

IRON BARS FROM BRAZIL

**Determination of the Commission in
Investigation No. 701-TA-208**

**(Preliminary) Under 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

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

Staff Assigned:

Abigail Eltzroth

Vincent DeSapio

Timothy McCarty

Hannelore Hasl

Chand Mehta

John M. MacHatton, Supervisory Investigator

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

C O N T E N T S

| | <u>Page</u> |
|--|-------------|
| Determination----- | 1 |
| Views of the Commission----- | 3 |
| Information obtained in the investigation: | |
| Introduction----- | A-1 |
| Description and uses----- | A-2 |
| U.S. tariff treatment----- | A-5 |
| Nature and extent of alleged bounties or grants----- | A-5 |
| The U.S. market----- | A-5 |
| U.S. producers----- | A-7 |
| Channels of distribution----- | A-8 |
| The Brazilian producer----- | A-8 |
| The importers----- | A-9 |
| The question of alleged material injury----- | A-10 |
| U.S. producers' capacity and production----- | A-10 |
| U.S. producers' shipments----- | A-11 |
| U.S. producers' inventories----- | A-11 |
| Employment----- | A-12 |
| Financial experience of U.S. producers----- | A-12 |
| Cash flow from operations----- | A-13 |
| The question of threat of material injury----- | A-14 |
| The question of the causal relationship between alleged subsidized imports and alleged injury: | |
| Imports----- | A-14 |
| Prices----- | A-15 |
| Lost sales----- | A-17 |
| Lost revenue----- | A-20 |
| Appreciation of the U.S. dollar----- | A-20 |
| Appendix A. The <u>Federal Register</u> notices----- | A-23 |
| Appendix B. Witnesses at the Commission's conference----- | A-29 |

Figures

| | |
|---|------|
| 1. Iron bar shapes----- | A-3 |
| 2. Continuous-cast bar production process----- | A-4 |
| 3. Iron bars: Sales and profits of Wells Manufacturing Co., by months, August 1976-September 1983----- | A-13 |

Tables

| | |
|--|------|
| 1. Iron bars: U.S. rates of duty as of Jan. 1, 1980, Jan. 1, 1983, and Jan. 1, 1987----- | A-6 |
| 2. Iron bars: U.S. producers, plant locations, and shares of total U.S. producers' shipments, 1982----- | A-7 |
| 3. Iron bars: Brazilian production, capacity, capacity utilization, and shipments, 1980-82, January-September 1982, and January- September 1983----- | A-9 |
| 4. Iron bars: U.S. production, capacity, and capacity utilization, 1980-82, January-September 1982, and January-September 1983----- | A-10 |
| 5. Iron bars: U.S. producers' shipments and exports, 1980-82, January- September 1982, and January-September 1983----- | A-11 |

CONTENTS

| | <u>Page</u> |
|---|-------------|
| 6. Iron bars: U.S. producers' inventories and shipments, 1980-82, January-September 1982, and January-September 1983----- | A-12 |
| 7. Average number of production and related workers engaged in the manufacture of iron bars, hours worked by such workers, wages paid, and total compensation, 1980-82, January-September 1982, and January-September 1983----- | A-12 |
| 8. Profit-and-loss experience of 3 U.S. producers on their iron bar operations, accounting years 1980-82, interim period 1982, and interim period 1983----- | A-12 |
| 9. Profit-and-loss experience of 3 U.S. producers on their operations in the establishments within which iron bars are produced, accounting years 1980-82, interim period 1982, and interim period 1983----- | A-13 |
| 10. Cash flow from U.S. producers' operations producing iron bars, accounting years 1980-82, interim period 1982, and interim period 1983----- | A-13 |
| 11. Iron bars: U.S. imports, by sources, 1980-82, January-September 1982, and January-September 1983----- | A-14 |
| 12. Iron bars: U.S. producers' shipments, exports, imports, and consumption, 1980-82, January-September 1982, and January-September 1983--- | A-14 |
| 13. Iron bars: Ratios of U.S. producers' domestic shipments, all imports, and imports from Brazil to U.S. consumption, 1980-82, January-September 1982, and January-September 1983----- | A-15 |
| 14. Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 1-inch diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983----- | A-16 |
| 15. Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, centerless ground, 1-inch diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983 ----- | A-16 |
| 16. Continuous-cast iron bars (ASTM 536, type 65-45-12, 65,000 psi tensile strength, as cast, 4-inches diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983----- | A-16 |
| 17. Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 7-inches diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983----- | A-16 |
| 18. Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 1-1/4 inch by 2-1/4 inch, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983----- | A-16 |
| 19. Indexes of producer prices in the United States and Brazil and indexes of the nominal and real exchange rates between the U.S. dollar and the Brazilian cruzeiro, by quarters, January 1981-September 1983----- | A-21 |

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

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

Investigation No. 701-TA-208 (Preliminary)

IRON BARS FROM BRAZIL

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil of continuous-cast iron bars, provided for in items 606.97 and 657.09 of the Tariff Schedules of the United States upon which bounties or grants are alleged to be paid.

Background

On November 15, 1983, counsel for Wells Manufacturing Co., a U.S. producer, filed a petition with the U.S. International Trade Commission and with the Department of Commerce alleging that an industry in the United States is materially injured, by reason of imports from Brazil of continuous-cast iron bars upon which bounties or grants are alleged to be paid. Accordingly, effective November 15, 1983, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Act (19 U.S.C. § 1671b(a)).

