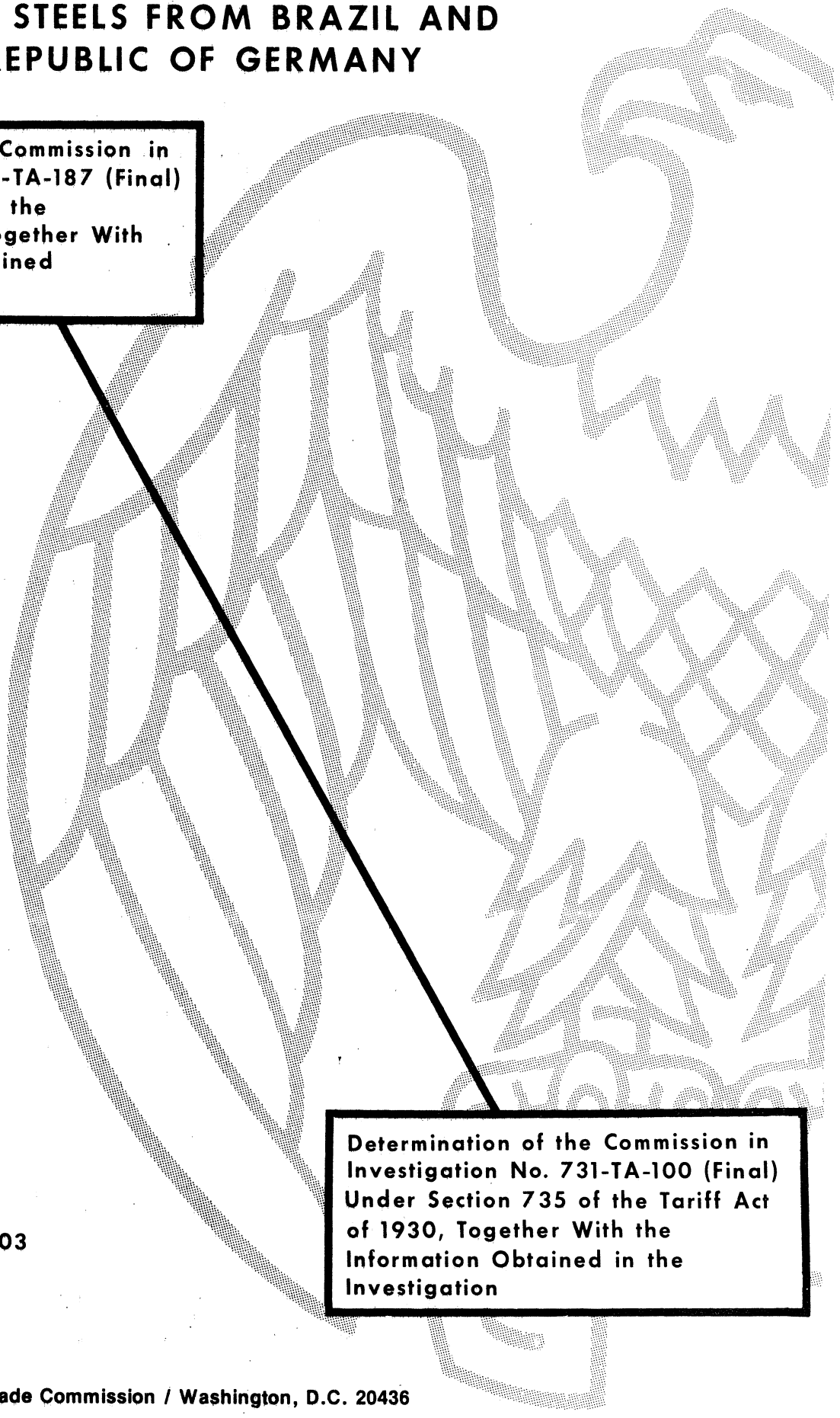
CERTAIN TOOL STEELS FROM BRAZIL AND THE FEDERAL REPUBLIC OF GERMANY

Determination of the Commission in Investigation No. 701-TA-187 (Final) Under Section 705 of the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determination of the Commission in Investigation No. 731-TA-100 (Final) Under Section 735 of the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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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--

Stephen Miller, Investigator
Patrick Magrath, Commodity Analyst
Dan Klett, Economist
Jack Simmons, Attorney
John MacHatton, Supervisory Investigator

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

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Note.--Information which would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 701-TA-187 and 731-TA-100 (Final)

CERTAIN TOOL STEELS FROM BRAZIL AND
THE FEDERAL REPUBLIC OF GERMANY

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to sections 705(b)(1) and 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. §§ 1671d(b)(1) and 1673d(b)(1)), that--

> an industry in the United States is materially injured by reason of imports of certain tool steels 2/ from Brazil (investigation No. 701-TA-187 (Final)) which have been found by the Department of Commerce to be subsidized by that Government, and
>
> an industry in the United States is materially injured by reason of imports of certain tool steels from the Federal Republic of Germany (investigation No. 731-TA-100 (Final)) which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted investigation No. 701-TA-187 (Final) effective January 3, 1983, following a preliminary determination by the Department of Commerce that imports of certain tool steels from Brazil were being subsidized by the Government of that country. Investigation No. 731-TA-100 (Final) was instituted effective January 12, 1983, following a preliminary determination by Commerce that imports of certain tool steels from The Federal Republic of Germany were being, or were likely to be, sold in the United States at LTFV.

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

2/ For purposes of these investigations, certain tool steels are bars and wire rods provided for in items 606.93, 606.94, 606.95, 607.28, 607.34, 607.46, and 607.54 of the Tariff Schedules of the United States.

On March 21, 1983, Commerce suspended its countervailing duty investigation involving certain tool steel bar and rod from Brazil. The basis for the suspension was an agreement by the Government of Brazil to offset all export subsidies for the subject products with an equivalent export tax (48 F.R. 11731). Consequently, the Commission announced the suspension of its countervailing duty investigation on these products from Brazil on March 30, 1983 (48 F.R. 13278).

On March 22, 1983, counsel for the petitioners notified the Department of Commerce and the Commission that pursuant to section 704(g) of the Tariff Act of 1930, as amended, they were requesting a continuation of the countervailing duty investigation concerning these products from Brazil. The Commission continued its final countervailing duty investigation as of March 22, 1983. Notice of the Commission's continuation of the final investigation and of the rescheduling of the public hearing to be held in connection with this investigation along with the LTFV investigation involving the Federal Republic of Germany 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 April 13, 1983 (48 F.R. 15966).

On June 6, 1983, Commerce made an affirmative final subsidy determination concerning Brazil (48 F.R. 25250) and an affirmative final LTFV determination concerning the Federal Republic of Germany (48 F.R. 25247) on the products subject to these investigations. The Commission's hearing in these investigations was held in Washington, D.C., on June 7, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel. The Commission voted on the investigations on July 1, 1983.

If the final determination by the Commission in this continued investigation had been negative, then the agreement between Commerce and the Government of Brazil would have had no force or effect and the investigation would have been terminated. However, because the final determination is affirmative, the agreement will remain in effect and no countervailing duty order will be issued unless the agreement is terminated or violated or otherwise fails to meet the requirements of section 704 (19 U.S.C. § 1671c(f)(3)).

VIEWS OF THE COMMISSION

Our final determinations in these two investigations are part of a series of antidumping and countervailing duty investigations involving stainless steel and tool steel products. 1/ One of the present investigations involves less-than-fair-value (LTFV) sales of tool steel bar and rod from the Federal Republic of Germany (FRG) and the other investigation concerns subsidized tool steel bar and rod from Brazil.

In these views, we first discuss the question of like product and the domestic industry, concluding that there is one domestic industry. We then examine the condition of the industry, finding it to be materially injured. Finally, we consider whether the necessary causal connection exists between the condition of the domestic industry and the subject imports in each investigation. In making these determinations, the focus of our analysis is on causation because material injury to the domestic industry is clearly present.

Based on this analysis, we conclude that the domestic tool steel bar and rod industry is materially injured by reason LTFV imports from the FRG and by subsidized imports from Brazil. 2/ 3/

1/ See Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Brazil, invs. Nos. 701-TA-179 through 181 (Final), USITC Pub. No. 1398 (1983); Stainless Steel Sheet and Strip from the Federal Republic of Germany and France and Stainless Steel Sheet and Strip and Plate from the United Kingdom, invs. Nos. 701-TA-195 (Final), 701-TA-196 (Final), 731-TA-92 (Final), and 731-TA-95 (Final), USITC Pub. No. 1391 (1983); 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 (1983).

2/ Material retardation of the establishment of an industry in the United States is not an issue in either of these investigations and will not be discussed further.

3/ Chairman Eckes and Commissioner Haggart note that sufficient information was developed in the course of these investigations to make the respective determinations on a case-by-case basis. They did not cumulate the impact of

(Footnote Continued)

Domestic industries

Section 771(4)(A) of the Tariff Act of 1930 (the Act) defines the term "industry" as "the domestic producers as a whole of the like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 4/ "Like product," in turn, is defined 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." 5/ The imported product which forms the subject matter of these investigations is tool steel bar and rod from Brazil and the Federal Republic of Germany. 6/

The scope of these tool steel investigations includes all tool steel bar and rod as defined in the TSUS. 7/ Tool steel is a class of alloy steel characterized by metallurgical compositions designed to produce certain combinations of hot-hardness (the ability to resist softening at elevated temperatures); wear resistance (the ability to resist wearing of the tool area when in contact with the workpiece); and toughness (a combination of strength and ductility). 8/

The production of tool steel is generally similar to the production of carbon steel, but differs significantly in the very exact metallurgy and performance characteristics that are demanded of tool steels. Tool steel

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(Footnote Continued)
imports from West Germany with that of imports from Brazil. They did consider, in each investigation, imports from other sources and their impact on the condition of the domestic industry as factors and conditions of trade.

4/ 19 U.S.C. § 1667(4)(A).

5/ 19 U.S.C. § 1677(10).

6/ These investigations do not include tool steel plate, tool steel strip, or tool steel sheet, which are outside the scope of the determinations made by the Department of Commerce.

7/ The TSUS divides tool steels into high-speed tool steel, chipper knife steel, band saw steel, and other tool steel.

8/ Report, p. A-8.

production requires specialized equipment, expensive alloying ingredients, and continuous, careful quality control throughout the entire process. 9/ The production equipment used in the manufacture of tool steels is not limited to any one metallurgical composition of tool steel. Therefore, it is relatively easy for one domestic producer to shift production from one tool steel to another, assuming that the producer can make a product which meets all the compositional and purity specifications. 10/

It may be argued that tool steel should be separated into a series of like products based on metallurgical composition. 11/ This argument would rest on the many different metallurgical compositions of tool steel, which lead to different combinations of hot-hardness, wear resistance, and toughness. The various types of tool steels thus have a large number of diverse end uses. However, when compared with the overall similarity between all tool steels in relation to broader categories such as other specialty steel products, such differences in characteristics and uses among various tool steels are not sufficient to warrant their division into a group of several distinct like products. 12/

9/ Report, pp. A-7-8; Transcript, pp. 42-43.

10/ Report, p. A-13.

11/ There are at least two different ways of classifying tool steels: the TSUS classification (described in note 7) and the American Iron and Steel Institute (AISI) classification. The AISI classification divides tool steels into seven groupings, of which the first four listed are the most common: high-speed tool steel; hot-work tool steel; cold-work tool steel; mold steel; shock resisting steel; special purpose steel; and water hardening steel. For descriptions of these products, see Report, p. A-6.

12/ In the investigation regarding imports from the FRG, the parties in opposition to the petition have argued that we should exclude from any affirmative determination three specific types of tool steel: chipper knife steel, large diameter tool steel bars, and band saw steel. Having found that tool steel is a single like product, we include all the imports which have been included within an affirmative determination by the Department of Commerce. For our analysis of the role of these imports in the causation of injury, see note 32, infra.

In the preliminary phase of these investigations, the Commission found two like products: tool steel bar and tool steel rod. 13/ The Commission stated that it would review the question of definition of the like product and the domestic industry in a final investigation, if one occurred. 14/ These final investigations have demonstrated that the distinction between bar and rod is not significant. The coiled configuration of rod is the primary characteristic by which rod can be distinguished from bar. However, the bulk of wire rod consumed in the United States, whether produced domestically or imported, has uses for which tool steel bar of the same metallurgical composition is equally usable. 15/ Thus, there is no basis for finding that tool steel bar and tool steel wire rod are separate like products. 16/ Therefore, we conclude that there is one like product -- tool steel bar and rod -- which is the subject of these investigations and that there is one domestic industry consisting of the domestic producers of the like product. 17/

Condition of the domestic industry

Our examination of the condition of the domestic industry reveals that the domestic producers of tool steel bar and rod are clearly experiencing

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13/ Certain Tool Steels from Brazil and the Federal Republic of Germany, invs. Nos. 701-TA-187 (Preliminary) and 731-TA-100 (Preliminary), USITC Pub. 1288, pp. 6-7 (1982).

14/ Id., p. 7, footnote 3.

15/ Report, p. A-6.

16/ This contrasts to the situation in Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Spain, invs. Nos. 701-TA-176 through 178 (Final), USITC Pub. 1333 (1982), where stainless steel wire rod was found to have uses for which stainless steel bar is not suited.

17/ For a list of the domestic firms producing tool steel bar and rod, see Report, Table 3.

material injury. All of the important economic indicators show the significantly weakened condition of the industry. During the course of these investigations, as well as the recent section 201 investigation, 18/ the Commission has collected extensive information regarding this industry. We have based our analysis of these indicators on industry data for 1979 through 1982.

Domestic production of tool steel bar and rod has fallen throughout the period of investigation. In 1981, domestic production was 80,000 tons, approximately 79 percent of the 1979 level of 101,000 tons. In 1982, domestic production had fallen to 46,000 tons, approximately 46 percent of the 1979 level. 19/ At the same time, domestic capacity decreased by approximately 14 percent. 20/ Capacity utilization, therefore, declined from 56.7 percent in 1979 to 30.1 percent in 1982. 21/ U.S. producers' shipments also declined from 1979 through 1982, dropping more sharply in 1982 when compared with 1981. 22/ Absolute inventory levels increased from 1979 to 1981, before declining sharply from 1981 to 1982. Year-end inventories as a share of domestic producers' shipments rose steadily from 45.5 percent in 1979 to 71.0 percent in 1982. 23/

The average number of production and related workers producing tool steels declined from 3,243 in 1979 to 1,952 in 1982, a decrease of

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18/ Stainless Steel and Alloy Tool Steel, inv. No. TA-201-48, USITC Pub. No. 1377 (1983).
19/ Report, Table 5.
20/ Id.
21/ Id., p. A-15.
22/ Id., p. A-16.
23/ Id., p. A-17.

40 percent. Hours paid for production and related workers during the same period declined by more than 50 percent. 24/ Labor productivity, as measured in tons of output per labor hour, declined from 1981 to 1982. 25/

Net sales declined from 1980 through 1982, with a precipitous decline in 1982 as compared to 1981. Operating income decreased from 1979 to 1981, and declined precipitously from 1981 to 1982, resulting in significant operating losses in 1982. 26/ The number of firms reporting operating losses increased from one in 1979 to three in 1981 and ten in 1982. 27/

Effect of imports on the domestic industry

We have found a sufficient causal nexus between the subject LTFV and subsidized imports and the difficulties experienced by the domestic producers. 28/ In reaching these conclusions, we have considered, among other factors, the volume of imports, underselling by the imports, and lost sales information. 29/ 30/

24/ Report, Table 6.
25/ Id.
26/ Id., Table 8.
27/ Id.
28/ There are many causes of injury to the domestic industry in these investigations other than LTFV or subsidized imports. However, the legislative history regarding final antidumping and countervailing duty investigations directs the Commission not to weigh causes of injury. S.Rep. 96-249, 96th Cong., 1st Sess., 54, 74 (1979).
29/ Commissioner Stern also specifically considered the LTFV and subsidy margins found by the Department of Commerce in evaluating the link between material injury and the potentially unfair practices of dumping and subsidization. See "Views of Paula Stern," Carbon Steel Wire Rod from Trinidad and Tobago, inv. No. 731-TA-113 and -114 (Preliminary), USITC Pub. No. 1316, pp. 5-24 (1982).
30/ Commissioner Stern does not believe it appropriate to aggregate the impact of subsidized imports with that of LTFV imports. The two potentially
(Footnote continued)

Imports of tool steel bar and rod from the Federal Republic of Germany -- Imports of tool steel bar and rod from the Federal Republic of Germany increased steadily throughout the period of these investigations, from 2,002 short tons in 1979 to 9,658 short tons in 1982. As a percentage of apparent domestic consumption, these imports increased from 1.6 percent in 1979 to 11.1 percent in 1982. 31/ 32/ In 1982, the FRG was the largest single source of tool steel bar and rod imports. 33/

Weighted-average net selling prices for tool steel bar and rod from the FRG generally show significant margins of underselling. For example, for cold-work tool steel bar, the data show very large margins of underselling for the first three quarters of 1981 and all four quarters of 1982, the only periods for which data are available. 34/ For one hot-work tool steel bar product, there were significant margins of underselling for the first two quarters of 1981 and all four quarters of 1982, although there was some overselling in the last two quarters of 1981. 35/ For another hot-work tool steel bar product, there were significant margins of underselling in three of the four quarters for which there are available data. For high-speed tool

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(Footnote continued)
unfair practices are covered by different statutes, one focusing on a governmental action (the provision of a subsidy), and the other on an essentially private commercial decision (selling at less than fair value). These actions differ in nature and may differ in their effects on the domestic industry. Furthermore, their effects may be analyzed independently with the aid of the respective margins provided by the Department of Commerce.

31/ Report, Table 13.

32/ Parties in opposition to the petitioners in this investigation argue that certain products are imported from the FRG that are not produced domestically in sufficient quantity to meet demand. See note 12, supra. Imports of thes products, it is argued, do not injure the domestic industry. We note that imports of these specific products represent a small percentage of tool steel imports from the FRG.

33/ Id., Table 14.

34/ Id., Table 17.

35/ Id., Table 19.

steel bar, there were margins of underselling in each quarter of 1981, and slight margins of overselling during each quarter of 1982, as domestic producers' prices for high-speed tool steel bar fell steadily from the first quarter of 1981 to the last quarter of 1982. 36/ 37/

The Commission received 32 allegations of lost sales to tool steels from the FRG. The Commission was able to investigate 27 of those allegations and in 15 cases found that tool steel from the FRG had been purchased. 38/ In 11 of the 15 instances, the lower price of such tool steel was cited as a factor influencing the purchasing decision. 39/

Therefore, we conclude that the domestic industry is materially injured by reason of LTFV imports from the FRG.

Imports of tool steel bar and rod from Brazil -- Imports of tool steel bar and rod from Brazil have increased dramatically from 14 tons in 1979 to 2,803 tons in 1982. Imports from Brazil increased by more than 60 percent from 1981 to 1982, although domestic production and shipments, as detailed above, fell drastically during that same period. 40/ As a share of apparent domestic consumption, imports from Brazil were insignificant in 1979 and rose to more than 3 percent in 1982. 41/

36/ Report, Table 16.

37/ Commissioner Stern notes that the Department of Commerce determined that tool steel imports from the FRG were being sold in the United States at a weighted-average LTFV margin of 7.1 percent. Report, p. A-4. This margin is a very significant factor in the underselling which is present. Such underselling accounts for a large part of the success of FRG imports in the U.S. market. See Report, pp. A-33-42 and A-45-50.

38/ Five firms were uncertain of the origin of the purchased tool steel and seven reported that they had never purchased tool steel from the FRG. Report, p. A-45.

39/ In 3 instances, large-diameter bar was purchased from FRG sources in the absence of these sizes from domestic producers. Report, pp. A-45-50.

40/ Report, Table 12.

41/ Id., Table 13.

Imports of tool steel bar and rod from Brazil significantly undersold the comparable domestic product in each of the products for which information is available. For cold-work tool steel bar and hot-work tool steel bar, underselling is present in each of the periods for which price data are available. 42/ Only in the case of high-speed tool steel bar was there any overselling. However, that overselling was relatively small and occurred early in the period under investigation. 43/ 44/

The Commission received nine allegations of lost sales resulting from Brazilian imports, and the staff was able to investigate eight of these allegations. Of the three allegations in which Brazilian tool steel was purchased, price was a factor in two of them. 45/

Therefore, we conclude that subsidized imports of tool steel bar and rod from Brazil are causing material injury to the domestic industry.

42/ Id., Tables 17 and 19.

43/ Id., Table 16.

44/ Commissioner Stern notes that the subsidized sales of Brazilian bar and rod are causing material injury. The net subsidy was found by the Department of Commerce to be 18.77 percent, a substantial figure when compared to the margins of underselling which are themselves largely responsible for the increased market penetration by the Brazilian imports. Report, pp. A-3, A-44-58, and A-50-52.

45/ Report, pp. A-50-51.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 30, 1982, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Al Tech Specialty Steel Corp., CCX, Inc. (formerly Continental Copper & Steel Industries, Inc.) (Braeburn Alloy Steel Division), Carpenter Technology Corp., Columbia Tool Steel Co., Colt Industries, Inc. (Crucible Specialty Metals Division), Cyclops Corp., Guterl Special Steel Corp., Jessop Steel Co., Latrobe Steel Co., and the United Steelworkers of America (AFL-CIO/CLC), alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Brazil of certain tool steel bar and wire rod (rod) upon which bounties or grants are being paid and by reason of such imports from the Federal Republic of Germany (West Germany) which are being sold in the United States at less than fair value (LTFV).

Accordingly, on July 30, 1982, the Commission instituted preliminary material injury investigations under sections 701 and 731 of the Tariff Act of 1930. On September 15, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of such imports.

The Department of Commerce published its preliminary affirmative countervailing duty (CVD) and antidumping determinations in these cases in the Federal Register on January 3, 1983, and January 12, 1983, respectively. In response to Commerce's preliminary affirmative determinations, the Commission instituted investigations Nos. 701-TA-187 (Final) and 731-TA-100 (Final) under sections 705(b) and 735(b) of the act to determine whether an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized imports of certain tool steel bar and rod from Brazil and LTFV imports of certain tool steel bar and rod from West Germany. 1/

On March 21, 1983, the Department of Commerce announced the suspension of its CVD investigation with respect to Brazil, pursuant to a suspension agreement between Commerce and the Government of Brazil (48 F.R. 11731). The Commission suspended its investigation upon publication of the Federal Register notice. On March 22, counsel for the petitioners requested a continuation of the investigations pursuant to section 704(g), whereby Commerce and the Commission recommenced their respective investigations. 2/

Commerce published its final affirmative determinations on June 6, 1983. 3/ The Commission voted on these cases on July 1 and notified Commerce of its findings on July 11, 1983.

1/ Copies of the Commission's notices of final investigations and a calendar of the public hearing are presented in app. A.

2/ Copies of Commerce's and the Commission's notices of suspensions and continuation are presented in app. B.

3/ The Department of Commerce's final affirmative determinations are presented in app. C.

Prior Commission Investigations of Tool Steels

The Commission has conducted four prior investigations under sections 201 and 203 of the Trade Act of 1974 1/ which included the products that are the subject of the instant investigations.

