-resistance-weld process, hot-rolled band, another coiled flat steel product, is cold-formed into a cylinder. The weld is made when an electric current heats the edges to approximately 2,600 degrees Fahrenheit. Pressure exerted by the rolls squeezes the hot edges together to form the weld. Pipes and tubes produced using this process have outside diameters ranging from 4-1/2 inches to 24 inches.

According to U.S. Steel, one type of weld may be cheaper to produce than another type of weld depending on the dimensions of the pipe. The pipes and tubes under investigation are of relatively small diameter (16 inches or less) and generally are produced by continuous welding or electric-resistance welding. The machinery used to produce these pipes and tubes can also be used to produce pressure pipes and tubes, oil country tubing, and mechanical tubing, and some large-diameter welded carbon steel pipes and tubes. The pressure, mechanical, and oil country pipes and tubes, however, are generally produced to more stringent standards, require more testing, and frequently are subjected to additional operations (e.g., cold-drawing, annealing, tempering, upsetting, pickling, and threading) before being sold.

U.S. Tariff Treatment

Imports of the welded carbon steel pipes and tubes under investigation are classifiable under item 610.32 of the TSUS, which includes welded pipes and tubes (and blanks therefor) of iron (except cast iron) or of nonalloy (carbon) steel and of circular cross section, with walls not thinner than 0.065 inch and having an outside diameter of not less than 0.375 inch nor more than 16 inches. 1/ During the Tokyo round of multilateral trade negotiations (MTN), the most-favored-nation (MFN) (col. 1) 2/ rate of duty for this item was changed from 0.3 cents per pound to 1.9 percent ad valorem, effective

---

1/ The pipes and tubes under investigation enter under statistical annotations 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247 of the Tariff Schedules of the United States Annotated (TSUSA).

2/ 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.

January 1, 1982. This MFN rate of duty is the final staged rate negotiated in the Tokyo round. The column 2 rate 1/ of duty is 5.5 percent ad valorem. The pipes and tubes classifiable under item 610.32 are not eligible articles for purposes of duty-free treatment under the Generalized System of Preferences (GSP), 2/ and imports from least developed developing countries (LDDC's) are not granted preferential rates. 3/

Nature and Extent of Bounties or Grants

On December 20, 1982, the Department of Commerce issued its final countervailing duty determination concerning steel products from the Republic of Korea.

The small-diameter pipes and tubes covered by the Commerce investigation are welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross sections and 0.375 of an inch in outside diameter but not more than 16 inches, as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the Tariff Schedules of the United States Annotated (TSUSA). Pipes and tubes suitable for use in boilers, superheaters, heat-exchangers, condensers, and feedwater heaters, or conforming to API specifications for oil well tubing, with or without couplings, cold-drawn pipes and tubes, and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are not included.

Commerce determined that subsidies were provided by the Government of Korea during calendar year 1981. The programs determined to confer subsidies and the benefits conferred under these programs are described, as follows.

Preferential Export Financing - This program provides short-term financing of up to 90 days to exporters at rates which are less than the generally available commercial rates. All firms investigated took advantage of this program. In addition, several firms reported long-term preferential export loans under a special fund for export industries set up by government

---

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

2/ 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.

3/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are the products of LDDC's enumerated in general headnote 3(d) of the TSUS. If no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in col. 1 applies.

direction. Both these programs were traced to government mandate and therefore determined to be countervailable. The net benefits attributable to preferential export loans to the Korean steel producers for small-diameter welded carbon steel pipes and tubes, based on the f.o.b. value of the exported merchandise, were 1.16 percent ad valorem.

Subsequent to the period for which subsidization was measured, June 28, 1982, the Government of Korea reduced the maximum allowable interest rate to be charged by commercial banks on all commercial loans, including export loans, to 10 percent. This action eliminated the interest rate preferences that previously existed for exporters. Therefore, the ad valorem subsidy amounts shown in the "suspension of liquidation" section of its notice do not reflect the above listed percentages since loan preferences have not been in effect since June 28, 1982. Consequently, entries which would be subject to suspension of liquidation would not benefit from this program.

Preferential tax incentives for exporters - There are several sections of the Korean Tax Law which confer benefits to exporters. These include programs providing accelerated depreciation for exporters. There is also a tax law which provides for the deduction from taxable income of a number of different reserves relating to export activities. On an overall basis, Commerce found the net benefit to the Korean steel producers under these programs based on the f.o.b. value of the exported pipes and tubes to be 0.09 percent ad valorem.

Special tax exemptions for Government-owned firms - POSCO was the only one of the firms investigated owned either directly or indirectly by the Government of Korea. The tax exemptions resulted in a total subsidy to POSCO of 0.46 percent of the f.o.b. value of the exported merchandise. POSCO's tax exemptions expired on December 31, 1981; however, the firm received benefits from the corporation and residence tax exemption programs which cannot be known until 1982. Therefore, Commerce included 0.33 percent of the above amount in the "Suspension of Liquidation" section of its notice.

Special tax incentives for steel producers - Under this program the Government of Korea provides special investment credits on a case-by-case basis, if the Government decides that a particular investment is needed. Only one firm, Masan Tube, reported benefits under this provision. The tax benefit is not quantifiable until 1982 which is outside the period for which Commerce measured subsidization. Therefore, Commerce did not quantify this benefit, nor include an amount for this program, in the "Suspension of Liquidation" section of its notice.

Preferential utility rates and port charges for steel producers - This program provides Korean steel producers with reduced rates for "utilities and related services." It was also alleged that Korean steel producers qualify for a deferred payment plan with the Korea Electric Co. During 1981, only POSCO received a benefit under this program. Commerce found POSCO's net benefit under this program to be 0.05 percent of the f.o.b. value of the exported merchandise.

Tariff incentives - Article 29 of the Korean Foreign Trade Enforcement Ordinance authorizes rebates of tariffs to cover wastage of imported raw materials to be incorporated into manufactured items for export. On an A-7 overall basis, Commerce found net benefits to the Korean steel producers under this program, based on the f.o.b. value of the small-diameter welded carbon steel pipes and tubes, at an ad valorem rate of 0.05 percent.

Masan Free Export Zone or Foreign Capital Inducement Law benefits - Under this program benefits, essentially tax incentives of a temporary nature, are granted to firms located in the Masan Free Export Zone. Of the firms investigated, only Masan Tube was eligible to receive benefits. The ad valorem subsidy received by Masan was 1.72 percent of the total f.o.b. value of Masan Tube's exports in 1981. Masan Tube indicated that its eligibility for benefits under this program expired on August 23, 1982.

In summary, for purposes of suspension of liquidation, the net subsidy for small-diameter welded carbon steel pipes and tubes is as follows:

	Ad valorem rate
Masan Tube---------------------------------	1.86
POSCO (Dong Jin)---------------------------	1.88
Other manufacturers investigated---------	0.00
All other manufacturers/producers/ exporters------------------------------	1.88

The U.S. Market

U.S. demand for all steel pipes and tubes (both welded and seamless) increased steadily during 1979-81, with U.S. consumption exceeding 16 million short tons in 1981, representing an increase of 58 percent compared with consumption in 1979. U.S. consumption decreased during January-September 1982 to less than 9 million short tons, a decline of 29 percent compared with that of consumption in the corresponding period of 1981. Both the 1979-81 increase and the 1982 decrease can be attributed in large part to fluctuating U.S. demand for oil country tubular goods. Toward the end of 1981 and during January-September 1982, the price of oil and gas did not increase as anticipated and, consequently, the number of new oil-drilling projects decreased, as did the demand for oil country tubular goods. U.S. consumption of welded steel pipes and tubes increased by 2.1 million short tons (33 percent) during 1979-81 and decreased by 2.0 million short tons (31 percent) during January-September 1982, as shown in the following tabulation (in millions of short tons):

Period	Seamless	Welded	Total
1979------------------	4.1	6.3	10.4
1980------------------	5.5	6.9	12.4
1981------------------	8.0	8.4	16.4
January-September--			
1981----------------	5.8	6.5	12.3
1982----------------	4.2	4.5	8.7

U.S. consumption of the small-diameter welded carbon steel pipes and tubes under investigation accounted for approximately 50 percent of total U.S. consumption of all welded pipes and tubes in 1981.

U.S. consumption of the small-diameter welded carbon steel pipes and tubes under investigation increased from 3.6 million short tons in 1979 to 3.9 million short tons in 1980 and to 4.0 million short tons in 1981, or by 11 percent in 2 years (table 1). U.S. consumption decreased by 26 percent in January-September 1982 compared with the level attained in the corresponding period of 1981.

Table 1.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. producers' domestic shipments, imports for consumption, and apparent U.S. consumption, 1979-81, January-September 1981, and January-September 1982

(In thousands of short tons)

Period	U.S. producers' domestic shipments 2/	Imports	Consumption
1979	2,492	1,129	3,621
1980	2,632	1,235	3,867
1981	2,659	1,378	4,037
January-September--			
1981	1,966	1,049	3,015
1982	1,258	969	2,227

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.
2/ Understated (by as much as 15 percent) to the extent that all firms did not respond to the Commission's questionnaires.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; January-September 1982 imports, compiled from official statistics of the U.S. Department of Commerce.

According to U.S. Steel, 70 percent of the welded carbon steel pipes and tubes under investigation that it produces are sold to steel service centers, which warehouse the product throughout the United States. The remaining 30 percent of its sales are made directly to end users.

U.S. Producers

The Commission has identified 32 firms in the United States which produce the small-diameter pipes and tubes which are the subject of this investigation. Data on these pipes and tubes were provided by 25 of these firms, accounting for more than 85 percent of total U.S. shipments of welded carbon steel standard, line, and structural pipes and tubes in 1981 based on AISI data. 1/

1/ AISI shipments data are not available on a small-diameter basis.

There are two types of welded steel pipe and tube producers--large, integrated producers and small, nonintegrated producers. The integrated producers make their own steel, roll their own sheet, plate, skelp, and strip, and generally produce the high-volume, low-cost pipes and tubes. The non-integrated producers buy the sheet, skelp, plate, and strip on the open market and generally specialize in the production of the low-volume, more specialized pipes and tubes.

The 10 largest U.S. producers of the small-diameter pipes and tubes under investigation based on 1981 shipment data, as compiled from questionnaires of the U.S. International Trade Commission in investigation No. 701-TA-168 (Final), are shown in the following tabulation:

Firm	Percentage distribution of shipments
Integrated:	
Bethlehem	***
Jones & Laughlin	***
Kaiser	***
Laclede	***
Republic	***
U.S. Steel Corp	***
Subtotal	***
Nonintegrated:	
Allied	***
Bull Moose	***
Sawhill Tubular	***
Wheatland	***
Subtotal	***
Other firms	***
Total	100

Most of the integrated producers reported using both the continuous-weld and the electric-resistance-weld process. Of the nonintegrated producers, 12 reported using the ERW process exclusively, 2 reported using only the CW process, and the rest reported using both.

The Korean Industry

There are several producers of small-diameter welded carbon steel pipes and tubes in Korea; however, not all of these firms export to the United States. These firms are Hyundai Pipe Co., Ltd.; Ilssin Steel Co., Ltd.; Korea Steel Pipe Co., Ltd.; Pusan Steel Pipe Co., Ltd.; Masan Steel Tube Co., Ltd. (Masan Tube); Dong Kuk Heavy Industries, Ltd. (DHI); Fuji Works Korea, Ltd. (FUJI); Union Steel Mfg. Co., Ltd.; and Shin A Calorizing Co., Ltd. According to the U.S. Embassy in Seoul, Ilssin, the largest producer of small-diameter pipes and tubes in Korea in 1981, filed for bankruptcy, in May 1982 as a result of its involvement in a "financial scandal." This firms production facilities were purchased by POSCO and the firm is now operating as Dong Jin.

Data on Korean production capacity, production, and exports of small-diameter welded pipes and tubes are not available on a product-line basis. The following production and capacity data are for all Korean-welded tubular steel products, including mechanical pipes and tubes and oil country tubular goods. Most of the welded pipes and tubes produced in Korea are less than 16 inches in outside diameter.

Korean capacity to produce welded pipes and tubes increased from * * * in 1979 to * * * in 1981, or by *** percent (table 2). Korean production increased from * * * in 1979 to * * * in 1981, or by *** percent.

Table 2.--Welded carbon steel pipes and tubes: Korean production capacity, production, capacity utilization, and exports 1/, 1979-81, January-September 1981 and January-September 1982

Item	1979	1980	1981	Jan.-Sept.--	
				1981	1982
Production capacity-1,000 tons--:	***	***	***	***	***
Production-----------------do----:	***	***	***	***	***
Capacity utilization---percent--:	***	***	***	***	***
Exports to:					
United States-----1,000 tons--:	***	***	***	***	***
Exports to the United States as a share of production percent--:	***	***	***	***	***

1/ Includes standard, line, and mechanical welded steel pipes and tubes. Excludes oil country tubular goods.

Source: Compiled from data submitted by the U.S. Embassy in Seoul.

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

Utilization of productive capacity increased from *** percent in 1979 to *** percent in 1981. The United States is the largest market for welded pipes and tubes produced in Korea; exports to the United States accounted for *** percent of Korean production in 1979, *** percent in 1980, and *** percent in 1981.

The Government of Korea has imposed an export restraint program for steel pipes and tubes less than 8 inches in outside diameter. The 1982 export ceiling set by the Ministry of Commerce and Trade is *** percent of total exports of such pipes and tubes to the United States in 1981.

U.S. Importers

There are hundreds of firms which import welded steel pipes and tubes into the United States. These firms are generally independent trading companies, U.S. subsidiaries of foreign producers or steel service centers/distributors. The independent trading companies and U.S. subsidiaries of foreign producers frequently act as distributors, warehousing the product and filling orders from inventory. In addition there are some end users that import the product for their own use.

The Question of Material Injury

The Commission has been able to identify 32 producers of the small-diameter welded carbon steel pipes which are the subject of this investigation. Of these producers, 25 were able to provide usable information. These firms accounted for more than 85 percent of total U.S. shipments of all standard, line, and structural pipes and tubes in 1981. Not all of the respondents were able to complete all sections of the questionnaire. The small-diameter pipes and tubes for which information was requested are frequently produced in mills which also produce other types of welded carbon steel pipes and tubes. As a result, some questionnaire respondents provided the Commission with estimates for some of the data requested.

Production, capacity, and capacity utilization

U.S. producers reported production of the small-diameter pipes and tubes subject to this investigation, as shown in the following tabulation:

	Quantity (1,000 short tons)
1979	2,496
1980	2,674
1981	2,747
January-September--	
1981	2,018
1982	1,215

These data show production increasing steadily from 1979 to 1981 by 251,000 short tons, or 10 percent, but declining sharply by 803,000 short tons, or almost 40 percent, in January-September 1982 compared with that in the corresponding period of 1981.

Twenty-one firms, accounting for approximately 80 percent of the industry based on questionnaire responses were able to provide information on their firms' capacity to produce the specified pipes and tubes. The machinery used to produce these pipes and tubes is also used to produce other products, and producers indicated that production can shift from one product line to another. Therefore, capacity data, as reported by questionnaire respondents, in some instances are estimates based upon optimum product mix. However, although the capacity data may not represent the absolute capacity of the industry, it is * * * significant as an estimate of that capacity and, more importantly, of the trends in both capacity and capacity utilization for the industry. These data are presented in table 3.

Table 3.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. production, capacity, and capacity utilization, 2/ 1979-81, January-September 1981, and January-September 1982

Period	Production	Capacity	Capacity utilization
	1,000 tons		Percent
1979	1,949	3,329	59
1980	2,051	3,178	65
1981	2,172	3,179	68
Jan.-Sept.--			
1981	1,556	2,233	70
1982	938	2,238	42

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.
2/ Includes data for only those firms which provided information on capacity.

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

U.S. capacity to produce small-diameter pipes and tubes, as shown in table 3, declined from 1979 to 1981 then increased slightly in January-September 1982 compared with January-September 1981.

Capacity utilization followed a different trend, increasing from 59 percent in 1979 to 68 percent in 1981. The capacity utilization rate dropped precipitously to 42 percent in January-September 1982, compared with 70 percent in the corresponding period of 1981.

U.S. producers' shipments

Information on shipments of the small-diameter welded carbon steel pipes under investigation was provided by 25 producers, that accounted for more than 85 percent of total U.S. shipments of all welded carbon steel standard, line, and structural pipes based on AISI published data on these pipes and tubes. Total U.S. producers' shipments of the small-diameter pipes and tubes under investigation, as reported on the questionnaires, are presented in table 4.

Table 4.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. producers' shipments, by specified types, 1979-81, January-September 1981, and January-September 1982

(In thousands of tons)

Period	Commercial shipments	Intracompany transfers	Export shipments	Total shipments
1979	2,492	21	21	2,534
1980	2,632	25	23	2,680
1981	2,659	22	17	2,698
January-September--				
1981	1,966	18	12	1,996
1982	1,258	11	13	1,282

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.

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

U.S. producers' domestic commercial shipments of small-diameter welded carbon steel pipes and tubes, which were 2.5 million short tons in 1979, increased by 6 percent in 1980 and another 1 percent in 1981. These shipments declined dramatically, however, by 708,000 short tons, or 36 percent, in January-September 1982 compared with that in January-September 1981.

The quantity, value, and unit value of U.S. producers' domestic commercial shipments are presented in table 5.

Table 5.--Small-diameter welded carbon steel pipes and tubes: 1/ Quantity, value, and unit value of U.S. producers' domestic commercial shipments, 1979-81, January-September 1981, and January-September 1982

Period	Quantity	Value	Unit value
	1,000 short tons	1,000 short tons	Per ton
1979	2,492	1,278	$513
1980	2,632	1,434	545
1981	2,659	1,630	613
January-September--			
1981	1,966	1,210	615
1982	1,258	790	628

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.

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

The average unit value of domestic commercial shipments increased steadily from 1979 to 1981, by $100 per ton. The average unit value continued to increase by $13 per ton in January-September 1982 compared with January-September 1981.

Exports and intracompany transfers together accounted for less than 2 percent of total U.S. producers' shipments throughout the period covered.

Inventories

U.S. producers' end-of-period inventories of the subject pipes and tubes increased from 323,000 short tons in 1979 to 372,000 short tons in 1981 (table 6.) The ratio of inventories to shipments was 14 percent at the end of 1979. This ratio declined to 13 percent at the end of 1980 and then increased to 15 percent by the end of 1981.

End-of-period inventories were down in September 1982 by 59,000 short tons compared with that of September 1981; however, the ratio of inventories to shipments increased to 19 percent on September 30, 1982, compared with 14 percent on September 30, 1981.

Table 6.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. producers' inventories 2/ and shipments, 1979-81, January-September 1981, and January-September 1982

Period	End-of-period	Shipments 2/	Ratio of inventories to shipments
	1,000 short tons		Percent
1979	323	2,373	14
1980	323	2,490	13
1981	372	2,553	15
January-September--			
1981	367	1,882	3/ 14
1982	308	1,214	3/ 19

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.
2/ Includes data for only those firms which provided information on inventories.
3/ Based on annualized shipments.