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

Notice of the Commission's institution of the investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on November 25, 1983 (48 F.R. 53184). The conference was held in Washington, D.C. on December 9, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We unanimously determine that there is no reasonable indication 1/ that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, 2/ by reason of allegedly subsidized iron bars from Brazil. 3/ Our determination is based principally on the overwhelming domination of the domestic market by U.S. producers, the absence of any clear pattern of underselling by imports, strong indications that most sales lost to imports were for reasons other than price, and the refusal of domestic producers to deal with a distributor which subsequently turned to imports to supply its customers. 4/

The domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 5/ Section 771(10) in turn defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to" this investigation. 6/

1/ 19 U.S.C. § 1671b.

2/ Material retardation of the establishment of an industry in the United States was not at issue in this investigation and therefore will not be discussed further.

3/ The Department of Commerce's notice of investigation was published in the Federal Register of December 5, 1983, 48 F.R. 55600, and is appended to the Commission Report at Appendix A.

4/ Chairman Eckes takes exception to this characterization of his determination. He notes that conventional Commission analysis warrants a negative determination in this preliminary investigation and finds no compelling reason to address other novel issues raised in the investigation. See "Additional Views of Chairman Eckes" for his analysis of causation.

5/ 19 U.S.C. § 1677(4)(A).

6/ 19 U.S.C. § 1677(10).

The products under investigation are iron bars made of various grades of iron, including grey and ductile iron. The methods by which iron bars are produced affect their key characteristics. 7/ All the iron bars imported from Brazil and all domestically produced iron bars are manufactured by the continuous-cast process, 8/ which produces iron bars that are free of burned-on slag and sand; have a uniform surface, density, and hardness; and are free from centerline shrinkage and internal porosity. 9/ Continuous-cast iron bars are used to manufacture a wide variety of components, primarily for the machine tool, agribusiness, and hydraulic-pneumatic industries. 10/ Thus, we conclude that the like products in this investigation are continuous-cast iron bars and that the industry consists of the U.S. producers of continuous-cast iron bars. 11/

The condition of the industry 12/

The performance of the domestic industry was generally poor during the period of investigation with key performance indicators such as production, capacity utilization, and shipments being significantly low. 13/ Although

7/ Conf. Tr. at 16. However, since all iron bars contain graphite, which characteristically makes them brittle and prevents them from being bent and rolled into shape, iron bars must be cast into the final desired shape. Conf. Tr. at 16; Commission Report ("Report") at A-2 and Figure 1 for description of available shapes.

8/ Report at A-2.

9/ Id. at A-7.

10/ Id. at A-6.

11/ The U.S. producers are Artz Foundry Company, The Shenango Furnace Company, Quaker City Castings Inc., and Wells Manufacturing Company. Even though Quaker City has been known to import iron bars from Brazil, Quaker City's share of these imports, as well as its share of the domestic industry, is insignificant. Thus, there is no need to address the related parties issue raised by petitioner. (Petition at 3, Appendix G; Petitioner's post-conference brief at 4-5; See also 19 U.S.C. § 1677(4)(B).)

12/ Since there is only one major domestic producer, much of the relevant data are confidential. Thus, our discussion is necessarily confined to a analysis of the industry in general terms.

13/ Report at A-10-13.

production increased between 1980 and 1981, a soft market precipitated a sharp decline in production in 1982 which continued, but at a slower rate, during January-September 1983. 14/ The other key performance indicators follow the same trend. Net sales and profitability declined consistently from 1980 to 1982 and remained depressed in the interim period of 1983. 15/

No reasonable indication of material injury by reason of allegedly subsidized imports 16/

The Commission is required to consider, among other factors: (1) the volume of imports, (2) the effect of imports on domestic prices, and (3) the impact of imports on domestic producers of the like product. 17/ The record fails to establish the requisite causal link between the imports under investigation and the performance of the domestic industry.

The volume 18/ and timing of the imports do not provide a reasonable indication of a nexus between the imports and the condition of the domestic industry. The level of imports of iron bars as a share of U.S. consumption was not significant during the period covered by this investigation. 19/ Throughout this period, the domestic industry supplied virtually the entire U.S. market for this product. 20/ Further, these imports entered the U.S.

14/ Id. at A-11.

15/ Report at Table 8, p. A-12.

16/ Chairman Eckes does not join in the discussion in this section of the Commission opinion. See his additional views regarding the rationale for the determination that there is no reasonable indication of a casual relationship between the allegedly subsidized imports and the condition of the domestic industry.

17/ 19 U.S.C. § 1677(7)(B) and 19 C.F.R. § 207.26.

18/ There is no publicly available information regarding the volume of these imports. Therefore, the Report has relied on data submitted in response to questionnaires, which are confidential.

19/ Report at A-15.

20/ Besides the imports from Brazil that are the subject of this investigation, there were minimal imports from Japan during 1980-82. There were no known imports from other sources during the period of investigation.

market in late 1982, after the domestic industry had experienced most of its major sales decline. 21/

Information developed in this preliminary investigation indicates that U.S. producers' prices have been relatively constant since 1981. 22/ Allegations of lost sales and lost revenue seem to provide the most reliable indication of whether the subject imports affected domestic prices. 23/ Customers named in these allegations accounted for most of the shipments of imports from Brazil during this period. The purchasers contacted by staff stated that most of these shipments were purchased for nonprice reasons. 24/ The confirmed instances of lost sales and lost revenue resulting from lower priced imports involved only insignificant volumes.