In the first of these investigations, No. TA-201-5, the Commission determined in January 1976 that tool steels were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with imported tool steels. The President determined that import relief should be provided, and on June 11, 1976, issued Proclamation No. 4445, which set import quotas on tool steels for a 3-year period.

The second investigation, No. TA-203-3, was instituted by the Commission on June 19, 1977, pursuant to a request from the Special Representative for Trade Negotiations to determine the probable economic effect on the specialty-steel industry if the quotas were to be terminated or increased. On October 14, 1978, the Commission advised the President that the termination or reduction of the relief could have a serious adverse economic effect. Following receipt of this advice, the President issued Proclamation No. 4559 on April 5, 1978, modifying the quotas by excluding chipper knife steel and band saw steel from the quotas. The quotas applicable to the remaining tool steels for the European Community and Sweden, the primary sources of alloy tool steels, were reduced to take into account this change in quota coverage. This modification became effective April 8, 1978.

The third investigation, No. TA-203-5, was instituted by the Commission on December 11, 1978, following receipt of a petition filed by the Tool & Stainless Steel Industry Committee and the United Steelworkers of America, AFL-CIO. The investigation was instituted to determine the probable economic effect on the domestic industry of the termination of quotas on tool steels that were scheduled to terminate on June 13, 1979. On June 12, 1979, the President issued Proclamation No. 4665, which extended the temporary quantitative limitations imposed by Proclamation No. 4445, as amended, for the period of June 14, 1979, through February 13, 1980. Import relief was terminated on February 14, 1980.

In its fourth investigation, No. TA-201-48, the Commission determined that the subject merchandise is being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industries producing articles like or directly competitive with the imported articles. The Commission sent its findings and proposed remedies to

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1/ Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-201-5. . ., USITC Publication 756, January 1976; Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-203-3. . ., USITC Publication 838, October 1977; Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-203-5. . ., USITC Publication 968, April 1979; and Stainless Steel and alloy Tool Steel: Report to the President on Investigation No. TA-201-48. . ., USITC Publication 1377, May 1983.

the President on May 6, 1983. Commissioners Stern and Haggart recommended that imports of alloy tool steel be restricted to 20 percent of forecasted U.S. consumption, but not less than 22,400 short tons; Chairman Eckes recommended that tool steel imports be limited to 26.9 percent of U.S. consumption, but not less than 29,592 short tons. All Commissioners recommended exclusion of chipper knife steel and band saw steel from the aforementioned quotas, which would be in effect for a period of 3 years, retroactive to January 1, 1983. The President has not yet acted on the Commission's findings and recommendations, but is required, by statute, to act by July 6, 1983.

Nature and Extent of Brazilian Bounties and Grants 1/

The Department of Commerce determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to producers, manufacturers, and exporters of tool steels in Brazil. The following programs were determined to confer such benefits:

- Industrialized Products Tax (IPI) export credit premium;
- preferential working capital financing for exports provided for under Resolution 674;
- income tax exemption for export earnings;
- long-term loans which were made at less than a fully indexed rate;
- IPI rebates for capital investment;
- Industrial Development Council (CDI) program for partial exemption of duties and tariffs on certain machinery for CDI approval projects; and
- accelerated depreciation for capital goods manufactured in Brazil.

These programs were determined to confer a net subsidy of 18.77 percent on tool steel exported from Brazil to the United States. A suspension agreement was signed on March 14, 1983 (see p. A-2); hence, as long as the terms of the suspension agreement are met, Commerce will not issue a countervailing duty order on the subject merchandise. 2/

1/ A complete discussion of Commerce's final CVD determination is presented in app. C.

2/ See app. B for the terms of the suspension agreement.

Nature and Extent of Sales at LTFV from West Germany

The Department of Commerce examined the sales of tool steels of three companies in West Germany and determined that such sales were being made in the United States at less than fair value by a weighted-average margin of 10.2 percent. The Commerce investigation included sales made by Edelstahlwerke Buderus AG (Buderus), ARBED Saarstahl GmbH (Saarstahl), and Thyssen Edelstahlwerke AG (Thyssen). These three firms manufacture and export virtually all of the tool steels exported from West Germany to the United States.

The determination of LTFV sales was made by comparing the U.S. price with the foreign-market value. Purchase price and exporters' sales price were used to represent the U.S. price; home-market sales price and constructed value were used to represent foreign-market value. Commerce's investigation covered the period from February 1 to August 1, 1982, for U.S. sales and from November 1, 1981, to August 1, 1982, for home-market transactions.

Margins were found on 41 percent of sales (on a tonnage basis). The margins ranged from 1.55 to 219.34 percent of the U.S. sales price. The weighted-average margins on a company-by-company basis are as shown in the following tabulation:

	Weighted-average margin (percent)
Buderus	6.7
Saarstahl	18.4
Thyssen	7.0
All other firms	10.2

Subsequent to the publication of its final LTFV determinations, the Department of Commerce discovered that it had made errors in the computation of the LTFV margins with respect to Buderus and Thyssen. The causes of the miscalculations may be found in app. C. The revised weighted-average margins are as follows:

	Weighted-average margins (percent)
Buderus	5.7
Thyssen	0.9
All other firms	7.1

The Product

Description and uses

For the purpose of these investigations, tool steel 1/ includes chipper knife steel, 2/ band saw steel, 3/ high-speed steel, 4/ and other tool steels (except bearing steels) in bar and wire rod form.

Bars are defined in the Tariff Schedules of the United States (TSUS) as products of solid section not conforming completely to the respective specifications set forth in the TSUS for blooms, billets, slabs, sheet bars, wire rods, plates, sheets, strip, wire, rails, joint bars, or tie plates, and which have cross sections in the shape of circles, segments of circles, ovals, triangles, rectangles, hexagons, or octagons The bulk of tool steel products are sold in bar form.

1/ Tool steel refers to alloy steel which contains the following combinations of elements in the quantity, by weight, respectively indicated:
not less than 1.0 percent carbon and over 11.0 percent chromium; or
not less than 0.3 percent carbon and 1.25 to 11.0 percent, inclusive, chromium; or
not less than 0.85 percent carbon and 1.0 to 1.8 percent, inclusive, manganese; or
0.9 to 1.2 percent, inclusive, chromium and 0.9 to 1.4 percent, inclusive, molybdenum; or
not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or
not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

2/ Chipper knife steel refers to alloy tool steel which contains, in addition to iron, each of the following elements, by weight, in the amount specified:

carbon:	not less than 0.48 nor more than 0.55 percent;
manganese:	not less than 0.20 nor more than 0.50 percent;
silicon:	not less than 0.75 nor more than 1.05 percent;
chromium:	not less than 7.25 nor more than 8.75 percent;
molybdenum:	not less than 1.25 nor more than 1.75 percent;
tungsten:	none, or not more than 1.75 percent; and
vanadium:	not less than 0.20 nor more than 0.55 percent.

3/ Band saw steel refers to alloy tool steel which contains, in addition to iron, each of the following elements, by weight, in the amounts specified:

carbon:	not less than 0.47 nor more than 0.53 percent;
manganese:	not less than 0.60 nor more than 0.90 percent;
sulfur:	none, or not more than 0.015 percent;
phosphorus:	none, or not more than 0.025 percent;
silicon:	not less than 0.10 nor more than 0.25 percent;
chromium:	not less than 0.90 nor more than 1.10 percent;
nickel:	not less than 0.50 nor more than 0.70 percent;
molybdenum:	not less than 0.90 nor more than 1.10 percent; and
vanadium:	not less than 0.08 percent nor more than 0.15 percent.

4/ High-speed tool steel refers to all tool steel which contains, by weight, not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

Rod is defined in the TSUS as a hot-rolled product which is coiled, semifinished, of solid cross section, approximately round in cross section, and not under 0.20 inch nor over 0.74 inch in diameter.

Information developed during the course of the investigation indicates that the principal difference between tool steel in bar and rod form (in diameters of 0.20 inch to 0.74 inch, the size range for wire rod) is that bars are cut to length, whereas rod is manufactured in coil form. The bulk of both U.S. and foreign-made tool steel rod is high-speed tool steel, the end use of which is the manufacture of drill bits. Consumers of high-speed tool steel prefer the product in rod form if they possess the necessary uncoiling equipment and are capable of high-volume drill bit production. Importers as well as U.S. producers can supply high-speed tool steel in rod or bar form, or can cut bar lengths from rod and grind or draw the steel to customers' specifications.

The American Iron & Steel Institute (AISI) divides tool steels into seven groupings, determined by the properties of the steels. Of these, the types listed in the first column are the most common.

High-speed tool steels	Shock resisting
Hot-work tool steels	Special purpose
Cold-work tool steels	Water hardening
Mold steels	

High-speed tool steels retain their hardness at elevated temperatures. For this reason, their principal use is in metal-cutting applications, such as broaches, drills, end mills, lathes, milling machines, reamers, routers, and saws.

Hot-work tool steels have superior ductility and toughness. They are designed for use on hot metal; as a result, they are rarely used in metal-cutting applications, but frequently used in metal-forming tools, and hot-forging dies.

Cold-work steels are designed for the forming of cold metal and, as such, require greater hardness than the hot-work steels. The greater levels of carbon in these steels account for the improved degrees of hardness. These steels do not have acceptable hot hardness properties and are therefore inappropriate for metal-cutting applications. Typical cold-forming applications for these steels include use in blanking, drawing, punching and stamping dies.

Mold steels are low-alloy tool steels which are high in toughness, low in wear resistance, and moderate in hot hardness. Mold steels are used in plastic molds, zinc die-casting dies, and holder blocks.

The Tariff Schedules of the United States Annotated (TSUSA) divides tool steels into three narrow categories and one very broad category based on chemical composition.

The TSUSA category covering high-speed tool steels contains virtually the same grades of steel as the comparable AISI category.

Chipper knife steel is the raw material for the production of chipper knives, which are used in machines designed to chip wood into pulp and chips for use in the production of particleboard by the lumber industry; for paper and corrugated boxes in the paper industry; in sanitary systems; and in landscaping. Chipper knife steel generally has a chromium content of 8 percent, which makes it wear resistant, and a carbon content of 0.5 percent, which provides it with hardness and toughness.

Band saw steel is used to produce band saw blades, which are metal-cutting blades used by machine shops and metal fabricators to cut semifinished metal down to a finished size. Band saw steel has a high carbon content, which accounts for its hardness.

The category covering other tool steels includes most of what the AISI refers to as hot-work tool steels, cold-work tool steels, and mold steels (i.e., the majority of tool steel products on a volume basis).

The production process

The production processes for carbon and specialty-steel products follow the same general scheme but differ in important details dictated by the more exact chemistry and performance characteristics demanded from specialty steels. As in carbon steel, production of specialty steel involves the conversion of iron ore or scrap and alloying elements into steel by heating and removing impurities. After the molten steel has reached the desired chemistry, it is cast into a relatively few semifinished shapes, after which it is forged, rolled, cut, extruded, and so forth, into a wide variety of finished forms.

Important production cost differences between carbon and specialty steel-making are in the first stage of the production process--the conversion of raw materials into molten steel. In a typical process, specialty-steel production begins with the melting of the raw material (usually selected scrap) in an electric furnace. The resultant molten steel is transferred to an argon-oxygen decarbonization (AOD) vessel, where alloying elements such as chromium, nickel, and molybdenum are added. The melt is refined by blowing with argon or other inert gases, and alloying elements are added until the desired chemistry is reached. The melt is then poured into preheated ladles, which transfer it to slab, bloom, or billet casters for solidification into semifinished shapes.

Depending on the desired chemistry of the finished product, additional refining techniques may be employed by specialty-steel producers. One process used in the manufacture of tool steel involves the casting of an ingot in the first melt, which is then used as a consumable electrode in a second "remelt" furnace. The electrode is remelted, further impurities are removed, and the ingot is recast and ready for roughing down to the semifinished shape. Such techniques as electroslag remelting, vacuum arc remelting, and vacuum induction furnaces are used to achieve higher purity and uniformity levels

The production process for tool steel products is similar to that of other steel products once the product has reached the billet stage, except that the relatively small quantities of tool steel produced make continuous rolling operations uneconomical. Tool steel is therefore rolled on hand mills, which requires that billets be light enough to be lifted manually. Tool steel is typically subjected to numerous grinding, turning, and straightening operations before it is shipped, to insure more exact specifications and performance.

All tool steels have three properties in common in varying degrees:

1) The ability to resist softening at elevated temperatures, which is referred to as hot-hardness;

2) Resistance to wear of the tool area when in contact with the workpiece, which is referred to as wear resistance; and

3) A combination of strength and ductility, commonly referred to as toughness.

U.S. tariff treatment

Imports of tool steel bars subject to this investigation are classified for tariff purposes in TSUSA items 606.9300, 606.9400, 606.9505, 606.9510, 606.9520, 606.9525, 606.9535, and 606.9540. 1/ Imports of tool steel wire rod are classified in items 607.2800, 607.3405, 607.3420, 607.4600, 607.5405, and 607.5420. The current column 1 (most-favored-nation) rates of duty 2/ and column 2 rates of duty 3/ on these items are shown in table 1. A least developed developing country (LDDC) rate of duty 4/ applies only to imports under item 606.93 and is 6 percent ad valorem plus additional duties. Brazil is eligible for this reduced duty under the GSP. Table 2 provides a summary of the TSUSA items subject to these investigations.

1/ The contents of the cold-formed tool steel bar items (606.9400, 606.9510, 606.9525, and 606.9540) were modified on Oct. 17, 1980, to include wire, cut to length, transferred from 609.3040 (pt.), 609.3340 (pt.), 609.4520 (pt.), 609.4550 (pt.), and 609.7500 (pt.).

2/ The col. 1 rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. However, such rates would not apply to products of developing countries where such articles are granted preferential treatment under the Generalized System of Preferences (GSP) or under the "LDDC" column. None of the subject products are eligible for duty-free entry under the GSP.

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

4/ The preferential rates of duty in the "LDDC" column reflect the full U.S. Multilateral Trade Negotiations concession rates implemented without staging for particular items which are the products of least developed developing countries, enumerated in general headnote 3(d) of the TSUSA. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty provided for in col. 1 applies.

Table 1.--Tool steel bar and wire rod: U.S. rates of duty as of Jan. 1, 1983, by TSUSA items

TSUSA item No.	Article description	Rate of duty 1/	
		Col. 1	Col. 2
	Tool steel bar:		
	Chipper knife steel bar:		
606.9300	Not cold-formed	9% ad val. + additional duties. 2/	28% ad val. + additional duties.
606.9400	Cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
	Other tool steel bar:		
	High-speed tool steel:		
606.9505	Not cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
606.9510	Cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
	Band saw steel:		
606.9520	Not cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
606.9525	Cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
	Other:		
606.9535	Not cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
606.9540	Cold-formed	10.5% ad val. + additional duties.	28% ad val. + additional duties.
	Tool steel wire rod, not tempered, not treated, and not partly manufactured:		
607.2800	High-speed	4.2% ad val. + additional duties.	11% ad val. + additional duties.
	Other:		
607.3405	Chipper knife tool steel and band saw tool steel.	4.9% ad val. + additional duties.	11% ad val. + additional duties.

See footnotes at end of table.

Table 1.--Tool steel bar and wire rod: U.S. rates of duty as of Jan. 1, 1983, by TSUSA items--Continued

TSUSA item No.	Article description	Rate of duty 1/	
		Col. 1	Col. 2
607.3420	Other	4.9% ad val. + additional duties.	11% ad val. + additional duties.
	Tool steel wire rod, tempered, treated, or partly manufactured:		
607.4600	High-speed	4.3% ad val. + additional duties.	10% ad val. + additional duties.
	Other:		
607.5405	Chipper knife steel and band saw steel.	5.9% ad val. + additional duties.	10% ad val. + additional duties.
607.5420	Other	5.9% ad val. + additional duties.	10% ad val. + additional duties.

1/ Tool steel bar and wire rod are also subject to additional cumulative duties on certain alloy contents, as provided for in headnote 4, part 2b, of schedule 6, of the TSUSA. These additional duties range from 0.1% ad val. to 1.0% ad val.

2/ The tariff on chipper knife steel was temporarily reduced from about 11.0 percent ad valorem to 4.6 percent, effective until Sept. 30, 1982, as provided in item 911.29 of the Appendix to the TSUS. Congress enacted legislation to reduce this tariff, because the col. 1 duty rate on chipper knife steel was higher than that on finished chipper knives. The domestic chipper knife industry had therefore claimed that this difference in tariff rates made their product noncompetitive with finished chipper knives imported into the United States. Therefore, legislation was enacted on Dec. 20, 1982 (H.R. 4566), to provide gradual reductions in the tariff rates applicable to U.S. imports of this item, which will result in a final tariff rate of 3.9 percent ad valorem from Jan. 1, 1985, to Apr. 1, 1985, when the legislation expires.

Table 2.--Tool steel bar and rod: TSUSA items covering articles subject to investigations Nos. 731-TA-100 and 701-TA-187

Shape	Chipper knife	Band saw	High-speed	Other
Bar	606.9300	606.9520	606.9505	606.9535
	606.9400	606.9525	606.9510	606.9540
Wire rod	607.3405		607.2800	607.3420
	607.5405		607.4600	607.5420

U.S. markets and channels of distribution

Principal industries which make use of products made from tool steel bar and rod include the automotive, aerospace, machine tool, and household appliance industries. However, because the applications for tool steels are so specialized, it is not possible to state end uses for these products by any particular industry; furthermore, any one industry may use a number of different types and grades of tool steels. In 1982, 77 percent of tool steel products shipments were "non-classified" shipments in terms of end use, according to the AISI. U.S. producers responding to Commission questionnaires reported that 77 percent of their domestic shipments went directly to end users, and the remaining 23 percent went to nonrelated service centers and distributors in 1982.

The domestic industry and the foreign manufacturers employ different methods of distributing the tool steels they produce. Domestic producers market the bulk of their tool steels directly to end users, whereas importers generally sell their products to independent service centers which in turn sell to other distributors and end users. Prominent exceptions to the foregoing characterization include * * *.

U.S. Producers

The tool steel industry is small when compared with either the carbon or stainless steel industry, as AISI data show in the following tabulation:

Product	Approximate U.S. shipments in 1982 (tons)	Percent of total
Carbon and other alloy steel------	60,614,000	98.5
Stainless steel------------------	894,000	1.5
All tool steel-------------------	59,000	0.1
Tool steel bar and rod-----------	54,000	0.1
Total steel mill products---------	61,567,000	100.0

In 1982, there were 15 U.S. producers of tool steel bar and rod; their names, plant locations, and products are listed in table 3. Of the 15 producers of tool steel bar and rod, 11 firms produce tool steel bar by rolling individual bars. Four firms, * * *, both manufacture bar directly and roll plate which is cut into bar prior to shipment. This latter form of production accounts for less than 10 percent of U.S. production of tool steel bar; however, such data relating to the production of tool steel plate which is cut into bar by the manufacturer have been included in the aggregate bar and rod data of this report.

Contacts with producers and purchasers of tool steel products in the United States indicate that virtually all tool steel plate is cut into bar form before reaching the end users. Petitioners estimate that 60 to 65 percent of the overall tool steel bar market may be served by bar produced in such a manner. The best information available to the Commission indicates

Table 3.--Tool steel bar and rod: Principal U.S. producers, location of their establishments, types of products produced, and share of total U.S. production and value of shipments, 1982

Firm	Plant location	Type of product 1/	Share of U.S.--	
			Value of shipments	Production
Al Tech Specialty Steel Corp.	Dunkirk, N.Y.	HSS, HWS, CWS, MS.	***	***
Braeburn Alloy Steel Division, CCX, Inc.	Lower Burrell, Pa.	HSS, HWS, CWS, MS.	***	***
Carpenter Technology Corp.	Reading, Pa.	HSS, HWS, CWS	***	***
Champion Steel Co.	Orwell, Ohio	Forgings 2/	***	***
Columbia Tool Steel Co.	Chicago Heights, Ill.	HSS, HWS, CWS	***	***
Crucible Specialty Metals Division, Colt Industries.	Syracuse, N.Y.	HSS, HWS, CWS, MS.	***	***
Electralloy Corp.	Oil City, Pa.	HWS, CWS	***	***
A. Finkl & Sons Co.	Chicago, Ill.	HWS,MS, Forgings 2/	***	***
Guterl Special Steel Corp.	Lockport, N.Y.	HSS, HWS, CWS, CKS, BSS.	***	***
Jessop Steel Co.	Washington, Pa.	HSS, HWS, CWS, CKS.	***	***
Earle M. Jorgensen Co.	Seattle, Wash.	Forgings 2/	***	***
Latrobe Steel Co. subsidiary of the Timken Co.	Latrobe, Pa.	HSS, HWS, CWS, MS.	***	***
National Forge Co.	Irvine, Pa.	HWS	***	***
Teledyne Vasco	Latrobe, Pa.	HSS, HWS, CWS, MS.	***	***
Universal Cyclops Specialty Steel Division, Cyclops Corp.	Titusville, Pa.	HSS, HWS, CWS, CKS.	***	***
Bethlehem Steel Corp.	3/	3/	***	***

1/ HSS--high-speed tool steel; HWS--hot work tool steel; CWS--cold work tool steel; MS--mold steel; CKS--chipper knife steel; BSS--band saw steel.
2/ Machined forgings are classified as bar in the TSUS.
3/ * * *.

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

that there are three producers of tool steel plate aside from those who roll plate and cut it into bar for sales. These producers * * * ship tool steel plate to service centers which further process the material. Together, these firms ship tonnages of less than 10 percent of the tool steel bar and rod produced by the firms listed in table 3. This additional tool steel plate production is combined with that of bar and rod in the computation of apparent U.S. consumption, shown in app. D.

Tool steel production requires special processing equipment and expensive alloying ingredients. The decision whether to produce one type and grade of tool steel or another appears to depend principally on the demand for that particular product at any given time, since it is relatively easy for a producer of tool steel products to shift production from one grade to another.

It should be noted, however, that as Paul Roedel, president and chief executive officer of Carpenter, told the Commission in its public hearing,

> . . . tool steel products, by the nature of their analysis, require a lot of attention, all the way through the process, from melt through finish, the decarb level, the analysis level. They are not easy products to make. 1/

Additionally, a representative of Crucible, in response to a Commission questionnaire, stated,

> Most domestic companies are capable of producing a wide range of products. However, individual firms are generally identified as being better equipped to supply a given family of grades and forms.

The structure of the U.S. industry is highly fragmented, as can be expected in an industry which must produce so many and varied end products. Some U.S. producers, such as A. Finkl & Sons, Earle Jorgensen, and National Forge Co., specialize in the production of larger diameter tool steel bars, which are forged, a significantly slower and more costly production process than that of rolling. 2/ Other firms, such as Latrobe Steel Co., concentrate production in small-diameter, relatively high-volume tool steel products such as high-speed tool steel. Therefore, although it is not difficult for producers to shift production from one grade of tool steel to another from a capability standpoint, producers are constrained in their product mix because of the limitations of their machinery and equipment to meet all size specifications and by the limited demand for each tool steel product.

Table 3 indicates a noticeable disparity between U.S. producers' share of U.S. production on a quantity basis and their share of U.S. shipments on a value basis. For example, a major U.S. producer of tool steel is * * *.