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

Employment, productivity, and wages

The employment data, as reported by the questionnaire respondents, reflect estimates of the actual number of production and related workers engaged in the production of the specified pipes and tubes. Because these workers, in some instances, are involved in the production of products other than the specified pipes and tubes under investigation, some of the responding firms estimated the number of workers by using methods of allocation--generally based on hours worked or on estimated labor costs--which do not necessarily reflect the total number of workers actually engaged in producing the specified pipes and tubes over the course of a given year. These allocation methods, however, because they are applied consistently, do give an accurate reflection of trends in employment in the industry. The data on employment received by the Commission are presented in table 7.

Table 7.--Average number of production and related workers engaged in the production of small-diameter welded carbon steel pipes and tubes, 1/ hours worked by such workers, and output per hour, 1979-81, January-September 1981, and January-September 1982

Period	Number of workers	Hours worked	Output per hour 2/
		1,000 hours	Short tons
1979	9,817	19,898	115.8
1980	10,407	20,276	129.6
1981	10,350	20,648	128.9
January-September--			
1981	10,817	16,062	120.7
1982	7,258	10,392	110.6

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.
2/ For those firms providing both production and employment figures.

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

The number of production and related workers engaged in the production of small-diameter pipes and tubes increased from 9,817 workers in 1979 to 10,407 workers in 1980, or by 6 percent. The number of workers declined slightly in 1981 by 57 workers, or 0.5 percent. In January-September 1982, however, the number of such workers declined sharply by 3,559 workers compared with the number in January-September 1981. This represented a decline of 33 percent.

The number of hours worked increased steadily from 19.9 million in 1979 to 20.6 million in 1981, representing an increase of 750,000 hours, or 4 percent, over the 2 year period. In January-September 1982, the number of hours worked dropped to 10.4 million compared with 16.1 million in the corresponding period of 1981. This was a decline of 6.0 million hours, or 37 percent.

Output per hour increased from 1979 to 1980 by 13.8 short tons, or 12 percent, and then declined slightly, by less than 1 percent, in 1981. In January-September 1982, however, output per hour dropped by 10.1 short tons, or 8 percent, compared with output per hour for the corresponding period of 1981.

Total compensation and wages paid to production and related workers producing small-diameter welded carbon steel pipes and tubes are presented in table 8.

Table 8.--Total compensation paid to production and related workers engaged in the production of small-diameter welded carbon steel pipes and tubes, wages paid to such workers excluding fringe benefits, and average hourly wages, 1979-81, January-September 1981, and January-September 1982

Period	Total compensation	Wages paid excluding fringe benefits	Average hourly wage 1/
	1,000 dollars		
1979	283,678	215,749	$10.84
1980	331,029	247,029	12.18
1981	368,088	274,122	13.27
January-September--			
1981	281,743	209,846	13.06
1982	196,490	137,592	13.24

1/ Based on wages paid excluding fringe benefits.

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

Total compensation paid to production and related workers producing the specified pipes and tubes increased steadily from $283.7 million in 1979 to $368.1 million in 1981, representing an increase of $84.4 million. Total compensation declined in January-September 1982, by $85.3 million compared with that in January-September 1981. Fringe benefits were approximately 25 percent of total compensation from 1979 to 1981, but made up 30 percent of total compensation in January-September 1982.

Wages paid excluding fringe benefits increased steadily from $215.7 million in 1979 to $274.1 million in 1981, but declined to $137.6 million in January-September 1982, representing a decline of $72.5 million, or 35 percent, from that in January-September 1981.

The average hourly wage based on wages paid, excluding fringe benefits, increased from just under $11.00 an hour in 1979 to over $13.00 an hour in 1981. The hourly wage continued to go up in January-September 1982 compared with January-September 1981.

Financial experience of U.S. producers

Usable profit-and-loss data, on an establishment basis and on their operations on the pipes and tubes under investigation, were received from 13 U.S. firms, which accounted for 69 percent of total U.S. shipments of such pipes and tubes in 1981, based on questionnaire responses. Several producers manufacture other products in their establishments in which the pipes and tubes under investigation are produced. Most of the machinery and equipment in these establishments are used in the production of more than one product. In addition, producers do not generally keep separate profit-and-loss data on each product line. Depending on the cost accounting system employed, costs are either directly charged to a product line or allocated.

The basis for allocating each of the cost and expenses to each product varied from producer to producer. Any method of allocation is inherently arbitrary. Hence, the profit-and-loss data developed here are limited in their use as a measure of profitability. However, if each producer was consistent from year to year in its use of its respective allocation base (and there is no evidence to the contrary), the data presented in this section should reflect a reasonable profit trend.

Profit-and-loss data on their operations on small-diameter welded carbon steel pipes and tubes are presented in table 9. Total net sales of such pipes and tubes reported by 13 firms increased from $928 million in 1979 to $1.2

Table 9.--Profit-and-loss experience of 13 U.S. producers on their operations on small-diameter welded carbon steel pipes and tubes, 1/ 1979-81, and interim periods ended Sept. 30, 1981, and Sept. 30, 1982

Item	1979	1980	1981	Interim period ended Sept. 30-- 1981	Interim period ended Sept. 30-- 1982
Net sales----------million dollars--:	928	1,041	1,185	913	621
Cost of goods sold------------do----:	856	971	1,055	812	586
Gross profit------------------do----:	72	70	130	101	35
General, selling, and administrative expenses------------do----:	54	58	72	56	58
Operating profit (loss)--------do----:	18	12	58	45	(23)
Ratio of gross profit to net sales----------------percent--:	7.8	6.7	11.0	11.1	5.6
Ratio of operating profit (loss) to net sales----------------do----:	1.9	1.2	4.9	4.9	(3.7)
Number of firms reporting operating losses-------------------:	5	4	4	3	4

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.

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

billion in 1981, or by 28 percent. In the interim period ended September 30, 1982, net sales dropped by 32 percent to $621 million, compared with net sales of $913 million in the corresponding period of 1981. The operating profit decreased from $18 million in 1979 to $12 million in 1980 and then increased to $58 million in 1981. The ratio of operating profit to net sales increased from 1.9 percent in 1979 to 4.9 percent in 1981, after declining to 1.2 percent in 1980.

In the period ended September 30, 1982, the industry reported a operating loss margin of 3.7 percent compared with an operating profit margin of 4.9 percent in the corresponding period of 1981. The gross profit margins followed a similar trend as did operating profit margins. Four firms reported operating losses in 1980 and 1981 compared with five firms in 1979. In the interim period ended September 30, 1982, the number of firms reporting operating losses increased to four from three in the corresponding period of 1981.

The profit-and-loss data for U.S. producers' establishments in which all welded carbon steel pipes and tubes are produced are presented in table 10. Small-diameter welded carbon steel pipes and tubes sales accounted for about

Table 10.--Profit-and-loss experience of 13 U.S. producers on the overall operations of the establishment within which all welded carbon steel pipes and tubes are produced, 1979-81, and interim periods ended Sept. 30, 1981, and Sept. 30, 1982

Item	1979	1980	1981	Interim period ended Sept. 30--	
				1981	1982
Net sales----------million dollars--	1,292	1,494	1,975	1,530	1,041
Cost of goods sold------------do----	1,217	1,396	1,711	1,370	1,007
Gross profit------------------do----	75	98	264	160	34
General, selling, and adminis-trative expenses------------do----	69	78	103	80	81
Operating profit (loss)-------do----	6	20	161	80	(47)
Ratio of gross profit to net sales----------------percent--	5.8	6.6	13.4	10.5	3.3
Ratio of operating profit (loss) to net sales----------------do----	0.5	1.3	8.2	5.2	(4.5)
Number of firms reporting operating losses---------------------	6	4	2	1	3
Ratio of welded carbon steel pipes and tubes subject to the investigation to establishment sales--------------------percent--	72	70	60	60	60

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

70 percent of total operation sales in 1979 and 1980 and 60 percent in 1981 and the part-year interim period of 1982. During 1979-81, the operating profit margin on overall establishment operations increased much faster than those on small-diameter welded carbon steel pipes and tubes, from 0.5 percent in 1979 to 8.2 percent in 1981. The trends for establishment net sales and operating profit ratios were similar to those for small-diameter welded carbon steel pipes and tubes during the interim periods of 1981 and 1982.

Research and development and capital expenditures

Eleven U.S. producers of small-diameter welded carbon steel pipes and tubes reported data on research and development and capital expenditures. These firms, which accounted for 50 percent of shipments in 1981 based on questionnaire responses, reported $3.8 million in research and development expenses and $30.0 million in capital expenditures during January 1979-September 1982 (table 11).

Table 11.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. producers' research and development and capital expenditures, 1979-81, January-September 1981, and January-September 1982

(In thousands of dollars)

Period	Research and development expenditures	Capital expenditures
1979	986	6,374
1980	1,000	8,532
1981	1,027	9,625
January-September--		
1981	792	7,695
1982	782	5,493

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, (by firms accounting for 50 percent of U.S. producers' shipments of small-diameter pipes and tubes in 1981.)

The Question of the Threat of Injury

There are several factors which may contribute to a determination of threat of injury to the domestic industry. These include the ability of the foreign producers to increase their exports to the United States, any increase in U.S. importers' inventories of the product, and increasing trends in the quantity of imports and U.S. market penetration.

Available data concerning the Korean industry, its production, production capacity, and exports of welded carbon steel pipes and tubes, are presented in the section of this report concerning the foreign producers.

U.S. importers generally maintain very low levels of inventories, and many importers reported no inventories. A discussion of the rate of increase of imports and of market penetration is presented in the following section of this report.

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

Imports

Imports of the pipes and tubes under investigation, as well as imports of welded carbon steel mechanical pipes and tubes and welded carbon steel oil country tubular goods, entered under the same TSUSA items in 1979-81. In order to obtain import figures for only the pipes and tubes subject to the investigation, the Commission sent questionnaires to a statistical sample of all importers listed in the net import file under the appropriate TSUSA items. Accordingly, the imports in this section of the report for the subject pipes and tubes for 1979-81 are derived from data submitted in response to those questionnaires.

Beginning on January 1, 1982, the welded carbon steel mechanical pipes and tubes, and welded carbon steel oil country tubular goods which conform to API specifications were entered under separate TSUSA items. Thus imports of the pipes and tubes under investigation are currently entered under items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247 of the TSUSA. These numbers include only the pipes and tubes subject to the investigation. Importers have reported, however, that when TSUSA classifications are changed, it takes up to 6 months for customs brokers and agents to become familiar with the new classifications. In the transition, some inadvertent misclassification of imports may occur. It is believed, however, that any misclassifications that occur are minimal, and that the official import statistics are the most accurate data available on U.S. imports of the articles under investigation for the January-September 1982 period.

U.S. imports of small-diameter pipes and tubes from all countries increased from 1.1 million tons in 1979 to 1.4 million tons in 1981, or by 22 percent (table 12). Imports of the subject pipes and tubes declined in January-September 1982 to 969,000 short tons compared with 1.0 million short tons in January-September 1981. This is a decline of 80,000 short tons, or 8 percent. The principal sources of these imports in January-September 1982 were Korea, Japan, Taiwan, and Canada, as shown in the following tabulation:

Source	Percentage distribution of imports
Korea	36
Japan	27
Taiwan	8
Canada	6
West Germany	4
Brazil	3
Italy	3
All other	13
Total	100

Imports of small-diameter pipes and tubes from Korea increased from 350,000 short tons in 1979 to 494,000 short tons in 1980 and to 554,000 short tons in 1981, representing an increase of 204,000 short tons or 58 percent (table 12). Imports of the subject pipes and tubes then declined from 413,000 short tons in January-September 1981 to 353,000 short tons in January-September 1982. This is a decline of 60,000 short tons, or 15 percent.

Table 12.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. imports for consumption, by sources, 1979-81, January-September 1981, and January-September 1982.

(In thousands of short tons)

Source	1979	1980	1981	January-September--	
				1981	1982
Korea	350	494	554	413	353
All other countries	779	741	824	637	616
Total	1,129	1,235	1,378	1,049	969

1/ The small-diameter welded carbon steel pipes and tubes for which data are reported are defined in the description and uses section of this report.

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

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

As a share of U.S. consumption, imports from all sources have increased. In 1979, imports accounted for 31 percent of U.S. consumption of the subject small-diameter welded carbon steel pipes and tubes (table 13). By 1981, imports accounted for 34 percent of U.S. consumption. In January-September 1982, imports had increased to 44 percent of consumption compared with 36 percent in the corresponding period of 1981. Imports from Korea have also increased their share of the U.S. market, rising from 10 percent of consumption in 1979 to 14 percent of consumption in 1981. Such imports from Korea as a share of consumption rose to 16 percent in January-September 1982 compared with 14 percent in January-September 1981.

Table 13.--Small-diameter welded carbon steel pipes and tubes: 1/ U.S. imports for consumption and consumption, 1979-81, January-September 1981, and January-September 1982.

Period	Imports		Consumption 2/	Ratio of imports to consumption	
	From Korea	Total		From Korea	From all countries
	1,000 short tons			Percent	
1979	350	1,129	3,621	10	31
1980	494	1,235	3,867	13	32
1981	554	1,378	4,037	14	34
January-September--					
1981	413	1,049	3,015	14	35
1982	353	969	2,227	16	44

1/ The small-diameter welded carbon steel pipes and tubes for which data are presented are defined in the description and uses section of this report.
2/ Data may be understated (by less than 10 percent) to the extent that some U.S. producers did not respond to the questionnaire.

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

Prices

Small-diameter pipes and tubes are sold either to service centers/distributors or to end users. U.S. producers usually quote prices of these products on an f.o.b.-mill basis. 1/ Importers generally quote prices f.a.s. port of entry or f.o.b. warehouse. Prices consist of a base price for each product plus additional charges for extras such as differences in length, wall thickness, steel composition, and so forth. Prices can be changed by changing the base price, or changing the charges for extras, or both. According to the Bureau of Labor Statistics, domestic manufacturers increased their published list base prices for welded carbon steel pipes and tubes six times during January 1979-March 1982, with the most recent increases occurring in October-December 1981. U.S. producers maintain list prices, but discounting from list prices has become more and more common. Discounting can take several forms, including absorbing freight, forgoing the cost of extras, or reducing the base price.

In its questionnaires the Commission requested that domestic producers and importers provide their average net selling prices to steel service centers/distributors for the four products specified below:

Product 1: ASTM-A120, standard pipe, carbon welded, 21 ft. uniform length, galvanized, threaded and coupled, 2-3/8" OD x .154" WT (st. wt.);

Product 2: ASTM-A120, standard pipe, carbon welded, 21 ft. uniform length, black, plain and beveled, 3-1/2" OD x .216" WT (st. wt.);

Product 3: API 5L and ASTM-A53, Grade B, line and standard pipe, carbon welded, black, plain and beveled, double random length, 6-5/8" OD x .280" WT;

Product 4: API 5L and ASTM-A53, Grade B, line and standard pipe, carbon welded, black, plain and beveled, double random length, 12-3/4" OD x .375" WT.

Domestic producers reported their weighted average f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers reported their weighted average duty-paid prices, ex dock, port of entry, net of all discounts and allowances, excluding U.S. inland freight charges. The reported prices from both the producers and importers are average prices charged in many different transactions and do not include delivery charges. Although such data cannot be used to compare the levels of domestic producers' and importers' prices from the purchaser's viewpoint, the data are useful for comparing trends in these prices and should reflect any price reductions or increases that may have occurred.

1/ Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, in which a producer supplying a customer located closer to a competing producer or importer charges the customer's account for freight costs as if the product were shipped from the closer competitor.

Product 1.--Five U.S. producers reported data for product 1. The weighted average price charged by U.S. producers for this product declined slightly in 1980. It increased by 12 percent in 1981 but then declined by 7 percent from January-March 1981 to July-September 1982.

U.S. importers weighted average price reported for product 1, increased by 22 percent from January 1980 through September 1981. It declined in October-December 1981 and continued to decline by 16 percent through July-September 1982.

Product 2.--The weighted average price reported by U.S. producers for product 2 remained fairly steady during 1980, around $480 per short ton (table 14). The average price for this product increased steadily throughout 1981 rising from $506 per short ton to a high of $572 per short ton, representing an increase of 13 percent. The price declined however in January-March 1982 and continued to decline by 7 percent through July-September 1982.

The weighted average price reported by U.S. importers for product 2 increased from $434 per short ton in January-March 1980 to a high of $522 per short ton in October-December 1981. This was an increase of 20 percent. The price then dropped to $414 per short ton in July-September 1982, representing a decline of 21 percent.

Product 3.--U.S. producers' weighted average price for product 3 increased from a low of $516 per short ton in January-March of 1980 to a high of $708 per short ton in July-September 1981, representing an increase of 37 percent. The price then dropped down to $563 per short ton in July-September 1982, representing a decline of 20 percent.

The U.S. importers' weighted average selling price for product 3 increased steadily from January-March 1980 through Octber-December 1981, by 29 percent. The price then declined by 12 percent to $489 per short ton in July-September 1982.

Product 4.--The weighted average prices reported by U.S. producers for product 4 increased irregularly from $482 per short ton in January-March 1980 to a high of $624 per short ton in January-March 1982. The price then declined to $463 per short ton in July-September 1982, representing a decline of 26 percent.

The weighted average price reported by U.S. importers for product 4 *** from * * * in January-March 1980 to * * * in July-September 1981, or by * * * percent. The price then *** per short ton in July-September 1982, representing a * * * percent.

The data presented in table 14 should be used cautiously, as it is a presentation of weighted average prices reported by producers and importers on many transactions without taking into account delivery charges. These data do suggest, however, that imports of small-diameter pipes and tubes from Korea were underselling the comparable domestic product. This is supported by information reported by purchasers in the purchaser questionnaires and by discussions with purchasers concerning allegations of lost sales and lost revenues. A full discussion of this information follows.

Table 14.--Small-diameter welded carbon steel pipes and tubes: Ranges and weighted average net selling prices for sales of imports from Korea and sales of U.S.-produced products to service centers/distributors, by products and by quarters, January 1980-September 1982

Product 1/ and period	Import price		U.S. producers' price	
	Range	Weighted average	Range	Weighted average
Product 1:				
1980:				
January-March	$472-$582	$532	$632-$665	$654
April-June	549- 622	562	628- 667	639
July-September	556- 592	569	629- 673	644
October-December	546- 625	563	634- 676	653
1981:				
January-March	551- 660	625	666- 736	697
April-June	585- 741	630	713- 780	738
July-September	580- 730	651	709- 780	754
October-December	582- 723	632	728- 821	780
1982:				
January-March	506- 723	600	730- 790	769
April-June	403- 723	551	679- 765	737
July-September	486- 631	529	665- 738	718
Product 2:				
1980:				
January-March	382- 489	434	457- 501	481
April-June	422- 506	457	466- 505	481
July-September	419- 647	458	463- 502	480
October-December	421- 518	441	450- 503	483
1981:				
January-March	403- 500	476	492- 523	506
April-June	468- 607	510	518- 572	544
July-September	336- 548	463	526- 572	550
October-December	429- 745	522	517- 599	572
1982:				
January-March	444- 590	486	539- 564	559
April-June	405- 556	432	503- 544	536
July-September	385- 465	414	482- 530	522

See footnote at end of table.