Refusal to sell 25/

The Commission is also directed to take into account any information demonstrating that the harm attributed by the petitioner to the imports is attributable to other factors, including information regarding trade-restrictive practices of and competition between the foreign and domestic producers. 26/ Almost all the imports of iron bars from Brazil

21/ Report at A-15, Respondent's postconference brief at 2.

22/ Report at A-15-16.

23/ Report at A-17-20.

24/ One purchaser/distributor, accounting for at least one-half of import shipments, purchased Brazilian bar because its U.S. supplier attempted to sell directly to that purchaser/distributor's own customers. Report at A-18.

25/ Chairman Eckes does not join in the discussion regarding refusal to sell because it has no bearing on his determination in this phase of the investigation.

26/ 19 C.F.R. § 207.27, wherein the Commission adopted in its Rules of Practice and Procedure the views expressed in H. Rep. No. 317, 96th Cong., 1st Sess., 46-47 (1979); S. Rep. No. 249, 96th Cong., 1st Sess., 88-89 (1979); Statements of Administrative Action, Trade Agreements Act of 1979, H. Doc. No. 153, Pt. II, 96th Cong., 1st Sess., 435 (1979).

during the period of investigation are accounted for by one importer, American Iron & Alloys Corp. ("AIA"). Prior to making its decision to import from Brazil, AIA attempted to purchase iron bars from domestic producers. Petitioner refused to sell domestically produced bars to AIA, the importer of bars from Brazil. 27/ There are no indications that this refusal was based on price considerations. The second largest manufacturer, Shenango, refused to sell to AIA as well. 28/ Since the other domestic producers do not offer full product lines, 29/ AIA had no choice but to seek a foreign supplier.

No reasonable indication of a threat of material injury by reason of allegedly subsidized imports

There is no reasonable indication of a threat of material injury to the domestic industry by reason of the subject imports of Brazilian iron bars. 30/ The imports' low U.S. market penetration 31/ combined with limited foreign production capacity 32/ fails to establish any reasonable indication of a threat of material injury.

27/ Report at A-9.

28/ Id. AIA did purchase some product from a Shenango distributor. Shenango subsequently revoked its dealership agreement with this distributor. This cutoff resulted in Shenango's being sued under the Wisconsin Fair Dealership Law, Wis. Stat. 135.02(2). Casting Consulting, Inc. v. The Shenango Furnace Company, No. 83-CV-1936 (Waukesha County Cir. Ct., Wisconsin 1983).

29/ To be competitive, iron bar distributors must carry a full product line. Conf. Tr. at 71.

30/ 19 U.S.C. § 1673(a)(1)(B). Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2nd Sess., 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (USCIT 1981).

31/ Report at A-15.

32/ Id. at A-8-9.

Importers' inventory levels are not unusually high in light of market requirements. Iron bars are cast into their final shapes 33/ and distributors need to carry a full product line 34/ in order to meet customer specifications. It is an established practice that distributors fill customers' orders within days and sometimes hours after the orders have been placed. These factors are important in our evaluation of the significance of the importers' inventory data in this investigation. Therefore, on the basis of historical trends of such imports, the limited foreign production capacity and the nature of inventory practices in this market, we conclude that there is no reasonable indication of a threat of material injury to the domestic producers by reason of such imports. 35/

33/ Supra note 7.

34/ Conf. Tr. at 71.

35/ Commissioner Haggart notes that the inventory of the Brazilian product as well as the sales of the Brazilian product could have been avoided if domestic producers had chosen to supply AIA.

ADDITIONAL VIEWS OF CHAIRMAN ECKES

With regard to the question of causation, the Commission is required to consider, among other factors: (1) the volume of imports, (2) the effect of imports on domestic prices, and (3) the impact of the imports on domestic producers of the like product. 1/ The record fails to establish the requisite causal link between the imports under investigation and the performance of the domestic industry. The volume 2/ and timing of the imports do not provide a reasonable indication of a nexus between the imports and the condition of the domestic industry. The level of imports of iron bars as a share of U.S. consumption was not significant during the period covered by this investigation. 3/ Throughout this period, the domestic industry supplied virtually the entire U.S. market for this product. 4/ Further, these imports entered the U.S. market in late 1982, after the domestic industry had experienced most of its major sales decline. 5/

With respect to the effect of imports on domestic prices, it is not possible to make a meaningful long-term comparative analysis. The subject imports began in late 1982, and as a consequence there are no data for the 3-year span of analysis customarily used in Commission investigations. For a shorter period of time, the year 1983, limited observations of import prices

1/ 19 U.S.C. § 1677(7)(B) and 19 C.F.R. § 207.26.

2/ There is no publicly available information regarding the volume of these imports. Therefore, the Report has relied on data submitted in response to questionnaires, which are confidential.

3/ Report at A-15.

4/ Besides the imports from Brazil that are the subject of this investigation, there were minimal imports from Japan during 1980-82. There were no known imports from other sources during the period of investigation.

5/ Report at A-15, Respondent's postconference brief at 2.

show no pattern of price decreases. 6/ Furthermore, information developed in this preliminary investigation indicates that U.S. producers' prices have been relatively constant since 1981. 7/

Because of these factors, allegations of lost sales and lost revenue seem to provide a more reliable indication of how the subject imports affect domestic prices than does limited evidence of underselling. 8/ Although while the lost sales allegations relate only to 1983 transactions, customers named in these allegations accounted for most of the shipments of imports from Brazil during this period. In verifying these allegations, the Commission staff learned that most were lost on the basis of nonprice considerations, not because of lower Brazilian prices. 9/ The confirmed instances of lost sales resulting from underpricing involved only small volume purchases.