1/ Transcript of the hearing, pp. 42 and 43.

2/ Larger diameter (over 14 inch diameter) bars must be forged in order to guarantee the internal soundness of the product.

* * , which accounted for nearly * * * percent of total industry production on a quantity basis in 1982, but only * * * percent of the value of shipments. Other producers, such as * * * * and * * * , report value of shipments shares well in excess of the quantities produced in their facilities. These disparities are due to the above-mentioned fragmented nature of the tool steel market. * * * is one of the few producers in the United States which manufactures larger diameter tool steel bars on a regular basis, and it is the only firm in the United States which manufactures P-20 mold steel in large sizes, a relatively low-price item for which there is limited demand. * * *.

U.S. Importers

Information provided by the U.S. Customs Service identifies approximately 25 importers of tool steel from the countries whose imports are the subject of these investigations. Major importers from the subject countries are listed below:

Source	Importing firm
Brazil----------	* * *
	* * *
	* * *
	* * *
West Germany----------	* * *
	* * *

Apparent Consumption

Apparent U.S. consumption of tool steel bar and rod declined steadily from 122,533 short tons (all references to tons will refer to short tons unless otherwise indicated) in 1979 to 86,780 tons in 1982, or by 29.2 percent (table 4). The share of the market supplied by imports increased sharply, with the largest gain registered between 1981 and 1982. 1/ The ratio of imports to consumption nearly doubled over the period from 20.3 percent in 1979 to 40.3 percent in 1982.

1/ Import quotas, imposed under secs. 201 and 203 of the Trade Act of 1974, and in effect since 1976, expired in February 1980.

Table 4.--Tool steel bar and rod: U.S. producers' shipments, imports for consumption, exports, and apparent U.S. consumption, 1979-82

Year	Shipments	Imports 1/	Exports	Apparent consumption	Ratio of imports to--	
					Shipments	Consumption
	Short tons				Percent	
1979	102,114	24,877	4,458	122,533	24.4	20.3
1980	89,162	24,084	3,391	109,855	27.0	21.9
1981	81,371	27,373	3,869	104,875	33.6	26.1
1982	54,196	34,991	2,407	86,780	64.6	40.3

1/ A nominal amount of valve steel from West Germany is included in the import statistics.

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.

The Question of Material Injury

U.S. production, capacity, and capacity utilization

U.S. production of tool steel bar and rod fell sharply from 100,944 tons in 1979 to 45,969 tons in 1982, or by 54.5 percent. Production capacity for the subject products also declined, but only by 14.2 percent. As a result, capacity utilization fell from 57 percent in 1979 to only 30 percent in 1982. Production, capacity, and capacity utilization figures are shown in table 5.

Table 5.--Tool steel bar and rod: U.S. production, production capacity, 1/ and capacity utilization, 1979-82

Item	1979	1980	1981	1982
Production--------short tons--	100,944	91,453	79,562	45,969
Capacity----------do----	178,100	177,970	177,970	2/ 152,740
Capacity utilization--percent--	56.7	51.4	44.7	30.1

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

2/ * * *.

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

Except for the firms that produce tool steels exclusively, the production capacity for tool steels reported to the Commission should be considered rough estimates at best, since much of the equipment used for the production of tool steels may be employed interchangeably in the production of other specialty steels.

U.S. producers' shipments

Shipments by U.S. producers of the subject tool steels declined steadily from 102,114 tons in 1979 to 81,371 tons in 1981, or by 20.3 percent. Such shipments dropped more sharply between 1981 and 1982, falling to 54,196 tons, or by 33.4 percent. The following tabulation lists U.S. producers' shipments of tool steel bar and rod, as well as U.S. producers' net shipments of all tool steel products, as reported by the AISI.

Year	Tool steel bar and rod 1/ tons	All tool steels 2/ tons
1979	102,114	94,560
1980	89,162	78,655
1981	81,371	67,360
1982	54,196	43,997

1/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.
2/ As reported by the AISI.

The Commission collected shipment data from all producers of tool steel bar and rod, whereas the AISI was able to obtain such data from only about two-thirds of the tool steel bar and rod producers. Although the discrepancy between Commission data and AISI data increases during 1979-82, the trends in the two data sets are similar.

The value of tool steel bar and rod shipments may vary significantly, depending upon the particular product mix in demand. The following tabulation lists the value of shipments of the subject merchandise during 1979-82.

Year	Tool steel bar and rod (1,000 dollars)	Average unit value (per pound)
1979	425,352	$2.08
1980	421,147	2.36
1981	393,580	2.42
1982	250,515	2.31

Between 1979 and 1980, the volume of shipments dropped by 12.7 percent, whereas the value of shipments declined by only about 1 percent. During the same period, the average unit value of shipments increased by 13.5 percent, thus limiting the dollar loss ordinarily associated with such a decrease in volume.

U.S. exports

Exports of tool steel bar and rod by U.S. producers declined during the period under consideration. According to official statistics of the U.S. Department of Commerce, principal markets for U.S. tool steel exports in 1982 were Canada, Trinidad, Thailand, and Singapore. Exports increased, however, in the first quarter of 1983 compared to the first quarter of 1982, as shown in the following tabulation:

Period	U.S. exports (tons)
1979	4,458
1980	3,391
1981	3,869
1982	2,407
January-March--	
1982	568
1983	646

U.S. producers' inventories

The end-of-period inventories reported by the responding U.S. producers were as follows:

Year	Inventories reported (tons)	End-of-period inventories as a share of U.S. producers' shipments (percent)
1979	46,411	45.5
1980	47,143	52.9
1981	47,284	58.1
1982	38,493	71.0

Normal inventory levels for the tool steel bar and rod industry are higher than for other steel products, because economies of scale require larger melts than necessary for filling the small orders that are customary in the tool steel bar and rod business. Nevertheless, inventories of tool steel increased annually in relation to shipments by U.S. producers.

U.S. employment, wages, and productivity

Tool steel production is more labor intensive than carbon or stainless steel production. Tool steel output per labor hour is about 0.014 ton whereas stainless steel output averages approximately 0.022 ton per labor hour. Productivity in the tool steel industry remained relatively stable at between 0.013 ton and 0.015 ton per labor hour during the last 5 years.

Employment among production and related workers declined from 3,243 in 1979 to 1,952 in 1982, or by 39.8 percent (table 6). These decreases in employment do not, however, reflect the full extent of the decreases in production, which suggests that the producers are attempting to retain their specially skilled tool steel workforce. Hourly compensation for production and related workers producing tool steel increased 51.7 percent between 1979 and 1982 (table 7). The following tabulation shows the indexes of production, employment, hours paid, and unit labor costs (1979=100):

Year	Production	Employment	Hours paid	Unit labor costs
1979	100	100	100	100
1980	91	93	92	117
1981	79	84	80	135
1982	46	60	49	172

Table 6.--Average number of employees, total and production and related workers employed in establishments producing tool steel bar and rod, hours paid to the latter, 1/ and labor productivity, 1979-82 2/

Year	Employment			Hours paid for production and related workers producing--		Output per labor hour
	All persons	Production and related workers producing--				
		All products	Tool steel	All products	Tool steel	
				---1,000 hours---		Tons
1979	26,417	19,272	3,243	38,640	6,553	0.014
1980	25,854	18,848	3,013	36,776	6,016	.014
1981	24,696	17,804	2,725	33,642	5,213	.014
1982	11,156	7,109	1,952	12,985	3,221	.013

1/ Includes hours worked plus hours of paid leave time.
2/ Includes producers accounting for 90.2 percent of total U.S. production of tool steel bar and rod in 1982.

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

Table 7.--Wages and total compensation 1/ paid to production and related workers in establishments producing tool steel bar and rod, hourly compensation, and unit labor costs, 1979-82 2/

Year	Wages paid to production and related workers producing--		Total compensation paid to production and related workers producing--		Hourly compensation for tool steel	Unit labor costs
	All products	Tool steel	All products	Tool steel		
	1,000 dollars					Per ton
1979	462,375	69,123	603,598	93,996	$14.38	$976
1980	487,144	70,904	646,543	97,456	16.20	1,139
1981	497,844	68,399	662,497	96,320	18.48	1,316
1982	201,921	46,952	286,330	70,288	21.82	1,679

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

2/ Includes producers accounting for 90.2 percent of total U.S. production of tool steel bar and rod in 1982.

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

Financial experience of U.S. producers

The reporting producers did not furnish separate data on bar and rod operations, stating that they do not maintain such separate data. In the preliminary phase of these investigations, U.S. producers reported that sales of bar accounted for 96 percent or more of aggregate establishment net sales in each of the reporting periods.

Income-and-loss experience on tool steel operations.--Usable income-and-loss data were received from 14 U.S. firms, which accounted for about 95 percent of U.S. value of shipments of tool steel bar and rod in 1982. 1/

1/ * * *.

Net sales dropped each year during 1980-82, from $422 million to $253 million, or by 40 percent over the period (table 8) 1/.

Table 8.--Income-and-loss experience of 14 U.S. producers on their tool steel bar and rod operations, 1979-82 2/

Item	1979	1980	1981	1982
Net sales--1,000 dollars--	397,622	422,333	393,776	252,704
Cost of goods sold--do----	312,323	328,471	304,833	226,199
Gross income--------do----	85,299	93,862	88,943	26,502
General, selling, and admintrative expenses---1,000 dollars--	40,670	46,391	48,531	39,519
Operating income or (loss)---1,000 dollars--	2/ 44,629	2/ 42,122	2/ 33,349	2/ (15,955)
Net income or (loss) before income taxes 1,000 dollars--	43,438	47,471	40,412	(13,017)
Depreciation and amortization expense 1,000 dollars--	5,665	6,718	6,821	6,395
Cash flow from operations 1,000 dollars--	50,294	48,840	40,170	(10,980)
Ratio to net sales:				
Operating income or (loss)-------percent--	11.2	10.9	9.3	(6.2)
Net income or (loss) before income taxes percent--	10.9	11.2	10.3	(5.2)
Cost of goods sold--do--	78.5	77.8	77.4	89.5
Number of firms reporting operating losses--------	1	2	4	10
Number of firms reporting net losses----------	1	2	3	10

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

1/ * * *.
2/ * * *.

U.S. tool steel bar and rod operations were profitable in the aggregate for each of the years 1979-81. However, operating income and net income before taxes declined substantially during this period; operating income fell from $44.6 million, or 11.2 percent of net sales, in 1979 to $33.3 million, or 9.3 percent of net sales, in 1981. The reporting firms (excluding * * *) sustained an aggregate operating loss of $16.0 million, or 6.2 percent of net sales, in 1982, and a net loss before income taxes of $13.0 million, or 5.2 percent of net sales.

One of the 14 firms reported operating losses in 1979, 2 firms reported such losses in 1980, and 10 firms reported losses during 1982. The number of firms reporting net losses followed the same pattern as that of operating losses.

Manufacturing costs as a share of net sales (cost of goods sold) remained relatively constant at about 78 percent during 1979-81. Costs of goods sold rose to almost 90 percent in 1982.

Cash flow generated from U.S. producers' tool steel operations declined yearly during 1979-82, from $50.3 million in 1979 to a negative $11.0 million in 1982.

Relative indicators of financial health.--The following tabulation provides data on various indicators of business performance during 1982 derived from information compiled by Fortune Magazine 1/ in its annual Fortune 500 issue, and from data received in response to questionnaires of the U.S. International Trade Commission. The financial ratios presented in the following tabulation allow a comparison of the results of all "Fortune 500" firms (ALL), those Fortune 500 firms engaged in metal manufacturing (MM), and the producers of certain tool steel bar and rod (B&R).

Item	Group	Amount (in percent)
Return on sales	B&R	6.8
	MM	.0
	ALL	3.6
Change in sales	B&R	(28.2)
	MM	(21.6)
	ALL	5.7
Change in profits	B&R	(153.9)
	MM	(100.0)
	ALL	27.1
Assets per employee	B&R	$83,062
	MM	100,093
	ALL	66,797
Sales per employee	B&R	107,164
	MM	101,773
	ALL	90,837

1/ Fortune Magazine, May 2, 1983.

Investment in productive facilities.--Eleven firms supplied data relative to their investment in productive facilities used in the manufacture of tool steel bar and rod during 1979-82. The eleven firms' investment in such facilities, valued at cost, increased by approximately $35 million during the reporting period (table 9). The book value of such assets increased by approximately $19 million during the same period.

Table 9.--Investment in productive facilities by 11 U.S. producers of tool steel, 1/ 1979-82

Item	1979	1980	1981	1982
Original cost--				
1,000 dollars--	153,087	162,801	175,501	187,871
Book value----------do----	66,112	71,912	79,174	85,610
Ratio of operating profit or loss to--				
Original cost--------do----	27.7	23.5	16.3	(10.1)
Book value----------do----	64.1	53.2	36.2	(22.1)

1/ Includes producers accounting for 88.9 percent of total U.S. production of tool steel bar and rod in 1982.

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

Capital expenditures.--Ten firms supplied data on their capital expenditures during 1979-82 for land, buildings, machinery, and equipment used in the production of tool steel bar and rod; these firms accounted for 84.6 percent of production in 1982. During this period, aggregate capital expenditures for machinery and equipment ranged from a low of $10.3 million in 1979 to a high of $13.0 million in 1982. Capital expenditures for buildings, land, leaseholds, and building and land improvements ranged from $1.0 million in 1979 to $3.2 million in 1981, as shown in the following tabulation (in thousands of dollars):

Year	Machinery, equipment, and fixtures	Buildings, land, leaseholds, and land improvement
1979----------	10,335	979
1980----------	11,037	1,488
1981----------	11,558	3,208
1982----------	12,983	2,583

Research and development expenditures.--Eleven firms, accounting for approximately 65.6 percent of tool steel bar and rod production in 1982, supplied data on their research and development expenditures, which includes money spent for the development of new or improved products and the testing of

manufacturing techniques, new materials, special equipment, and competitors' products. Such expenditures are shown in the following tabulation:

Year	Research and development expenditures 1,000 dollars
1979	2,343
1980	2,292
1981	2,720
1982	2,713

The Question of the Threat of Material Injury

U.S. importers' inventories

Several importers of Brazilian and West German tool steel bar and rod also import tool steels from other countries. These firms report that the merchandise they import is not tagged or otherwise identified as to its source, and thus loses its identity when entered into inventory. Therefore, data on inventories of West German and Brazilian tool steel bar and rod are often merely estimates. Some importers stated that they have a single selling price for any particular grade and size of tool steel regardless of its country of origin.

Some of the tool steel importers are "mill depots" that have no direct dealing with the end users of tool steels; rather, they sell to other U.S. distributors of tool steels.

U.S. importers of tool steel bar and rod from West Germany and Brazil reported increased inventories of the subject merchandise in 1982 compared with any of the 3 preceding years, as shown in table 10. End-of-period inventories as a share of reported imports fell for importers of West German products from * * * percent in 1979 to * *percent in 1981, but rose to * * * percent of their shipments in 1982. End-of-period inventories for Brazilian imports of tool steel bar and rod rose to * * * percent of reported imports in 1982 from * * * percent of reported imports in 1979. One service center manager estimated that the average inventory turnover of tool steels was between 2.0 to 2.5 times on an annual basis; hence, inventories of 40 to 50 percent of imports would be average.

Questionnaire coverage of tool steel bar and rod imports was much better for West Germany, since two firms accounted for the vast majority of such imports during the period, but the distribution of tool steel bar and rod imports from Brazil changed markedly between 1979 and 1982.

Table 10.--Tool steel bar and rod: U.S. importers' inventories of imports from West Germany and Brazil, 1979-82

Source and year	End-of-period inventories 1/	Imports by reporting firms	Share of imports accounted for by importers responding to the questionnaires
	Tons		Percent
West Germany:			
1979	***	1,966	98
1980	***	2,164	90
1981	***	7,222	107
1982	***	8,457	88
Brazil:			
1979	***	4	29
1980	***	202	59
1981	***	1,293	74
1982	***	2,142	76

1/ Some importers do not maintain inventories; rather, they act as brokers or "back-to-back" importers.

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

Foreign producers

In order to assist the Commission in its determination as to whether subsidized and LTFV imports pose a threat of material injury to the U.S. industry producing alloy tool steel bar and rod, requests for data concerning foreign producer's production, capacities, and exports of the subject products were sent to the U.S. embassies in Brazil and West Germany. Responses from the embassies were incomplete. Additional requests were made to counsel representing foreign producers.

Information obtained from these sources were supplemented by data gathered by the Department of Commerce during its investigations concerning the foreign producers of the subject merchandise. A summary of the pertinent information follows.

West Germany.--Three producers of alloy tool steel in West Germany account for virtually all of the exports of the subject merchandise to the United States. Of these producers, Buderus, Saarstahl, and Thyssen, both Thyssen and Saarstahl are associated with large parent companies. Thyssen is owned by Thyssen Aktiengesellschaft (Thyssen AG), a publicly held firm which reported overall sales of $12.2 billion in its fiscal 1982 accounting year. Thyssen is the specialty-steels division of Thyssen AG; it is wholly owned and reported sales of $1.2 billion on all specialty products in fiscal 1982, up about 2 percent from sales in the previous fiscal year. Thyssen AG is com-

posed of a steel division (mainly carbon steel products), the specialty-steel division, a capital goods and manufactured products division, and a trading and services division. 1/ The steel-producing divisions of Thyssen AG combined to form the eighth largest producer of raw steel in the world in 1982, down a notch from the seventh spot in 1981. 2/ The Thyssen Specialty Steel Division owns operations in 10 countries, including Thyssen Specialty Steels (TSS) in the United States. In turn, TSS owns a number of warehouses/service centers throughout the United States all of which stock a full line of tool steel manufactured by Thyssen and by other producers, both foreign and domestic. Sales of tool steels by Thyssen for the period October 1, 1980, through July 31, 1982, are listed in the following tabulation. 3/

Market	Short tons	Value (1,000 dollars)
United States	***	***
European Community:		
West Germany	***	***
All other	***	***
Spain	***	***
Canada	***	***
All other	***	***
Total	***	***

Saarstahl is associated with the Acieres Reunies de Burbach-Eich-Dudelange, S.A. group (ARBED), a multinational concern owning production facilities in West Germany, Austria, Belgium, and Brazil. The ARBED group constituted the ninth largest producer of raw steel in the world in 1982. 4/ Saarstahl controls affiliated specialty-steel operations with sales warehouses in six countries, including West Germany and the United States. Saarstahl is the primary West German exporter of chipper knife steel to the United States.

Buderus is a small, private company, unaffiliated with any conglomerate. Over the past 10 years, Buderus * * * unprofitable operations and reducing its workforce. Buderus is an integrated manufacturer of specialty-steels, with all of its production facilities located in Wetzlar, Germany. * * *. 5/

Brazil.--Four firms in Brazil produce the subject merchandise. Piratini, Villares, and Electrometal are included in the Commerce investigation and together account for over 85 percent of the exports of the subject merchandise to the United States. Production and export figures for these three firms are available only for 1980 and 1981 and are listed in the following tabulation: 6/

1/ Thyssen AG, 1982 annual report.
2/ Metal Bulletin Monthly, April 1983.
3/ From official questionnaires of the U.S. Department of Commerce.
4/ Metal Bulletin Monthly, April 1983.
5/ Information obtained from official questionnaires of the U.S. Department of Commerce.
6/ Ibid.

Year	Firm	Production	Exports	Exports to the United States
1980	Electrometal	***	***	***
	Villares	***	***	***
	Piratini	***	***	***
	Total	***	***	***
1981	Electrometal	***	***	***
	Villares	***	***	***
	Piratini	***	***	***
	Total	***	***	***

The Government of Brazil currently holds an equity position in only one firm, Piratini. Piratini is the specialty-steel division of the Siderbras Steel Group, which was the 14th largest producer of raw steel in the world in 1982. 1/ The Piratini plant employs two electric arc furnaces and one vacuum degassing unit (combined annual capacity of * * * tons) in the production of its specialty-steel products. The product line includes engineering steels, stainless steels, and other special-steels in rounds, flats, rod, and forged sections, in addition to a variety of tool steel products. 2/

Villares is the largest industrial group in South America and is privately owned. 3/ Acos Villares is the specialty-steel division of that group, with an annual raw steel capacity of * * * tons. Villares produces cold-work, hot-work, and high-speed tool steels in bars, flats, wire rod, and specialty shapes.

Electrometal is a small, family owned specialty-steel mill, with an annual production capacity of * * * tons. Electrometal employs three electric arc furnaces, one vacuum degassing unit, and one electroslag-remelt unit in the production of its tool steels, which include the cold-work, hot-work, and high-speed lines. The remainder of Electrometal's product lines lie mainly in the specialty-alloy area.

Commerce was unable to provide any information on the fourth Brazilian tool steel producer, Siderurgica NS Aparecida S/A; however, the State Department provided limited information. Aparecida has a production capacity of * * * tons of raw steel and a rolling capacity of * * * tons. The majority of Aparecida's production is hot rolled bars and rods of stainless, alloy, valve, and tool steels.

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

Brazilian production of tool steel bar and rod declined 5.5 percent, from 23,067 tons in 1980 to 21,789 tons in 1981 (table 11). Brazilian exports to the United States increased 200 percent, from 494 tons in 1980 to 1,482 tons

1/ Metal Bulletin Monthly, April 1983.
2/ U.S. Department of State, telegram, Aug. 29, 1892.
3/ Transcript of hearing, p. 99.

in 1981. Total Brazilian exports of these products increased 13.9, percent from 4,489 tons in 1980 to 5,112 tons in 1981. The most recent information obtained by the Commission on Brazilian production and exports is the data for January-June 1982 that are presented in table 11. 1/ These data show that, for the period January-June 1982, Brazilian exports to the United States were almost as great as during the entire 12 months of 1981.

Table 11.--Tool steel bar and rod: Brazilian production and exports, 1979-81 and January-June 1982

(In short tons)

Item	1979	1980	1981	January-June--1982
Production	22,024	23,067	21,789	10,182
Exports to--				
United States	1/	494	1,482	1,394
All other	1/	3,995	3,630	784
Total exports	1/	4,489	5,112	2,178

1/ Not available.

Source: Production and exports, compiled from data provided by the Brazilian Institute for Iron & Steel; exports to individual countries or regions, compiled from Telex information from individual Brazilian companies.

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

Counsel for Thyssen provided the Commission with the following information on West German tool steel production: 2/

Item	Monthly production (short tons)	Monthly exports (short tons)
Hand tool steel	***	***
Cold-work tool steel	***	***
Hot-work tool steel	***	***
All other	***	***
Total	***	***

1/ Counsel for the Brazilian Iron & Steel Institute provided limited production and capacity information in its posthearing brief of June 17, 1983, exhibit No. 2.

2/ Counsel for Saarsteel Inc., subsidiary of Saarstahl, provided estimated capacity utilization figures for 1982 in its posthearing brief to the Commission, June 17, 1983, app. E.

The Question of the Causal Relationship Between Subsidized or LTFV Imports and the Alleged Injury

U.S. imports and market penetration

Imports from all sources.--Imports increased their share of the U.S. tool steel market from 1971 to 1975 before leveling off during the quota years 1976-79. Imports again moved upward during 1980-82. The U.S. Department of Commerce monitors tool steel imports through its Surge Mechanism, instituted on January 8, 1981. Commerce has announced tool steel import-surge conditions in every quarterly notice since the inception of the program. Imports of tool steel bar and rod are listed in table 12; table 13 shows import penetration. Imports from all sources decreased slightly from 1979 to 1980, but increased sharply to 34,991 tons in 1982, or by 41 percent since 1979.