Table 14.--Small-diameter welded carbon steel pipes and tubes: Ranges and weighted average net selling prices for sales of imports from Korea and sales of U.S.-produced products to service centers/distributors, by products and by quarters, January 1980-September 1982--Continued

Product 1/ and period	Import price: Range	Import price: Weighted average	U.S. producers' price: Range	U.S. producers' price: Weighted average
Product 3:				
1980:				
January-March	$393- 441	$431	$488- 524	$516
April-June	457- 585	477	542- 556	545
July-September	466- 555	483	568- 609	584
October-December	420- 577	486	551- 627	571
1981:				
January-March	517- 595	533	532- 614	559
April-June	498- 659	553	583- 627	605
July-September	532- 560	549	687- 756	708
October-December	469- 644	558	666- 750	694
1982:				
January-March	512- 564	549	554- 679	612
April-June	476- 597	549	374- 690	561
July-September	405- 541	489	454- 629	563
Product 4:				
1980:				
January-March	***	***	$449-$494	$482
April-June	***	***	476- 554	479
July-September	***	***	500- 517	506
October-December	***	***	506- 540	518
1981:				
January-March			538- 543	540
April-June	510- 536	532	547- 605	553
July-September	517- 562	550	615- 655	622
October-December	527- 578	534	597- 634	603
1982:				
January-March	420- 574	546	581- 656	624
April-June	482- 553	513	559- 618	568
July-September	420- 524	492	458- 613	463

1/ See product specifications earlier in the price section.

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

The Commission asked purchasers in selected metropolitan areas to furnish their quarterly delivered prices for the products detailed in the preceding section during January 1981-March 1982. The six metropolitan areas were Atlanta, Chicago, Detroit, Houston, Los Angeles, and Philadelphia.

Of the six purchasers (service centers/distributors only) which responded to the questionnaire, only three gave price information for any of the four pipe and tube products manufactured domestically, and one gave price information for any one of these products imported from Korea.

The best responses were reported for purchases of steel pipes and tubes imported from Korea by service centers/distributors in Los Angeles (table 15). During January-March 1981 through January-March 1982, product 1 imported from Korea * * * the domestic product by * * * percent, product 2 from Korea * * * the domestic product by * * * percent, and product 3 * * * the domestic product by * * * percent.

Three quarterly comparisons of purchase prices for Korean pipes and tubes were reported in the Philadelphia area. In April-June 1981, the product from Korea * * * the domestic product by *** per ton, or *** percent. Purchase prices of product 2 from Korea were * * * than domestic prices in * * * 1981 and * * *.

Two comparisons of Korean and domestic purchase prices were possible in the Atlanta area. In both cases there were * * * percent: *** percent for product 1 and *** percent for product 2 in July-September 1981.

Table 15.--Small-diameter welded carbon steel pipes and tubes: Average net delivered purchase prices to service centers/distributors in the Los Angeles area for imports from Korea and domestic products and average margins of underselling, by products and by quarters, January 1981-March 1982

* * * * * * *

Lost sales

Six domestic producers of the small-diameter welded carbon steel pipes and tubes subject to this investigation reported lost sales of this product imported from Korea involving more than 70 different purchasers. The companies reporting these alleged lost sales indicated that these reports were only a portion of all sales lost. In addition, other companies reported that they believed they had lost sales due to competition from Korean imports or were forced to reduce their prices to remain competitive but were unable to provide specific verifiable information to substantiate these allegations.

In an effort to verify the information provided by those producers which were able to provide specific information, the Commission relied on purchaser questionnaires as well as phone calls. The questionnaire was designed to elicit information on the purchasers' buying habits from January 1979 through September 1982 as they related to the U.S.-produced, Korean- and third-country produced small-diameter pipes and tubes. Purchasers were asked to cite why they purchased the product from one source or the other; i.e., considerations of price, quality, and so forth, and to cite instances where they specifically rejected U.S. producers' quotes on welded carbon steel pipes and tubes in favor of purchasing imports from the Republic of Korea. The phone calls attempted to elicit essentially the same information from purchasers that did not respond to the Commission's questionnaire.

There are several problems inherent in the nature of the distribution process which made it difficult to get quantifiable responses from all purchasers contacted. Many purchasers indicated that they do not maintain records on the basis the Commission requested information, either by product line or by source, or both. In addition because of the multitiered distribution network, some purchasers particularly those at the lower levels reported that they did not know in all instances the source or origin of the product they were buying. Other purchasers advised they do not keep information on quotations which they rejected.

The Commission sent purchaser questionnaires to 35 firms where U.S. producers alleged they had lost sales to imports from Korea. Fourteen of these firms responded; of these, 10 reported purchasing small-diameter pipes and tubes which had been produced in Korea, 2 reported buying U.S.-produced small-diameter pipes and tubes exclusively and the remaining 2 reported buying mainly domestic pipes and tubes with some imports from countries other than Korea. A discussion of the individual responses follows.

* * * is a steel service center/distributor located in * * *. This company reported that its purchases of the subject pipes and tubes from Korea had increased as a percent of its total purchases. This firm reported that the Korean pipes and tubes were priced below the domestic pipes and tubes and that there were no differences in quality between the Korean and domestic products. This firm also reported that it had rejected quotations from domestic producers of welded carbon steel pipes and tubes in favor of products imported from Korea, but could not give details of any specific instance. The following tabulation shows the company's purchases from January 1979 through September 1982 of the subject pipes and tubes by source.

	U.S. produced (short tons)	Korean (short tons)	All other countries (short tons)
1979------------------------	***	***	***
1980------------------------	***	***	***
1981------------------------	***	***	***
January-September--			
1981----------------------	***	***	***
1982----------------------	***	***	***

From 1979 through 1981 imports from Korea accounted for less than *** percent of the firm's imports of welded carbon steel pipes and tubes; however, in 1982, they accounted for *** percent of the firm's imports.

* * * is located in * * *. This firm reported purchasing Korean welded carbon steel pipes and tubes and that such purchases increased as a percent of its' total purchases of this product. * * * reported that there was no quality difference between U.S.-produced and Korean pipes and tubes and the main consideration in its decision to purchase the Korean product was the lower price. This firm reported that if the domestic product was offered at a competitive price, within 3 to 5 percent, of the price of the imported product, it would purchase the domestic product. * * * reported turning down offers to purchase the subject pipes and tubes from * * * in order to purchase the lower priced pipes and tubes from Korea. The following tabulation shows this firm's purchasing patterns over the past 3 years:

	U.S. produced (short tons)	Korean (short tons)	All other countries (short tons)
1979------------------------	***	***	***
1980------------------------	***	***	***
1981------------------------	***	***	***
January-September--			
1981----------------------	***	***	***
1982----------------------	***	***	***

* * * is a steel service center/distributor located in * * *. This firm indicated that it had not purchased Korean-produced pipes and tubes or pipes and tubes imported from other countries. This firm's purchases of the subject pipes and tubes from domestic sources had declined steadily from January 1979 through September 1982.

* * * is an end-user of welded carbon steel pipes and tubes located in * * *. This company reported that it had purchased pipes and tubes from Korea, at a price below that of the domestically produced pipe. * * * indicated that the quality of the pipe imported from Korea was better in terms of its bundling and product identification, but indicated that they would not have purchased the imported product if the domestic product was offered at a comparable price. * * *

* * * reported three instances where it had rejected offers to purchase the pipes and tubes from * * * and purchased the Korean product. Two of these were in 1980 and one was in 1982. The total tonnage involved was *** short tons. In 1980 the domestic price was *** percent and *** percent above the Korean price and in 1982 the domestic price was *** percent above the Korean price.

* * *, located in * * * reported that it has reduced its purchases of U.S.-produced small-diameter welded carbon steel pipes and tubes to purchase Korean-produced pipes and tubes because they were offered at a lower price. * * * reported no quality differences between the Korean-produced and the domestic product and indicated that it would buy the domestic product if it was offered at a comparable price. * * * provided information on one instance in 1982 where it rejected an offer to purchase pipes and tubes from * * * and purchased the Korean product. This purchase which it termed "representative of the total order" was for *** short tons. The difference in price between the * * * offer and the purchase price of the Korean product was *** percent.

* * * reported the following purchases from January 1979-September 1982.

Period	U.S. produced (short tons)	Korean (short tons)
1979	***	***
1980	***	***
1981	***	***
January-September--		
1981	***	***
1982	***	***

* * * located in * * * is an end user of the subject small diameter pipes and tubes. This firm reported that its purchases from Korea had increased as a percent of its total purchases and that the imported product was sold to them at a price lower than that offered by the domestic producers. This firm indicated that the quality of the domestic product was better and it would have purchased the domestic product if it was offered at a comparable price. * * * reported five instances between March 1982 and July 1982 when it had rejected offers to purchase from * * * in order to purchase the Korean product. The total value of these sales was ***. In all instances * * * reported the domestic price was approximately *** percent higher. * * * also reported two instances in July and November 1982 when it had rejected offers to purchase from * * * in order to buy the Korean product. The total value of the two sales was ***, with the offer from * * * approximately *** percent higher.

* * * is a steel service center/distributor located in * * *. This firm reported that it was purchasing increasing quantities of pipes and tubes from Korea as a percent of its total purchases because the price of the Korean product was lower. This firm reported there was no difference in quality

between the imported and domestic product and reported it would have purchased the domestic product if it had been offered at a comparable price. * * * indicated that it had rejected offers from domestic suppliers to purchase the Korean-produced product but did not supply specific examples. This firm's purchasing habits from January 1980 through September 1982 are shown in the following tabulation:

Period	U.S.-produced short tons	Korean short tons
1980------------------------------	***	***
1981------------------------------	***	***
January-September:		
1981--------------------------	***	***
1982--------------------------	***	***

* * * is a steel service center/distributor. This firm reported that it had not increased its purchase of Korean-produced welded carbon steel pipes and tubes, 1/ although it did report the price of the Korean product was lower. * * * indicated no difference in quality between the two products and said they would not have purchased the Korean product if the domestic product was offered at a comparable price. This firm reported it did not reject any offers from domestic producers in order to purchase the Korean-produced pipes and tubes. This firm reported the following estimated purchases of small-diameter pipes and tubes from 1979 through September 1982:

Period	U.S.-produced (short tons)	Korean (short tons)	All other countries (short tons)
1979----------------------------	***	***	***
1980----------------------------	***	***	***
1981----------------------------	***	***	***
January-September--			
1981---------------------	***	***	***
1982---------------------	***	***	***

* * * is a steel center/distributor located in * * *. This firm reported a one-time purchase of the subject pipes and tubes from Korea, because the price was lower. * * * stated that it has not in the past and does not intend in the future to purchase or stock these particular pipes and tubes, from * * *.

* * * is an end-user of the subject small-diameter welded carbon steel pipes and tubes, located in * * *. This firm reported no change in its purchasing patterns from January 1979 through September 1982. It did report purchasing both the imported and domestic product and indicated the product from Korea was offered at a lower price. * * *, indicated that the quality of the imported product was better. This firm stated that it did not reject offers from domestic producers to purchase the imported product.

1/ This firm's purchases of Korean produced pipes and tubes as a percent of total purchases increased from *** percent in 1979 to *** percent in 1981 before declining to *** percent in January-September 1982.

This firm's purchases are shown in the following tabulation:

Period	U.S. produced (short tons)	Korean (short tons)
1979	***	***
1980	***	***
1981	***	***
January-September--		
1981	***	***
1982	***	***

* * * located in * * * reported that it had not increased its purchases of welded carbon steel pipes and tubes from January 1980 through September 1982. This firm reported that the Korean product was offered at the same price as the domestically produced pipes and tubes and there is no difference in quality. It did not provide any specific information on quantity purchased and did not reject any offers to purchase from domestic producers.

* * *, a steel service center/distributor located in * * *; * * * a steel service center/distributor with * * *, a steel service center/distributor located in * * *; and * * *, of * * * all reported they had not purchased the subject small-diameter pipes and tubes from Korea during the time period under investigation.

In addition to the purchaser questionnaire, the staff completed phone calls to 22 purchasers of the subject pipes and tubes which had been reported as lost sales. Eleven reported they purchased Korean-produced pipes and tubes. Five firms reported purchasing the imported product but were not sure if it was of Korean origin. Three firms reported purchasing only oil country tubular goods from Korea, and the other three firms reported they purchased only the domestic product or they did not handle the product at all.

Of the 11 firms which reported purchasing the subject small-diameter pipes and tubes from Korea, 10 of the firms reported the prices of the Korean products were lower by margins ranging from 6 percent to 40 percent. Most of these, however, reported that the Korean pipes and tube were underselling the domestic product by 20 to 30 percent at the present time. Five of these firms reported that some domestic producers had on occasion lowered their prices to meet the price of the Korean product. Three firms reported that some U.S. producers had lowered their prices in the past year but were still not competitive with the Korean products. Seven of the purchasers reported that they would purchase the domestically produced pipes and tubes if the price were within 5 to 10 percent of the Korean price. Of these seven, three reported they would purchase the domestic product if the price was within 10 percent and four reported they would do so if the price were within 5 percent.

Eight of the firms which reported purchasing from Korea indicated that they had either rejected offers to purchase from domestic producers or their purchases of the Korean-produced pipes and tubes had increased as a percent of total purchases. Two others reported their purchases have remained steady from all sources. One firm reported that it usually purchased domestically produced pipes and tubes and only purchased small quantities of the Korean product between orders.

Two of the firms mentioned that the price difference between the U.S.- and Korean-produced products was less in 1981 but has increased since January 1982 when the Trigger-Price program was suspended.

APPENDIX A

THE *FEDERAL REGISTER* NOTICES

OF THE U.S. DEPARTMENT OF COMMERCE

Preliminary Affirmative Countervailing Duty Determination; Small Diameter Welded Carbon Steel Pipes and Tubes From Brazil

AGENCY: International Trade Administration, Commerce.

ACTION: Preliminary affirmative countervailing duty determination.

SUMMARY: We preliminarily determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of small diameter welded carbon steel pipes and tubes (welded pipe and tube). The estimated net subsidy is 12.95 percent *ad valorem*. Therefore, we are directing the U.S. Customs Service to suspend liquidation of all entries of welded pipe and tube from Brazil which are entered, or withdrawn from warehouse, for consumption, and to require a cash deposit or bond on this product in the amount equal to the estimated net subsidy.

If this investigation proceeds normally, we will make our final determination by December 20, 1982.

EFFECTIVE DATE: October 12, 1982.

FOR FURTHER INFORMATION CONTACT: Paul J. McGarr, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone: (202) 377-2786.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based upon our investigation, we preliminarily determine 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, as amended (the Act), are being provided to manufacturers, producers, or exporters in Brazil of welded pipe and tube. For purposes of this investigation, the following programs are preliminarily found to confer subsidies:

- IPI export credit premium
- Preferential working capital financing for exports
- Income tax exemption for export earnings
- Long-term loans

We estimate the net subsidy to be 12.95 percent *ad valorem*.

Case History

On May 7, 1982, we received a petition from United States Steel Corporation, filed on behalf of the U.S. industry producing welded pipe and tube. 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 Brazil of welded pipe and tube.

A-38

We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on May 27, 1982, we initiated a countervailing duty investigation (47 FR 24168). We stated that we expected to issue a preliminary determination by August 2, 1982. We subsequently determined that the investigation is "extraordinarily complicated," as defined in section 703(c) of the Act, and postponed our preliminary determination for 65 days until October 4, 1982 (47 FR 32758).

Since Brazil 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 U.S. International Trade Commission (ITC) of our initiation. On June 30, 1982, the ITC preliminarily determined that there is a reasonable indication that these imports are materially injuring, or threaten to materially injure, a U.S. industry (47 FR 28488).

We presented a questionnaire concerning the allegations to the government of Brazil in Washington, D.C. On September 9, 1982, we received the response to that questionnaire.

Scope of the Investigation

For purposes of this investigation, the term "*small diameter welded carbon steel pipes and tubes*" covers welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross section and 0.375 of an inch or more in outside diameter but not more than 16 inches as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3241, 610.3244, and 610.3247, of the *Tariff Schedules of the United States Annotated.* Pipes or tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings, cold drawn pipes and tubes and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are *not included.*

There are five known producers and exporters in Brazil of welded pipe and tube to the United States. We have received information from two of these companies, Persico Pizzamiglio S.A. (PERSICO) and Industria Brasileria de Tubos S.A. (IBT), which represented over 90 percent of exports of this product during the period for which we are measuring subsidization—calendar year 1981.

Analysis of Programs

In its response, the government of Brazil provided data for the applicable period. Based upon our analysis to date of the petition and the response to our questionnaire, we preliminarily determine the following.

I. Programs Preliminarily Determined To Be Subsidies

We preliminarily determine that subsidies are being provided to manufacturers, producers, or exports in Brazil of welded pipe and tube under the following programs.

A. Industrialized Products Tax (IPI) Export Credit Premium

The IPI export credit premium has been found to be a subsidy in previous countervailing duty investigations involving Brazilian products. After having suspended this program in December 1979, the government of Brazil reinstated it on April 1, 1981. Currently, the program is scheduled to be phased out in several steps, ending on April 1, 1983.

Exporters of welded pipe and tube are eligible for the maximum IPI export credit premium. Up until March 30, 1982, 15 percent of the "adjusted" f.o.b. invoice price of the exported merchandise was reimbursed in cash to the exporter through the bank involved in the export transaction. Subsequently, the government of Brazil reduced the benefit to 14 percent on March 31, 1982, 12.5 percent on June 30, 1982, and 11 percent on September 30, 1982.

In calculating the amount the exporter is to received, several deductions may be made to the invoice price to obtain the "adjusted" f.o.b. value. These adjustments include: any agent commissions, rebates or refunds resulting from quality deficiencies or damage during transit, contractual penalties, and the value of imported inputs. In order to receive the maximum export credit premium, the exported product must consist of a minimum of 75 percent value added in Brazil. If this minimum limit is not met, there is a specific calculation to reduce the f.o.b. invoice price when calculating the base upon which the IPI export credit premium is paid. Since the companies involved in this investigation import large quantities of carbon steel coil, they do not receive the maximum available benefit.

To determine the amount of subsidy, we calculated the value of the IPI credits as of the date of shipment rather than the date of receipt, not taking into account the devaluation of the cruzeiro in accordance with section 771(6)(B) of the Act. We then divided the value of the IPI credits by the value of exports and calculated a subsidy value of 10.02 percent.

This rate is premised on an IPI export credit premium of 15 percent. The government of Brazil has made three reductions in the level of the IPI credit during 1982, the most recent on September 30, 1982 to 11 percent. Accordingly, the Brazilian government asserts that a downward adjustment in the rate for this program is appropriate to reflect the current availability of the benefit.

We agree and have made a proportional reduction in our calculation above. However, since some entries subject to the suspension of liquidation ordered by this preliminary determination will have received an IPI credit of 12.5 percent, we have used that figure in making the adjustment. On this basis, we calculated an *ad valorem* export subsidy of 8.35 percent.

B. Preferential Working Capital Financing For Exports: Resolution 674

Under this program, companies are declared eligible to receive working capital loans by the Department of Foreign Commerce of the Banco Central do Brasil (CACEX). These loans may have a duration of up to one year. Firms in the steel industry can obtain this financing at preferential rates for up to 20 percent of the net f.o.b. value of the previous year's exports. We preliminarily determine that such financing is an export subsidy.

The net export value is calculated by taking numerous deductions from the export value of the merchandise, including agent commissions, contractual penalties or refunds, exports denominated in cruzeiros, imported inputs over 20 percent of the export value, and a deduction for the company's trade deficit as a percentage of the value of its exports. In addition, any growth in the cruzeiro value of exports over the previous year will reduce the value of the benefit as a percentage of the current year's exports.