The same pattern applies to lost revenue allegations. Only in certain small volume sales did the domestic industry lose revenue because of adverse import competition. In brief, although price data do reveal instances where imports were lower priced, in this investigation I could find no consistent pattern indicating an adverse impact on domestic prices.

6/ Report at A-15-17.

7/ Id.

8/ Id. at A-17.

9/ The purchaser/distributor accounting for at least one-half of import shipments purchased Brazilian bar because its U.S. supplier attempted to sell directly to that purchaser/distributor's own customers. Report at A-18. Investigation of allegations revealed either that there were no purchases of the subject imports made or that there were other nonprice reasons for the sale, such as more convenient locations.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 15, 1983, counsel for Wells Manufacturing Co., filed a countervailing duty petition with the United States International Trade Commission and the Department of Commerce. The petition alleges that an industry in the United States is materially injured by reason of imports from Brazil of iron bars, 1/ provided for in items 606.67, 606.69, 606.83, 606.97, 657.09, 657.10, and 657.25 of the Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid. Accordingly, effective November 15, 1983, the Commission instituted a preliminary investigation under section 701 of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case, by December 30, 1983.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of November 25, 1983 (48 F.R. 53184). 2/ The conference was held in Washington, D.C., on December 9, 1983. 3/ The briefing and vote will be held on December 22, 1983.

On December 5, 1983, Commerce initiated its investigation to determine whether the manufacturers, producers, or exporters in Brazil of iron bars receive benefits which constitute subsidies. Commerce defines the product under investigation as--

continuous cast iron bar produced of gray and ductile iron in solid rectangular (including square) or circular cross-section. Other solid cross sections, including half-rounds and quarter rounds, may be included. This product is currently classified in items 606.9700 and 657.0990 of the Tariff Schedules of the United States.

All U.S. imports of iron bars enter under the two TSUSA items cited by Commerce, thus the broader scope of the Commission's investigation as set forth in its notice does not encompass any additional items of trade that are not covered by the Commerce notice.

1/ The term "iron bars" as defined in the Commission's notice of investigation, means blooms, billets, slabs, sheet bars, and bars, of iron including ductile iron classifiable in the Tariff Schedules of the United States as steel.

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

3/ A list of witnesses appearing at the conference is presented in app. B.

Description and Uses

The imported products under investigation are iron bars. Brazilian and U.S.-produced iron bars are available in a variety of shapes and sizes, the most common of which are rounds (5/8 inch to 16 inches in diameter), rectangles (up to 8 inches by 16 inches), and squares (up to 10 inches a side). In addition to rounds, rectangles, and squares, the Brazilian producer, Perfilados TUPY S.A., also manufactures halfrounds, which are sold to markets other than the U.S. market. A variety of other shapes are also available from U.S. producers. Those shapes available from one producer, Shenango Co., are shown in figure 1.

Iron bars are generally sold in lengths of 6 feet. Special lengths are available from U.S. producers, and iron bars are frequently cut-to-length by distributors. Iron bars are made from various grades of iron including gray iron and ductile iron. Approximately 80 percent of Brazilian and U.S.-produced iron bars is of gray iron, the rest is of ductile iron.

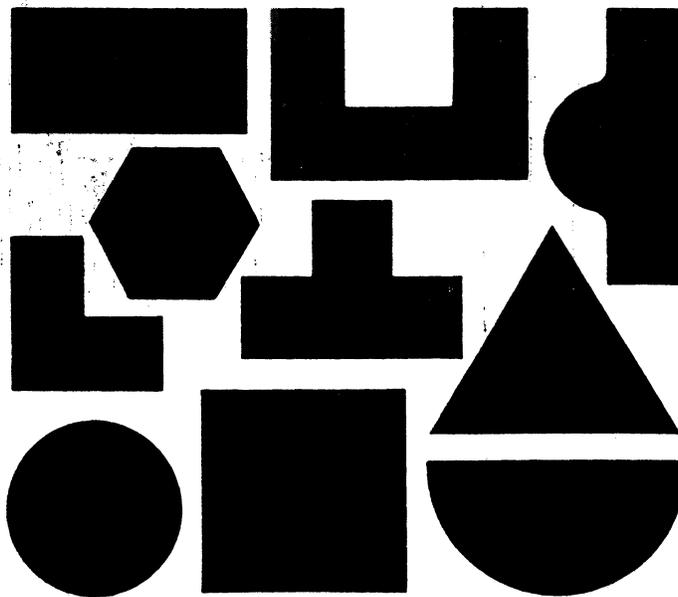
A wide variety of components are manufactured from iron bars, including--

| | |
|---------------------------|--------------|
| Bearings | Pulleys |
| Bushings | Rams |
| Cams | Rolls |
| Collets | Rotors |
| Conveyor or guide rollers | Seals |
| Couplings | Shafts |
| Cylinders | Sleeves |
| Dies | Sprockets |
| Gears | Valve bodies |
| Gibs | Ways |
| Pistons | |

Iron bars are produced by the continuous-cast process. All of the iron bars imported from Brazil and all known U.S.-produced iron bars are manufactured by the continuous-cast process. The continuous-cast process is depicted in figure 2 and is described by Wells Manufacturing Co. in Molybdenum Mosaic as follows--