The principal sources for imports of the subject merchandise are listed in table 14. West Germany, Sweden, Japan, and Austria have been significant sources of imports in each of the last 4 years; Brazil became a significant source in 1981.

Table 12.--Tool steel bar and rod: U.S. imports for consumption, by selected sources, 1979-82

Year	Brazil	West Germany	All other	Total
	Quantity (short tons)			
1979	14	2,002	22,861	24,877
1980	340	2,402	21,342	24,084
1981	1,751	6,765	18,857	27,373
1982	2,803	9,658	22,530	34,991
	Value (1,000 dollars)			
1979	20	3,413	53,449	56,882
1980	571	4,428	70,659	75,658
1981	4,285	11,466	58,724	74,475
1982	5,825	17,427	58,070	81,322
	Unit value (per pound)			
1979	$ 0.70	$ 0.85	$ 1.17	$ 1.14
1980	.84	.92	1.66	1.57
1981	1.22	.85	1.56	1.36
1982	1.04	.90	1.29	1.16

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

Table 13.--Tool steel bar and rod: Ratios of imports from selected sources to apparent U.S. consumption, 1979-82

(In percent)

Year	Brazil	West Germany	All other	Total
1979	1/	1.6	18.7	20.3
1980	0.3	2.2	19.4	21.9
1981	1.7	6.5	18.0	26.1
1982	3.2	11.1	26.0	40.3

1/ Less than 0.05 percent.

Source: Based on data in tables 4 and 12 of this report.

Table 14.--Tool steel bar and rod: U.S. imports for consumption, by principal sources, 1979-82

Source	1979	1980	1981	1982
	Quantity (short tons)			
West Germany	2,002	2,402	6,765	9,658
Sweden	7,566	8,118	8,851	7,739
Japan	5,188	6,526	3,508	4,953
Austria	2,391	2,245	2,677	3,156
Brazil	14	340	1,751	2,803
All other	7,716	4,453	3,821	6,682
Total	24,877	24,084	27,373	34,991
	Share of apparent U.S. consumption (percent)			
West Germany	1.6	2.2	6.5	11.1
Sweden	6.2	7.4	8.4	9.0
Japan	4.2	6.0	3.3	5.7
Austria	2.0	2.0	2.6	3.6
Brazil	1/	.3	1.7	3.2
All other	6.3	4.1	3.6	7.7
Total	20.3	21.9	26.1	40.3
	Percent of total imports			
West Germany	8.1	10.0	24.7	27.6
Sweden	30.4	33.7	32.3	22.1
Japan	20.9	27.1	12.8	14.2
Austria	9.6	9.3	9.8	9.0
Brazil	1/	1.4	6.4	8.0
All other	31.0	18.5	14.0	19.1
Total	100.0	100.0	100.0	100.0

1/ Less than 0.05 percent.

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

U.S. imports for consumption of the subject merchandise from Brazil, West Germany, and from all sources (on a quarterly basis) are shown in figure 1.

Counsel for respondents requested a number of exemptions from any affirmative finding the Commission may render associated with these investigations. Among the products mentioned for exemption are chipper knife bar, large-diameter bar, P-20 mold steel, and H-13 Chrysler spec. The Commission was unable to obtain specific data for any of these products except chipper knife bar (primarily because chipper knife bar has a specific TSUSA designation). Data on imports, domestic production, and average price paid for chipper knife bar are presented in appendix E.

Imports from Brazil.--Imports of tool steel bar and rod from Brazil increased from 14 tons in 1979 to 2,803 tons in 1982 (table 12). Imports from Brazil as a share of apparent U.S. consumption increased steadily each year from less than 0.05 percent in 1979 to 3.2 percent in 1982 (table 13). Brazil was the fifth largest source of imported tool steels in 1981 and 1982 (table 14).

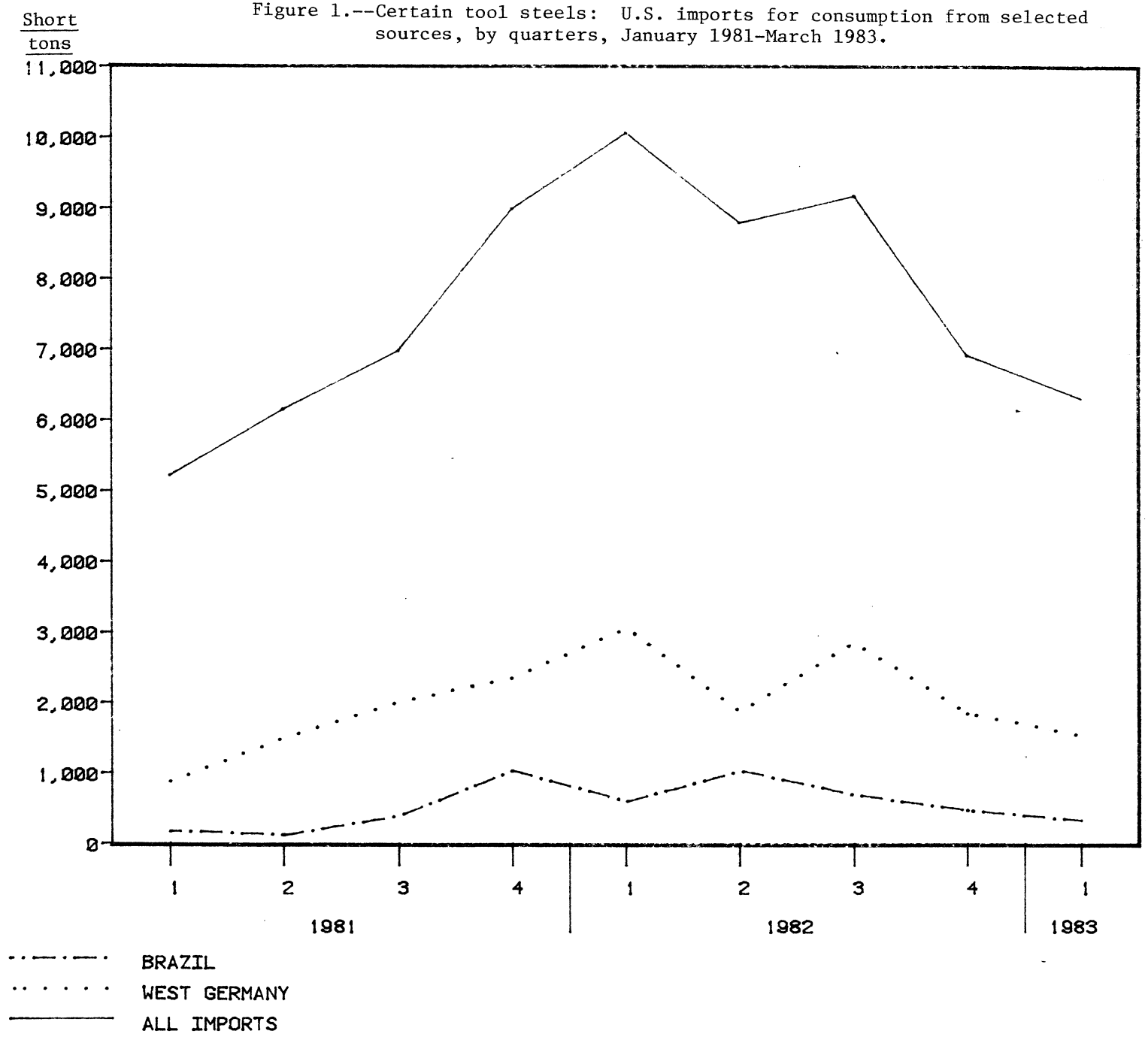
Imports from West Germany.--Imports of the subject merchandise from West Germany more than quadrupled between 1979 and 1982. Such imports have increased as a share of apparent U.S. consumption from 1.6 percent in 1979 to 11.1 percent in 1982 (table 13). Such imports have also increased as a share of imports of tool steel bar and rod from all sources from 8.1 percent in 1979 to 27.6 percent in 1982 (table 14). West Germany became the largest source of tool steel imports in 1982, surpassing Sweden, which was the largest source during 1979-81.

The following tabulation shows imports of tool steel bar and rod from Brazil and West Germany, by quarters, January 1981-March 1983 (in short tons):

Period	Brazil	West Germany
1981:		
January-March	186	877
April-June	126	1,506
July-September	400	2,014
October-December	1,041	2,359
1982:		
January-March	599	3,066
April-June	1,039	1,877
July-September	695	2,866
October-December	471	1,848
1983:		
January-March	329	1,538

These data apparently include imports of valve steel from West Germany which are not subject to these investigations. However, imports of valve steel, as reported by counsel for respondents, represent less than * * * percent of imports of the subject merchandise from West Germany.

Figure 1.--Certain tool steels: U.S. imports for consumption from selected sources, by quarters, January 1981-March 1983.



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

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Domestic producers did not provide the Commission with quarterly shipment data; the AISI however, collects such information. Apparent consumption, shown in table 15, uses AISI data adjusted for those producers reporting products not subject to these investigations and for those producers not reporting to the AISI.

Table 15.--Tool steel bar and rod: U.S. producers shipments, imports for consumption, exports, and apparent U.S. consumption, by quarters, January 1981-March 1983

(In short tons)

Period	U.S. producers' shipments	Imports for consumption	Exports	Apparent U.S. consumption
1981:				
January-March	21,011	5,223	1,368	24,866
April-June	21,137	6,158	698	26,597
July-September	18,478	6,990	859	24,609
October-December	18,186	9,003	944	26,245
1982:				
January-March	16,400	10,077	568	25,909
April-June	14,847	8,799	150	23,496
July-September	10,322	9,195	269	19,258
October-December	10,002	6,920	1,420	15,502
1983:				
January-March	16,080	6,313	646	21,747

Source: U.S. producers shipments compiled from adjusted AISI data; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

The following tabulation provides ratios of imports to apparent U.S. consumption for tool steel bar and rod imports from all sources, bar and rod from Brazil, and bar and rod from West Germany, by quarters, January 1981-March 1983 (in percent):

Period	Imports from Brazil	Imports from West Germany	Imports from all sources
1981:			
January-March	0.7	3.5	21.0
April-June	0.5	5.7	23.2
July-September	1.6	8.2	28.4
October-December	4.0	9.0	34.3
1982:			
January-March	2.3	11.8	38.9
April-June	4.4	8.0	37.4
July-September	3.6	14.9	47.7
October-December	3.0	11.9	44.6
1983:			
January-March	1.5	7.1	29.0

The shipments figures used in table 15 have been indexed and are shown in figure 2. These investigations were initiated in response to petitions filed in the third quarter of 1982.

Prices

U.S. producers of tool steel publish list prices on an f.o.b. basis, with base prices determined by the grade, finish, and size of the product. Actual transaction prices often vary from published list prices, depending on market conditions. The Commission requested data on average net selling prices for specific tool steel bar specifications from domestic producers and from importers for sales to end users and to service centers/distributors. 1/ Seventy-seven percent of tool steel sold by U.S. producers is sold directly to end users rather than through nonrelated service centers. 2/ With the exception of sales by one importer of West German tool steel, imports are generally sold directly to end users; importers, therefore, provided prices only for this market. 3/

In its investigations of LTFV sales by the three West German producers of tool steel, the Department of Commerce compared home-market sales with sales made in the U.S. market. (See app. C for a complete description of Commerce's methods of study and the applicable period of investigation for each of the three firms). The Commission staff was able to obtain a breakout of the LTFV margins found by Commerce on a product-by-product basis and on a company-by-company basis. These figures are presented in appendix F. It should be noted that size specifications for the various products were not available, so the particular LTFV margin for any grade represents the average LTFV margin for all sales of merchandise in that grade over all specifications.

End users of high-speed tool steel bar.--Price data for one representative specification of high-speed tool steel bar 4/ were received from six U.S. producers for sales to end users. U.S. producers' prices increased from * * * per ton in January-March 1980 to * * * per ton in January-March 1981, or by 7 percent (table 16). Prices displayed a relatively steady decline thereafter, falling to * * * per ton in October-December 1982, 7 percent lower than the January-March 1981 price level and 1 percent below the January-March 1980 price.

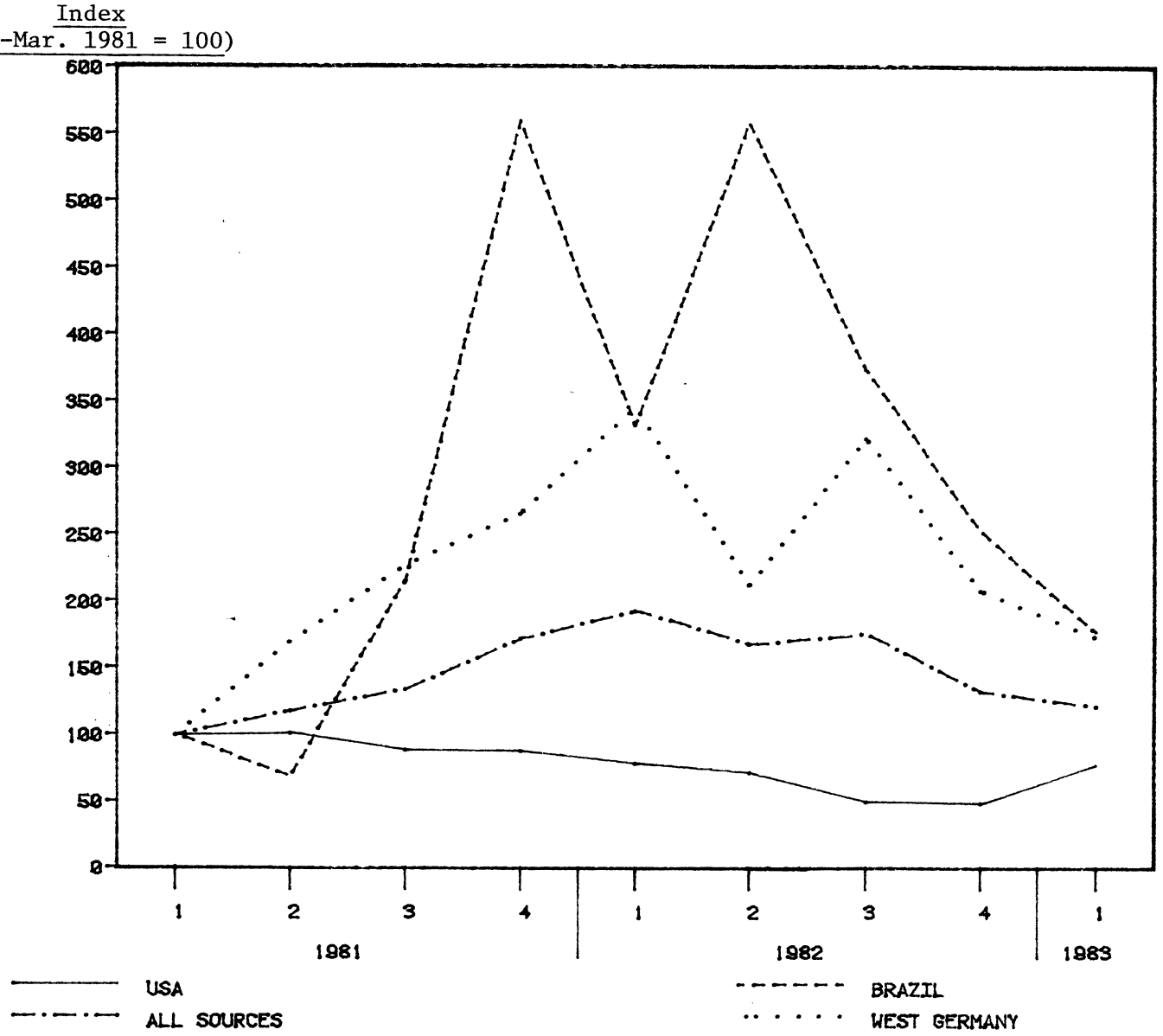
1/ U.S. tool steel producers were requested to provide estimates of the percentage of the delivered price represented by transport costs for different distances from the mill. For shipments over 500 miles, transport costs accounted for an average of 2.9 percent of the delivered price of tool steel. However, an average of 63 percent of tool steel producers' sales were at distances under 500 miles, with correspondingly lower transport costs. Therefore, price comparisons on an f.o.b., rather than a delivered basis, are considered to be appropriate for making price comparisons, because inland freight is a small proportion of the total price.

2/ See p. A-14 of this report.

3/ This importer, Saarsteel, accounted for approximately * * * percent of tool steel imported from the West Germany in 1982.

4/ Grade M-2, 1-13/16 inches to 3 inches round.

Figure 2.--Certain tool steels: Indexes of U.S. producers' shipments and U.S. imports for consumption from selected sources, by quarters, January 1981-March 1983.



Source: U.S. shipments from adjusted AISI statistics; imports from official statistics of the U.S. Department of Commerce.

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Table 16.--High-speed tool steel bar (grade M-2, 1-13/16 inches to 3 inches round) 1/: Weighted-average net selling prices by domestic producers and by importers for sales to end-user customers, and margins of underselling, by specification and by quarters, 1980-82

Period	U.S. produced	West German			Brazilian		
		Price	Margin of underselling		Price	Margin of underselling	
	Per short ton			Percent	Per short ton		Percent
1980:							
Jan.-Mar-----	***	***	***	-	***	***	(4)
Apr.-June----	***	***	***	-	***	***	(1)
July-Sept----	***	***	***	-	***	***	8
Oct.-Dec-----	***	***	***	11	***	***	6
1981:							
Jan.-Mar-----	***	***	***	12	***	***	7
Apr.-June----	***	***	***	10	***	***	2
July-Sept----	***	***	***	4	***	***	(1)
Oct.-Dec-----	***	***	***	2	***	***	6
1982:							
Jan.-Mar-----	***	***	***	(0.4)	***	***	7
Apr.-June----	***	***	***	(0.3)	***	***	8
July-Sept----	***	***	***	(1)	***	***	9
Oct.-Dec-----	***	***	***	(3)	***	***	8

1/ Centerless ground or rough turned, random length.
2/ Not available.

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

Note.--Data in parentheses indicate that imports are priced higher than domestic products.

Prices of high-speed tool steel bar imported from West Germany generally increased, from * * * per ton in October-December 1980 to * * * per ton in January-March 1982, or by 9 percent. 1/ Import prices fluctuated during the rest of 1982, reaching a peak of * * * per ton in July-September 1982, before falling to * * * per ton in October-December 1982. Imports of high-speed tool steel bar from West Germany undersold U.S.-produced high-speed tool steel bar in 1980 and 1981 by an average of * * * per ton, or 8 percent. Imports from West Germany were generally higher priced in 1982, as import prices increased and U.S. producers' prices fell below 1981 levels.

Prices of high-speed tool steel bar imported from Brazil declined from * * * per ton in January-March 1980 to * * * per ton in July-September 1980, or by 7 percent. 2/ Prices then generally increased through July-September

1/ High-speed tool steel accounted for about * * * percent of tool steel imported from West Germany in 1982.

2/ High-speed tool steel accounted for about * * * percent of tool steel imported from Brazil in 1982.

1981, reaching * * * per ton, before declining steadily to * * * per ton in October-December 1982, or by 13 percent.

Although Brazilian high-speed tool steel bar was higher priced than U.S.-produced steel early in 1980, it generally undersold the domestic product in 1981 and 1982, and margins of underselling ranged from * * * to * * * per ton, or from 2 to 9 percent. Margins of underselling generally increased in 1982 compared with those in 1981, as import prices of Brazilian tool steel declined at a faster rate than did U.S. producers' prices.

End users of cold-work tool steel bar.--Price data for one representative specification of cold work tool steel bar 1/ were received from five U.S. producers for sales to end users. Although quarterly prices displayed no apparent trend, on an annual basis, prices increased from an average of * * * per ton in 1980 to * * * per ton in 1981, and declined to an average of * * * per ton in 1982 (table 17). The lack of any apparent quarterly price trend may be attributable to the fact that prices reported by U.S. producers often differed significantly from firm to firm in any one quarter, and from quarter to quarter for an individual firm. 2/

Prices of cold work tool steel imported from West Germany declined during January-October 1981 from * * * per ton in January-March to * * * per ton in July-September. In 1982, import prices were relatively higher in the first and last quarter of the year, at an average of * * * per ton, and lower during the middle quarters at an average of * * * per ton. West German cold-work tool steel consistently undersold the domestic product by large margins. In 1982, the margin of underselling averaged * * * per ton, or 35 percent. However, U.S. producers' prices in any one quarter differed significantly between individual firms, and prices of this product from West Germany often fell within the range of U.S. producers' prices, although at the lower end of that range. Lost sales conversations with purchasers that had bought both U.S.-produced and West German D-2 steel indicate that price differences to these purchasers were in the range of 10 to 15 percent.

Prices of cold-work tool steel bar imported from Brazil are available for only two quarters in 1981, and for 1982. Prices of imports from Brazil decreased over this period, from * * * per ton in April-September 1981 to * * * per ton in October-December 1982, or by 19 percent. Imports from Brazil consistently undersold U.S.-produced cold-work tool steel, and the margin of underselling averaged * * * per ton, or 35 percent, in 1982. As in the case of West German prices, Brazilian prices often fell within the low end of the range of U.S. producers' prices. Purchasers also indicated that the price difference for them was in the range of 10 to 15 percent.

1/ Grade D-2, 4-1/16 inches to 6 inches round.

2/ U.S. producers testified that D-2 tool steel is a high-volume, highly competitive product line. Accordingly, U.S. producers will often pinpoint individual large-volume purchasers and offer more favorable prices to these buyers. This could significantly lower a weighted-average price in any one quarter from an individual firm if such a sale were made.

Table 17.--Cold-work tool steel bar (grade D-2, 4 1/16 inches-6 inches round) 1/: Weighted-average net selling prices by domestic producers and by importers for sales to end-user customers, and margins of underselling, by quarters, 1980-82

Period	U.S. produced	West German		Brazilian	
		Price	Margin of underselling 2/	Price	Margin of underselling 2/
	Per short ton		Percent	Per short ton	Percent
1980:					
Jan.-Mar	***	***	***	***	***	-
Apr.-June	***	***	***	***	***	-
July-Sept	***	***	***	***	***	-
Oct.-Dec	***	***	***	***	***	-
1981:						
Jan.-Mar	***	***	***	23	***	***	-
Apr.-June	***	***	***	35	***	***	23
July-Sept	***	***	***	37	***	***	19
Oct.-Dec	***	***	***	-	***	***	-
1982:						
Jan.-Mar	***	***	***	27	***	***	27
Apr.-June	***	***	***	44	***	***	41
July-Sept	***	***	***	35	***	***	35
Oct.-Dec	***	***	***	33	***	***	35

1/ Hot-rolled or forged, annealed, rough turned.

2/ U.S. producers' prices in any 1 quarter differed significantly between individual firms, and prices of this product from West Germany and Brazil often fell within the range of U.S. producers' prices, although at the lower end of that range. In these cases, margins of underselling are lower, or in some cases, nonexistent.