To determine the value of loans in existence under this program during 1981, we prorated any loans that straddled other years. For loans taken out in 1980, only that portion extending into 1981 was included in our calculation. Any 1981 loans extending into 1982 were similarly adjusted. We then divided the total value of these loans by the total value of exports for the two companies in 1981 to calculate the amount of preferential financing they received.

As in previous Brazilian countervailing duty cases, we are using the rate established by the Banco do Brasil for discounting sales of accounts receivable as the commercial rate for the acquisition of short-term working capital. Although we are comparing the terms of a loan with the terms of sale of an asset, we have used this comparison because information provided by the government of Brazil indicates that, within the Brazilian financial system, working capital is normally raised through the sale of accounts receivable. Currently, the rate for discounting sales of accounts receivable is 59.6 percent plus a 6.9 percent tax on financial transactions (IOF). The subsidy is the difference between the interest rate available under Resolution 674 and the commercial rate.

The interest rate on loans under Resolution 674 is 40 percent, with interest payable semiannually and the principal fully payable on the due date of the loan. The effective rate of interest for these loans is 44 percent. These loans are also exempt from the IOF. Therefore, the differential between these two types of financing is 22.5 percent. When multiplying this differential by the amount of preferential financing received as a percent of exports, we calculated an *ad valorem* export subsidy of 2.89 percent.

C. Income Tax Exemption For Export Earnings

Exporters of welded pipe and tube are eligible to participate in this program, under which the percentage of their profit attributable to export revenue is exempt from income tax. To arrive at this percentage, export revenue is divided by total revenue. The amount of profit exempt from the income tax is then multiplied by the 35 percent corporate income tax rate to determine the amount of the benefit.

In a program of this kind, benefits cannot be determined with finality until the books are closed sometime in the following year. Therefore, we must look at fiscal year 1980 income tax returns to determine if any benefit was received in fiscal year 1981. PERSICO and IBT received benefits under this program in 1981. By dividing the benefit received by the value of exports, we calculated an *ad valorem* export subsidy of 0.55 percent.

D. Long-Term Loans

PERSICO and IBT have received loans from the National Bank for Economic Development (BNDE) and FINAME, a program of BNDE for the purchase of capital equipment manufactured in Brazil. Generally, these loans are fully indexed to the inflation rate in Brazil and are made at fixed real interest rates. The index used for these loans is the ratio established for the Readjustable Bonds of the National Treasury (ORTN); the interest rates range from 5 to 9 percent, depending on the time and the program under which the loan was granted. FINAME loans are granted through commercial banks rather than directly from BNDE and carry higher real interest rates than BNDE loans. Both companies have also received foreign currency loans with interest rates of LIBOR plus a spread that approximates the average spread available on such LIBOR loans in Brazil.

Long-term financing in cruzeiros is available in Brazil only through government-controlled financial institutions. We do not have a benchmark in Brazil for fixed interest rate long-term loans in cruzeiros to compare with the interest rates on BNDE loans. However, since these loans are indexed, the interest rates are real interest rates. This allows us to construct a benchmark based on the real interest rates of the only private long-term loans commercially available in Brazil—the foreign currency loans at LIBOR-plus-spread. The comparison of that constructed benchmark and the interest rates on the BNDE loans suggests that, when fully indexed, they are not made at preferential rates, and we preliminarily determine that such BNDE loans are not countervailable.

FINAME loans are available to a wide variety of sectors in Brazil. The steel industry has received such loans in proportions similar to other large capital-intensive industries in Brazil. This appears to be warranted by the capital requirements of such industries. In addition, numerous other sectors also received loans from FINAME during this period. Based on the general availability of these fully-indexed loans, we preliminarily determine that they do not confer a subsidy.

Some long-term cruzeiro loans have been granted that are neither fully indexed nor generally available. Under a program no longer in operation, BNDE and FINAME granted some loans to PERSICO and IBT that are adjusted at only 20 percent of the variation in ORTN. Both companies still have outstanding balances on these loans, and we preliminarily determine that these loans are countervailable. Based on the information provided by the government of Brazil, we divided the interest payments saved in 1981 due to the favorable terms by the total sales of the two companies. The *ad valorem* subsidy from these loans is 1.16 percent.

II. Programs Preliminarily Determined Not To Be Subsidies

We preliminarily determine subsidies are not being provided to manufacturers, producers, or exporters in Brazil of welded pipe and tube under the following programs.

A. Regional Development Investment Subsidy

Brazilian tax law allows any corporation that owes corporate income taxes to elect to apply up to 51 percent of its corporate income taxes owed to the government to specified investment funds. The investment funds generally are for the economic development of certain regions, industries, or national interests (e.g., the Amazon, the Northeast, fisheries, tourism and reforestation). The steel industry is not among the targeted sectors. If a corporation elects to direct the taxes it owes to the government into one or more of the specified investment funds, it receives stock for its investment in those funds. Upon receipt of the stock, which must be held at least five years, the investment is included in the equity holdings of the corporation.

PERSICO took part in this program in 1981. We preliminarily determine that election to participate in this program does not constitute a subsidy on welded pipe and tube, however, since all corporations which pay corporate income taxes are eligible to participate in the program on equal terms.

B. Export Financing Under Communication 331

Communication 331 is a set of rules and regulations established by the Brazilian government to govern foreign exchange contracts for export transactions. Beyond establishing these rules, the government has no further involvement. Banks that act as intermediaries in export transactions operate under these rules but are free to choose whether they will discount an account receivable denominated in foreign currency, the type of transaction at issue in this program.

The government of Brazil states that it provides no resources to banks to enable them to perform these operations nor does it establish the discount rates. The rate of discount reflects commercial considerations such as the bank's relationship with its customer, its own circumstances, and market rates of interest, which generally track LIBOR rates. As such, we preliminarily determine that the discounting of foreign exchange accounts receivable under these conditions is not a subsidy.

C. Transportation Subsidies

The Brazilian government, in its response to our questionnaire, states that PERSICO and IBT receive no preferential rates when using railroads and ports. We have no evidence that any programs exist which give preferential freight rates to steel exporters.

D. Income Tax Deductions For Employee Training And Meals

PERSICO has a tax deductible training program for which it has taken deductions for training costs and meals. The maximum deduction for training costs is 10 percent of taxes owed, and for meals 5 percent of taxes owed, although the combined deduction may not exceed 10 percent of taxes owed. The government of Brazil states that under applicable tax law any manufacturer, without sectoral or regional preference, may take the above deductions for training and meal expenditures for employees. Consequently, we preliminarily determine that the benefits conferred under this program are not countervailable because they are generally available on equal terms.

E. Subsidized Feedstock

PERSICO and IBT are unrelated to their domestic suppliers of carbon steel coil, and the government of Brazil states that there is no price discrimination by domestic suppliers of coil in favor of welded pipe and tube producers. PERSICO also purchases coil from foreign sources, and the Brazilian government claims that the prices paid for coil from foreign suppliers are at or below the prices paid for comparable product from Brazilian suppliers.

Any 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, 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.

Absent special circumstances warranting a contrary conclusion, the Brazilian welded pipe and tube producers do not benefit from any subsidies to suppliers of coil as long as the price for coil manufactured in Brazil is not less than the price for imported coil available to Brazilian welded pipe and tube producers. During the period for which we are measuring subsidization, the price charged for coil manufactured in Brazil was equal to or greater than the price for imported coil. Since the coil manufacturers and the welded pipe and tube producers are not related, special circumstances do not exist. Therefore, we preliminarily determine that there is no indirect subsidy to the welded pipe and tube producers because of their purchase of domestic coil.

III. Programs Preliminarily Determined Not To Be Used

We preliminarily determined that the following programs, listed in the notice of "Initiation of Countervailing Duty Investigation," were not used by the manufacturers, producers, or exporters in Brazil of welded pipe and tube.

A. The Commission For The Granting Of Fiscal Benefits For Special Export Programs (BEFIEX)

BEFIEX grants several types of benefits to companies that are part of certain targeted industries and that sign contracts that include specific export commitments. These benefits include the following: a reduction of between 70 and 90 percent of the import duties and the IPI tax on the import of machinery, equipment, apparatus, instruments, accessories and tools necessary to meet the approved export commitment; an extension of the period for carrying tax losses forward from four to six years, provided no dividends are paid during that time; and amortization of pre-operational expenses of BEFIEX projects at the discretion of the company rather than the normal straight-line amortization over ten years. As a general rule, companies that sign BEFIEX contracts guaranteeing these and any other benefits must make an export commitment that over the life of the project it will generate export earnings of at least three times the value of imports for the project. The government of Brazil states that the steel industry in Brazil has been developed primarily to supply the domestic market. Since PERSICO and IBT export only a small portion of their production, they are not in a position to make the required export commitments. PERSICO and IBT received no benefits from this program in 1981.

B. Industrial Development Council (CDI) Program

This program allowed an exemption of 80 percent of the customs duties and 80 percent of the IPI tax on certain imported machinery for projects approved by the CDI. Decree Law 1726 repealed this program in 1979 and no new projects are eligible for these benefits. However, companies with projects approved prior to repeal may still receive these benefits pending the completion of the project. The government of Brazil states that PERSICO and IBT did not receive such benefits during 1981.

C. Preferential Financing for the Storage of Merchandise Destined for Export: Resolution 330

This program provides financing for up to 80 percent of the value of merchandise placed in a warehouse and destined for export. Interest rates for such loans are 40 percent per annum, with interest payable semi-annually. The government of Brazil states that neither PERSICO nor IBT used this program.

D. Accelerated Depreciation for Capital Goods Manufactured in Brazil

This program allows companies that purchase Brazilian-made capital equipment as part of an approved CDI expansion project to depreciate this equipment at twice the rate normally permitted under tax laws. The government of Brazil states that neither PERCISO nor IBT used the accelerated depreciation provisions to reduce its tax liabilities in 1981.

E. Export Financing Under Resolution 68

This program provides financing for the export of Brazilian goods for a minimum period of 181 days. Such financing is granted on a transaction-by-transaction basis and may cover up to 85 percent of the f.o.b. invoice price for the merchandise (plus freight and insurance). To be eligible, the exporter must show that the foreign purchase has prepaid 15 percent of the invoice price. Neither PESICO nor IBT used Resolution 68 to finance exports of welded pipe and tube to the United States in 1981.

G. IPI Rebates for Capital Investment

Decree Law 1547 (April 1977) provides funding for the expansion of the Brazilian steel industry through a rebate of the IPI, the Brazilian federal excise tax. Under this tax system, a company determines its liability for the tax at the end of each month. The net tax owed is calculated as the difference between the total IPI the company paid on purchases and the total IPI it collected on domestic sales. Normally, within five months after the end of each month, a company must pay the amount of the net tax owed directly to the Brazilian government. This net IPI tax is the basis for calculating the rebate for investment. A Brazilian steel company may deposit 95 percent of the net IPI tax in a special account with the Banco do Brasil. The amounts deposited are to be applied to steel expansion projects, and when rebated to the firms constitute tax-free capital reserves which must eventually be converted into subscribed capital.

The government of Brazil states that neither PERSICO nor IBT received benefits under this program because they are considered fabricators rather than producers of steel products and thus are not eligible to receive such rebates.

Verification

In accordance with section 776(a) of the Act, we will verify data used in making our final determination.

Suspension of Liquidation

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of welded pipe and tube from Brazil which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register and to require a cash deposit or bond for each such entry of this merchandise in the amount of 12.95 percent *ad valorem*. This suspension will remain in effect until further notice.

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Public Comment

In accordance with section 355.35 of the Commerce Department Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on November 15, 1982, at the U.S. Department of Commerce, Room 3080, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room 3099B, at the above address within ten days of this notice's publication.

Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least ten copies must be submitted to the Deputy Assistant Secretary by November 8, 1982. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 355-34, within thirty days of this notice's publication, at the above address and in at least ten copies.

Gary N. Herlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 82-27943 Filed 10-8-82; 8:45 am]

BILLING CODE 3510-25-M

Preliminary Affirmative Countervailing Duty Determinations; Certain Steel Products From the Republic of Korea

AGENCY: International Trade Administration, Commerce.

ACTION: Preliminary affirmative countervailing duty determinations.

SUMMARY: We have preliminarily determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the Republic of Korea (Korea) of certain steel products as described in the "Scope of the Investigation" section of this notice. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice. Therefore, we are directing the U.S. Customs Service to suspend

liquidation of all entries of merchandise, entered or withdrawn from warehouse, for consumption and to require a cash deposit or bond in an amount equal to the estimated net subsidy.

If these investigations proceed normally, we will make our final determinations by December 20, 1982.

EFFECTIVE DATE: October 12, 1982.

FOR FURTHER INFORMATION CONTACT: Richard Rimlinger, or Steven Lim, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., N.W., Washington, D.C. 20230, telephone: (202) 377-1276.

SUPPLEMENTARY INFORMATION:

Preliminary Determinations

Based upon our investigation, we have preliminarily determined that there is resason to believe or suspect 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 Korea of certain steel products, as described in the "Scope of Investigations" section of this notice. The following programs are preliminarily found to be subsidies: 1) Preferential export financing; 2) preferential tax incentives for exporters; 3) special tax exemptions for government-owned firms; 4) special tax exemptions for steel producers; 5) preferential utility rates and port charges for steel producers; 6) tariff incentives, and 7) Masan Free Export Zone or Foreign Capital Inducement Law benefits. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice.

Case History

On May 7, 1982, we received a petition from the United States Steel Corporation on behalf of the U.S. industry producing small diameter (16" and under) welded carbon steel pipes and tubes, hot-rolled carbon steel plate, cold-rolled carbon steel sheet, hot-rolled carbon steel sheet and galvanized carbon steel sheet. 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 Korea of this merchandise.

We found the petition to contain sufficient grounds upon which to initiate countervailing duty investigations, and initiated these investigations on May 27, 1982 (47 FR 24166). We stated that we expected to issue preliminary determinations by August 2, 1982. We subsequently determined that these investigations are "extraordinarily complicated" as defined in section 703(c) of the Act, and on July 22, 1982, we postponed our preliminary determinations for 65 days, until October 4, 1982 (47 FR 32758). On June 21, 1982, the U.S. International Trade Commission (ITC) found that there is a reasonable indication that these imports of certain steel products from Korea, with the exception of imports of cold-rolled carbon steel sheet, are materially injuring, or threatening to materially injure, a U.S. industry. The ITC found no reasonable indication that imports of cold-rolled carbon steel sheet from Korea are materially injuring, or threatening to materially injure, a U.S. industry, and the investigation was terminated with respect to this particular merchandise. The ITC published its determinations in the Federal Register on June 30, 1982 (47 FR 28481 and 28488).

We presented questionnaires concerning the allegations to the government of Korea in Washington, D.C. By August 31, 1982, we had received responses from the government of Korea, and eight Korean manufacturers of the remaining products under investigation. We believe that these eight manufacturers account for virtually all current exports of the products under investigation to the United States.

Scope of the Investigation

The merchandise covered by these investigations is:

- Small diameter welded carbon steel pipes and tubes,
- Hot-rolled carbon steel plate,
- Hot-rolled carbon steel sheet,
- Galvanized carbon steel sheet.

For a further description of these products see the Appendix to this notice.

The period for which we are measuring subsidization is calendar year 1981. In addition to receiving a questionnaire response from the government of Korea, we have also received questionnaire responses from the following:

Firms	Carbon steel products
Phoang Iron & Steel Co., Ltd. (POSCO).	Hot-rolled carbon steel plate, hot-rolled carbon steel sheet and galvanized carbon steel sheet.
Union Steel Mfg., Co., Ltd. (Union Steel).	Galvanized carbon steel sheet, and small diameter welded carbon steel pipes and tubes.
Dong Kuk Heavy Industries, Ltd. (DHI).	Small diameter welded carbon steel pipes and tubes.
Fuji Works Korea, Ltd. (FUJI)	Small diameter welded carbon steel pipes and tubes.
Hyundai Pipe Co., Ltd. (Hyundai).	Small diameter welded carbon steel pipes and tubes.
Korea Steel Pipe Co., Ltd. (Korea Pipe).	Small diameter welded carbon steel pipes and tubes.
Masan Steel Tube Co., Ltd. (Masan Tube).	Small diameter welded carbon steel pipes and tubes.
Pusan Steel Pipe Ind., Co., Ltd. (Pusan Pipe).	Small diameter welded carbon steel pipes and tubes.

Analysis of Programs

The following programs were alleged in the petition to be subsidies: (1) Preferential export financing; (2) preferential tax incentives for exporters; (3) special tax exemptions for government-owned firms; (4) special tax exemptions for steel producers; (5) preferential utility rates and port charges for steel producers; (6) tariff incentives; (7) preferential financing and government loan guarantees for steel producers; (8) wage controls for government-run firms; (9) government purchases of steel at inflated prices; (10) government capital grants; (11) a "special steel export subsidy"; (12) indirect subsidies to purchasers of machinery used to make iron and steel; (13) indirect subsidies to purchasers of hot-rolled sheet or coil, and (14) loans at favorable foreign currency exchange rates. Based on our experience in other Korean cases, we also included in our investigation special benefits offered to firms located in the Masan Free Export Zone or offered through the Foreign Capital Inducement Law. We also investigated POSCO's dual pricing system for hot-rolled sheet or coil sold to producers of small diameter welded carbon steel pipes and tubes.

In their responses, the government of Korea and the eight Korean steel producers provided data for the applicable period. Based upon our preliminary analysis of the petition and responses to our questionnaires, we have preliminarily determined the following:

Programs Preliminarily Determined To Be Subsidies

We have preliminarily determined that subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon steel sheet.

Preferential Export Financing

Under the "Regulations for Export Financing," promulgated by the Korean government on February 25, 1972, short-term financing of up to 90 days is provided to exporters at interest rates which are less than the generally available commercial rates. During 1981, the interest rate for short-term export financing was 12 percent (27 percent if late payment is made), as opposed to normal commercial rates, which ranged between 15–20 percent for most of 1981. This rate also varied depending on the credit rating of the borrower.

Export financing was available for production expenses and for the purchase of raw materials for export production. A loan ceiling for short-term export loans was established based upon the value of a company's total exports in a preceding period.

The government's response indicates that financing was provided by individual private foreign exchange banks and not by the Korean government, that no government guarantees are involved and that the banks are acting in conformance with the regulations. We preliminarily determine that, regardless of the private ownership of the banks, this program is countervailable because the preferential financing is the direct result of a government mandate.

All firms investigated took advantage of this program.

In addition, several firms reported long-term preferential export loans under a special fund for export industries set up by government direction. These loans, which were transacted in 1981, are secured with the firm's assets through a commercial bank and no government guarantees are involved. The responses indicate that a firm must export to qualify for this loan, however, the loan rate is not dependent on continued exportation by the firm. Since this program also appears to be traceable to government mandate, we preliminarily determine it to be countervailable.

In order to calculate the amount of the benefit to each steel producer resulting from these preferential short-term export financing programs, we computed the total difference between the amount of interest paid on all short-term export loans which were transacted in 1981, and the amount of interest that the firm would have had to pay on a comparable timed and sized loan under normal commercial financing. The short-term commercial rates which we used are national rates which are published in monthly bulletins issued by the Bank of Korea. The amount of the total benefit received under this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Since long-term preferential export loans were transacted in 1981 and interest payments were made monthly, we calculated the benefit to each steel producer from these loans beginning in 1981 (when repayments began).