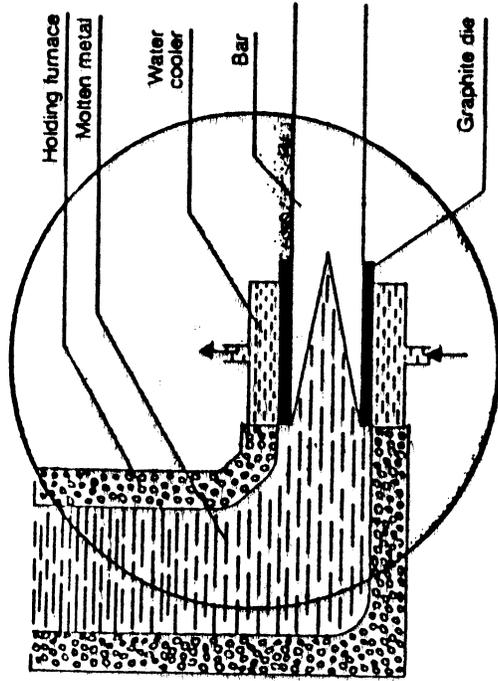
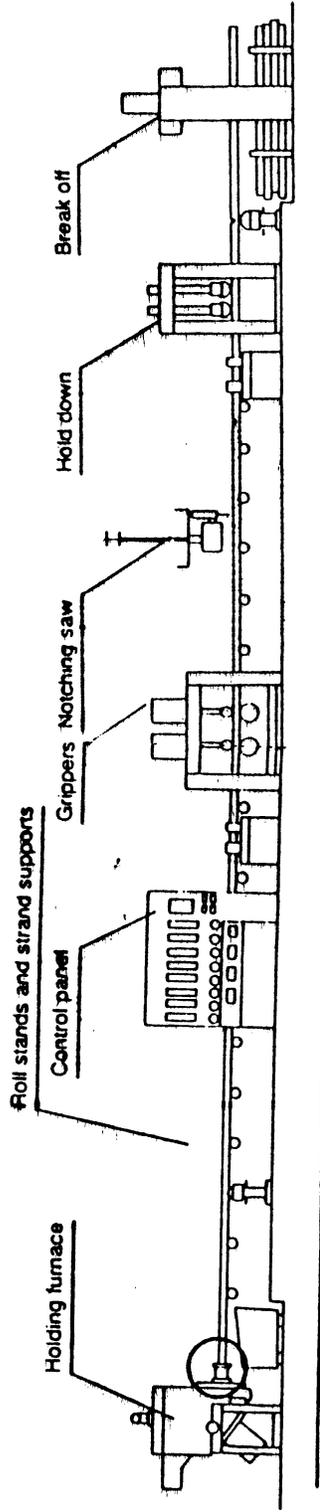
[Iron bars] are continuously cast on horizontal machines. The cross-sectional shape is formed by a water cooled graphite die which is mounted on the side of a holding crucible. A high silicon compacted graphite iron casting (alloyed with molybdenum) is used as the contact surface in the die cooler. The bar is drawn from the die using a controlled program of short pulls with intermediate delays. When the bar exits the die, it has a solidified outer shell and a liquid core. The molten core gradually solidifies as the pulling process continues. Solidification of the core takes place with static pressure exerted from the crucible bath. For this reason, there is little chance of developing internal shrinkage in the bar. Inherent in the process is the fact that the outer shell, cooled rapidly when in contact with the die, is reheated by the molten core when removed from the die's influence. This causes

Figure 1.--Iron bar shapes.



Source: The Shenango Co.

Figure 2.--Continuous-cast bar production process.



Source: Wells Manufacturing Co.

the outer shell to be self-annealed while increasing the solidification rate of the core. The resulting as-cast structure is fine grained even in large cross sections.

A small portion of the product is further processed by centerless grinding, a process by which the outside of the bar is ground to provide a smoother surface. In addition, some iron bar is bored into tubes. The Brazilian producer does not have the capability to make centerless ground bars or to bore tubes.

U.S. Tariff Treatment

The imported iron bars which are the subject of this investigation, have been classified by the U.S. Customs Service under items 606.97 and 657.09 of the TSUS. 1/ These items are basket categories which include products other than iron bars. The rates of duty for imports of iron bars from most-favored-nations (MFN's) (col. 1), 2/ designated Communist countries (col. 2), 3/ and least developed developing countries (LDDC's), 4/ are presented in table 1. Imports of iron bars are not entitled to duty-free treatment under the Generalized System of Preferences.

Nature and Extent of Alleged Bounties or Grants

According to the petition, the Brazilian Government offers the manufacturers, producers, and exporters of iron bars various types of subsidies which constitute bounties or grants. These subsidies include tax incentives, preferential financing, and miscellaneous other benefits. The petition does not provide an estimate of the magnitude of these bounties or grants.

The U.S. Market

U.S. consumption of iron bars increased from * * * short tons in 1980 to a record * * * short tons in 1981, or by * * * percent. Consumption then

1/ See, for example, U.S. Customs Service, Ruling Letter No. 073137, Nov. 17, 1983, and Ruling Letter No. 803626, Sept. 14, 1982.

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

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

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 LDDC's enumerated in general headnote 3(d) of the TSUS.

Table 1.--Iron bars: U.S. rates of duty as of Jan. 1, 1980,
Jan. 1, 1983, and Jan. 1, 1987

(Percent ad valorem)

| TSUS item No. | Iron bars covered | Rate of duty | | | Col. 2 |
|------------------|---|-----------------|-----------------|------------------|---------------|
| | | Col. 1 | | | |
| | | Jan. 1, 1980 | Jan. 1, 1983 | Jan. 1, 1987 | |
| 606.97 | Bars, of ductile iron classifiable in the TSUS as alloy steel, not cold formed. | 10.5% <u>1/</u> | 9.0% <u>1/</u> | 6.0% <u>1/2/</u> | 28% <u>1/</u> |
| 657.09 | Bars, of cast iron, not alloyed, not malleable, and not coated or plated with precious metal. | free | free | free | 10% |

1/ Additional duties are assessed on imports under this item depending on the content of chromium, molybdenum, tungsten, and vanadium, as provided for in schedule 6, headnote 4, part 2, subpart B of the TSUS.