3 Not available.

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

Cold-work tool steel bar sales to service centers.--Six U.S. producers provided price data for sales to service centers (table 18). Prices increased from 1980 through July-September 1981, reaching a high of * * * per ton in that quarter. Prices then declined to a low of * * * in October-December 1982, or by 27 percent from the July-September 1981 price level.

Table 18.--Cold-work tool steel bar (grade D-2, 4-1/16 inches - 6 inches round) 1/: Weighted average net selling prices by U.S. producers and by an importer for sales to service centers/distributors, and margins of underselling, by quarters, 1980-82

Period	U.S.-produced	West German 2/	Margin of underselling 3/	
	Per short ton			Percent
1980:				
Jan.-Mar	***	***	***	-
Apr.-June	***	***	***	-
July-Sept	***	***	***	40
Oct.-Dec	***	***	***	41
1981:				
Jan.-Mar	***	***	***	-
Apr.-June	***	***	***	-
July-Sept	***	***	***	54
Oct.-Dec	***	***	***	53
1982:				
Jan.-Mar	***	***	***	55
Apr.-June	***	***	***	-
July-Sept	***	***	***	-
Oct.-Dec	***	***	***	-

1/ Hot-rolled or forged, annealed, rough turned.
2/ These prices represent sales from * * * only.
3/ U.S. producers' prices in any 1 quarter differed significantly between individual firms, and the lowest price charged by 1 U.S. firm ranged from * * * to * * * per ton during this period.
4/ Not available.

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

* * *. A comparison of U.S. producers' sales prices between the end user and service center markets show that in some instances, the price to service centers was higher than for sales to end user.

* * * prices showed a steady decline for the quarters in which they were provided, from * * * per ton in July-September 1980 to * * * per ton in January-March 1982. These prices are significantly lower than the U.S. producers' weighted-average price, the difference reaching * * * per ton, or 55 percent, in January-March 1982. However, prices, reported by individual U.S. producers varied significantly, and when West German prices are compared with some of the lowest priced U.S. producers' products, these margins are narrowed by about 15 percent.

1/ * * *.

End users of hot-work tool steel bar.--Price data for two representative specifications of hot-work tool steel bar were received from seven U.S. producers for sales to end users. Prices for the first specification 1/ decreased slightly from * * * per ton in January-March to * * * per ton in October-December, or by 1 percent (table 19). Prices increased to * * * per ton in January-March 1981, but then declined 3 percent to * * * per ton in October-December 1981. With the exception of January-March 1982, prices in 1982 were lower than those prevailing in 1981.

U.S. producers' prices for the second specification followed a similar pattern, 2/ increasing from * * * per ton in January-March 1980 to * * * per ton in January-March 1981, or by 10 percent. Prices remained relatively steady in 1981 before decreasing in 1982 from * * * per ton in January-March to * * * per ton in October-December, or by 10 percent.

In contrast to U.S. producers' prices for the first specification of hot-work tool steel bar, prices of this product imported from West Germany generally increased in 1981, from * * * per ton in January-March to * * * per ton in October-December, or by 3 percent. West German prices decreased in 1982 from * * * per ton in January-March 1982 to * * * per ton in October-December, or by 21 percent. West German prices for the second specification were provided beginning in October-December 1981, and decreased from * * * per ton in that quarter to * * * per ton in October-December 1982, or by 21 percent. Although imports of both specifications from West Germany were higher priced than the domestic product during the last quarters of 1981, they consistently undersold the domestic product in 1982. Margins of underselling in 1982 ranged from * * * per ton to * * * per ton, or from 2 to 13 percent.

Prices of hot-work tool steel bar imported from Brazil remained constant in 1981 for the first specification at * * * per ton, before declining to * * * per ton in October-December 1982. For the second specification, prices were provided only for the last three quarters of 1982, and they remained constant at * * * per ton. Imports of hot-work tool steel from Brazil consistently undersold the U.S. product, by from 1 to 21 percent. The margin of underselling for the first specification increased in 1982, averaging * * * per ton, or 18 percent. The margin of underselling for the second specification averaged * * * per ton, or 5 percent in 1982.

Hot-work tool steel bar sales to service centers.--Four U.S. producers provided price data for sales to service centers of hot-work tool steel bar (table 20). Prices increased from a weighted-average of * * * per ton in 1980 to * * * per ton in 1981, or by 19 percent. Prices decreased to an average of * * * per ton in 1982.

For the quarters in which data were provided, prices of West German hot-work tool steel declined from * * * in April-June 1981 to * * * per ton in April-June 1982, or by 23 percent. 3/ West German hot-work tool steel was consistently lower priced than U.S.-produced steel. Margins of underselling

1/ Grade H-13, 3-1/8 inches to 5-1/2 inches round.
2/ Grade H-13, over 10 inches round.
3/ These prices represent sales by Saarsteel only.

Table 19.--Hot-work tool steel bar: Weighted-average net selling prices by domestic producers and by importers for sales to end-user customers, and margins of underselling, by specifications and by quarters, 1980-82

Period	Grade H-13, 3 1/8 inches -5 1/16 inches round 1/				
	U.S.-produced	West German		Brazilian	
		Price	Margin of underselling	Price	Margin of underselling
	Per short ton		Percent	Per short ton	Percent
1980:					
Jan.-Mar.	***	***	-	***	-
Apr.-June	***	***	-	***	-
July-Sept.	***	***	-	***	-
Oct.-Dec.	***	***	(0.1)	***	-
1981:					
Jan.-Mar.	***	***	3	***	-
Apr.-June	***	***	6	***	-
July-Sept.	***	***	(11)	***	-
Oct.-Dec.	***	***	(4)	***	-
1982:					
Jan.-Mar.	***	***	2	***	21
Apr.-June	***	***	13	***	16
July-Sept.	***	***	13	***	17
Oct.-Dec.	***	***	10	***	18

Period	Grade H-13, over 10 inches round 1/				
	U.S. produced	West German		Brazilian	
		Price	Margin of underselling	Price	Margin of underselling
	Per short ton		Percent	Per short ton	Percent
1980:					
Jan.-Mar.	***	***	-	***	-
Apr.-June	***	***	-	***	-
July-Sept.	***	***	-	***	-
Oct.-Dec.	***	***	-	***	-
1981:					
Jan.-Mar.	***	***	-	***	-
Apr.-June	***	***	-	***	-
July-Sept.	***	***	-	***	-
Oct.-Dec.	***	***	(8)	***	-
1982:					
Jan.-Mar.	***	***	-	***	-
Apr.-June	***	***	10	***	10.0
July-Sept.	***	***	12	***	5.0
Oct.-Dec.	***	***	4	***	0.6

1/ Hot-rolled or forged, annealed, random length.
2/ Not available.

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

Table 20.--Hot-work tool steel bar (grade H-13, 3 1/8 inches - 5 1/16 inches round) 1/: weighted-average net selling prices by U.S. producers and by an importer for sales to service centers/distributors, and margins of underselling, by quarters, 1980-1982

Period	U.S. produced	West German 2/	Margin of underselling 3/	
	Per short ton			Percent
1980:				
Jan.-Mar	***	***	***	-
Apr.-June	***	***	***	-
July-Sept	***	***	***	-
Oct.-Dec	***	***	***	-
1981:				
Jan.-Mar	***	***	***	-
Apr.-June	***	***	***	17
July-Sept	***	***	***	-
Oct.-Dec	***	***	***	38
1982:				
Jan.-Mar	***	***	***	41
Apr.-June	***	***	***	35
July-Sept	***	***	***	-
Oct.-Dec	***	***	***	-

1/ Hot-rolled or forged, annealed, rough turned.
2/ These prices represent sales from * * * only.
3/ Not available.

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

averaged 38 percent in the first two quarters of 1982. If West German prices are compared with the lowest prices charged by U.S. producers in 1982, the margin of underselling is approximately 25 percent.

Chipper knife bar.--Two U.S. producers of chipper knife bar, Jessop and Bethlehem, provided prices for sales to end users through the second quarter of 1982. 1/ Prices were also provided for West German-produced chipper knife by Houghton and Richards, a major chipper knife distributor in the United States, and Michigan Knife, a major consumer of chipper knife. 2/ 3/

1/ Bethlehem ceased tool steel production at the * * *. * * * *.
2/ Posthearing brief of Saarsteel, Inc., and Houghton and Richards, Inc., June 17, 1983, exhibit C.
3/ Posthearing brief of the Machine Knife Association and the Michigan Knife Co., June 17, 1983, exhibit F.

In the first two quarters of 1982, U.S. producers' prices averaged * * * per ton, and prices of the West German chipper knife steel averaged * * * per ton, representing a difference of * * * per ton, or about * * * percent. Prices of the West German chipper knife steel had remained at about * * * per ton through May 1983.

Prices reported by Michigan Knife show that chipper knife steel from other foreign countries was lower priced than West German chipper knife, by * * * to * * * percent, at the end of 1982.

Factors affecting purchases.--Purchasers of tool steel were asked to indicate the importance of six factors in their purchasing decisions by rating the factors on a scale of 5 (high) to 1 (low). These factors were availability of service, delivery time, price, proximity of the vendor firm, quality, and reliability of the vendor firm. Twenty-eight purchasers of tool steel responded, indicating that price was the most important consideration (4.3), followed by quality (4.2), delivery (4.0), reliability (4.0), availability of service (3.8), and proximity (2.6). Seventeen of these firms indicated that they had paid premiums for certain of the nonprice factors. Of these firms, 16 had paid a higher price for domestic tool steel--12 because of faster delivery, 5 because of loyalty to U.S. producers, and 4 because of better quality. One purchaser, * * * paid a premium for West German tool steel because of better quality and availability.

Exchange-rate fluctuations.--From 1979 to 1982, the West German mark depreciated against the U.S. dollar, in nominal terms. It generally appreciated relative to the U.S. dollar through July-September 1980, but declined therafter, reaching its lowest level in July-September 1982 (table 21). The Brazilian cruzeiro displayed a steady depreciation from 1979 to 1982. However, the large depreciation of the cruzeiro is largely a reflection of the high inflation rate in Brazil, as illustrated in figure 3.

A more accurate measure of a change in competitiveness is the real exchange rate, which adjusts the nominal rate by relative changes in inflation. The effect of this adjustment is most obvious for the Brazilian cruzeiro. Although the cruzeiro depreciated against the dollar, in real terms, from 1979 to 1982, the depreciation was actually less than for most European currencies, and the real exchange rate stayed relatively stable in 1981 and 1982.

Table 21.--Indexes of exchange rates of the West German mark and the Brazilian cruzeiro relative to the U.S. dollar, by quarters, January 1979-March 1983

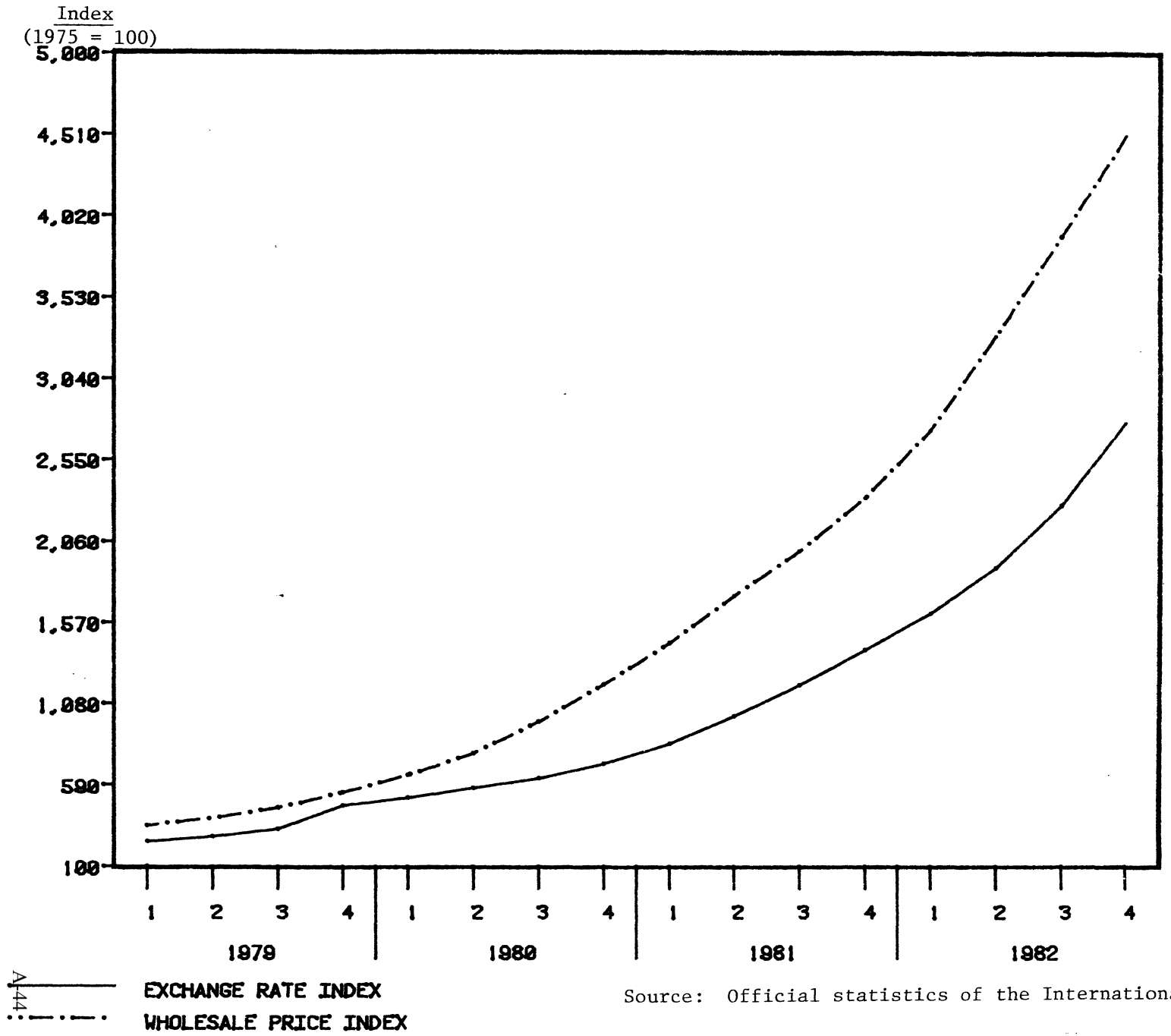
(January-March 1979=100.0)

Period	West German mark		Brazilian cruzeiro	
	Nominal	Real	Nominal	Real
1979:				
January-March	100.0	100.0	100.0	100.0
April-June	102.1	104.2	112.3	112.5
July-September	98.4	101.9	124.7	111.1
October-December	95.7	100.9	155.3	119.4
1980:				
January-March	95.7	102.3	205.5	138.3
April-June	97.8	105.1	227.4	130.0
July-September	96.2	106.0	249.8	119.0
October-December	103.2	114.0	279.9	110.2
1981:				
January-March	113.0	125.6	323.3	108.6
April-June	123.2	137.2	382.6	110.2
July-September	131.4	143.7	455.3	114.1
October-December	121.1	131.6	539.3	116.4
1982:				
January-March	127.0	136.3	629.7	117.1
April-June	128.6	137.2	731.5	112.8
July-September	134.1	142.8	866.2	113.5
October-December	135.2	142.8	1,052.1	118.3
1983: January-March	130.3	136.7	1,489.5	1/

1/ The wholesale price index was not available for this quarter for Brazil, and therefore, the real exchange rate could not be calculated.

Source: Compiled from official statistics of the International Monetary Fund.

Figure 3.-- BRAZILIAN EXCHANGE RATES AND WHOLESALE PRICES.



Source: Official statistics of the International Monetary Fund.

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It is possible that a portion of any decline in West German or Brazilian tool steel prices in the U.S. market reflects the depreciation of the mark or cruzeiro. However, the net effect of such depreciation on West German or Brazilian tool steel prices is difficult to ascertain. Changes in prices of imported tool steel in the most recent quarters could reflect exchange-rate changes in earlier quarters, because orders for tool steel are generally placed several months before actual importation. In addition, the stronger U.S. dollar may have had the effect of increasing the foreign producers' cost for raw materials, especially alloying elements, if payments for such alloying elements were made in dollars. Several importers of West German tool steel stated that the stronger dollar had the net effect of stabilizing or decreasing prices of West German tool steel to some extent.

Lost sales

West Germany.--The Commission received 32 allegations concerning lost sales by reason of competition from tool steels imported from West Germany. These allegations involved a total of 425 tons, although a number of the allegations provided no specific quantity. The alleged lost sales occured from late 1981 through early 1983, and included the major types of tool steel, such as D-2, H-13, P-20, and M-2.

Commission staff contacted 27 of the firms named in these allegations. Fifteen of these firms reported that they have purchased West German tool steel. Seven firms reported that they had never purchased West German tool steel. The remaining five firms reported that they were not sure of the country of orgin of the tool steel they had purchased, since the service center stocked tool steel from a variety of countries.

Of the 15 firms that purchased West German tool steel, 11 cited the lower price of the West German steel as a factor affecting their purchasing decision. However, many of these firms also stated that for their purchases of large-diameter bar, the availability of this steel only from foreign sources was the reason they purchased West German steel.

Purchaser 1.--This lost sale allegation involved the purchase of * * * tons of grade * * * tool steels in early 1982. This purchaser reported that it has never bought West German tool steel.

Purchaser 2.--This lost sale allegation involved the purchase of * * * tons of grade * * * tool steel in early 1982. This purchaser reported that it had bought West German tool steel from * * * , primarily because of lower price and faster delivery time. Although this purchaser was not able to document the quantity of its purchases for early 1982, it reported that it had bought * * * tons of West German * * * tool steel during the first 6 months of 1983 at a price 38 percent lower than from * * *.

* * * *.

Purchaser 3.--This lost sales allegation involved the purchase of * * * tons of grade * * * tool steel in early 1982. This purchaser reported that it had made a single purchase of West German * * * tool steel from * * * in late 1981 or early 1982; however, it did not report the quantity. The primary reason for purchasing the steel from * * * was lower price, the West German tool steel being 10 to 15 cents lower priced per pound than that available from * * *, representing a difference of about 7 to 10 percent.

Purchaser 4.--This lost sale allegation involved the purchase of * * * ton of West German * * * tool steel in late 1981. This purchaser reported that it had bought a small quantity of Swedish * * * tool steel in 1981 because of favorable price, but had never purchased West German * * * to the best of its knowledge.

Purchaser 5.--This lost sales allegation involved the purchase of * * * tons of W. German * * * tool steel in early 1983. This purchaser reported that it has bought tool steel from two importers, * * * at prices about 8 percent lower than from a U.S. mill. However, it did not know the country of origin for the * * * steel it bought. * * * imports from both Brazil and West Germany, and * * * imports primarily from Brazil.

Purchaser 6.--This lost sales allegation involved the purchase of * * * tons per year of West German * * * tool steel. This purchaser reported that it does not purchase finished tool steel, but only scrap.

Purchaser 7.--This lost sales allegation involved the purchase of * * * tons of West German * * * tool steel in early 1983. This purchaser reported that it has purchased West German * * * tool steel from * * * at a price about 10 to 12 percent lower than that from * * *. This firm stated that most of its large-block * * * purchases are from * * *, although it purchases the full range of * * * from * * *. It restricts most of its purchases from * * * to the small-block * * *.

Purchaser 8.--This lost sales allegation involved the purchase of * * * ton of West German * * * tool steel in early 1982. This firm reported that it purchases from a variety of service centers and does not know the country of origin for many of its purchases. The only foreign material for which this purchaser was sure of the source was a purchase of Swedish * * * tool steel in 1981, at a price that was 50 percent lower than U.S. producers' prices. However, this purchase was for a volume of random-sized * * *, which accounted for the discount that was larger than usual.

Purchaser 9.--This lost sales allegation involved the purchase of * * * tons of West German tool steel in late 1981. The exact grade of the tool steel was not provided. This purchaser

reported that it purchases from one tool steel distributor and does not know the country of origin of the steel it purchases. This particular distributor purchases both U.S.-produced and West German-produced tool steel.

Purchaser 10.--U.S. producers provided no specific quantity or type of tool steel for this allegation. This purchaser reported that it had bought * * * tons of cold-work, West German-produced, large-diameter tool steel bar in 1981. Bars of 18-inch, 19-inch and 20-inch diameters were not produced by U.S. mills, and the U.S. mills did not guarantee the internal soundness of bars of this large diameter. Therefore, this purchaser bought material from West Germany.

Purchaser 11.--This lost sales allegation involved the purchase of * * * tons of West German * * * tool steel in the fourth quarter of 1982. This purchaser reported that to be competitive, it has purchased lower priced foreign * * * steel for a number of years and has purchased little U.S.-produced * * * steel. This purchaser buys from service centers and does not know the country of origin of the steel it purchases, although it believes the steel is West German and/or Scandinavian.

Purchaser 12.--This lost sales allegation involved the purchase of * * * tons of West German * * * tool steel at the end of 1982. This purchaser reported that about 80 percent of its purchases of West German * * * steel are large-diameter bars (over 18 inches round), which are not generally available from U.S. mills. Smaller diameter bars from the West Germany have also been purchased in a package that included both small- and large-diameter bars.

Purchaser 13.--U.S. producers provided no specific tonnages or data for this lost sales allegation. This firm reported that it purchases West German tool steel for a variety of reasons, including price, quality, the availability of large-size diameter steel, and a wider variety of size increments which results in less waste. This firm had purchased primarily from * * * 2 years ago, but now most of its purchases are of foreign tool steel.

Purchaser 14.--U.S. producers provided no specific tonnages for this lost sales allegation, although it involved purchases of * * * tool steel. This purchaser reported that it has bought West German * * * tool steel. The firm reported that the purchases tool steel from West Germany have been made in order to diversify its sources rather than because of lower price.

Purchaser 15.--U.S. producers provided no specific tonnages for this lost sales allegation, although it involved the purchase of West German * * * tool steel in mid-1982. This purchaser reported that it has purchased West German * * * from * * *,

because prices of West German * * * were 5 to 10 percent lower than prices from * * * for this grade. This purchaser stated that for large-volume orders, it generally purchases from * * * because of the cost savings. This firm purchases only small-diameter tool steel.

Purchaser 16.--This lost sales allegation involved the purchase of * * * tons of West German * * * tool steel in 1983. * * *.

Purchaser 17.--U.S. producers provided no specific quantity for this lost sale allegation, although it involved the purchase of West German tool steel in 1982. This purchaser reported that it bought about * * * tons of West German * * * tool steel from * * * in 1982. This firm cited price, quality, and delivery as the reasons for purchasing the West German material. The price of the * * * steel from * * * was about 13 percent lower than the price of this steel from * * *. All purchases were of bar in the 6-inch to 14-inch diameter range.

Purchaser 18.--U.S. producers provided no specific quantities for this lost sale allegation, although it involved the purchase of West German * * * tool steel at the end of 1981. This purchaser reported that to the best of its knowledge, it has never purchased West German tool steel. In the * * * area, where this purchaser is located, the purchaser reported that it has seen little West German tool steel.