On an overall basis we found that the net benefits, attributable to preferential short-term export loans, to the Korean steel producers, based on the f.o.b. value of the exported merchandise, were as follows:

Product	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	1.12
Hot-rolled carbon steel plate	0.52
Hot-rolled carbon steel sheet	0.52
Galvanized carbon steel sheet	0.60

With respect to our methodology used to compute the above rates, petitioner contends that since commercial bank loans are in short supply and since commercial bank rates are largely the product of government subsidization policies, the Department should use private or "curb" market loan rates instead of commercial loan rates to quantify any subsidies resulting from preferential financing. However, verified information obtained in our recently completed countervailing duty investigation involving certain steel wire nails from Korea and the questionnaire responses received in this investigation indicate that the government of Korea does not require that commercial banks make available credit to certain borrowers. Lending decisions are left to individual banks, which decide whether to grant each loan on the basis of their individual assessment of a loan applicant's creditworthiness. Also, the government of Korea does not control the amount of funds an individual bank allocates to export loans and normal commercial loans. This decision is also left to individual banks. Although banks do give preferences to Korea's production industries and export industries, these preferences do not result from government direction or subsidization, but from each bank's own evaluation of how its loan funds can best be secured and effectively used.

Furthermore, the "curb" market has serviced in the past those high risk borrowers that are normally excluded from Korea's primary and secondary sources of credit. Recently the Korean government has restricted the activities of the "curb" market and taken steps to permit borrowers to obtain loans through authorized Korean financial institutions. Since the steel producers under investigation indicate that commercial loans were their alternate source of credit to export loans, and these loans were freely administered by commercial banks, we feel that the rates on these loans were properly used to quantify the amount of subsidies received from the preferential export financing programs.

Subsequent to the period under investigation, on June 28, 1982, the government of Korea reduced the maximum allowable interest rate to be charged by commercial banks on all commercial loans, including export loans, to ten percent. In taking this action, the government eliminated interest rate preferences that previously existed for exporters. Therefore, we note that the *ad valorem* subsidy amounts shown in the "Suspension of Liquidation" section of this notice do not reflect the above listed percentages since loan preferences have not been in effect since June 28, 1982. Consequently, no entries which would be subject to suspension of liquidation would benefit from this program.

Preferential Tax Incentives for Exporters

Article 25 of the Korean Tax Exemption Regulations Law permits a firm earning more than 50 percent of its total proceeds from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation which is determined by a formula based on the firm's foreign exchange earnings and total business earnings. Of the firms investigated, Hyundai, Masan Tube, POSCO and Pusan Pipe reported using accelerated depreciation.

To properly calculate the benefits from the accelerated depreciation program for the period for which we are measuring subsidization (calendar year 1981), it is necessary to determine the tax savings received in 1981 based on accelerated depreciation which has been deducted from 1980 income taxes payable in 1981 and the amount of tax benefit received is not known until taxes are paid. However, since we have obtained accelerated depreciation figures which have been deducted from 1981 income instead of 1980 income, we have preliminarily used 1981 accelerated depreciation figures as the best available information. These figures were used to calculate each firm's tax savings in 1981. The amount of the tax savings received under this program was divided by the total value of sales in 1981 to determine the *ad valorem* subsidy. We will seek the accelerated depreciation figures which have been deducted from 1980 income for our final determinations.

In addition, Article 12 of the Corporate Tax Law provides for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses.

Under the program governing export losses, a corporation engaged in export or tourist activities may establish a reserve amounting to one percent of foreign exchange earnings, or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve funds. If there are no offsets for export losses, the reserve is credited to income and taxed, after a one-year grace period, over a three-year period. Under the program governing overseas market exploration expenses, a corporation engaged in export activities may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses incurred in exploring overseas markets are offset from the reserve fund. As in the case of the export loss reserve fund, if there are no offsets for expenses, the reserve is credited to income and taxed, after a one-year grace period, over a three year period.

With respect to the price fluctuation loss program, a corporation engaged in export activities may establish reserves equivalent to five percent of the book value of the products and works in progress to be exported at the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to the losses to the income account. If not so utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all moneys in the reserve funds are eventually reported as income and subject to corporate tax either by means of offsetting export losses or by the expiration of the one-year grace period. All export reserve programs serve as an interest free loan to the corporation of the tax savings on these funds. Accordingly, we have quantified the benefits from these reserve funds to each applicable steel producer by calculating the amount of taxes that normally would be due on these funds under Korean law and applying a rate of interest which the firm would have had to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received under this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Hyundai, Korea Pipe, and Pusan Pipe reported using export activity reserve funds. We found that the net benefit to the Korean steel producers under these programs, based on the f.o.b. value of the exported merchandise were as follows:

Product	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	0.25
Hot-rolled carbon steel plate	0.58
Hot-rolled carbon steel sheet	0.58
Galvanized carbon steel sheet	0.52

Special Tax Exemptions for Government-Owned Firms

Of the firms investigated, POSCO was the only firm owned either directly or indirectly by the government of Korea.

POSCO's questionnaire response indicates that, under Korea's tax exemption control law, the firm was exempt from corporation tax until December 31, 1981. However, because POSCO was exempt from paying corporation taxes, the firm indicates that it was obliged to pay a higher defense tax than was paid by other corporations. POSCO also indicates that it was exempt, until December 31, 1981, from the following additional taxes:

- Residence tax,
- Property tax,
- Registration tax,
- Property acquisition tax.

To properly calculate the benefits from these tax exemption programs for the period for which we are measuring subsidization (calendar year 1981), it is necessary to determine POSCO's tax savings received in 1981 based on 1980 income. This is because taxes on 1980 income become payable in 1981 and the amount of benefit received is not known until taxes are paid. However, since we have obtained tax exemption information for 1981 income instead of 1980 income, we have preliminarily used 1981 tax exemption information as the best available information.

We have quantified the benefits from these tax exemptions to POSCO by calculating the amount of each tax that normally would be due if the tax exemption was not granted. In the case of corporation tax, we adjusted for the additional defense tax which was due. The value of these tax exemptions were allocated over POSCO's total sales in 1981. The tax exemptions resulted in a total subsidy to POSCO of 1.33 percent of the FOB value of the exported merchandise. We will seek tax exemption information for 1980 income for our final determination. Although POSCO's tax exemptions expire on December 31, 1981, the firm receives benefits from taxes which become payable in 1982. Therefore, we have included the above amount in the "Suspension of Liquidation" section of this notice.

Special Tax Incentives for Steel Producers

Under Article 24–5 of the Corporation Tax Act (which was deleted as of December 31, 1981, from this statute and transferred to the Tax Exemption and Control Law under Article 72), the government provides special investment tax credits on a case-by-case basis, if the government decides that a particular investment is needed. Among the investments covered by this tax credit are those investments made by small and medium enterprises between July 1, 1980, and June 30, 1981, in machinery and equipment used directly for manufacturing and mining purposes.

Only one firm investigated, Masan Tube, reported benefits under this provision during the period for which we are measuring subsidization. Masan Tube received an eight percent tax credit on an investment in machinery and equipment.

Although this program is not especially intended for steel producers, we preliminarily find that its implementation was preferential and confers a subsidy. Since this tax benefit was received in 1982, which is outside the period for which we are measuring subsidization, we have not quantified this benefit nor included an amount for this program in the "Suspension of Liquidation" section of this notice.

Preferential Utility Rates and Port Charges for Steel Producers

Petitioner alleged that Korean steel producers are eligible for reduced rates for utilities and related services as "designated companies" under the Iron and Steel Industry Rehabilitation Order (Presidential Decree No. 10,002, August 23, 1980). It is further alleged that steel producers qualify for a deferred payment plan with the Korea Electric Company.

The government of Korea's response indicates that this program was never implemented. The response further indicates that the only steel producer receiving a similar benefit of this type is POSCO. The responses received from the steel producers under investigation confirm this.

During the period under investigation, POSCO received a 50 percent reduction on its port charges. We calculated the *ad valorem* subsidy to POSCO by dividing its total port charge exemption in 1981 by the firms' total value of sales in 1981. We found POSCO's net benefit under this program to be 0.03 percent of the f.o.b. value of the exported merchandise.

Tariff Incentives

Article 29 of the Korean Foreign Trade Enforcement Ordinance authorizes rebates of tariffs to cover wastage on imported raw materials to be incorporated into manufactured items for export. Petitioner alleged that wastage allowances are being claimed which are higher than the actual wastage levels. Petitioner further alleged that steel producers importing capital equipment are permitted to pay tariffs on an installment basis.

The government's response indicates that wastage allowance is based upon data submitted to the government by the Korean industry showing the amount of raw material necessary to produce any given finished product. The wastage allowance used by the government is the average of all producers. The wastage allowance is updated periodically by the government and the information submitted by the producers is verified by the tax office. Our review of the responses submitted by the steel producers under investigation indicates that the wastage allowance of the government accurately reflected the actual wastage rates incurred by these firms, and we preliminarily determine that no subsidy exists with respect to this program.

The government's response did indicate that deferred payment of import duties is allowed, if the private sector applies with the Ministry of Finance for approval. While the government encourages payment of customs duties on all imports as rapidly as possible, exceptions are made to ease the burden on Korean industry. The government further indicates that in practice, only major manufacturing industries in Korea are eligible to import machinery and equipment under the deferred payment plan. Export-oriented industries such as the textile industry, the footwear industry, makers of luggage and handbags, and producers of consumer items, such as cosmetics, are not eligible for the deferred payment plan.

Since use of this program is not freely available to all Korean industries, we preliminarily determine that it confers a subsidy on those steel producers which have received approval to defer duty payments. The deferred duty program serves as an interest free loan to the corporation of the amount of duty deferred. Accordingly, we have quantified the benefits from this program to each applicable steel producer by calculating the amount of interest that normally would be due if the deferred duties had been borrowed at a rate of interest which the firm would have had to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received under this program was divided by the firm's total value of sales for 1981 to determine the *ad valorem* subsidy to that firm. Of the firms investigated, Hyundai, Korea Pipe, POSCO, Pusan Pipe and Union Steel reported using deferred duty payments. On an overall basis we found that the net benefits to the Korean steel producers under this program, based on the f.o.b. value of the exported merchandise, were as follows:

Product and manufacturer/producer/exporter	Ad valorem rate
Small diameter welded carbon Steel pipes and tubes	0.05
Hot-rolled carbon steel plate	0.05
Hot-rolled carbon steel sheet	0.05
Galvanized carbon steel sheet	0.05

Masan Free Export Zone or Foreign Capital Inducement Law Benefits

The government's response indicates that the benefits granted to firms located in the Masan Free Export Zone are, essentially, tax incentives of a temporary nature. Only foreign investors and joint ventures (the portion owned by foreign partners) are eligible to receive such benefits. Firms which are wholly or partially foreign owned, and located outside the Masan Free Export Zone still receive these tax benefits under the Foreign Capital Inducement Law. Of the eight firms investigated, only Masan Tube was eligible to receive benefits during the period for which we are measuring subsidization. In 1980, the firm received 50 percent exemptions from the following taxes:

Corporation tax;
Defense tax;
Corporate residence tax;
Property tax.

These tax exemptions which were attributable to 1980 income and resulted in tax benefits in 1981, amounted to 2.93 percent of the total f.o.b. value of Masan Tube's exports in 1981. Masan Tube indicates that its eligibility for benefits under this program will expire on August 23, 1982.

Programs Preliminarily Determined Not To Be Subsidies

We have preliminarily determined that subsidies are not being provided to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon steel sheet under the following programs.

Preferential Financing and Government Loan Guarantees for Steel Producers

Petitioner alleged that government-owned or controlled banks are directed to provide credit to strategic industries such as steel in preference to other non-strategic industries. Petitioner further alleged that government loans at preferential rates or government guaranteed loans are being supplied to the steel industry either directly or through commercial banks.

The government's response indicates that it does not direct banks to supply credit to strategic industries, such as the steel industry, in preference to other industries, but that banks in Korea are allowed to lend funds to all industrial and agricultural sectors on a commercial basis. In this regard, all manufacturing sectors can borrow from banks at commercial rates of interest. Decisions by individual banks concerning whether to lend to particular enterprises and what rate to charge are based upon the commercial assessment by the bank of the creditworthiness of the customer, the bank, and other circumstances surrounding any particular loan. General loans of this type are available at commercial, not preferential rates. The government does not participate in the particular lending decisions of the individual banks. The responses received from the steel producers investigated, including that of government-owned POSCO, state that there are no preferential loans for the steel industry. The responses further indicate that the government did not guarantee any loans received by the steel producers.

Wage Controls for Government-Run Firms

Petitioner alleged that the Korean government limits wage increases for government-run firms such as POSCO, resulting in lower production costs for this segment (state-owned organizations) of the Korean industry.

The government's response indicates that there are no mandatory wage controls for any industry in Korea. The government does not control or influence the wages paid to POSCO workers, nor does it control or regulate the wages paid by private companies. Furthermore, POSCO's response indicates that its wage levels compare favorably with other national wage indicators.

Government Purchases of Steel at Inflated Prices

Petitioner alleged that the Office of Supply of the Republic of Korea (OSROK) purchases large quantities of steel at inflated prices to eliminate excess inventories of steel producers. Petitioner also alleged that OSROK agrees to advanced payment before actual product delivery to supply funds to steel producers for operation and investments.

With respect to the product under investigation, OSROK purchased only pipe in 1981. The government's response indicates that OSROK purchases steel strictly to meet its own needs. Our review of the responses submitted by pipe producers indicates that OSROK does not make advance payment, and that the prices and terms of sale to OSROK are comparable to the prices and terms of sale to other customers.

Government Capital Grants

Petitioner alleged that the Korean government provides substantial capital grants to the Korean steel industry. Petitioner further cite past government equity investments in POSCO and contends that, since the firm does not pay cash dividends and prospects in the steel industry have not been bright in recent years, such investments are not "arms-length" transactions at market value, but represent a subsidization scheme or capital grant.

The response received from the government and the steel producers under investigation indicate that the government has never provided a grant to any steel producer and, with one exception, has never assumed an expense on behalf of a steel producer. The one exception indicated is the assumption by the government of interest expenses incurred by POSCO on a loan during the period February 22, 1973, through December 31, 1974. Because this interest charge is normally expensed this program does not confer benefits to POSCO for sales made during the period for which we are measuring subsidization. Also, all interest has been paid by POSCO each year since December 31, 1974, with no reimbursement by the government.

With respect to the government's equity participation in POSCO, the record indicates the following facts. POSCO was incorporated in April 1968. The government has had substantial participation in the ownership of POSCO since its inception. POSCO's first plate and hot strip mills were completed in 1972, but its first blast furnace did not begin production until 1973. The company has grown steadily during the past decade, increasing raw steel capacity from 1.03 million tons in 1973 to 8.5 million tons at the end of 1981. POSCO is a closed corporation whose stock is not traded on any organized stock market.

It is the Department's position that government equity ownership gives rise to a potential subsidy only when such ownership is on terms which are inconsistent with commercial considerations. We do not feel this is the case with respect to POSCO. Our review of all financial statements issued by POSCO since 1972 indicates that the firm has been profitable since completion of its initial pouring facilities in 1973. Key indicators such as debt to equity ratios, interest coverage, etc., have all been healthy. Furthermore, government studies used in the decision to invest in POSCO projected a strongly profitable operation and the firm's continuous access to both domestic and foreign capital markets attests to its commercial viability. For these reasons we preliminarily determine that the purchase of equity in POSCO by the government is not inconsistent with commercial considerations and, therefore, does not give rise to a potential subsidy.

Special Steel Export Subsidy

The petitioner alleged the existence of a special steel export subsidy and has cited the December 1980 issue of the Kosa Bulletin, published by the Korea Iron and Steel Association, which makes reference to such a program.

The questionnaire responses received from the government and the steel producers under investigation indicate that no such program exists.

Indirect Subsidies To Purchasers of Machinery Used To Make Iron and Steel

Petitioner alleged that, until December 31, 1981, producers of machinery for iron and steel manufacturing enjoyed special tax deductions and exemptions which reduced the capital costs to iron and steel producers.

The question presented is whether the products under investigation have benefited from subsidies, not whether producers of machinery for iron and steel manufacturing have received subsidies. As we stated in our final determination in the countervailing duty investigation of certain steel wire nails from Korea, which was announced on September 8, 1982 (47 Fed. Reg. 39549), 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. Thus, it is not likely the seller will pass countervailable benefits through to the purchaser. In the absence of evidence to the contrary, we preliminarily determine that purchasers of machinery for iron and steel manufacturing machinery do not receive indirect benefits as a result of subsidies to producers of such machinery.

Indirect Subsidies to Purchasers of Hot-Rolled Sheet or Coil

The petitioner alleged that producers of welded carbon steel pipes and tubes benefit from the purchase of Korean hot-rolled sheet or coils at subsidized prices. Petitioner contends the government's domestic subsidies to POSCO and other hot-rolled plate and sheet producers constitute an indirect subsidy on raw materials used by the Korean pipe and tube producers.

As indicated above, we believe that 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. However, our investigation of POSCO's dual pricing systems is related to this allegation and is discussed below.

POSCO's Dual Pricing System

In our countervailing duty investigation of certain steel wire nails from Korea, a dual pricing system used by POSCO to sell rod to nail producers was examined by the Department to determine if this system as implemented by a government-owned firm, conferred a subsidy to the nail producers that purchase rod. Since this dual pricing system also applies to sales of hot-rolled sheet or coil (coil) to pipe and tube producers, we have examined POSCO's pricing for purposes of this investigation as well.

As in the case of rod, coil is purchased on a cash or local letter of credit basis.

The letter of credit price is stated in U.S. dollars but paid for in Korean won at the official Bank of Korea exchange rate prevailing on the date of delivery. All cash purchases are made in Korean won. Coil purchased on the basis of a local letter of credit must be used to produce an export product, and POSCO requires evidence that such coil is destined for export use. Coil purchased on a cash basis can be used for both domestic or export sales. The letter of credit price is generally lower than the cash price, though there are exceptions.

The result is a dual pricing system, one for coil used in products which must be exported, the other for coil in products for either domestic or export use.

The government of Korean attributes the differences in prices in both markets to Korea's import duties. The Korean domestic market for coil is protected by a tariff. The market for coil used for export production, however, is unprotected as a result of a duty drawback system which generally results in a more competitive market for inputs destined for export.

Imported steel in Korea is subject to normal customs duties. As is commonly the practice, these duties are refunded if the steel is exported, whether or not further processing occurs. This is known as duty drawback, and does not confer a subsidy within the meaning of the countervailing duty law. However, this practice can create a dual pricing structure with respect to imported inputs, because the price for imported inputs used for products destined for the domestic market will include customs duty, while the duty will not be included in the price of imported inputs used in products destined for export. Since a domestic producer of the inputs acts to maximize revenues, his price to producers for the domestic market will be increased by an amount equal to the effective protection afforded by the tariff. The domestic producer will not include that amount in this price to exporters since no effective protection is afforded where duty drawback applies. Were he to do otherwise, the exporters would turn to foreign sources for their inputs.

We have therefore preliminarily determined that the different prices for purchases do not arise from a scheme to subsidize exports, but rather are a commercial response to a segmented market, one segment being protected and the other fully open to foreign competition.