2/ Imports under this item from LDDC's are entitled to this rate of duty effective Jan. 1, 1980.

Source: The Tariff Schedules of the United States.

dropped by * * * percent to * * * short tons in 1982. It continued to decrease in 1983, declining from * * * short tons in January-September 1982 to * * * short tons in the corresponding period of 1983, representing a decrease of * * * percent. U.S. consumption of iron bars is presented in the following tabulation (in short tons):

| | |
|---------------------|-----|
| 1980----- | *** |
| 1981----- | *** |
| 1982----- | *** |
| January-September-- | |
| 1982----- | *** |
| 1983----- | *** |

Iron bars are used principally in three industries--the machine tool industry, agribusiness, and the hydraulic-pneumatic industry. Other industries important in the iron bar market are the automotive and the textile machine industries. All of these industries were depressed in 1982, and as a consequence, U.S. demand for iron bars fell sharply that year. The recovery of the iron bar market is dependent, in large part, upon the recovery of these industries.

According to American Iron & Alloys Corp., the importer of Brazilian iron bars, to a certain extent, iron bars compete with other iron castings and the current depression in the iron foundry industry has contributed to the decreased sales and suppressed prices in the iron bar market. Iron castings are not stock items; they are designed and manufactured according to each customer's specifications. In contrast to iron castings, iron bars are free of burned-on slag and sand; have a uniform surface, density, and hardness; and are free from center-line shrinkage and internal porosity. Because of these qualities, end users can machine iron bars at faster rates than iron castings. Iron castings are preferred when intricate coring or machining is required.

U.S. Producers

There are four U.S. producers of iron bars. The names of the producers, their plant locations, and their shares of shipments in 1982 are presented in table 2.

Table 2.--Iron bars: U.S. producers, plant locations, and shares of total U.S. producers' shipments, 1982

| Firm | Plant locations | Share of shipments, 1982 <u>Percent</u> |
|--------------------------------|-----------------|---|
| Artz Foundry Co----- | Chicago, Ill. | *** |
| Quaker City Castings, Inc----- | Salem, Ohio | *** |
| The Shenango Co----- | Dover, Ohio | *** |
| Wells Manufacturing Co----- | Woodstock, Ill. | *** |
| Total----- | - | <u>100</u> |

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

Wells Manufacturing Co., the petitioner, is a family-owned company, founded in 1946 and engaged in the manufacture and sale of iron products. The firm produces sand-cast alloy iron castings in its Skokie, Ill., plant and iron bars in its Woodstock, Ill., plant. Its iron bar production operations account for about * * * of its entire operations.

Wells was the first U.S. producer of continuous-cast iron bars, purchasing its first continuous-cast machine in 1961. By 1974, the company's iron bar operations outgrew the Skokie plant and the company decided to move these operations to a new site in Woodstock, Ill. The Woodstock facility which opened in 1976, only produces iron bars. The company now has * * * continuous-cast machines.

Channels of Distribution

The two largest U.S. producers, Wells Manufacturing Co. and Shenango, have established distributors throughout the United States to handle sales of iron bars. Sales to distributors account for about * * * percent of all sales; the remaining * * * percent of U.S. producers' sales are made directly to end users.

Iron bar distributors cut the bar to length and into special shapes, as required by the customer, and generally ship the bar on the day the order is received. Some of the distributors handle only iron bars, whereas other distributors handle other iron and steel products in addition to iron bars.

About 95 percent of the distributors' sales are to end users; the remaining sales are to subdistributors. Individual orders may be for as little as 6 pounds of bar or as great as 10,000 pounds of bar. To supply these orders, the distributors stock more than 250 different types of iron bars, which are distinguished by their shape, dimension, and iron grade. A distributor's inventory is equivalent to one-third to one-half of its total annual sales. 1/

Wells Manufacturing Co. has eight distributors, each of which buys iron bars only from Wells and, in practice, does not sell to customers outside its assigned territory of distribution. In certain instances, Wells Manufacturing Co. sells directly to large end users in competition with its distributors and other U.S. producers. In other instances, Wells sells to large end users through its distributors; in these instances, the distributor normally receives a * * * percent commission.

The Brazilian Producer

One Brazilian firm, Perfilados TUPY S.A., produces iron bars in Brazil. TUPY is a privately held, family-owned company; it has no Government or non-Brazilian ownership or control. The firm is the largest independent iron foundry in Latin America and produces a variety of iron products in addition to iron bars.

TUPY has * * * continuous-cast machines for use in the production of iron bars. The company does not have the ability to make centerless-ground iron bars or to bore iron tubes. Most of the iron bars consumed in Brazil are used in the production of glass molds.

Data concerning TUPY's productive capacity, production, home-market sales, and export shipments are presented in table 3. In May 1981, TUPY * * *. TUPY's exports of iron bars to the United States accounted for * * * percent of its total shipments in 1982 and * * * percent of total shipments in January-September 1983.

1/ Conversation between Abigail Eltzroth and * * *, a U.S. iron bar distributor, on Dec. 1, 1983.