Purchaser 19.--U.S. producers provided no specific quantity for this lost sale allegation, although it involved a purchase of West German * * * steel at the end of 1981. This purchaser reported that it has purchased West German * * * tool steel, but the reasons for purchasing were faster delivery time and availability. The price difference between West German- and U.S.-produced tool steel is not significant, according to this purchaser.

Purchaser 20.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that it has purchased West German * * * tool steel from * * *. It purchased * * * tons in 1981 and * * * tons in 1982. About 50 to 75 percent of its purchase of West German * * * steel are large-diameter bars, which are not generally available from U.S. producers. For the smaller diameter bars, it reported that price is the major reason for purchasing West German * * * steel, with West German prices tool steel about 10 percent lower.

Purchaser 21.--This purchaser buys a variety of tool steels, with * * * being their primary material. This firm purchases tool steels for use in the manufacture of * * * for industrial use, and it purchases its tool steel from many sources, primarily on the basis of price. The following tabulation illustrates this firm's purchases over the past 3 years (in short tons):

Source	1980	1981	1982
United States------	***	***	***
West Germany-------	***	***	***
Brazil-------------	***	***	***
All other----------	***	***	***

In this instance, sales were alleged to be lost to West Germany in 1982.

Purchaser 22.--This purchaser is also a buyer of large-diameter bar. The lost sale allegation concerned * * * tons of * * * tool steel from West Germany sold in 1982. This purchaser stated that it did not purchase this product. When asked about its purchases, the firm informed the Commission that most of its purchases of imports were from Uddeholm of Sweden and that it purchased the imported product because of size requirements. Certain sizes of tool steel are considered standard by various companies. If, for example, a firm requires a 19 inch round bar, and a 23 inch round bar is the closest standard size, then a company purchasing that 23 inch round would lose a significant portion of the product during machining, which is quite expensive. This purchaser made no purchases of tool steel from Brazil. The following tabulation lists this firm's purchases of the subject merchandise between 1980 and 1982 (in short tons):

Source	1980	1981	1982
United States-----	***	***	***
West Germany------	***	***	***
All other---------	***	***	***

Purchaser 23.--This purchaser stated that it made no purchases of tool steels from West Germany during the period under investigation. This firm indicated that half of its tool steel purchases were made directly from U.S. mills; the other half were from service centers, but the firm specifically requested U.S.-produced tool steel.

Purchaser 24.--This firm purchases * * * and * * * tool steels for molds and dies from a variety of sources. Over the past few years, this firm has shifted its purchases from * * * to a variety of service centers. A representative for this purchaser said that he was unsure of the country of origin of the tool steel from the service centers, but that the product they received from service centers was of consistent quality.

Purchaser 25.--The lost sale allegation in this instance involved * * * ton of * * * grade tool steel from West Germany. Contacts with the purchaser indicate that this firm's purchases have shifted over the last 3 years from * * *. This firm continues to make tool steel purchases from * * * in instances in which certain specialized products are otherwise unavailable domestically.

Purchaser 26.--This lost sale allegation involved a purchase of * * * tons of West German * * * tool steel in mid-1982. This purchaser reported that it buys only from * * *.

Purchaser 27.--This lost sales allegation involved a purchase of * * * ton of West German * * * tool steel in late 1982. This purchaser reported that it has never purchased West German tool steel.

Brazil.--U.S. producers provided the Commission with nine allegations of lost sales resulting from competition from imported Brazilian tool steel. These allegations involved purchases during 1980-82, and generally concerned the A-2 and D-2 tool steels.

The Commission staff contacted eight of the purchasers named in the allegations. Three of these purchasers reported that they have bought Brazilian tool steel. Three purchasers reported that they have never purchased Brazilian tool steel, and two firms were not sure of the country of origin of the foreign tool steel they have purchased from service centers.

Of the three firms that purchased Brazilian tool steel, two did so because of lower price. The third firm, * * * and has had a difficult time purchasing from U.S. mills. Details for each of the allegations follow:

Purchaser 1.--U.S. producers provided no specific quantity for this lost sales allegation. This purchaser reported that it had bought * * * tons of Brazilian * * * tool steel in 1982. This firm reported that the price of the Brazilian steel was about 10 percent lower than prices offered by U.S. producers. However, this firm had purchased some Brazilian steel because of the larger diameter offered. The following is a tabulation shows this firm's purchases from the United States and from Brazil of * * * tool steel (in short tons):

	1980	1981	1982
United States-----	***	***	***
Brazil----------	***	***	***

Purchaser 2.--U.S. producers provided no specific quantity for this lost sales allegation. This purchaser reported that although it has purchased West German tool steel, it has never purchased tool steel produced in Brazil.

Purchaser 3.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that it has never bought Brazilian tool steel, nor used a price quote for Brazilian steel to negotiate a lower price from U.S. producers.

Purchaser 4.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that since it purchases from service centers that stock tool steel from a variety of countries, it generally does not know the country of origin of the foreign steel it purchases. This purchaser stated that foreign steel is generally lower priced than U.S.-produced steel. * * *

Purchaser 5.-- U.S. producers provided no specific quantity for this lost sale allegation. This firm reported that it is an importer of Brazilian tool steel, as well as an importer of tool steel from a variety of other countries. Its primary reason for importing from Brazil is that it * * * * * * * * * * * * * * and must therefore purchase Brazilian tool steel * * * where it can * * * the U.S. mills. * * *. It reported that it has recently had a difficult time even getting quotes from U.S. producers. The following tabulation shows the sources for this company's purchases (in short tons):

	1980	1981	1982
United States------	***	***	***
Brazil-------------	***	***	***
All other foreign--	***	***	***
Total----------	***	***	***

Purchaser 6.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that in many instances, it was not sure of the country of origin of the foreign steel it had purchased. However, it was able to verify a purchase of * * * tons of Brazilan * * * tool steel at a price about 16 percent lower than the price from U.S. producers.

Purchaser 7.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that it buys only from U.S. producers.

Purchaser 8.--U.S. producers provided no specific quantity for this lost sale allegation. This purchaser reported that it purchases from a variety of domestic sources, and is not

knowledgeable as to the country of origin of the steel it purchases from service centers/distributors.

In general, lost sales information was difficult to obtain, because tool steels are purchased in small quantities in a large number of transactions, for which documentation is somewhat limited. In addition, it is difficult to trace the origin of imported tool steel through the distribution system to the ultimate consumer, because the importers (often referred to as super distributors or foreign mill deposits) frequently import from multiple sources and sell to other intermediate layers of U.S. service centers/distributors, many of which are small and widely spread geographically in order to bring the product closer to end users.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICES OF INVESTIGATIONS AND CALENDAR OF PUBLIC HEARING

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-187 (Final)]

Tool Steels From Brazil; Countervailing Duty Investigation

AGENCY: United States International Trade Commission.

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

EFFECTIVE DATE: January 3, 1983.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a 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 (19 U.S.C. 1671), are being provided to manufacturers, producers, or exporters in Brazil of certain tool steels provided for in items 606.93, 606.94, 606.95, 607.28, 607.34, 607.46, and 607.54 of the Tariff Schedules of the United States, the United States International Trade Commission hereby gives notice of the institution of investigation No. 701-TA-187 (Final) under section 705(b) of the act (19 U.S.C. 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Unless the investigation is extended, the Department of Commerce will make its final countervailing duty determination in the case on or before March 14, 1983, and the Commission will make its final injury determination by May 2, 1983 (19 CFR 207.25).

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller (202-523-0305), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.—On September 13, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports of certain tool steels alleged to be subsidized by the Government of Brazil. The preliminary investigation was instituted in response to a petition filed on July 30, 1982, by counsel for several specialty steel producers and the United Steelworkers of America.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11, as amended by 47 FR 6189, February 10, 1982), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to section 201.11(d) of the Commission's rules (19 CFR 201.11(d), as amended by 47 FR 6189, February 10, 1982). A copy of the nonconfidential version of each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, August 4, 1982).

Staff report.—A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on March 9, 1983, pursuant to § 207.21 of the Commission's Rules (19 CFR 207.21).

Hearing.—The Commission will hold a joint hearing in connection with this investigation and with inv. No. 731-TA-100 (Final), Certain Tool Steel from the Federal Republic of Germany, beginning at 10:00 a.m. on March 23, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. 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 March 1, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on March 4, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is March 18, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24, as amended by 47 FR 6191, February 10, 1982) and must be submitted not later than the close of business on April 1, 1983.

Written submissions.—As mentioned, parties to this investigation may file

prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before April 1, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

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 (19 CFR 201.6).

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, as amended by 47 FR 6190, February 10, 1982, and 47 FR 33682, August 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6188, February 10, 1982; 47 FR 13791, April 1, 1982; and 47 FR 33682, August 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20, as amended by 47 FR 6190, Feb. 10, 1982).

By order of the Commission.

Issued: January 17, 1983.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-2159 Filed 1-25-83; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 731-TA-100 (Final)]

Certain Tool Steels From the Federal Republic of Germany

AGENCY: International Trade Commission.

ACTION: Institution of final antidumping investigation and scheduling of a hearing to be held in connection with the investigation.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports from the Federal Republic of Germany of certain tool steels, provided for in items 606.93, 606.94, 606.95, 607.28, 607.34, 607.46, and 607.54 of the Tariff Schedules of the United States, are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-100 (Final) under section 735(b) of the act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Unless the investigation is extended, the Department of Commerce will make its final antidumping determination in the case on or before March 28, 1983, and the Commission will make its final injury determination by May 2, 1983 (19 CFR 207.25).

EFFECTIVE DATE: January 12, 1983.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller, Office of Investigations, U.S. International Trade Commission, 701 E St., N.W., Washington, D.C. 20436, telephone (202) 523-0305.

SUPPLEMENTARY INFORMATION:

Background.—On September 13, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports from the Federal Republic of Germany of certain tool steels alleged to be sold at LTFV. The preliminary investigation was instituted in response to a petition filed on July 30, 1982, by counsel for several specialty steel producers and the United Steelworkers of America.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 § 201.11, as amended by 47 CFR 6189, February 10, 1982), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to section 201.11(d) of the Commission's rules (19 CFR 201.11(d), as amended by 47 FR 6189, February 10, 1982). A copy of the nonconfidential version of each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, August 4, 1982).

Staff report.—A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on March 9, 1983, pursuant to § 207.21 of the Commission's Rules (19 CFR 207.21).

Hearing.—The Commission will hold a joint hearing in connection with this investigation and with inv. No. 701-TA-187 (Final), Certain Tool Steels from Brazil, beginning at 10:00 a.m. on March 23, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. 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 March 1, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on March 4, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is March 18, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24, as amended by 47 FR 6191, February 10, 1982) and must be sumbmitted not later than the close of business on April 1, 1983.

Written submissions.—As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before April 1, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, February 10, 1982, and 47 FR 13791, April 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be sumitted 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 (19 CFR 201.6).

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, as amended by 47 FR 6190, February 10, 1982, and 47 FR 33682, August 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6188,

February 10, 1982; 47 FR 13791, April 1, 1982; and 47 FR 33682, August 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20, as amended by 47 FR 6190, February 10, 1982).

Issued: January 27, 1983.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-2849 Filed 2-1-83: 8:45 am]

BILLING CODE 7020-02-M

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Tool Steels from The Federal Republic of Germany

Inv. No. : 731-TA-100 (Final)

Subject : Certain Tool Steels from Brazil

Inv. No. : 701-TA-187 (Final)

Date and time: June 7, 1983 - 10:00 a.m.

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

In support of the imposition of antidumping and/or countervailing duties

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

The United Steel Workers of America, AFL-CIO/CLC
Al Tech Specialty Steel Corporation
Braeburn Alloy Steel Division of CCX, Inc.
Carpenter Technology Corporation
Columbia Tool Steel Company
Crucible Specialty Metals Division of Colt Industries, Inc.
Cyclops Corporation
Guterl Special Steel Corporation
Jessop Steel Company
Latrobe Steel Company

Paul P. Roedel, President and Chief Executive Officer, Carpenter Technology Corporation

Lloyd J. Sussini, Tool Steel Product Manager, Jessop Steel Company

Economic Consulting Services, Washington, D.C.

Bruce P. Malashevich, Vice President

Clarisse Morgan, Economist

David A. Hartquist)
Alan M. Dunn) --OF COUNSEL

In opposition to the imposition of antidumping and/or countervailing duties

Arter, Hadden & Hemmendinger--Counsel
Washington, D.C.
on behalf of

The Instituto Brasileriro de Siderurgia (IBS)
(the Brazilian Iron and Steel Institute)
Acos Finos Piratini
Acos Villares
Eletrometal Acos Finos

Royal Daniel, III--OF COUNSEL

Graubard, Moskovitz & McCauley--Counsel
Washington, D.C.
on behalf of

Thyssen Edelstahlwerke AG
Thyssen Specialty Steel, Inc.

Alfred R. McCauley)
Beatrice A. Brickell) --OF COUNSEL

Coudert Brothers--Counsel
Washington, D.C.
on behalf of

Edelstahlwerke Buderus AG

Milo G. Coerper)
Bruce C. Mee) --OF COUNSEL

Coudert Brothers--Counsel
Washington, D.C.
on behalf of

Wallace Barnes Steel Division, The Barnes Group, Inc.,
an importer of alloy tool steel products from The
Federal Republic of Germany

Milo G. Coerper)
Bruce C. Mee) --OF COUNSEL

Peabody, Lambert & Meyers--Counsel
Washington, D.C.
on behalf of

Saarsteel, Inc. and Houghton & Richards, Inc.

Erwin Zwolinski, Vice President of Saarsteel, Inc.

Robert E. Flynn, President of Houghton & Richards, Inc.

Glenn R. Reichardt--OF COUNSEL

Peabody, Lambert & Meyers--Counsel
Washington, D.C.
on behalf of

The Michigan Knife Company and the Machine Knife Association

John E. Holloran, President

Glenn R. Reichardt--OF COUNSEL

APPENDIX B

COMMERCE AND COMMISSION NOTICES OF SUSPENSION AND CONTINUATION

Federal Register / Vol. 48, No. 55 / Monday, March 21, 1983 / Notices 11731

Tool Steel From Brazil; Suspension of Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of suspension of investigation.

SUMMARY: The Department of Commerce has decided to suspend the countervailing duty investigation involving tool steel from Brazil. The basis for the suspension is an agreement by the government of Brazil to offset with an export tax all benefits which we find to constitute subsidies on tool steel exported to the United States.

EFFECTIVE DATE: March 21, 1983.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, 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) 377-3003.

SUPPLEMENTARY INFORMATION:

Case History

On July 30, 1982, we received a petition from Al Tech Specialty Steel Corporation, Braeburn Alloy Steel Division, Continental Copper & Steel Industries, Inc., Carpenter Technology Corporation, Colombia Tool Steel Company, Crucible Specialty Metals Division, Colt Industries, Inc., Cyclops Corporation, Guterl Special Steel Corporation, Jessop Steel Company, Latrobe Steel Company, on behalf of the U.S. industry producing tool steel, and the United Steelworkers of America, AFL/CIO. 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 tool steel.

We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation and on August 18, 1982, we initiated a countervailing duty investigation (47 FR 36874). We stated that we expected to issue a preliminary determination by October 25, 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 December 27, 1982 (47 FR 49436).

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 September 13, 1982, the ITC determined that there is a reasonable indication that these imports are materially injuring, or threatening to materially injure, a U.S. industry (47 FR 41881).

We presented a questionnaire concerning the allegations to the government of Brazil in Washington, D.C. On November 15, 1982, we received the response to that questionnaire. During December 13-17, 1982, we verified this information by a review of government documents and company books and records of Acos Finos Piratini S/A (Piratini), Acos Villares S/A (Villares) and Eletrometal Acos Finos S/A (Eletrometal), which exported over 85 percent of Brazilian tool steel to the United States during calendar year 1981

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On December 27, 1982, we preliminarily determined that the government of Brazil was providing subsidies to manufacturers, producers, or exporters of tool steel under seven programs. The programs preliminarily found to confer subsidies were:

- Industrialized Products Tax (IPI) export credit premium
- Preferential working capital financing for exports
- Income tax exemption for export earnings
- Long-term loans
- IPI rebates for capital investment
- Industrial Development Council (CDI) program, and
- Accelerated depreciation for capital goods manufactured in Brazil

Notice of the preliminary affirmative counterveiling duty determination was published on January 3, 1983 (48 FR 53). We directed the U.S. Customs Service to suspend liquidation of all entries of tool steel entered or withdrawn from warehouse, for consumption on or after January 3, 1983, and to require a cash deposit or bond in the amount of 17.766 percent of the f.o.b. value of the merchandise.

On February 10, 1983, the Department initiatied a proposed agreement to suspend the counterveiling duty investigation involving tool steel from Brazil. The basis for the proposed agreement was that the government of Brazil would offset by an export tax the entire amount of benefits we found to confer subsidies on tool steel exported to the United States.

In compliance with the procedural requirements of section 704(e) of the Act, we consulted with the petitioners concerning the proposed agreement and provided them a copy of it.

Scope of Investigation

The product covered by this investigation is tool steel which includes hot-finished tool steel, cold-finished tool steel, high speed tool steel, chipper knife steel and band saw steel bars and rods as currently provided for in items 606.9300, 606.9400, 606.9505, 606.9510, 606.9520, 606.9525, 606.9535, 606.9540, 607.2800, 607.3405, 607.3420, 607.4600, 607.5405 and 607.5420 of the *Tariff Schedules of the United States Annotated.*

The period for which we are measuring subsidization is that fiscal year for each company which most closely corresponds to calendar year 1981. That period is calendar year 1981 for Piratini, February 1, 1981 through January 31, 1982 for Villares, and October 1, 1981 through September 30, 1982 for Electrometal. We have referred to these periods as fiscal year 1981 in this notice.

Changes Since the Preliminary Determination—Industialized Products Tax (IPI) Export Credit Premium

In the preliminary determination we calculated a subsidy rate based upon the 15 percent IPI credit available during the companies' 1981 fiscal year. However, 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, the rate currently in effect. Since the rate established for purposes of the suspension is prospective, we will make a proportional reduction in our calculation of the subsidy rate from ths program

Preferential Working Capital Financing for Exports: Resolution 674

On February 11, 1983, the government of Brazil notified the Department that the Banco do Brasil rate for discounting accounts receivable had increased from 59.6 percent to 72 percent effective January 3, 1983. In addition, effective January 11, 1983, the tax on financial transactions was reduced from 6.9 percent to 4.6 percent. These changes result in a rate differential of 32.6 percent rather than 22.5 percent as stated in the preliminary determination with respect to tool steel. Consequently, since the rate established for purposes of ths suspension is prospective, we will use 32.6 percent as the applicable differential in determining the subsidy rate from this program.

Petitioners' Comments

The Department has consulted with the petitioners and received the following comments from them concerning the proposed suspension agreement. Our response is shown for each comment.

Comment 1: The petitioners argue that any agreement suspending this investigation should be an agreement eliminating injurious effect under section 704(c) of the Act, rather than an agreement to offset completely the net subsidy under section 704(b) of the Act. The petitioners contend that this case meets all the criteria for an agreement under section 704(c).

DOC Position: The statute provides alternate means by which the Department may suspend an investigation. The statute states no preference for one alternative over another. The Department believes that a 704(b) suspension agreement in this case will offset completely the net subsidy. It therefore eliminates any injury caused by the net subsidy.

Comment 2: The petitioners suggest that we add a provision to the proposed agreement requiring that the export tax be paid in full at the time of export. They contend that a delay in collection of the export tax would reduce the real value of the tax, given the high rate of inflation in Brazil. In addition, they request that the terms under which the government of Brazil imposes penalties for late payment of the export tax should be added to the agreement.

DOC Position: The Department believes that the method of collection of the export tax to be used by the government of Brazil will offset completely offset the net subsidy found to exist on the subject products. Brazil requires that the export tax be paid within 45 days of the last day of the month in which the merchandise is exported, which is the minimum amount of time administratively feasible for collection. Our experience shows that Brazilian exporters generally do not receive countervailable benefits until after the date of export. In monitoring the agreement, we will verify that either payment was made within 45 days or the appropriate penalty imposed.

For late payments (payments after 45 days), the government of Brazil imposes penalties sufficient to offset the amount of the benefits derived from the delay in payment. These penalties which are stated in Brazilian law, Portaria 321 dated September 16, 1980 are as follows:

- For voluntary payment within 30 days of the due date, exporters are required to pay:
  (a) Full monetary correction,
  (b) One percent interest on the corrected amount, and
  (c) A 15 percent penalty on the corrected amount
- For voluntary payment after 30 days, exporters are required to pay:
  (a) Full monetary correction,
  (b) One percent interest per month on the corrected amount, and
  (c) A 30 percent penalty on the corrected amount
- For payment as the result of government action, exporters are required to pay:
  (a) Full monetary correction,
  (b) One percent interest on corrected amount, and
  (c) A 100 percent penalty on the corrected amount

Comment 3: The petitioners propose that we change the words "constitute" in paragraph B.1. (h) to "confer." They wish to distinguish between programs that we have found to "constitute" subsidies in this and other investigations of Brazilian products from

those programs which we found actually "confer" benefits which constitute subsidies on the subject products.

DOC Position: We agree with the point raised by the petitioners. In order to clarify that provision, we have reworded paragraph B.1. (h) to read:

Any other program subsequently determined by the Department to confer a benefit which constitutes a subsidy under the Act on the subject products.

Comment 4: The petitioners propose that paragraph B.2. be modified to read: "The Government of Brazil certifies that no new or equivalent benefit shall be granted on the subject products." Their proposed wording eliminates the phrase "as a substitute for any benefits offset by the agreement" from the proposed agreement.

DOC Position: The Department has intended that the language of paragraph B.2 require that the government of Brazil certify that they have not granted any new or equivalent benefits on the subject products regardless of whether these are substitutes for benefits offset by the agreement. To eliminate any ambiguity that may have arisen by the original language, we have deleted the words "as a substitute for any benefits offset by the agreement" from the suspension agreement. In addition, we are making the corresponding changes in paragraph C.3.

Comment 5: The petitioners oppose the use of the period stated in the proposed agreement, June 1981 through May 1982, as the base period for the establishment of export levels under section 704(d)(2) of the Act. They cite the high and growing rates of imports of tool steel from Brazil during that period and suggest that it is "more reasonable" to use calendar year 1981, when shipments were lower, as a base period.

DOC Position: To establish the export level during the interim period, the Department had intended to use July 1981 through June 1982 (the 12-month period prior to the filing of the petition) as "the most recent representative period." We note that the use of that period results in a reduction from present levels of exports of the subject products to the United States. In addition, the interim period ending May 1, 1983, the date the offsetting export tax becomes effective, is considerably shorter than the period allowed by the statute. We have amended the agreement to reflect the July 1981 through June 1982 period.

Comment 6: The petitioners request that we modify paragraph C.4. to require the Department to verify at least four times each year.

DOC Position: The Department believes that effective monitoring is practicable under the agreement. Paragraph C of the agreement requires the government of Brazil to permit such verification and data collection as the Department requests to monitor the agreement. The Department's monitoring efforts for the most part will occur during yearly section 751 administrative reviews. These are conducted in the same manner as reviews of a countervailing duty order. Paragraph C also imposes comprehensive reporting requirements on the government of Brazil which will help ensure effective monitoring.