Information on the record indicates that POSCO faces competition from producers of coil in Australia, France, and Japan who sell in the Korean market at comparable prices to POSCO's letter of credit prices. Our conclusion that POSCO's dual coil pricing system does not confer any countervailable benefit is consistent with the Illustrative List of Export Subsidies (the List), annexed to the *Agreement on Interpretation and Application of Article VI, XVI AND XXIII of the General Agreement on Tariffs and Trade.* Under item (d) of the List, price preferences for inputs to be used in the production of export goods constitute a subsidy only if the preference lowers the price of the input below that which the input purchaser would pay on world markets. *See* the List, item (d). Although this item applies specifically to subsidies provided by governments or their agencies, the principle contained in item (d) applies with equal force to these circumstances.

Loans at Favorable Foreign Currency Exchange Rates

The petitioner alleged that loans are made to Korean steel producers at fixed or manipulated rates of exchange that are more favorable than official or actual exchange rates.

Based on the questionnaire responses received to date, the Department has found no evidence of the existence of such a program.

Verification

In accordance with section 776(a) of the Act, we will verify, all data used in making our final determinations in these investigations.

Suspension of Liquidation

In accordance with section 703 of the Act, we are directing the U.S. Customs Service to suspend the liquidation of all entries of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet and galvanized carbon steel sheet which are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register, and to require a cash deposit or bond for each such entry of the merchandise in the amounts indicated below:

Products and manufacturer/producer/exporter	Ad valorem rate
Small diameter welded carbon:	
Steel pipes and tubes:	
Masan tube	3.23
Other manufacturers investigated	0.00
All other manufacturers/producers/exporters	3.23
Hot-rolled carbon steel plate:	
All manufacturers/producers/exporters	1.99
Hot-rolled carbon steel sheet:	
All manufacturers/producers/exporters	1.99
Galvanized carbon steel sheet:	
POSCO	1.99
Union Steel	0.57
All other manufacturers/producers/exporters	1.99

With the exception of Masan Tube, all other pipe and tube producers received benefits of 0.30 percent which is *de minimis.* Although we are using a zero cash deposit or bonding rate for these firms, they are not excluded from these preliminary affirmative determinations.

Our reason for not excluding these firms is that all of them had received benefits which were more than *de minimis* from preferential short-term export financing programs during the period for which we are measuring subsidization. We did not include these totals in the above estimated subsidy rates because the government subsequently eliminated the preferential loan rates for export loans on June 28, 1982. However, the programs themselves have not been eliminated and there remains a possibility that preferential rates will be resumed in the future.

With respect to these preferential short-term export financing programs, we have preliminarily concluded that no entries subject to this suspension of liquidation have benefited from these programs and we have not included the amounts of subsidies found on these programs in 1981 in the subsidy amounts shown above.

Where the manufacturer is not the exporter, and the manufacturer is known, the rate for the manufacturer shall be used in determining the cash deposit or bond amount. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

Where a company specifically listed above has not exported a particular product during the period for which we are measuring subsidization, the cash deposit or bond amount shall be based on the highest rate for products that were exported by that company. We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication in Federal Register.

ITC Notification

In accordance with section 703(d)(3) of the Act, we will notify the ITC of this action and make available to it all nonpriviledged and nonconfidential information. We will also allow the ITC access to all priviledged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under any administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Public Comment

In accordance with § 355.35 of the Commerce Department Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on these preliminary determinations at 10:00 a.m. on November 23, 1982, at the U.S. Department of Commerce, Room 6802, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room 3099B, at the above address within ten days of this notice's publication. Requests should contain: (1) The participants; (2) the reason for attending; and (3) a list of the issues to be discussed. In addition, prehearing briefs must be submitted to the Deputy Assistant Secretary by October 22, 1982. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 355.34, within thirty days of this notice's publication, at the above address and in at least ten copies.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

Appendix

Description of Products

For Purpose of this investigation:

1. The term "*hot-rolled carbon steel plate*" covers carbon steel products, whether or not corrugated or crimped; not pickled; not cold-rolled; not in coils; not cut, not pressed, and not stamped to non-rectangular shape; 0.1875 of an inch or more in thickness and over 8 inches in width; as currently provided for in items 607.6615, or 607.94, of the *Tariff Schedules of the United States Annotated ("TSUSA")*; and hot- or cold-rolled carbon steel plate which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710 or 608.11 of the TSUSA. Semi-finished products of solid rectangular cross section with a width at least four times the thickness in e cast condition or processed only through primary mill hot-rolling are not included.

2. The term "*hot-rolled carbon steel sheet*" covers the following hot-rolled carbon steel products. Hot-rolled carbon steel sheet is a hot-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 8 inches in width and in coils or if not in coils under 0.1875 of an inch in thickness and over 12 inches in width; as currently provided for in items 607.6610, 607.6700, 607.8320, 607.8342, or 607.9400 of the *Tariff Schedules of the United States Annotated "TSUSA". PLEASE NOTE THAT THE DEFINITION OF HOT-ROLLED CARBON STEEL SHEET INCLUDES SOME PRODUCTS CLASSIFIED AS "PLATE" IN THE TSUSA (ITEMS 607.6610 AND 607.8320).*

3. The term *"Galvanized carbon steel sheet"* covers hot- or cold-rolled carbon steel sheet which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710, 608.0730, 608.11 or 608.13 of the *Tariff Schedules of the United States Annotated ("TSUSA"). NOTE THAT THE DEFINITION OF GALVANIZED CARBON STEEL SHEET INCLUDES SOME PRODUCTS CLASSIFIED AS "PLATE" IN THE TSUSA (ITEMS 608.0710 and 608.11).* Hot- or cold-rolled carbon steel sheet which has been coated or plated with metal other than zinc is not included.

4. The term *"small diameter welded carbon steel pipes and tubes"* covers welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross section and 0.375 of an inch or more in outside diameter but not more than 16 inches as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the *Tariff Schedules of the United States Annotated ("TSUSA")*. Pipes or tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings, cold drawn pipes and tubes and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are *not included.*

[FR Doc. 82-27941 Filed 10-8-82; 8:45 am]

BILLING CODE 3510-25-M

Final Affirmative Countervailing Duty Determinations; Certain Steel Products From the Republic of Korea

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determinations.

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 the Republic of Korea (Korea) of certain steel products as described in the "Scope of the Investigations" section of this notice. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice. The U.S. International Trade Commission (ITC) will determine whether these imports are materially injuring or threatening to materially injure a U.S. industry, before the later of 120 days after the Department made its preliminary affirmative determinations or 45 days after the publication of this notice.

EFFECTIVE DATE: December 27, 1982.

FOR FURTHER INFORMATION CONTACT: Richard Rimlinger, or Steven Lim, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., N.W., Washington, D.C. 20230; telephone (202) 377-1276.

SUPPLEMENTARY INFORMATION:

Final Determinations

Based upon our investigations, 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 Korea of certain steel products, as described in the "Scope of Investigations" section of this notice. The following programs are found to be subsidies: (1) Preferential export financing; (2) preferential tax incentives for exporters; (3) special tax exemptions for government-owned firms; (4) special tax exemptions for steel producers; (5) preferential utility rates and port charges for steel producers; (6) tariff incentives, and (7) Masan Free Export Zone or Foreign Capital Inducement Law benefits. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice.

Case History

On May 7, 1982, we received a petition from the United States Steel Corporation on behalf of the U.S. industry producing small diameter (16" and under) welded carbon steel pipes and tubes, hot-rolled carbon steel plate, cold-rolled carbon steel sheet, hot-rolled carbon steel sheet and galvanized carbon steel sheet. 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 Korea of this merchandise.

We found the petition to contain sufficient grounds upon which to initiate countervailing duty investigations, and initiated these investigations on May 27, 1982 (47 FR 24166). We stated that we expected to issue preliminary determinations by August 2, 1982. We subsequently determined that these investigations are "extraordinarily complicated" as defined in section 703(c) of the Act, and on July 22, 1982, we postponed our preliminary determinations for 65 days, until October 4, 1982 (47 FR 32758). On June 21, 1982, the ITC found that there is a reasonable indication that these imports of certain steel products from Korea, with the exception of imports of cold-rolled carbon steel sheet, are materially injuring, or threatening to materially injure, a U.S. industry. The ITC found no reasonable indication that imports of cold-rolled carbon steel sheet from Korea are materially injuring, or threatening to materially injure, a U.S. industry, and the investigation was terminated with respect to this particular merchandise. The ITC published its determinations in the Federal Register on June 30, 1982 (47 FR 28481 and 28488).

We presented questionnaires concerning the allegations to the government of Korea in Washington, D.C. By August 31, 1982, we had received responses from the government of Korea, and eight Korean manufacturers of the remaining products under investigation. We believe that these eight manufacturers account for virtually all current exports of the products under investigation to the United States.

On October 4, 1982 we preliminarily determined that the government of Korea was providing its manufacturers, producers, or exporters of certain steel products with benefits that are subsidies within the meaning of the countervailing duty law (47 FR 44807).

On November 3–14, 1982, we verified in Korea the questionnaire responses submitted by the government of Korea and the Korean steel producers.

Our notice of preliminary determination gave interested parties an opportunity to submit written and oral views, and on November 23, 1982, we held a public hearing.

Scope of the Investigations

The merchandise covered by these investigations is:

- Small diameter welded carbon steel pipes and tubes;
- Hot-rolled carbon steel plate;
- Hot-rolled carbon steel sheet;
- Galvanized carbon steel sheet.

For a further description of these products see the Appendix to this notice.

The period for which we are measuring subsidization is calendar year 1981. In addition to receiving a questionnaire response from the government of Korea, we have also received questionnaire responses from the following:

Firms	*Carbon steel products*
Pohang Iron and Steel Co., Ltd. (POSCO).	Hot-rolled carbon steel plate, hot-rolled carbon steel sheet and galvanized carbon steel sheet.
Union Steel Mfg., Co., Ltd. (Union Steel).	Galvanized carbon steel sheet, and small diameter welded carbon steel pipes and tubes.
Dong Kuk Heavy Industries, Ltd. (DHI).	Small diameter welded carbon steel pipes and tubes.
Fuji Works Korea, Ltd. (Fuji)	Small diameter welded carbon steel pipes and tubes.
Hyundai Pipe Co., Ltd. (Hyundia).	Small diameter welded carbon steel pipes and tubes.
Korea Steel Pipe Co., Ltd. (Korea Pipe).	Small diameter welded carbon steel pipes and tubes.
Masan Steel Tube Co., Ltd. (Masan Tube).	Small diameter welded carbon steel pipes and tubes.

Firms	Carbon steel products
Pusan Steel Pipe Ind., Co. Ltd. (Pusan Pipe).	Small diameter welded carbon steel pipes and tubes.

Analysis of Programs

The following programs were alleged in the petition to be subsidies: (1) Preferential export financing; (2) preferential tax incentives for exporters; (3) special tax exemptions for government-owned firms; (4) special tax exemptions for steel producers; (5) preferential utility rates and port chargers for steel producers; (6) tariff incentives; (7) preferential financing and government loan guarantees for steel producers; (8) wage controls for government-run firms; (9) government purchases of steel at inflated prices; (10) government capital grants; (11) a "special steel export subsidy"; (12) indirect subsidies to purchasers of machinery used to make iron and steel; (13) indirect subsidies to purchasers of hot-rolled sheet or coil, and (14) loans at favorable foreign currency exchange rates. Based on our experience in other Korean cases, we also included in our investigation special benefits offered to firms located in the Masan Free Export Zone or offered throught the Foreign Capital Inducement Law. We also investigated POSCO's dual pricing system for hot-rolled sheet or coil sold to producers of small diameter welded carbon steel pipes and tubes.

In their responses, the government of Korea and the eight Korean steel producers provided data for the applicable period. Based upon our analysis of the petition and responses to our questionnaires, we have determined the following:

Programs Determined To Confer Subsidies

We have determined that subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon steel sheet.

Preferential Export Financing

Under the "Regulations for Export Financing," promulgated by the Korean government on February 25, 1972, short-term financing of up to 90 days is provided to exporters at interest rates which are less than the generally available commercial rates. During 1981, the interest rate for short-term export financing was 12 percent (27 percent if late payment is made), as opposed to normal commercial rates, which ranged between 15–20 percent for most of 1981. This rate also varied depending on the credit rating of the borrower.

Export financing was available for production expenses and for the purchase of raw materials for export production. A loan ceiling for short-term export loans was established based upon the value of a company's total exports in a preceding period.

The government's response indicates that financing was provided by individual private foreign exchange banks and not by the Korean government, that no government guarantees are involved and that the banks are acting in conformance with the regulations. We determine that, regardless of the private ownership of the banks, this program is countervailable because the preferential financing is the direct result of a government mandate. All firms investigated took advantage of this program.

In addition, several firms reported long-term preferential export loans under a special fund for export industries set up by government direction. These loans, which were funded and transacted in 1981, are secured with the firm's assets through a commercial bank and no government guarantees are involved. The responses indicate that a firm must export to qualify for this loan; however, the loan rate is not dependent on continued exportation by the firm. Since this program is also traceable to government mandate, we determine it to be countervailable.

In order to calculate the amount of the benefit to each steel producer resulting from these preferential short-term export financing programs, we computed the total difference between the amount of interest paid on all short-term export loans which were transacted in 1981, and the amount of interest that the firm would have to pay on a comparably timed and sized loan under normal commercial financing. The short-term commercial rates which we used are national rates which are published in monthly bulletins issued by the Bank of Korea. The amount of the total benefit received under this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Since long-term preferential export loans were transacted in 1981 and interest payments were made monthly, we calculated the benefit to each steel producer from these loans beginning in 1981 (when repayments began).

On an overall basis we found that the net benefits, attributable to preferential export loans, to the Korean steel producers, based on the f.o.b. value of the exported merchandise, were as follows:

Product	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	1.16
Hot-rolled carbon steel plate	0.52
Hot-rolled carbon steel sheet	0.52
Galvanized carbon steel sheet	0.60

Subsequent to the period for which subsidization is being measured, on June 28, 1982, the government of Korea reduced the maximum allowable interest rate to be charged by commercial banks on all commercial loans, including export loans, to ten percent. In taking this action, the government eliminated interest rate preferences that previously existed for exporters. Therefore, we note that the *ad valorem* subsidy amounts shown in the "Suspension of Liquidation" section of this notice do not reflect the above listed percentages since loan preferences have not been in effect since June 28, 1982. Consequently, entries which would be subject to suspension of liquidation would not benefit from this program.

Preferential Tax Incentives for Exporters

Article 25 of the Korean Tax Exemption Regulations Law permits a firm earning more than 50 percent of its total proceeds from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation which is determined by a formula based on the firm's foreign exchange earnings and total business earnings. Of the firms investigated, Hyundai, Masan Tube, POSCO and Pusan Pipe used accelerated depreciation in 1981, and only Masan Tube and POSCO used accelerated depreciation in 1980.

To calculate the benefits from the accelerated depreciation program for the period for which we are measuring subsidization (calendar year 1981), we have determined the tax savings received in 1981 based on accelerated depreciation which has been deducted from 1980 income taxes. We used this method because the exact amount of tax and tax benefit for 1980 is not known until 1981 when a firm's operational results are known and tax liability must be settled. The amount of the tax savings received under this program was divided by the total value of sales in 1981 to determine the *ad valorem* subsidy.

In addition, Article 12 of the Corporate Tax Law provides for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses.

Under the program governing export losses, a corporation engaged in export or tourist activities may establish a reserve amounting to one percent of foreign exchange earnings, or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve funds. If there are no offsets for export losses, the reserve is credited to income and taxed, after a one-year grace period, over a three-year period.

Under the program governing overseas market exploration expenses, a corporation engaged in export activities may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses incurred in exploring overseas markets are offset from the reserve fund. As in the case of the export loss reserve fund, if there are no offsets for expenses, the reserve is credited to income and taxed, after a one-year grace period, over a three year period.

With respect to the price fluctuation loss program, a corporation engaged in export activities may establish reserves equivalent to five percent of the book value of the products and works in progress to be exported at the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to the losses to the income account. If not so utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all moneys in the reserve funds are eventually reported as income and subject to corporate tax either by means of offsetting export losses or by the expiration of the one-year grace period. All export reserve programs serve as an interest free loan to the corporation of the tax savings on these funds. Accordingly, we have quantified the benefits from these reserve funds to each applicable steel producer by calculating the amount of taxes that normally would be due on these funds under Korean law and applying a rate of interest which the firm would have had to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received umder this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Hyundai, Korea Pipe, and Pusan Pipe reported using export activity reserve funds. On an overall basis, we found that the net benefit to the Korean steel producers under these programs, based on the f.o.b. value of the exported merchandise was as follows:

Product	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	0.09
Hot-rolled carbon steel plate	1.45
Hot-rolled carbon steel sheet	1.45
Galvanized carbon steel sheet	1.31

Special Tax Exemptions for Government-Owned Firms

Of the firms investigated, POSCO was the only firm owned either directly or indirectly by the government of Korea.

POSCO's questionnaire response indicates that, under Korea's tax exemption control law, the firm was exempt from corporation tax until December 31, 1981. However, because POSCO was exempt from paying corporation taxes, the firm was obliged to pay a higher defense tax than was paid by other corporations. POSCO also indicates that it was exempt, until December 31, 1981, from the following additional taxes:

- Residence tax;
- Property tax;
- Registration tax;
- Property acquistion tax.

To calculate the benefits from the corporation and residence tax exemption programs for the period for which we are measuring subsidization (calendar year 1981), we have determined POSCO's tax savings received in 1981 based on 1980 income. We used this method because the exact amount of POSCO's tax benefit for 1980 is not known until 1981 when POSCO's operational results are known and tax liability must be settled. To calculate the benefits from the property, registration and property acquistion tax exemption programs for the period for which we are measuring subsidization, we have determined POSCO's tax savings based on taxes actually exempted in 1981. We used this method because POSCO knows in 1981 how much tax is due that year and would actually pay the tax in 1981 if the firm was not exempted.

We have quantified the benefits from these tax exemptions to POSCO by calculating the amount of each tax that normally would be due if the tax exemption was not granted. In the case of corporation tax, we adjusted for the additional defense tax which had to be paid in order to receive the corporation tax exemption. The value of these tax exemptions was allocated over POSCO's total sales in 1981. The tax exemptions resulted in a total subsidy to POSCO of 0.46 percent of the f.o.b. value of the exported merchandise. Although POSCO's tax exemptions expired on December 31, 1981, the firm received benefits from the corporation and residence tax exemption programs which cannot be quantified and known until 1982. Therefore, we have included 0.33 percent of the above amount (that which is attributable to these two programs) in the "Suspension of Liquidation" section of this notice.

Special Tax Incentives for Steel Producers

Under Article 24-5 of the Corporation Tax Act (which was deleted as of December 31, 1981, from this statute and transferred to the Tax Exemption and Control Law under Article 72), the government provides special investment tax credits on a case-by-case basis, if the government decides that a particular investment is needed. Among the investments covered by this tax credit are those investments made by small and medium enterprises between July 1, 1980, and June 30, 1981, in machinery and equipment used directly for manufacturing and mining purposes.

Only one firm investigated, Masan Tube, reported benefits under this provision during the period for which we are measuring subsidization. Masan Tube received an eight percent tax credit on an investment in machinery and equipment.

Although this program is not expressly intended solely for steel producers, we find that its implementation was preferential and confers a subsidy. Since this tax benefit was received in 1982, which is outside the period for which we are measuring subsidization, we have not quantified this benefit nor included an amount for this program in the "Suspension of Liquidation" section of this notice. We will review and quantify, as appropriate, this program in the context of a future section 751 administrative review.