Table 3.--Iron bars: Brazilian production, capacity, capacity utilization, and shipments, 1980-82, January-September 1982, and January-September 1983

* * * * *

According to TUPY, in its "wildest dreams," its iron bar exports would eventually attain * * * percent of the U.S. market. This market share is equivalent to sales of * * * to * * * short tons per year when the market is strong. TUPY says it cannot have a larger share of the U.S. market * * *.

The Importers

TUPY is now in the process of establishing American Iron & Alloy Corp. (AIA) of Waukesha, Wis. as its sole U.S. distributor of iron bars. AIA, incorporated in June 1982, is solely engaged in the distribution of iron bars. The company's founder and president, Gary Griffin, formerly worked for Wells Manufacturing Co., the petitioner. In December 1981, Mr. Griffin became the head of the iron bar sales department of Wells Manufacturing Co. and remained there until June 1982.

AIA contacted Wells and Wells' wholly owned distributor in the Chicago area, Midwest Alloys, to purchase iron bars. Wells and Midwest Alloys refused to sell iron bars to AIA. 1/ The other large U.S. producer, Shenango, decided not to establish AIA as a distributor. 2/ After AIA purchased some iron bars from Casting Consultants, a Shenango distributor, Shenango sent a letter to this distributor informing it that it was no longer a distributor of iron bars for Shenango because it sold to AIA. Casting Consultants is now suing Shenango in the Wisconsin courts alleging that Shenango illegally severed its distributorship (Casting Consultants Inc. v. Shenango Furnace Co. 83-cv-1936, State of Wisconsin Circuit Court, Waukesha County). According to AIA, it did not attempt to buy bars from Artz because * * *. In addition, it did not buy bars from Quaker City, a U.S. iron bar producer, because Quaker City * * *

AIA examined iron bars available from several foreign producers. Only TUPY was willing to offer iron bars which were manufactured in the iron grades required by U.S. end users and which were calibrated in inches. 3/ Other foreign producers would sell iron bars in grades of iron not commonly used in the United States and which were calibrated in millimeters.

* * * * *

1/ Conversation between Abigail Eltzroth and Edward McMahon, Vice President Sales, Wells Manufacturing Co., on Dec. 1, 1983, and transcript of conference, p. 75.

2/ Transcript of conference, p. 68.

3/ Transcript of conference, pp. 68-69.

AIA has one warehouse in Waukesha, Wis. It will cut bars to customer specification and send out bars to subcontractors in the Waukesha area to be centerless ground or drilled into tubes. About * * * percent of its sales are centerless ground iron bars, a smaller portion are iron tubes.

AIA has one distributor, J. Rubin & Co., which accounts for approximately half of AIA's sales of Brazilian bars. 1/ Previously, J. Rubin was a subdistributor of Wells Manufacturing Co. More information concerning J. Rubin is presented in the lost sales section of this report. The other half of AIA's sales of iron bars are made directly to end users or to other smaller distributors.

According to AIA, it takes 6 to 8 weeks to receive delivery of iron bars after a purchase order is placed with TUPY. In comparison, AIA must supply its customers in 1-2 days after an order is placed. Information on AIA's inventories is presented in the section of this report concerning imports.

The Question of Alleged Material Injury

To obtain information for this section of the report, the Commission sent questionnaires to all four known U.S. producers of iron bars. All of these firms responded to the questionnaires. According to the petitioner, one producer, Quaker City, should be excluded from the scope of the U.S. industry because the firm is an importer of iron bars from Brazil. Data concerning Quaker City's iron bar operations are included in this section of the report. Should these data be excluded, however, the trends in capacity, production, shipments, inventories, employment, profits, and cash flow would * * *.

U.S. producers' capacity and production

U.S. producers' capacity to produce iron bars increased by * * * percent from 1980-1982 (table 4); this expansion in capacity can be attributed to * * *. Capacity then remained nearly constant between January-September 1982 and the corresponding period of 1983.

Table 4.--Iron bars: U.S. production, capacity, and capacity utilization, 1980-82, January-September 1982, and January-September 1983

* * * * *

Wells Manufacturing Co. accounts for about * * * percent of the total reported capacity in 1982. Capacity, as reported by Wells, is based upon a product mix which it considers to be most efficient from an engineering point

1/ Transcript of conference, p. 77.

of view. Thus, in calculating capacity, Wells did not consider its capacity to produce the types of bars which it normally produces. In addition, Wells did not take into consideration the downtime needed for maintenance and repair work or the downtime required when the company shifts from the production of one type of bar to another. As a consequence, the capacity data reported here are overstated and cannot be used as a measure of U.S. producers' capacity to manufacture iron bars. The data can be used, however, with caution, for an analysis of trends in the utilization of productive capacity.

U.S. production of iron bars increased from * * * short tons in 1980 to a record * * * short tons in 1981, or by * * * percent. The market for iron bars collapsed in 1982 and U.S. production declined sharply to * * * short tons, a decrease of * * * percent from the level in 1981 and a decrease of * * * percent from the level in 1980. Production then decreased further, by * * * percent, in January-September 1983 compared with the level of production in the corresponding period of 1982.

Utilization of productive capacity increased from * * * percent in 1980 to * * * percent in 1981, the year of record production. Utilization subsequently decreased to * * * percent in January 1982-September 1983.