Comment 7: The petitioners request that paragraph C.2. of the proposed agreement be changed to reflect the language of the proposed suspension agreement in the case of *Certain Stainless Steel Products from Brazil. They propose that paragraph C.2. should read as follows:*

The Government of Brazil shall notify the Department if any exporters of the subject product transship the subject product through third countries or apply for or receive, directly or indirectly, the benefits of the programs described in paragraph (B)(1) regarding the manufacture, production or export of the subject product.

The petitioners contend that the language in paragraph C.2. of the proposed suspension agreement only requires that the government of Brazil give notification where *exporters of the subsidized merchandize* transship through third countries to the United States. The petitoners state that their language would require the government of Brazil to give notification where *any* Brazilian exporter of the subject merchandise transships the subject product through third countries to the United States and give notification whenever any exporter applies for receives the benefits of a program covered by this agreement.

DOC Position The Department intends that paragraph C.2. apply to all transshipments of the subject products from Brazil via third countries to the United States. The language of the proposed agreement has been revised to take into account the concerns of the petitioners, since by covering all transshipments, the paragraph applies to all Brazilian exporters of the covered merchandise who transship. Paragraph C.2, as revised, reads as follows:

The government of Brazil shall notify the Department of any transshipment of the subject products through third countries to the United States and whether the export tax required by this agreement has been paid with respect to those transshipped products.

Suspension of Investigation

The Department consulted with the petitioners and has considered the comments submitted with respect to the proposed suspension agreement. We have determined that the agreement will offset completely the net subisdy with respect to the subject merchandise exported directly or indirectly to the United States, that the agreement can be monitoried effectively, and that the agreement is in the public interest. Therefore, we find that the criteria for suspension of an investigation pursuant to section 704 of the Act have been met. The terms and conditions of the agreement, signed March 14, 1983, are set forth in Annex I to this notice.

Pursuant to section 704(f)(2)(A) of the Act, the suspension of liquidation of all entries, entered or withdrawn from warehouse, for consumption of tool steel from Brazil effective January 3, 1983, as directed in our notice of "Preliminary Affirmative Countervailing Duty Determination, Tool Steel from Brazil," is hereby terminated. Any cash deposits on entries of tool stell from Brazil pursuant to that suspension of liquidation shall be refunded and any bonds shall be released.

The Department intends to conduct an adminstrative review within 12 months of the anniversary date of publication of this suspension as provided in section 751 of the Act.

Notwithstanding the suspension agreement, the Department will continue the investigation if we receive such a request in accordance with section 704(g) of the Act within 20 days after the date of publication of this notice.

This notice is published pursuant to section 704(f)(1)(A) of the Act.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

March 14, 1983.

Annex I—Suspension Agreement

Tool Steel from Brazil

Pursuant to section 704 of the Tariff Act of 1930, as amended (the Act), and § 355.31 of the Commerce Regulations, the United States Department of Commerce (the Department) and the government of Brazil enter into the following suspension agreement (the agreement) on the basis of which the Department shall suspend its countervailing duty investigation initiated on August 18, 1982 (47 F.R. 36874) with respect to tool steel from Brazil. The agreement shall be in accordance with the terms and provisions set forth below.

A. *Scope of the Agreement:* The agreement applies to tool steel manufactured in Brazil and exported, directly or indirectly, from Brazil to the United States (hereinafter referred to as the "subject products"). "Tool

steel" includes hot-finished tool steel, cold-finished tool steel, high speed tool steel, chipper knife steel and band saw steel bars and rods as currently provided for in items 606.9300, 606.9400, 606.9505, 606.9510, 606.9520, 606.9525, 606.9535, 606.9540, 607.2800, 607.3405, 607.3420, 607.4600, 607.5405 and 607.5420 of the *Tariff Schedules of the United States Annotated*.

B. *Basis of the Agreement:* 1. The government of Brazil hereby agrees to offset completely the amount of the net subsidy determined by the Department in this proceeding to exist with respect to the subject products. The offset shall be accomplished by an export tax applicable to the subject products exported on or after May 1, 1983. The export tax shall offset completely any benefits found to exist with respect to the following programs:

(a) Industrialized Products Tax (IPT) export credit premium;

(b) Preferential working capital financing for exports;

(c) Income tax exemption for export earnings;

(d) Long-term loans;

(e) IPI rebates for capital investment;

(f) Industrial Development Council (IDC) program;

(g) Accelerated depreciation for capital goods manufactured in Brazil; and

(h) Any other program subsequently determined by the Department to confer a benefit which constitutes a subsidy under the Act on the subject products.

The Department shall officially notify the government of Brazil of any determination made with respect to items (a) through (h) above.

2. The government of Brazil certifies that no new or equivalent benefits shall be granted on the subject products.

3. The offset of these benefits does not constitute an admission by the government of Brazil that such benefits are subsidies within the meaning of the U.S. countervailing duty law.

4. The government of Brazil agrees that from the effective date of the suspension of the investigation and until the imposition of an export tax no later than May 1, 1983 that completely offsets the net subsidy determined by the Department to exist, the rate of exports of the subject products will not exceed the average monthly rate of exports to the United States in the period July 1981–June 1982. Exports in excess of this quantity will constitute a violation of the agreement pursuant to section 704(i) of the Act.

C. *Monitoring of the Agreement:* 1. The government of Brazil agrees to supply to the Department documentation concerning the method and time of payment of the export tax and any other information the Department deems necessary to demonstrate that it is in full compliance with the agreement.

2. The government of Brazil shall notify the Department of any transshipment of the subject products through third countries to the United States and whether the export tax required by this agreement has been paid with respect to those transshipped products.

3. The government of Brazil shall certify to the Department within 15 days after the first day of each three-month period beginning on July 1, 1983 whether it continues to be in compliance with the agreement by offsetting completely the net subsidy referred to in paragraph B.1 and whether it has granted any new or equivalent countervailable benefits. The first certification shall include the period May 1, 1983—June 30, 1983. Failure to supply such information or certification in a timely fashion may result in the immediate resumption of the investigation or issuance of a countervailing duty order.

4. The government of Brazil shall permit such verification and data collection as is requested by the Department in order to monitor the agreement. The Department will request such information and perform such verification periodically pursuant to administrative reviews conducted under section 751 of the Act.

5. The government of Brazil shall promptly notify the Department, with appropriate documentation, of any change in the amount of benefits to the subject products, of any change in the rate of the export tax, or if it decides to alter or terminate its obligations, with respect to any of the terms of the agreement.

6. If quantitative trade restrictions affecting U.S. imports from all for a substantial number of trading partners of the U.S. are implemented with respect to merchandise covered by this agreement, the parties agree to consult concerning the possibility of modification or amendment of this agreement in such a fashion that will continue to meet the requirements of U.S. law in light of the quantitative restrictions or other types of relief then in effect. Pending any possible modification of this agreement, the terms of this agreement will remain in effect.

D. *Violation of the Agreement:* If the Department determines that the agreement is being or has been violated or no longer meets the requirements of section 704(b) or (d) of the Act, then section 704(i) shall apply.

E. *Effective Date:* The effective date of the agreement is the date of publication.

Signed on this 14th day of March 1983, for the Government of Brazil.

José Alfredo Graça Lima,
First Secretary, Brazilian Embassy.

I have determined that the provisions of paragraph B completely offset the subsidies that the government of Brazil is providing with respect to tool steel exported directly or indirectly from Brazil to the United States and that the provisions of paragraph C ensure that this agreement can be monitored effectively pursuant to section 704(d) of the Act. Furthermore, I have determined that the agreement meets the requirements of section 704(b) of the Act and suspension of the investigation is in the public interest.

U.S. Department of Commerce.
Gary N. Horlick,
Deputy Assistant Secretary for Import Administration.

[FR Doc. 83-7285 Filed 3-18-83; 8:45 am]
BILLING CODE 3510-25-M

[Investigations Nos. 701-TA-187 (Final) and 731-TA-100 (Final)]

Certain Tool Steels From Brazil and the Federal Republic of Germany

AGENCY: International Trade Commission.

ACTION: Suspension of final countervailing duty investigation and postponement of hearing.

EFFECTIVE DATE: March 14, 1983

SUMMARY: On March 14, 1983, the United States Department of Commerce suspended its countervailing duty investigation involving certain tool steels from Brazil. The basis for the suspension is an agreement by the Government of Brazil to offset completely the amount of net subsidy determined by Commerce to exist with respect to the subject product. Accordingly, the United States International Trade Commission hereby gives notice of the suspension of its countervailing duty investigation involving certain tool steels from Brazil (investigation No. 701-TA-187 (Final)). Additionally, the Commission hereby gives notice of the cancellation of the hearing to held in connection therewith.

Since the Department of Commerce has postponed its final determination in its investigation on certain tool steels from the Federal Republic of Germany until May 27, 1983, the Commission is likewise rescheduling its final determination in accordance with section 735(b)(2) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(2)) and is postponing its hearing in that investigation. Notice of the Commission's new hearing date will be published as soon as it is determined.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen P. Miller, Office of Investigations, U.S. International Trade Commission, (202) 523-0306.

This notice is published pursuant to § 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40).

Issued: March 21, 1983.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-8223 Filed 3-29-83; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 701-TA-187 (Final) and 731-TA-100 (Final)]

Tool Steels From Brazil and the Federal Republic of Germany; Continuation of Final Countervailing Duty Investigation

AGENCY: United States International Trade Commission.

ACTION: Continuation of final countervailing duty investigation concerning tool steels from Brazil and scheduling of a joint hearing to be held in conjunction with final investigation of certain tool steels from the Federal Republic of Germany.

EFFECTIVE DATE: March 22, 1983.

SUMMARY: On March 21, 1983, the United States Department of Commerce suspended its countervailing duty investigation concerning certain tool steels from Brazil (48 FR 11731). The basis for the suspension was an agreement by the Government of Brazil to offset completely the amount of net subsidy determined by Commerce to exist with respect to the subject products. Accordingly, pursuant to section 704(f)(1)(B) of the Tariff Act of 1930 (19 U.S.C. 1671c(f)(1)(B)), the United States International Trade Commission suspended its countervailing duty investigation on certain tool steels from Brazil. On March 22, 1983, however, a request to continue the investigation was filed by counsel for the petitioners pursuant to section 704(g)(2) of the Tariff Act (19 U.S.C. 1671(g)(2)). Accordingly, the Commission hereby gives notice of the continuation of investigation No. 701-TA-187 (Final), Certain Tool Steels from Brazil.

On March 30, 1983, the Commission announced in the Federal Register (48 FR 13278) that is was postponing the hearing scheduled for investigation No. 731-TA-100 (Final), Certain Tool Steels from the Federal Republic of Germany. The revised schedule for this investigation, which is identical to the schedule for 701-TA-187 (Final), Certain Tool Steels from Brazil, is set forth below.

SUPPLEMENTARY INFORMATION:

Background. On January 3, 1983, Commerce 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 Brazil of tool steel. On March 14, 1983, a suspension agreement was signed by the Government of Brazil. Commerce and the Commission subsequently suspended their respective investigations of the subject merchandise from Brazil. On January 12, 1983, Commerce preliminarily determined that tool steel from the Federal Republic of Germany is being sold, or is likely to be sold in the United States at less than fair value. On February 18, 1983, Commerce announced the postponement of its final determination with respect to tool steels from the Federal Republic of Germany. The Commission subsequently postponed its joint hearing scheduled for these investigations.

Revised Hearing Schedule.—The Commission will hold a joint hearing for investigations Nos. 701-TA-187 (Final) and 731-TA-100 (Final), Certain Tool Steels from Brazil and from the Federal Republic of Germany, beginning at 10 a.m. on June 7, 1983, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 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 May 20, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs (not later than June 1) and attend a prehearing conference to be held at 10 a.m. on May 25, 1983 in room 117 of the U.S. International Commission Building. Posthearing briefs and written statements should be filed on or before June 17, 1983. Commerce has advised the Commission that it will make its final determinations in these investigations by May 27, 1983. The Commission would then be required to make its final injury determinations within 45 days of this date, or July 11, 1983.

This notice amends the investigation schedules set forth in the Commission notices of January 26, 1983 (48 FR 3665 and February 2, 1983 (48 FR 4744).

FOR FURTHER INFORMATION CONTACT: Mr. Stephen P. Miller (202-523-305), Office of Investigations, U.S. International Trade Commission.

By order of the Commission.

Issued: April 4, 1983.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-9770 Filed 4-12-83; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

U.S. DEPARTMENT OF COMMERCE FINAL DETERMINATIONS

Tool Steel From the Federal Republic of Germany: Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of Final Determination of Sales at Less Than Fair Value.

SUMMARY: We have determined that tool steel from the Federal Republic of Germany (FRG) is being sold in the United States at less than fair value. The United States International Trade Commission (ITC) will determine within 45 days of publication of this notice whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: June 6, 1983.

FOR FURTHER INFORMATION CONTACT: Charles Wilson or David Layton, Office

of Investigations, Import Administration, United States Department of Commerce, 14th Street and Constitution Ave., NW., Washington, D.C. 20230, (202) 377–5288 or (202) 377–0160.

SUPPLEMENTARY INFORMATION:

Case History

On July 30, 1982, we received a petition filed by counsel on behalf of 9 U.S. specialty steel producers and on behalf of the United Steel Workers of America. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports from the FRG of tool steel are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

After reviewing the petition, we determined in contained sufficient grounds to initiate an antidumping investigation. We notified the ITC of our action and initiated the investigation on August 18, 1982 (47 FR 22132). On September 13, 1982, the ITC found that there is a reasonable indication that imports of tool steel are materially injuring, or are threatening to materially injure, a United States industry.

Questionnaires were presented to Edelstahlwerke Buderus AG (Buderus) on September 9, 1982, ARBED Saarstahl GmbH (Saarstahl) on September 10, 1982, and Thyssen Edelstahlwerke AG (Thyssen) on September 21, 1982.

Responses were received on November 1, 1982 from Buderus, on November 15, 1982 from Thyssen, and on December 20, 1982 from Saarstahl. The response from Saarstahl was not received in time to be considered for purposes of the preliminary determination. Our review of the Buderus response revealed numerous deficiencies and we requested additional information which was submitted on December 6, 1982. Thyssen furnished computer printouts on November 19, 1982, a partial narrative response on December 6, 1982, and additional information on December 23, 1982, which was not in time to be considered for purposes of the preliminarily determination.

Therefore, we based our preliminary determination of January 12, 1983 (48 FR 1334) on the best information available, which was contained in the petition, as regards Thyssen and Saarstahl. We preliminary determined that imports of tool steel from Buderus should be excluded from the preliminary determination because we found a 0.4 percent weighted-average margin, which is *de minimis*.

We requested and received a new computer tape which included production costs as well as clarifying and explanatory information since our preliminary determination. This additional information now causes us to include this company in our final affirmative determination.

On February 18, 1983, we published a notice extending the period for making our final determination by 60 days until May 27, 1983, at the request of exporters who accounted for a significant portion of exports of this merchandise in accordance with section 735(a)(2) of the Act (48 FR 7242).

On March 21 through March 31, 1983, we verified the response of Thyssen. On March 21–25, 1983, we verified the response of Buderus. On March 28–31, 1983, we verified the response of Saarstahl.

Our verification revealed further deficiencies in the responses of all three companies, and we requested additional information. We received the information requested from Thyssen on April 13, 1983, from Saarstahl on April 14, 1983, and from Buderus on April 12, 1983.

We verified Thyssen's exporter's sales price portion of the response on April 12–15, 1983, at Thyssen Specially Steel, Inc., in Chicago.

Our notice of preliminary determination provided interested parties an opportunity to submit views orally and in writing. We did not hold a public hearing, because none of the interested parties requested a hearing.

Scope of Investigation

The product covered by this investigation is tool steel as used in hand tools or for cutting, shaping, forming, and blanking of materials at either ordinary or elevated temperatures. Tool steel covers hot-finished tool steel and cold-finished tool steel, high speed tool steel, chipper knife steel, and band saw steel bars and rods. The merchandise is currently classified under item numbers 606.9300, 606.9400, 606.9505, 606.9510, 606.9520, 606.9525, 606.9535, 606.9540, 607.2800, 607.3405, 607.3420, 607.4600, 607.5405, and 607.5420 of the *Tariff Schedules of the United States Annotated*. Valve steel is not within the scope of this investigation.

Since Saarstahl, Thyssen and Buderus manufacture and export virtually all of the tool steel exported from the FRG to the United States, we limited our investigation to them.

This investigation covers the period from February 1 to August 1, 1982, for United States sales and from November 1, 1981 to August 1, 1982, for home market transactions. The longer period for home market transactions was used in order to include sales in the home market at the time of exportation of tool steel where exporter's sales price is the proper basis for United States price. As explained below, the investigative period for sales by Saarstahl was November 1, 1981 to March 1, 1982 since Saarstahl was unable to provide us with information for the investigative period.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used purchase price to represent United States price for sales by Buderus and Saarstahl because the merchandise was sold to unrelated purchasers prior to its importation into the United States. For Thyssen, we used exporter's sales price to represent United States price, because the merchandise was sold to unrelated purchasers after its importation into the United States.

We calculated the purchase price based on the f.o.b., c. & f., c.i.f., and c.i.f., duty paid, packed price to unrelated purchasers. Where appropriate, we made deductions for the costs of foreign inland freight, foreign inland insurance, ocean freight, marine insurance, United States duty, and customs brokerage.

Where we used exporter's sales price, we made additional deductions, where appropriate, for credit costs, warranty costs, cutting costs, and other selling expenses incurred in the United States.

Foreign Market Value

In accordance with section 773 of the Act, we calculated foreign market value based on home market sales, and where appropriate, constructed value. For purposes of determining similar merchandise under section 771(16) of the Act, we made comparisons based on categories selected by a Commerce Department industry expert.

The petitioner alleged that sales in the home market were at prices below the cost of producing tool steel. We examined production costs which included all appropriate costs for materials, fabrication and general expenses. Sales below the cost of production were found to be made for certain categories of tool steel examined. Where sales of any category of the merchandise under investigation

were made over an extended period of time and in substantial quantities, and were at prices which did not permit recovery of all costs within a reasonable period of time in the normal course of trade, the Department disregarded these sales in its analysis in accordance with section 773(b) of the Act. For certain categories, we found that sufficient sales of tool steel were made at or above the cost of production and, therefore, those sales were used in makng price-to-price comparisons with sales in the United States market. For certain other categories of tool steel, we found that sales which were made above the cost of production were inadequate as a basis for the determination of foreign market value and consequently, we used the constructed value of the merchandise for these categories of tool steel to determine their foreign market value.

The home market prices for all three manufacturers were based on delivered, packed prices to unrelated purchasers. From these prices we deducted, where appropriate, inland freight and inland insurance. We made adjustments, where appropriate, for credit costs, warranty costs, cutting costs, and the cost of materials, labor, and directly related factory overhead associated with differences in the merchandise. We also deducted home market packing cost and added the cost of United States packing.

Where we used exporter's sales price, we deducted indirect selling expenses to offset other United States selling expenses.

Where we used constructed value as a basis for foreign market value, we calculated it to include the cost of materials, fabrication, general expenses, profit and the cost of packing. The amount added for general expenses was the statutory minimum of 10 percent of the sum of material and fabrication costs when the statutory minimum was higher than the actual general expenses. When the actual general expenses were higher than the statutory minimum, these expenses were added. The amount added for profit was the statutory minimum of 8 percent of the sum of materials, fabrication costs, and general expenses because the actual profit was less than 8 percent.

Buderus: We did not allow as a circumstances of sale adjustment an expense for technical services, because Buderus did not demonstrate that this claim was directly related to the sales of the merchandise covered by these investigations as required by section 353.15 of the Commerce Regulations.

We also did not allow a claim for a commission, because this commission was paid to sales personnel of Buderus as part of that company's compensation plan.

Saarstahl: As previously mentioned, this investigation covers the period from February 1 to August 1, 1982 for United States sales and from November 1, 1981 to August 1, 1982, for home market transactions. Saarstahl did provide us with home market sales information for the period November 1, 1981 to August 1, 1982.

For United States sales, however, Saarstahl provided us only with information concerning its deliveries to the United States during the period of investigation. The dates of purchase for these deliveries occurred during the period February 1, 1981 to March 1, 1982. Consequently, we have contemporaneous sales data for only 4 months, November 1981 through February 1982. We have used this for our price comparisons for Saarstahl.

Thyssen: In accordance with section 353.15 of the Commerce Regulations, we allowed a claim for after-sale warehousing expenses, because Thyssen demonstrated that these expenses were incurred after the sale by specific contractual agreement.

For the same reason as stated for Buderus, we did not allow as a circumstance of sale adjustment, Thyssen's claim for an expense for technical services.

Verification

In accordance with section 776(a) of the Act, we verified all of the information used in making these determinations. We were granted access to the books and records of Thyssen, Saarstahl, Buderus and Thyssen Speciality Steel, Inc. We used standard verification procedures, including examination of accounting records, financial statements, and selected documents containing relevant information.

Result of Investigations

Except as noted for Saarstahl, we made fair value comparisons on all the reported tool steel sold in the United States by the three German companies. Margins were found on 40.94 percent of metric tons sold. The margins range from 1.55 percent to 219.34 percent. The overall weighted-average margin on these sales was 10.23 percent.

Final Determination

Based on our investigations and in accordance with section 735(a) of the Act, we have reached a final determination that tool steel from the FRG is being sold in the United States at less than fair value within the meaning of section 731 of the Act.

Continuation of Suspension of Liquidation

Liquidation will continue to be suspended on all entries of tool steel from the FRG from Saarstahl and Thyssen. For Buderus, liquidation will be suspended as of the date of this notice. The United States Customs Service will continue to require the posting of a cash deposit, bond, or other security in amounts of the following overall weighted-average margins for tool steel. The bond or cash deposit requirements established in our preliminary determination of January 12, 1983, are no longer in effect.

Manufacturer/producer/exporter	Weighted-average margins
Buderus	6.73
Saarstahl	18.41
Thyssen	7.04
All other manufacturers/producers/exporters	10.23

ITC Notification

We are notifying the ITC and making available to it all non-privileged and non-confidential information relating to this determination. We will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on tool steel from the FRG entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price. This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

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Lawrence J. Brady,

Assistant Secretary for Import Administration.

[FR Doc. 83-15082 Filed 6-3-83; 8:45 am]

BILLING CODE 3510-25-M

Final Affirmative Countervailing Duty Determination; Tool Steel From Brazil

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determination.

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 Brazil of tool steel. The estimated net subsidy is 18.77 percent *ad valorem*. The U.S. International Trade Commission (ITC) will determine within 45 days of the publication of this notice whether these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

The Department of Commerce (the Department) and the government of Brazil have entered into a suspension agreement. We continued the investigaton at the request of the petitioners in accordance with section 704(g) of the Tariff Act of 1930, as amended (the Act). If the final determination by the ITC is negative, the suspension agreement shall have no force or effect. If the final determination by the ITC is affirmative, the suspension agreement shall remain in force.

EFFECTIVE DATE: June 6, 1983.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, 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) 377-0171.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided to manufacturers, producers, or exporters in Brazil of tool steel. For purposes of this investigation, the following programs are found to confer subsidies:

- Industrialized Products Tax (IPI) export credit premium.
- Preferential working capital financing for exports.
- Income tax exemption for export earnings.
- Long-term loans.
- IPI rebates for capital investment.
- Industrial Development Council (CDI) program.
- Accelerated depreciation for capital goods manufactured in Brazil.