Preferential Utility Rates and Port Charges for Steel Producers

Petitioner alleges that Korean steel producers are eligible for reduced rates

A-54

for utilities and related services as "designated companies" under the Iron and Steel Industry Rehabilitation Order (Presidential decree No. 10,002, August 23, 1980). It is further alleged that steel producers qualify for a deferred payment plan with the Korea Electric Company.

During the period for which we are measuring subsidization, POSCO received a 50 percent reduction on its port charges under this program. The program is discretionary and can be implemented by the authority of the applicable tax ministry. However, POSCO is the only firm under investigation which is known to have benefited from this program with respect to its reduced port charges. We had preliminarily determined POSCO's port charge reduction to be a subsidy, but did not know at that time that the benefits were received under the above-cited provision.

We do not know how much of the reduction in port charges is attributable to exports and how much to domestic sales. Therefore, for this final determination, we have allocated the reduction in port charges to both export and total sales according to the percentages that export and domestic sales form of total sales of POSCO as the best evidence available. We found POSCO's net benefit under this program to be 0.05 percent of the f.o.b. value of the exported merchandise.

Tariff Incentives

Article 29 of the Korean Foreign Trade Enforcement Ordinance authorizes rebates of tariffs to cover wastage or imported raw materials to be incorporated into manufactured items for export. Petitioner alleged that wastage allowances are being claimed which are higher than the actual wastage levels. Petitioner further alleges that steel producers importing capital equipment are permitted to pay tariffs on an installment basis.

The government's response indicates that wastage allowance is based upon data submitted to the government by the Korean industry showing the amount of raw material necessary to produce any given finished product. The wastage allowance used by the government is the average of all producers. The wastage allowance is updated periodically by the government and the information submitted by the producers is verified by the tax office. Our review of the responses submitted by the steel producers under investigation indicates that the wastage allowance of the government accurately reflected the actual wastage rates incurred by these firms, and we determine that no subsidy exists with respect to this program.

The government's response did indicate that deferred payment of import duties is allowed, if the private sector applies with the Ministry of Finance for approval. While the government encourages payment of customs duties on all imports as rapidly as possible, exceptions are made to ease the burden of Korean industry. Copies of the Korean Customs Act and an annex listing eligible industries were obtained at the time of verification. Based on our review of these materials we have concluded that the program is written to benefit only certain industries and it appears that certain industries benefit to a greater extent than others. Since use of this program is not freely available to all Korean industries and the benefits from this program flow to certain industries more than others, we determine that it confers a subsidy on these steel producers which have received approval to defer duty payments. The deferred duty program serves as an interest free loan to the corporation of the amount of duty deferred. Accordingly, we have quantified the benefits from this program to each applicable steel producer by calculating the amount of interest that normally would be due if the deferred duties had been borrowed at a rate of interest which the firm would have had to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received under this program was divided by the firm's total value of sales for 1981 to determine the *ad valorem* subsidy to that firm. Of the firms investigated, Hyundai, Korea Pipe, POSCO, Pusan Pipe and Union Steel reported using deferred duty payments. Masan Pipe and Fuji are located in the duty-free Masan Zone and do not benefit from this program. On an overall basis we found that the net benefits to the Korean steel producers under this program, based on the f.o.b. value of the exported merchandise, were as follows:

Product and manufacturer/producer/exporter	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	0.05
Hot-rolled carbon steel plate	0.05
Hot-rolled carbon steel sheet	0.05
Galvanized carbon steel sheet	0.05

Masan Free Export Zone or Foreign Capital Inducement Law Benefits

The government's response indicates that the benefits granted to firms located in the Masan Free Export Zone are, essentially, tax incentives of a temporary nature. Only foreign investors and joint ventures (the portion owned by foreign partners) are eligible to receive such benefits. Firms which are wholly or partially foreign owned and located outside the Masan Free Export Zone still receive these tax benefits under the Foreign Capital Inducement Law. Of the eight firms investigated, only Masan Tube was eligible to receive benefits during the period for which we are measuring subsidization. In 1980, the firm received 50 percent exemptions from the following taxes:

Corporation tax
Defense tax
Corporate residence tax
Property tax

We have determined Masan Tube's tax savings in 1981 based on 1980 income. We used this method because the exact amount of Masan Tube's tax benefit is not known until 1981 when Masan Tube's operational results are known and tax liability must be settled. At the time of our preliminary determination, we have calculated tax benefits of 2.93 percent of the total f.o.b. value of Masan Tube's exports in 1981. However, erroneously included in our tax benefit totals were corporation and resident taxes assessed on dividends which foreign stockholders were liable for—not Masan Tube. Masan Tube was merely withholding these taxes on behalf of foreign stock owners as required by Korean law. Therefore, we have deducted from our tax benefit totals the amount of taxes Masan Tube withheld on behalf of foreign shareholders and have revised the amount of our *ad valorem* subsidy to 1.72 percent of the total f.o.b. value of Masan Tube's exports in 1981. Masan Tube indicated that its eligibility for benefits under this program expired on August 23, 1982.

Programs Determined Not To Confer Subsidies

We have determined that subsidies are not being provided to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon stell sheet under the following programs.

Preferential Financing and Government Loan Guarantees For Steel Producers

Petitioner alleged that government-owned or controlled banks are directed to provide credit to stragegic industries such as steel in preference to other non-strategic industries. Petitioner further alleged that government loans at

A-54

preferential rates or government guaranteed loans are being supplied to the steel industry either directly or through commercial banks.

The government's response, which we verified, indicates that it does not direct banks to supply credit to strategic industries, such as the steel industry, in preference to other industries, but that banks in Korea are allowed to lend funds to all industrial and agricultural sectors on a commercial basis. In this regard, all manufacturing sectors can borrow from banks at commercial rates of interest. Decisions by individual banks concerning whether to lend to particular enterprises and what rate to charge are based upon the commercial assessment by the bank of the creditworthiness of the customer, and other circumstances surrounding any particular loan. General loans of this type are available at commercial, not preferential, rates. The government does not participate in the particular lending decisions of the individual banks. Based on our investigation, we have determined that there are no preferential loans for the steel industry and that the government did not guarantee any loans received by the steel producers.

Wage Controls for Government-Run Firms

Petitioner alleged that the Korean government limits wage increases for government-run firms such as POSCO, resulting in lower production costs for this segment (state-owned organizations) of the Korean industry.

Based on our investigation, we have determined that there are no mandatory wage controls for any industry in Korea. The government does not control or influence the wages paid to POSCO workers, nor does it control or regulate the wages paid by private companies. Furthermore, POSCO's response indicates that its wage levels compare favorably with other national wage indicators.

Government Purchases of Steel at Inflated Prices

Petitioner alleged that the Office of Supply of the Republic of Korea (OSROK) purchases large quantities of steel at inflated prices to eliminate excess inventories of steel producers. Petitioner also alleged that OSROK agrees to advanced payment before actual product delivery to supply funds to steel producers for operation and investment.

With respect to the products under investigation, OSROK purchased only pipe in 1981. The government's response indicates that OSROK purchases steel strictly to meet its own needs. Based on our investigation, we have verified that OSROK does not make advance payment, and that the prices and terms of sale to OSROK are comparable to the prices and terms of sale to other customers.

Government Capital Grants

Petitioner alleged that the Korean government provides substantial capital grants to the Korean steel industry. Petitioner further cites past government equity investments in POSCO and contends that, since the firm does not pay cash dividends and prospects in the steel industry have not been bright in recent years, such investments are not "arms-length" transactions at market value, but represent a subsidization scheme of capital grants.

The responses received from the government and the steel producers under investigation indicate that the government has never provided a grant to any steel producer and, with one exception, has never assumed an expense on behalf of a steel producer. The one exception indicated is the assumption by the government of interest expenses incurred by POSCO on a loan during the period February 22, 1973, through December 31, 1974. Because this interest charge is normally expensed, this program does not confer benefits to POSCO on sales made during the period for which we are measuring subsidization. Also, all interest has been paid by POSCO each year since December 31, 1974, with no reimbursement by the government.

With respect to the government's equity participation in POSCO, the record indicates the following facts. POSCO was incorporated in April 1968. The government has had substantial participation in the ownership of POSCO since its inception. POSCO's first plate and hot strip mills were completed in 1972, but its first blast furnace did not begin production until 1973. The company has grown steadily during the past decade, increasing raw steel capacity from 1.03 million tons in 1973 to 8.5 million tons at the end of 1981. POSCO is a closed corporation whose stock is not traded on any organized stock market.

Under the statute, government equity ownership gives rise to a potential subsidy only when such ownership is on terms which are inconsistent with commercial considerations. We do not believe this is the case with respect to POSCO. Our review of all financial statements issued by POSCO since 1972 indicates that the firm has been profitable since completion of its initial pouring facilities in 1973. Key indicators such as debt to equity ratios, interest coverage, etc., have all been healthy. Furthermore, government studies used in the decision to invest in POSCO projected a strongly profitable operation; the firm's continuous access to both domestic and foreign capital private markets attests to its commercial viability. For these reasons we have determined that the purchase of equity in POSCO by the government is not inconsistent with commercial considerations and, therefore, does not give rise to a potential subsidy.

Special Steel Export Subsidy

The petitioner alleged the existence of a special steel export subsidy and has cited the December 1980 issue of the Kosa Bulletin, published by the Korea Iron and Steel Association, which makes reference to such a program.

The questionnaire responses received from the government and the steel producers under investigation indicate that no such program exists. At the verification, we found no evidence of such a program.

Indirect Subsidies To Purchasers of Machinery Used To Make Iron and Steel

Petitioner alleged that, until December 31, 1981, producers of machinery for iron and steel manufacturing enjoyed special tax deductions and exemptions which reduced the capital costs to iron and steel producers.

The question presented is whether the products under investigation have benefited from subsidies, not whether producers of machinery for iron and steel manufacturing have received subsidies. As we stated in our final determination in the countervailing duty investigation of certain steel wire nails from Korea, which was announced on September 8, 1982 (47 FR 39549), 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 and a general equilibrium situation, 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. Thus, it is not likely the seller will pass countervailable benefits through to the purchaser. In the absence of evidence to the contrary, we have determined that purchasers of machinery for iron and steel manufacturing machinery do not receive indirect benefits as a result of subsidies to producers of such machinery.

Indirect Subsidies To Purchasers of Hot-Rolled Sheet or Coil

The petitioner alleged that producers of welded carbon steel pipes and tubes benefit from the purchase of Korean hot-rolled sheet or coils at subsidized prices. Petitioner contended the government's domestic subsidies to POSCO and other hot-rolled plate and sheet producers constitute an indirect subsidy on raw materials used by the Korean pipes and tubes producers.

As indicated above, we believe that 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. However, our investigation of POSCO's dual pricing systems is related to this allegation and is discussed below.

POSCO's Dual Pricing System

In our countervailing duty investigation of certain steel wire nails from Korea, a dual pricing system used by POSCO to sell rod to nail producers was examined by the Department to determine if this system, as implemented by a government-owned firm, conferred a subsidy to the nail producers that purchase rod. Since this dual pricing system also applies to sales of hot-rolled sheet or coil (coil) to pipe and tube producers, we have examined POSCO's pricing for purposes of this investigation a well.

As in the case of rod, coil is purchased on a cash or local letter of credit basis. The letter of credit price is stated in U.S. dollars but paid for in Korean won at the official Bank of Korea exchange rate prevailing on the date of delivery. All cash purchases are made in Korean won. Coil purchased on the basis of a local letter of credit must be used to produce an export product, and POSCO requires evidence that such coil is destined for export use. Coil purchased on a cash basis can be used for both domestic or export sales. The letter of credit price is generally lower than the cash price, though there are exceptions.

The result is a dual pricing system, one for coil used in products which must be exported, the other for coil in products for either domestic or export use.

The government of Korea attributes the differences in prices in both markets to Korea's import duties. The Korean domestic market for coil is protected by a tariff. The market for coil used for export production, however, is unprotected as a result of a duty drawback system which generally results in a more competitive market for inputs destined for export.

Imported steel in Korea is subject to normal customs duties. As is commonly the practice, these duties are refunded if the steel is exported, whether or not further processing occurs. This is known as duty drawback, and does not confer a subsidy within the meaning of the countervailing duty law. However, this practice can create a dual pricing structure with respect to imported inputs, because the price for imported inputs used for products destined for the domestic market will include customs duty, while the duty will not be included in the price of imported inputs used in products destined for export. Since a domestic producer of the inputs acts to maximize revenues, his price to producers for the domestic market will be increased by an amount equal to the effective protection afforded by the tariff. The domestic producer of the inputs will not include that amount is its price to exporters of products using those imputs since no effective protection is afforded where duty drawback applies. Were he to do otherwise the exporters would turn to foreign sources for their inputs.

We have therefore determined that the different prices for purchases do not arise from a scheme to subsidize exports, but rather are a commercial response to a segmented market, one segment being protected and the other fully open to foreign competition.

Information on the record indicates that POSCO faces competition from producers of coil in Australia, France, and Japan who sell in the Korean market at comparable prices to POSCO's letter of credit prices. Our conclusion that POSCO's dual coil pricing system does not confer any countervailable benefit is consistent with the illustrative list of Export Subsidies (the List), annexed to the *Agreement on Interpretation and Application of Article VI, XVI and XXIII of the General Agreement on Tariffs and Trade.* Under item (d) of the List, price preferences for inputs to be used in the production of export goods constitute a subsidy only if the preference lowers the price of the input below that which the input purchaser would pay on world markets. *See* the list, item (d). Although this item applies specifically to subsidies provided by governments or their agencies, the principle contained in item (d) applies with equal force to these circumstances.

Loans at Favorable Foreign Currency Exchange Rates

The petitioner alleged that loans are made to Korean steel producers at fixed or manipulated rates of exchange that are more favorable than official or actual exchange rates.

Based on our investigation and verification, the Department has found no evidence of the existence of such a program.

Petitioner's Comments

Comment 1. Petitioner disputes International Trade Administration's (ITA) finding that the Korean government did not make preferential loans to steel producers and cites a large, long-term loan to POSCO at a 3.5 percent rate as evidence that such loans are being made.

DOC Position. Verified information indicates that the source of this loan was a war reparations fund negotiated between Japan and the government of Korea. The transaction in question was not a loan of funds to POSCO, but rather an installment purchase of Japanese steelmaking equipment in which the Japanese government supplied equipment to POSCO, but rather an installment purchase of Japanese steelmaking equipment in which the Japanese government supplied equipment to POSCO through the Korean government. POSCO paid the Korean government which in turn repaid the Japanese government. This program provides for the payment of war reparations by the government of Japan to the government of Korea through low-interest Japanese supplier's credits on a project by project basis. While each project is evaluated by the government of Japan for economic viability, there are no restrictions on the types of projects which may receive approval. In fact, evidence on the record indicates that a wide range of projects have been approved, including public works projects as well as commercial projects. Thus, assistance flowing from the war reparations fund is not restricted to an industry or group of industries, but rather is generally available. Therefore, we find that no subsidy exists with respect to this program.

In addition to this conclusion, the Department also notes that war reparations are the result of unique circumstances and reflect political and economic considerations which are outside of the realm of activities which are contemplated by the countervailing duty statute. Thus, the Department cannot envision an instance in which benefits flowing from payments made by one country to another as a result of war reparations confer countervailable subsidies within the meaning of the Act. Certainly in this case we find that there is no countervailable subsidy arising from war reparations.

Comment 2. Petitioner disputes ITA's finding that the Korean government did not guarantee any loans received by the steel producers and cites a loan from an Austrian source to POSCO in which the government-owned Korean Development Bank had guaranteed the repayment of the loan on behalf of POSCO.

DOC Position. Our investigation indicates that the loan in question was actually an installment purchase of equipment at a rate of interest negotiated on an arm's-length basis between POSCO and the Austrian lender. As part of the agreement, POSCO was required to obtain a loan guarantee which the Korean Development Bank granted in exchange for a loan guarantee fee. We have determined that the fee paid by POSCO was equivalent to that which the Korean Development Bank would charge other customers in similar circumstances. Therefore, since POSCO's loan guarantee does not appear to be preferential, we do not find it to confer a subsidy.

Comment 3. Petitioner objects to ITA's decision not to countervail preferential export loans as a result of the action taken by the Korean government on June 28, 1982, at which time all preferential interest rates were eliminated. Petitioner argues that ITA's decision is contrary to the ITA's methodology for measuring subsidization during calendar year 1981. Petitioner also argues that ITA's decision is inconsistent with its decision not to countervail a special investment tax credit by Masan Tube which was based on a 1981 investment but considered quantifiable in 1982.

DOC Position. The Department's policy is to encourage foreign governments to eliminate all forms of subsidization. In this case, since benefits were eliminated on June 28, 1982, and suspension of liquidation did not take place until October 12, 1982, the entires subject to potential countervailing duty liabilities were no longer benefiting from preferential financing and the previous benefits quantified in 1981 should not be considered in establishing the estimated duty deposit rate for future entries.

This issue is distinguishable from our decision regarding investment tax credits; in that instance, we do not believe the subsidy can be quantified until 1982 when company books are closed for the tax year 1981. We will quantify any subsidy received under this program for assessment purposes within the context of a section 751 review.

Comment 4. Petitioner argues that the ITA cannot use commercial bank interest rates to determine the interest rate that recipients of preferential government financing would pay absent government subsidies. Petitioner contends that Korean commercial banks are largely government controlled and generally carry out the government policy of providing subsidized credit to favored industries. Therefore, absent preferential government financing, Korean steel producers would be forced to obtain at least some, if not all, of their funds from the private or "curb" market at substantially higher rates than those charged by commercial banks. Therefore, petitioner argues that "curb" market interest rates should be used as the benchmark for quantifying any subsidies attributable to preferential financing.

DOC Position. Verified information obtained in this and our recently completed countervailing duty investigation involving certain steel wire nails from Korea indicates that the government of Korea does not require commercial banks to make available credit to certain borrowers. Lending decisions are left to individual banks, which decide whether to grant each loan on the basis of their individual assessment of a loan applicant's creditworthiness. Also, we verified that the government of Korea does not control the amount of funds an individual bank allocates to export loans and normal commercial loans. This decision is also made by individual banks. Banks may give preferences to Korea's production industries and export industries. However, these preferences do not result from government direction or subsidization, but from each bank's own evaluation of how its loan funds can best be secured and effectively used.

Furthermore, the "curb" market has serviced, in the past, those high risk borrowers which are normally excluded from Korea's primary and secondary sources of credit. Recently, the Korean government has restricted the activities of the "curb" market and taken steps to permit borrowers to obtain loans through authorized Korean financial institutions. Since the steel producers under investigation indicate that commercial loans were their alternate source of credit to export loans, and since these loans were freely administered by commercial banks, we believe that the rates on these loans were properly used to quantify the amount of subsidies received from the preferential export financing programs.

Comment 5. Petitioner argues that, since no cash dividends have been paid by POSCO since the date of its establishment, the Korean government's provision of equity capital to POSCO is inconsistant with commercial considerations because Korean investors demand cash dividends. Therefore, petitioner argues the government's equity investment in POSCO constitutes a countervailable subsidy.

DOC Position. We have learned that it is not uncommon in Korea for a closed corporation, such as POSCO, to elect not to pay cash dividends but, rather, to retain earnings for capital expansion. Our principal consideration in judging whether a government's participation in a firm is consistent with commercial considerations is the firm's profitability and commercial viability during the period under consideration. We find that POSCO has shown consistent profits since it became fully operational in 1973 and our examination of its financial ratios (see above section on "Governmental Capital Grants") shows a healthy firm. Therefore, we find the government's equity investments to be commercially acceptable. The fact that the government chose not to take capital out of the firm in the form of dividends is not enough, in and of itself, to lead us to change our position.

Comment 6. Petitioner challenges the ITA's assumption that, in the case of subsidies paid to an upstream supplier, the seller generally attempts to maximize its total revenues, and 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. Petitioner contends that, in the absence of monopolistic power, a firm maximizes profits and not revenues. Furthermore, subsidies to an industry induce new entry into that industry and force prices down. Petitioner further asserts that the Department cannot consider the availability of alternate, unsubsidized sources of raw materials.

DOC Position. The position of the petitioner rests upon a faulty interpretation of the legislative history of the Trade Agreements Act of 1979 (TAA). Nothing in the legislative history of the TAA precludes the Department from considerations of this type. The floor debates cited by petitioner relate to the question of regional development programs and comparative advantage, not the question of alternate sources of supply. It makes no economic sense for the Department to find that a subsidy exists simply because an exporter chose one source of supply over another where no price differential exists. Since alternate supplies are available to producers of pipe and tube, and there is no evidence of a pricing pattern by POSCO which undercuts f.o.b. prices available from other suppliers, inlcuding non-Korean suppliers, there is no reason to believe that any subsidies which may have been conferred upon POSCO have been passed through to procedures of pipe and tube.

Comment 7. Petitioner contends that benefits derived from deferred payment of tariffs on imported equipment or from reduced port charges should be divided by a firm's total value of export sales instead of the firm's total value of sales to arrive at the *ad valorem* benefit for that firm. Petitioner asserts that these subsidies particularly benefit exports.

DOC Position. We have determined that these benefits are related to domestic and export sales. Therefore, for allocation purposes, we have separated the subsidy according to the percentages that domestic and export sales represent of total sales. The portion allocated to export sales is considered an export subsidy and divided by total exports; the other portion is divided by total sales.

Comment 8. Petitioner states that there is no legal basis for ITA to adjust the benefit to POSCO from its exemption from corporate tax for any additional defense taxes paid by that firm.

DOC Position. Under Korean tax law, a firm cannot receive a corporate tax exemption unless it pays additional defense tax. Section 771 of the Act allows an offset to benefits for any payment made in order to qualify for, or to receive the benefit of, the subsidy.

Comment 9. Petitioner asserts that POSCO has enjoyed massive government infrastructure aid in the form of road, rail and harbor construction.

DOC Position. Our investigation indicates that government infrastructure aid to Pohang area was not earmarked especially for POSCO but for all industries using these facilities. Under these circumstances, we do not consider government infrastructure expenditure to be countervailable.

Comments of Other Domestic Parties To the Proceeding.

Comments were received from counsel on behalf of Bethlehem Steel Corporation (Bethlehem Steel), a party to this proceeding. These comments extensively paralleled the comments submitted by U.S. Steel which were addressed above. However, there were certain additional comments submitted by bethlehem steel which are addressed below.

Comment 1. Bethlehem Steel argues that all benefits attributable to preferential export financing are not exhausted during the year in which they were received and their effect continues throughout subsequent years—in the form of increased equity capital, increased market value of the stock, increased working capital or increased asset base. Bethlehem Steel concludes that a subsidy such as preferential interest rates must be treated by the ITA as an infusion of capital and amortized or capitalized for a period of time after their receipt.

DOC Position. Since the loans in question were either short-term (90 days or less) or long-term loans with preferential treatment which was of short-term duration (less than one year), the department allocated these benefits over the year in which these loans were transacted. We believe that such programs which offer only limited short-term benefits are properly allocated in the year of their receipt.

Comment 2. Bethlehem Steel indicates that there is a possibility that shipments of this merchandise, which have received preferential interest rate financing, entered the United States after the notice of suspension of liquidation and that the correct deposit rate for at least these shipments must include the *ad valorem* equivalent of the preferential interest rates received.

DOC Position. Information available to the department indicates that, on the average, this merchandise enters the United states approximately 90 days after purchase.Although it is conceivable that some individual shipments of this merchandise may have taken longer to enter the United States, we are satisfied that our bonding requirements accurately reflect the overall economic impact of the subsidies received by Korean producers.

Comment 3. Bethlehem Steel argues that the government either directly or indirectly controls wages in the steel sector and that this is evidenced by comparing the average percentage of monthly income increase for workers reported by POSCO in its response to published country-wide average labor statistics.

DOC Position. Comparisons of varying percentage figures can be misleading in that many different variables affect the total compensation paid by a firm to its employees. ITA has uncovered no evidence of either direct or indirect government control of steel sector wages.

Comment 4. Bethlehem Steel alleges that Korean steel producers may have benefitted from preferential financing from the Korean Long-Term Credit Bank (KLB).

DOC Position. The Department has found no evidence of Korean steel producers receiving preferential loans from the KLB.

Comment 5. Bethlehem Steel indicates that Korean steel producers may be receiving special infrastructure aid from the government under Korea's Fourth Five-Year economic development plan.

DOC Position. Although Korea's Fourth Five-Year economic development plan includes plans for infrastructure improvements, ITA has no evidence on record that this infrastructure aid is being targeted to a particular company or industry and therefore it is not considered countervailable.

Respondent's Comments

Comment 1. Counsel for respondents argues that the Department incorrectly calculated the benefit received by steel producers attributable to the program providing accelerated depreciation for exporters. Respondents contend that any manufacturer operating its facilities more than 12 hours a day, on an annual basis, is eligible for an additional 20 percent accelerated depreciation. Since the export depreciation program provides for an additional 30 percent accelerated depreciation, respondents contend that ITA should have countervailed only 10 percent of the accelerated depreciation instead of the entire 30 percent.

DOC Position. Since ITA cannot determine with certainty whether the steel producers which used the special export depreciation program would have received benefits under the other program in question, we have not made this hypothetical adjustment and have considered the entire 30 percent to be a countervailable subsidy.

Comment 2. Respondents dispute ITA's methodology of attributing tax benefits for POSCO to 1982 despite the fact that the tax exemptions expired on December 31, 1981.

DOC Position. It is our opinion that tax benefits should be attributable to the year in which their exact amounts become known by the recipients. Since POSCO did not settle its tax liabilities for 1981 until April 1982, we believe a benefit under this program may have continued in 1982 and have thus included this subsidy in our estimated duty deposit rate for future entries.

Comment 3. Respondents argue that almost all industries in Korea are eligible for deferred payment of customs duties and that ITA should not consider this program to be a subsidy.

DOC Position. Our review of the law on which this deferral is based showed that there are definite limiting criteria by which certain industries, and certain companies within industries, benefit to a greater extent than others. Therefore we consider this program to confer a domestic subsidy.

Comment 4. Union Steel objects to the Department calculating benefits on an industry-wide basis, for programs available to all firms within that industry, when not all firms have utilized the program.

DOC position. In general, it has been our long-standing administrative practice to calculate benefits on a country-wide basis except in cases in which a countervailable program is company-specific.

Comment 5. Respondents object to the use of the Masan Tube bonding rate for bonding requirements of any other pipe and tube producer not investigated. Respondents argue that Masan Tube benefited from special Masan Free Export Zone benefits which are not available to all pipe and tube producers. Respondents cite the example of Dong Jin Steel Co., Ltd. (Dong Jin), a new subsidiary of POSCO, which does not qualify for these benefits.

DOC Position. The Department cannot know in advance whether any new pipe and tube producers are located in the Masan Zone or have foreign ownership and are eligible for benefits under the Foreign Capital Inducement Law. Until an investigatory record can be established for new firms, we must continue to assume possible receipt of benefits from all existing programs. Since we have investigated Dong Jin's situation during the course of verifying the responses, we will set that firm's bonding rate equivalent to that of POSCO's bonding rate based on the best available information. Dong Jin will also be listed with POSCO in our "Suspension of Liquidation" section. We are also listing POSCO and Dong Jin within the pipe and tube industry should the firm commence exportation of this merchandise to the United States in the future. POSCO's rate will also be applied to all other manufacturers, producers, or exporters of pipe and tube which were not investigated.

Comment 6. Respondents object to the failure of the Department to exclude certain pipe and tube producers from this determination in spite of a "zero" bonding requirement.

DOC Position. During the period for which we are measuring subsidization, pipe and tube producers received benefits from perferential export financing in amounts which were greater than *de minimis.* We have waived bonding requirements for these producers since the Korean government eliminated all preferential financing rates on June 28, 1982. However, since the program still exists, and preferential rates can still be reinstated in the future, we are not excluding any firms which may receive future benefits.

Verification

In accordance with section 776 (a) of the Act, we verified the data relied upon in our final determinations. During this verification, we followed standard procedures, including inspection of documents, discussions with government officials and on-site inspection of manufacturers' operations and records. We also spoke with officials of a private commercial bank in Korea during this investigation.

Suspension of Liquidation

The suspension of liquidation ordered in our preliminary determinations shall remain in effect until further notice. The estimated net subsidy for each product is as follows:

Products and manufacturer/producer/exporter	Ad valorem rate
Hot-rolled carbon steel plate: All manufacturers/producers/exporters	1.88
Hot-rolled carbon steel sheet: All manufacturers/producers/exporters	1.88
Galvanized carbon steel sheet:	
POSCO (Dong Jin)	1.74
Union Steel	1.36
All other manufacturers/producers/exporters	1.74
Small diameter welded carbon steel pipes and tubes:	
Masan Tube	1.86
POSCO (Dong Jin)	1.88
Other manufacturers investigated	0.00
All other manufacturers/producers/exporters	1.88

We are using a zero cash deposit or bonding rate for all firms investigated which produce pipes and tubes, except for Masan Tube and Dong Jin, because they received benefits of 0.14 percent which is *de minimis.* However, they are not excluded from these final affirmative determinations.

Our reason for not excluding these firms is that all of them had received benefits, which were more than *de minimis,* from preferential short-term export financing programs during the period for which we are measuring subsidization. We did not include these totals in the above estimated subsidy rates because the government subsequently eliminated the preferential loan rate for export loans on June 28, 1982. However, the programs themselves have not been eliminated and there remains a possibility that preferential rates will be resumed in the future.

With respect to these preferential short-term export financing programs, we have concluded that no entries subject to this suspension of liquidation have benefited from these programs and we have not included the amounts of subsidies found on these programs in 1981 in the subsidy amounts shown above.

We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of the publication of this notice in the **Federal Register.**

Where the manufacturer is not the exporter, and the manufacturer is known, the rate for the manufacturer shall be used in determining the cash deposit or bond amount. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

Where a company specifically listed above, with the exception of POSCO and Dong Jin, has not exported a particular product during the period for which we are measuring subsidization, the cash deposit or bond amount shall be based on the highest rate for products that were exported by that company. We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication in the **Federal Register.**

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of this action and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under any administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

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

Lawrence Brady,

Assistant Secretary for Trade Administration.

December 16, 1982.

APPENDIX

Description of Products

For purpose of this investigation:

1. The term *"hot-rolled carbon steel plate"* covers carbon steel products, whether or not corrugated or crimped; not pickled; not cold-rolled; not in coils; not cut, not pressed, and not stamped to non-rectangular shape; 0.1875 of an inch or more in thickness and over 8 inches in width; as currently provided for in items 607.6615, or 607.94, of the *Tariff Schedules of the United States*

Annotated ("TSUSA"); and hot- or cold-rolled carbon steel plate which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710 or 608.11 of the TSUSA. Semi-finished products of solid rectangular cross section with a width at least four times the thickness in the cast condition or processed only through primary mill hot-rolling are not included.

2. The term *"hot-rolled carbon steel sheet"* covers the following hot-rolled carbon steel products. Hot-rolled carbon steel sheet is a hot-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 8 inches in width and in coils or if not in coils under 0.1875 of an inch in thickness and over 12 inches in width; as currently provided for in items 607.6610, 607.6700, 607.8320, 607.8342, or 607.9400 of the *Tariff Schedules of the United States Annotated "TSUSA". Please note that the definition of hot-rolled carbon steel sheet includes some products classified as "plate" in the TSUSA (Items 607.6610 and 607.8320.*

3. The term *"cold-rolled carbon steel sheet"* covers the following cold-rolled carbon steel products. Cold-rolled carbon steel sheet is a cold-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 8 inches in width and in coils or if not in coils under 0.1875 of an inch in thickness and over 12 inches in width; as currently provided for in items 607.8320 or 607.8344 of the *Tariff Schedules of the United States Annotated ("TSUSA"). Please note that the definition of cold-rolled carbon steel sheet includes some products classified as "plate" in the TSUSA (Item 607.8320).*

4. The term *"Galvanized carbon steel sheet"* covers hot- or cold-rolled carbon steel sheet which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710, 608.0730, 608.11 or 608.13 of the *Tariff Schedules of the United States Annotated ("TSUSA"). Note that the definition of galvanized carbon steel sheet includes some products classified as "plate" in the TSUSA (Item 608.0710 and 608.11).* Hot- or cold-rolled carbon steel sheet which has been coated or plated with metal other than zinc is not included.

5. The term *"small diameter welded carbon steel pipes and tubes"* covers welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross section and 0.375 of an inch or more in outside diameter but not more than 16 inches as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the *Tariff Schedules of the United States Annotated ("TSUSA").* Pipes or tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings, cold drawn pipes and tubes and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are *not included.*

[FR Doc. 82-34851 Filed 12-23-82; 8:45 am]
BILLING CODE 3510-25-M

APPENDIX B

THE FEDERAL REGISTER NOTICES

OF THE U.S. INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-165 and 168 (Final)]

Welded Carbon Steel Pipes and Tubes from Brazil and the Republic of Korea

AGENCY: International Trade Commission.

ACTION: Institution of final countervailing duty investigations and scheduling of a hearing to be held in connection with the investigations.

SUMMARY: As a result of the affirmative preliminary determinations by the ...ernational Trade Administration, United States Department of Commerce, notices of which were published in the Federal Register of October 12, 1982, that there is a reasonable basis to believe or suspect that benefits are granted by the Governments of Brazil and the Republic of Korea with respect to the manufacture, production, or exportation of welded carbon steel pipes and tubes, provided for in item 610.32 of the Tariff Schedules of the United States (TSUS)[1], which constitute a subsidy within the meaning of the countervailing duty law, the United States International Trade Commission (hereafter "the Commission") hereby gives notice of the institution of investigations Nos. 701-TA-165 and 168 (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 is materially retarded by reason of imports of such merchandise.

EFFECTIVE DATE: October 26, 1982.

FOR FURTHER INFORMATION CONTACT: Judith C. Zeck, Office of Investigations, U.S. International Trade Commission, (202-523-0339).

SUPPLEMENTARY INFORMATION: On June 21, 1982, the Commission determined, on the basis of the information developed during the course of investigations Nos. 701-TA-165 and 168 (Preliminary), that there was a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Brazil and the Republic of Korea of welded carbon steel pipes and tubes upon which bounties or grants are allegedly being paid.

The preliminary investigations were instituted in response to petitions filed on May 7, 1982 by United States Steel Corp. The Department of Commerce will make its final subsidy determinations in these cases on or before December 20, 1982. The Commission must make its final injury determinations within 120 days after the date of Commerce's preliminary subsidy determination or by February 9, 1983 (19 CFR 207.25). A public version of the staff report containing preliminary findings of fact will be placed in the public record on December 14, 1982, pursuant to § 207.21 of the Commission's Rules of Practice and Procedure (19 CFR 207.21).

Public hearing: The Commission will hold a public hearing in connection with this investigation at 10:00 a.m. on January 6, 1983, in the Hearing Room of the U.S. International Trade Commission Building. 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 December 13, 1982. All persons desiring to appear at the hearing and make oral presentations must file prehearing statements and should attend a prehearing conference to be held at 11:00 a.m., on December 15, 1982.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23, as amended in 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing statements and to new information. All legal arguments, economic analysis and factual materials relevant to the public hearing should be included in prehearing statements in accordance with § 207.22 (19 CFR 207.22, as amended in 47 FR 33682, August 4, 1982). Post hearing briefs will also be accepted within a time specified at the hearing.

Written submissions. Any person may submit to the Commission a written statement of information pertinent to the subject matter of the investigations. A signed original and fourteen (14) copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, on or before December 30, 1982. All written submissions except for confidential business data will be available for public inspection.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information". Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

A staff report containing preliminary findings of facts will be available to all interested parties on December 15, 1982.

Service of documents.—Any interested person may appear in these investigations as a party, either in person or by representative, by filing an entry of appearance with the Secretary

[1] The term "small diameter welded carbon steel pipes and tubes" covers welded, jointed, or seamed carbon steel pipes and tubes with walls not thinner than 0.065 inch, of circular cross section and 0.375 inch or more in outside diameter but not more than 16 inches, as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the Tariff Schedules of the United States Annotated (TSUSA). Pipes or tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feed water heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings; cold drawn pipes and tubes; and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are not included.

A-62

in accordance with section 201.11 of the Commission's rules (19 CFR 201.11 as amended in 47 FR 6189, February 10, 1982). Each entry of appearance must be filed with the Secretary no later than 21 days after the publication of this notice in the Federal Register.

The Secretary will compile a service list from the entries of appearance filed in these final investigations and from the Commission's record in the preliminary investigations. Any party submitting a document in connection with these investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8, as amended in 47 FR 13791, April 1982), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirments set forth in § 201.16(b) of the rules (19 CFR 201.16(b), as amended in 47 FR 33682, August 4, 1982).

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

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and C (19 CFR Part 207, 44 as amended in 47 FR 6190 February 10, 1982, 33682, August 4, 1982 and 47 FR as amended in 47 FR 6189, February 10, 1982; 47 FR 13791, April 1, 1982; and 47 FR 33682, August 4, 1982) and Part 201, subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, as amended in 47 FR 6190, February 10, 1982).

Issued: October 27, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-30257 Filed 11-2-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

WITNESSES AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Welded Carbon Steel Pipes and Tubes from Brazil and the Republic of Korea

Inv. Nos. : 701-TA-165 and 701-TA-168 (Final)

Date and time: January 6, 1983 - 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 imposition of countervailing duties:

United States Steel Corporation, Pittsburgh, Pennsylvania

John J. Connelly, General Manager-Commercial, Tubular Products

Paul L. Fidel, Manager-Special Services, Imports and Domestic

Ms. Leslie Ranney--OF COUNSEL

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

Bethlehem Steel Corporation

Terence P. Stewart)
Roger Yochelson)--OF COUNSEL

- more -

In opposition to the imposition of countervailing duties:

Daniels, Houlihan & Palmeter--Counsel
Washington, D.C.
on behalf of

DongJin Steel Co., Ltd.
Dongkuk Heavy Industries, Ltd.
Fuji Works Korea, Ltd.
Hyundai Pipe Co., Ltd.
Korea Steel Pipe Co., Ltd.
Pusan Steel Pipe Industrial Co., Ltd.
Union Steel Mfg. Co., Ltd.,
Korea Iron & Steel Association
Shin A. Calorizing Co., Ltd.

N. David Palmeter)
Donald B. Cameron, Jr.)--OF COUNSEL