We have determined the estimated net subsidy on tool steel from Brazil to be 18.77 percent *ad Valorem*.

The Department and the government of Brazil have entered into a suspension agreement. If the final ITC determination is affirmative, the agreement will remain in force, and we will not issue a countervailing duty order as long as the requirements of section 704(f)(3)(B) of the Act are met.

Case History

On July 30, 1982, we received a petition from Al Tech Specialty Steel Corporation, Braeburn Alloy Steel Dicision, Continental Coppoer & Steel Industries, Inc., Carpenter Technology Corporation, Columbia Tool Steel Company, Crucible Specialty Metals Division, Colt Industries, Inc., Cyclops Corporation, Guterl Special Steel Corporation, Jessop Steel Company, Latrobe Steel Company, on behalf of the U.S. industry producing tool steel, and the United Steelworkers of America, AFL-CIO. 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 tool steel.

We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on August 18, 1982, we started an investigation (47 FR 36874). We stated that we expected to issue a preliminary determination by October 25, 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 December 27, 1982 (47 FR 49436).

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 September 13, 1982, the ITC determined that there is a reasonable indication that these imports are materially injuring, or are threatening to materially injure, a U.S. industry (47 FR 41881).

We presented a questionnaire concerning the allegations to the government of Brazil in Washington, D.C. on September 2, 1982. On November 15, 1982, we received the response to that questionnaire.

On December 27, 1982, we preliminarily determined that the government of Brazil was providing its manufacturers, producers, or exporters of tool steel with benefits that constitute subsidies. The programs preliminarily determined to bestow subsidies were:

- IPI export credit premium.
- Preferential working capital financing for exports.
- Income tax exemption for export earnings.
- Long-term loans.
- IPI rebates for capital investment.
- Industrial Development Council (CDI) program.
- Accelerated depreciation for capital goods manufactured in Brazil.

Notice of the preliminary affirmative countervailing duty determination was published on January 3, 1983 (48 FR 53). We directed the U.S. Customs Service to suspend liquidation of all entries of tool steel entered, or withdrawn from warehouse, for consumption on or after January 3, 1983, and to require the posting of a cash deposit, bond or other security in the amount of 17.766 percent of the f.o.b. value of the merchandise.

On February 10, 1983, the Department initialed a proposed agreement to suspend the countervailing duty investigation involving tool steel from Brazil. The basis for the proposed agreement was that the government of Brazil would offset by an export tax the entire amount of benefits we found to confer subsidies on tool steel exported to the United States.

In compliance with the procedural requirements of section 704(e) of the Act, we consulted with the petitioners concerning the proposed agreement and provided them a copy of it. We received comments on the proposed agreement and addressed them in the notice announcing the suspension of the investigation.

On March 14, 1983, the Department and the government of Brazil signed a suspension agreement, as provided for under section 704 of the Act. The agreement became effective with its publication in the Federal Register on March 21, 1983 (43 FR 11731). Under the agreement, the government of Brazil is required to offset completely by an export tax the amount of the net subsidy determined by the Department to exist on Brazilian exports of tool steel to the United States.

By letter of March 22, 1983, counsel for the petitioners requested that the investigation be continued under section 704(g) of the Act. Therefore, we are required to complete the investigation and issue a final determination.

Scope of Investigation

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The product covered by this investigation is tool steel which includes hot-finished tool steel, cold-finished tool steel, high speed tool steel, chipper knife

tool steel and band saw steel bars and rods as currently provided for in items 606.9300, 606.9400, 606.9505, 606.9510, 606.9520, 606.9525, 606.9535, 606.9540, 607.2800, 607.3405, 607.3420, 607.4600, 607.5405, and 607.5420 of the *Tariff Schedules of the United States Annotated.*

There are four know producers and exporters in Brazil of tool steel to the United States. We have received information from the government regarding three of these companies, Acos Finos Piratini S/A (PIRATINI), and Acos Villares S/A (VILLARES), and Eletrometal Acos Finos S/A (ELETROMETAL) which represented approximately 93 percent of exports of this product to the United States during calendar year 1981.

The period for which we are measuring subsidization is that fiscal year for each company which most closely corresponds to calendar year 1981. That period is calendar year 1981 for PIRATINI, February 1, 1981 to January 31, 1982 for VILLARES and October 1, 1980 to September 30, 1981 for ELETROMETAL. We have referred to these periods as fiscal year 1981 in this notice. In its response, the government of Brazil provided data for the applicable periods.

Changes Since the Preliminary Determination

During verification we found additional benefits under the accelerated depreciation and long-term loan programs. These changes as well as others which have resulted from alterations in calculations necessitate modification of the export tax established pursuant to the suspension agreement. Such subsequent determinations are provided for under the terms of the agreement. By letter of March 29, 1983, we notified the government of Brazil that such changes may occur as the result of this determination. We will officially notify the government of Brazil of this determination so that they may adjust the export tax accordingly.

Analysis of Programs

I. Programs Determined To Be Subsidies

We have determined that subsidies are being provided to manufacturers, producers, or exporters in Brazil of tool steel under the programs described below.

A. *Industrialized Products Tax (IPI) Export Credit Premium.*

Under this program the bank involved in the export transaction reimburses in cash to the exporter a percentage of the "adjusted" f.o.b. invoice price of the exported merchandise. After having suspended this program in December 1979, the government of Brazil reinstated it on April 1, 1981. Since the IPI export credit premium program is designed to promote exports and is tied to export performance, we have determined that the program is an export subsidy and therefore is countervailable. The program has also been found to be countervailable in previous countervailing duty investigations involving Brazilian products.

Exporters of tool steel are eligible for the maximum IPI export credit premium which, up until March 30, 1982, was 15 percent of the "adjusted" f.o.b. invoice price of the exported merchandise.

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 receive, 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.

To determine the amount of the subsidy, we calculated the value to the IPI credits as of the date of shipment. We used this date, rather than the date of receipt, because the value of the IPI credit is calculated as to the date of shipment. To value it on the date of receipt also would lessen its value and thus constitute an offset impermissible under section 771(b). We divided the value to the IPI credits by the value of exports and calculated a subsidy of 13.70 percent.

This rate is premised on an IPI export credit premium of 15 percent during the period for which we are measuring subsidization.

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. When there is a fundamental change in the benefit from a program after the period of investigation, which is applicable to all recipients, we take cognizance of that change if we have been able to confirm that the change has occurred and if there is no reason to believe that there has been a shift of these benefits to other programs. We then announce the adjustment in the rate for the deposit of estimated countervailing duties in the next notice published in the normal course of the proceeding. Using 1981 information on the amount of benefit received, we have made a proportional reduction in the amount of estimated net subsidy from this program. On this basis, we calculated a current subsidy of 10.05 percent *ad valorem.*

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 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. This maximum dollar eligibility under this program is established by CACEX and is stated on the "Certificado de Habilitacao" issued to recipients. Since this program is designed to promote exports and is tied to export performance, we have determined that such financing is an export subsidy and therefore is countervailable. This program has also been found to be countervailable in previous investigations involving Brazilian products.

The net export value is calculated by taking numerous deductions from the export value of the merchandise, including agent commissions, contractual penalties or refunds, export 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 existance 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.

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. In the review period the rate for discounting sales of accounts receivable was a 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. Multiplying this differential by the amount of preferential financing received and dividing the result by the value of exports, we calculated a subsidy of 2.37 percent *ad valorem.*

On February 11, 1983, the government of Brazil notified the Department that the Banco do Brasil rate for discounting accounts receivable had increased from 59.6 percent to 72 percent effective January 3, 1983. In addition, effective January 11, 1983, the tax on financial transactions was reduced from 6.9 percent to 4.6 percent. These changes result in a subsidy rate differential of 32.6 percent rather than 22.5 percent as stated above. Consequently, since the rate established for purposes of the suspension agreement is prospective, we will use 32.6 percent as the applicable differential in determining the subsidy rate from this program for determination of the net subsidy rate which must be offset by an export tax under the terms of the agreement.

C. *Income Tax Exemption for Export Earnings.*

Exporters of tool steel 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 mutiplied by the 35-percent corporate income tax rate to determine the amount of the benefit. Since the program is designed to promote exports and is tied to export performance, we have determined that is is an export subsidy and therefore is countervailable. This program has also been found to be countervailable in previous investigations involving Brazilian products.

In a program of this kind, benefits cannot be determined with finality until the books are closed some time 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. VILLARES and ELETROMETAL received benefits under this program in 1981. By dividing the benefit received by the value of exports of the companies under investigation, we calculated a subsidy of 0.84 percent *ad valorem.*

D. *Long-Term Loans.*

Long-term financing in cruzeiros is available in Brazil only through government-controlled financial institutions, such as 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 Treasure (ORTN). FINAME loans are granted through commercial banks rather than directly from BNDE and carry higher real interest rates than BNDE loans.

VILLARES and ELETROMETAL received direct BNDE loans. As in previous steel countervailing investigations, we have determined that BNDE loans, when fully indexed, are not made at preferential rates. We compared the BNDE loan rates to a constructed benchmark based on the real interest rates of the only private long-term loans commercially available in Brazil—foreign currency loans. Such loans are granted at the London Interbank Offered Rate (LIBOR) plus a certain percentage or spread over LIBOR. Since LIBOR loans are continually readjusted at the prevailing interest rates, we constructed the benchmark by calculating the average real interest component of LIBOR-plus-spread on long-term loans to Brazil for the period 1977–81 during which these BNDE loans were made. We then compared that average real interest rate to the rates at which the long-term BNDE loans were made. Our comparison showed that all the fully-indexed BNDE loans were made at rates above the benchmark. Therefore, we have determined that such BNDE loans are not countervailable.

However, some long-term cruzeiro loans have been granted that are not fully indexed. Under a program instituted in 1975 and no longer in operation, BNDE granted such loans to VILLARES and ELETROMETAL that are adjusted at only 20 percent of the variation in ORTN. These loans were granted only to certain sectors of the economy, including the iron and steel industry, for implementing "priority projects." Because they were granted to a group of enterprises or industries we have determined that the program is countervailable. We have also found this program countervailable in previous cases involving Brazilian products.

Each company has an outstanding balance on their loans. We calculated the interest benefits for these loans as the difference between the amount actually paid in fiscal year 1981 and the amount which would have been paid had the loan been fully adjusted. Even though principal repayments have not yet begun for these loans, the principal balance is recalculated yearly subject to the 20 percent limit on monetary correction. Therefore, the companies benefited from an abatement in principal as well as a reduction in interest. We divided the sum of the interest and principal benefits by total sales of all companies under investigation and calculated a subsidy of 4.48 percent *ad valorem.*

FINAME loans have been received by ELETROMETAL, PIRATINI, and VILLARES and 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 have determined that they do not confer a subsidy.

E. *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. Benefits under this program are received only by the steel sector. Because they

are received by a specific industry, we have determined that the benefits are countervailable. We have also found this program countervailable in previous cases involving Brazilian products.

PIRATINI received benefits under this program from 1977 to 1981, while ELETROMETAL and VILLARES continue to receive them. With the enactment of Decree Law 1843 (December 1980), PIRATINI must now pay the IPI tax to the government which in turn rebates 95 percent to SIDERBRAS, the government holding company to which PIRATINI belongs, to increase its capital.

In this investigation, we considered the amount rebated each year as an untied grant received in that year. As such, we have allocated the grants over 15 years. Under our grant methodology, we determine the present value of grants in order to calculate the current value of the benefit to the grant recipient. The calculation of the present value of funds received is a mechanism for allocating money received in one year to other years and is calculated using a discount rate. For this determination, we determine that the most appropriate discount rate is the "risk-free" rate as indicated by the secondary market rate for long-term government debt in the country under investigation. The foundation of a country's interest rate structure is usually its government's debt interest rate (the risk-free rate). In this methodology, we have allocated a grant over the useful life of equipment purchased with it when the value of that grant was large (greater than $50 million) and specifically tied to pieces of capital equipment. Where the grant was small (generally less than one percent of the company's gross revenues and tied to items generally expensed in the year purchased, such as wages or purchases of materials), we have allocated the subsidy solely to the year of the grant receipt. We construe that a grant is "tied" when the intended use is known to the subsidy giver and so acknowledged prior to or concurrent with the bestowal of the subsidy. All other grants, such as in this case, are allocated over 15 years, a period of time reflecting the average life of capital assets in integrated steel mills. The 15-year figure is based on Internal Revenue Service studies of actual experience in integrated mills in the U.S.

To calculate the benefit, we have taken the amount rebated in each month, converted the cruzeiro value to an ORTN value by using the ORTN index rate in that month, added the monthly ORTN amounts to determine the amount of the grant in each year, and used as the discount rate for each year the interest rate of 4% on ORTN-indexed long-term government debt. The total benefit in ORTN for 1981 was converted into cruzeiros using the average ORTN index rate for the year and then divided by the total value of sales for the 1981 fiscal year of all the companies. The benefit of this subsidy is 0.84 percent *ad valorem*.

F. *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 certain industrial projects approved by the CDI. Because benefits under the program are limited to "approved" development projects we have determined that they were granted to a group of enterprises or industries and are countervailable. We have also found the CDI program countervailable in previous countervailing duty investigations involving Brazilian products.

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 than ELETROMETAL received such benefits during 1981. By dividing the benefit received by the total value of sales of the companies under investigation, we calculated a subsidy of 0.02 percent *as valorem*.

G. *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. This program is authorized by the same legislation as the previous CDI program, is likewise countervailable and has been found to be countervailable in previous countervailing duty investigations involving Brazilian products.

ELETROMETAL and VILLARES used the accelerated depreciation provisions of this program. The benefit of such a program is reduced taxable income and a subsequent reduction in tax liabilities. In a program of this kind, benefits cannot be determined with finality until the books are closed sometimes 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. VILLARES claimed that they could have depreciated at a higher "normal" rate than that acutally used to compute its tax liability for the 1980 fiscal year thus offsetting any subsidy that they might receive under this program. However, we used the actual amount of accelerated depreciation used by VILLARES in excess of the normal depreciation that was used by VILLARES in that year.

To calculate the benefit to ELETROMETAL and VILLARES, we determined the amount by which depreciation under this program exceeded normal depreciation, multiplied that amount by 35 percent, the corporate tax rate in Brazil, and then divided the result by the total value of sales for the 1981 fiscal year of the companies under investigation. The benefit of this subsidy is 0.17 percent *ad valorem*.

II. Program Determined Not To Be Subsidies

We have determined subsidies are not being provided to manufacturers, producers, or exporters in Brazil of tool steel under the following program.

Transportation Subsidies From Preferential Port Rates

The Brazilian government, in its response to our questionnaire, stated that none of the exporters of tool steel receive preferential port rates. At verification we examined shipping documents for Brazilian and non-Brazilian carriers, compared the freight rates and port charges to published schedules and found that the rates paid by steel exporters were not preferential and therefore not countervailable.

III. Programs Determined Not To Be Used

We have determined that the following programs were not used by the manufacturers, producers, or exporters in Brazil of tool steel.

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 percent 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 since manufacturers of tool steel export only a small portion of their production, they are not in a position to make the required export commitments. We found that none of the companies under investigation received benefits from this program with respect to tool steel.

B. *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 purchaser has prepaid 15 percent of the invoice price. We found that none of the exporters of tool steel used Resolution 68 to finance exports of this merchandise to the United States in 1981.

C. *Transportation subsidies from preferential rail rates.*

We found that exporters of certain stainless steel products almost exclusively utilize trucks to ship their products to the ports of exportation because of the low-tonnages of these shipments.

Verification

In accordance with section 776(a) of the Act, we verified data used in making our final determination. During this verification, we followed normal procedues, including inspection of documents, discussions with company and government officials and inspection of manufacturers' records.

Administrative Procedures

The Department has afforded interested parties an opportunity to present oral views in accordance with its regulations (19 CFR 355.35). There was no request for public hearing and no written views were received. We received comments on the proposed suspension agreement and addressed those comments in the notice announcing the suspension of the investigation (48 FR 11731).

Suspension of Liquidation

The suspension of liquidation of entries of certain stainless steel products pursuant to the preliminary affirmative determination was terminated upon publication of the notice of suspension of the investigation.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our detemination. 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 adminstrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will make its determination within 45 days of the publication of this notice whether imports of tool steel from Brazil are materially injuring or are threatening to materially injure, a U.S. industry. If the ITC determines that material injury, or threat of material injury, does not exist, the suspension agreement will have no force or effect and this investigation will be terminated. If, however, the ITC determines that such injury does exist, the suspension agreement shall remain in force, and we will not issue a countervailing duty order as long as the requirements of section 704(f)(3)(B) of the act are met.

This determination is published in accordance with section 705(d) of the Act.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

May 27, 1983.

[FR Doc. 83-15007 filed 6-3-83; 8:45 am]

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UNITED STATES DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

TOOL STEEL FROM THE FEDERAL REPUBLIC OF GERMANY

AMENDMENT TO FINAL DETERMINATION

OF SALES AT LESS THAN FAIR VALUE

AGENCY: International Trade Administration
Department of Commerce

ACTION: Amendment to the Final Determination of Sales at Less Than Fair Value

SUMMARY:

On June 6, 1983, we published a final affirmative antidumping duty determination on tool steel from the Federal Republic of Germany (FRG) (48 Fed. Reg. 25247). Due to a misunderstanding of computer data submitted, certain transactions were inadvertently counted twice when computing the weighted-average margins for sales of tool steel by Edelstahlwerke Buderus (Buderus). Due to a misinterpretation of the Buderus submissions which led the Department to believe that certain transactions had been deleted from the Buderus computer tape, the Department added these transactions to the Buderus tape before calculation of the weighted-average margin. The same transactions were subsequently discovered to be already included on the computer tape; we now correct the error that resulted from the double counting.

Due to a misunderstanding of the currency used in the reporting of costs of production, erroneous constructed values were employed when computing weighted average margins for sales of tool steel by Thyssen Edelstahlwerke (Thyssen). In the weighted average margin calculation for Thyssen, costs of production were treated as dollar denominations for U.S. sales, but were actually denominated in deutschmarks. We now correct the error that resulted from the misinterpretation of the currency used for constructed values in the weighted-average margin computation.

In the "Continuation of Suspension of Liguidation" section of the notice, the posting of a cash deposit, bond, or other security will be based on the following revised weighted-average margins for Buderus and Thyssen. The other weighted-average margins remain the same.

Manufacturer/Producer/Exporter	Weighted-Average Margins
Buderus	5.65
Saarstahl	18.41
Thyssen	0.93
All Other Manufacturers/Producers/Exporters	7.06

This amendment corrects the section quoted. No other information in the June 6, 1983 determination is affected by this amendment.

EFFECTIVE DATE:

(Date of publication in the Federal Register).

FOR FURTHER INFORMATION CONTACT:

Charles Wilson or David Layton, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W. Washington, D.C. 20230 (202) 377-5288 or (202) 377-0160.

Lawrence J. Brady
Assistant Secretary
for Trade Administration

JUN 30 1983

APPENDIX D

TOOL STEEL BAR, ROD, AND PLATE

Table D-1.--Tool steel bar, rod, and plate: U.S. imports for consumption, by principal sources, and imports as a share of apparent U.S. consumption, 1979-82

Source	1979	1980	1981	1982
	Quantity (short tons)			
Sweden	9,601	9,634	10,830	10,193
West Germany	2,002	3,700	7,552	9,753
Japan	5,241	7,071	3,677	5,033
Austria	2,609	2,432	3,124	3,825
Brazil	14	340	1,751	2,803
All other	7,828	5,364	4,442	7,881
Total, all sources	27,295	28,541	31,376	39,488
	Share of total apparent consumption (percent)			
Sweden	7.4	8.1	9.5	10.6
West Germany	1.6	3.1	6.6	10.2
Japan	4.1	5.9	3.2	5.3
Austria	2.0	2.0	2.8	4.0
Brazil	1/	0.3	1.5	2.9
All other	6.1	4.5	3.9	8.2
Total, all sources	21.1	24.0	27.6	41.2

1/ Less than 0.05 percent.

D-2.--Tool steel bar, rod, and plate: U.S. producers shipments, imports for consumption, exports, and apparent consumption, 1979-82

Period	Shipments	Imports 1/	Exports	Apparent consumption	Adjusted West German imports 1/ as a share of apparent consumption
	Short tons				Percent
1979	106,557	27,279	4,458	129,378	1.5
1980	93,857	28,511	3,391	118,977	3.1
1981	86,263	31,318	3,869	113,712	6.6
1982	58,840	39,410	2,407	95,843	10.1

1/ Subtract * * * percent of imports from West Germany to account for misclassification of valve steel.

Source: Imports and exports, compiled from official statistics of the U.S. Department of Commerce. U.S. shipments, compiled from responses to questionnaires of the U.S. International Trade Commission.

APPENDIX E

CHIPPER KNIFE BAR

Although the TSUS provides four separate designations for chipper knife tool steel bar and rod products, TSUSA item 606.9300, chipper knife steel bar--not cold formed, accounts for over 95 percent of all imports of chipper knife products. Therefore, the following discussion focuses on that particular product.

Apparent U.S. consumption of chipper knife bar decreased unevenly during 1980-82 as shown in the following tabulation (in short tons):

Year	Domestic shipments 1/	U.S. imports	Apparent consumption
1980----------	***	***	***
1981----------	***	***	***
1982----------	***	***	***

1/ * * *.

Domestic shipments data were compiled by Economic Consulting Services, Inc. (economic consultants to the petitioners). Imports were compiled from official statistics of the U.S. Department of Commerce.

It is readily apparent that imports have supplied a large share of domestic chipper knife steel requirements over the past few years. However, the primary exporting country for this product has shifted since 1980 as shown in table E-1.

Table E-1.--Chipper knife steel: U.S. imports for consumption, by sources, 1980-82

(In short tons)

Year	West Germany	Sweden	Japan	Italy	Austria	Total
1980--------:	193	1,126	66	-	24	1,409
1981--------:	890	284	200	-	-	1,374
1982--------:	909	592	252	88	-	1,841

It should be noted that the preceding tabulation is exhaustive, in that these five countries have provided 100 percent of the imports of chipper knife bar since 1980.

West Germany has increasedits share of the U.S. chipper knife market from * * * percent in 1980 to * * * percent in 1982; the import share held by Sweden decreased from * * * percent to * * * percent during the same period.

In the hearing on the subject investigations, the Commission asked the domestic producers to estimate the price chipper knife steel would have to obtain to attract new entrants. The response from Carpenter was approximately * * * per pound, or * * * per ton.

Michigan Knife, a major purchaser of chipper knife steel bar, provided prices it has paid for chipper knife steel from all sources of imports. During the last half of 1982 and continuing through April 1983, Michigan Knife consistently paid * * * per ton for chipper knife steel from West Germany. The following tabulation shows the prices Michigan Knife has paid for chipper knife steel bar from other foreign sources in 1983.

Country	Price (per ton)
Japan	***
Italy	***
Sweden	***
Austria	***

APPENDIX F

U.S. DEPARTMENT OF COMMERCE LTFV FINDINGS BY PRODUCT GROUP