U.S. producers' shipments

U.S. producers' shipments of iron bars followed the same trend as production (table 5). Total shipments of iron bars increased from * * * short tons in 1980 to * * * short tons in 1981, or by * * * percent. Shipments then decreased to * * * short tons in 1982, a decrease of * * * percent from the level in 1981 and a decrease of * * * percent from the level in 1980. Total shipments decreased further, by * * * percent, in January-September 1983, compared with the level of shipments in the corresponding period of 1982. Exports, * * *, accounted for less than * * * percent of total shipments during January 1980-September 1983.

Table 5.--Iron bars: U.S. producers' shipments and exports, 1980-82, January-September 1982, and January-September 1983

* * * * *

U.S. producers' inventories

U.S. producers stock more than 250 specific types of iron bars so that they can quickly fill orders for the product. U.S. producers' yearend inventories were equivalent to * * * percent and * * * percent of shipments in 1980 and 1981, respectively (table 6). Yearend inventories increased to * * * percent of shipments in 1982 and then decreased to * * * percent of annualized shipments on September 30, 1983.

Table 6.--Iron bars: U.S. producers' inventories and shipments, 1980-82, January-September 1982, and January-September 1983

* * * * *

Employment

The number of workers engaged in the production of iron bars increased from * * * in 1980 to * * * in 1981 and then decreased steadily to * * * in January-September 1983 (table 7). Wages received by these workers increased from * * * per hour in 1980 to * * * per hour in January-September 1983, representing an increase of * * * percent.

Table 7.--Average number of production and related workers engaged in the manufacture of iron bars, hours worked by such workers, wages paid, and total compensation, 1980-82, January-September 1982, and January-September 1983

* * * * *

Two firms, Artz and Shenango, reported their workers belonged to the following unions: International Molders & Allied Workers and the United Steel Workers of America. The unionized firms pay * * *.

In late 1982, Wells Manufacturing Co. * * *.

Financial experience of U.S. producers

Profit-and-loss data were received from three U.S. producers which accounted for * * * percent of total U.S. shipments of iron bars in 1982 (table 8). These firms' total net sales of iron bars declined by * * * percent, from \$* * * in 1980 to \$* * * in 1982. Most of this decline in net sales occurred in 1982. During the interim period ended September 30, 1983, total net sales increased by * * * percent to \$* * * compared with \$* * * in the corresponding period of 1982.

Table 8.--Profit-and-loss experience of 3 U.S. producers on their iron bar operations, accounting years 1/ 1980-82, interim period 1982, and interim period 1983

* * * * *

Gross profit on iron bar operations fell precipitously, by * * * percent, from \$* * *, or * * *, percent of net sales, in 1980 to \$* * *, or * * * percent of net sales, in 1982. Operating income of \$* * * in 1980

turned into operating losses of \$* * * in 1981 and \$* * * in 1982. During the same period, the ratio of operating income or loss to net sales declined from a positive * * * percent in 1980 to a negative * * * percent and a negative * * * percent in 1981 and 1982, respectively. During the interim period ended September 30, 1983, U.S. producers reported a gross profit of \$* * * (* * * percent of net sales) and an operating loss of \$* * * (* * * percent of net sales), compared with a gross loss of \$* * * (* * * percent of net sales) and an operating loss of \$* * * (* * * percent of net sales) in the corresponding period of 1982. U.S. producers attribute the losses in 1982 and in interim 1983 to the low volume of sales. In addition, selling prices remained the same while expenses increased. In 1982 and interim period 1983, the producers did not benefit from the economies of scale which are available when sales volumes are high and production runs are long.

Wells Manufacturing Co., the largest producer, accounting for * * * percent of total net sales in 1982, reported * * *.

Information on Wells' sales and gross profits, by months, are presented in figure 3. As shown in the graph, Wells' gross profit ratios and sales were * * *.

Figure 3.--Iron bars: Sales and profits of Wells Manufacturing Co, by months, August 1976-September 1983.

* * * * *

The second largest producer, Shenango, * * *. Artz, a small producer, accounting for about * * * percent of total net sales in 1982, reported * * *.

The profit-and-loss data for U.S. producers' establishments in which iron bars are produced are shown in table 9. Sales of iron bars accounted for about * * * percent of total establishment sales in 1980. * * *.

Table 9.--Profit-and-loss experience of 3 U.S. producers on their operations in the establishments within which iron bars are produced, accounting years 1/ 1980-82, interim period 1982, and interim period 1983

* * * * *

Cash flow from operations

Cash flow or deficit generated by reporting producers on their iron bar operations is shown in table 10. Cash flow from operations on iron bars fell sharply from \$* * * in 1980 to \$* * * in 1982. It then increased from a deficit of \$* * * in interim period 1982 to a positive \$* * * in interim period 1983.

Table 10.--Cash flow from U.S. producers' operations producing iron bars, accounting years 1980-82, interim period 1982, and interim period 1983

* * * * *

The Question of Threat of Material Injury

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the alleged LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in Brazil to generate exports (including the availability of export markets other than the United States).

Trends in imports, the importer's inventory, and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and the imports allegedly receiving bounties or grants. Information regarding the capacity of the Brazilian producer to generate exports is discussed in the section of the report which discusses the Brazilian producer.

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

Imports

Imports of the product entered from Japan and Brazil (tables 11 and 12). * * *, the only known importer of iron bars from Japan, used the product in the production of * * *. Its imports of iron bars were * * * short tons in 1980, * * * short tons in 1981, and * * * short tons in 1982. In 1983, * * *.

Table 11.--Iron bars: U.S. imports, by sources, 1980-82, January-September 1982, and January-September 1983

* * * * *

Imports of iron bars from Brazil first entered the United States in November-December 1982, when AIA imported * * * short tons. During January-September 1983, * * * short tons of iron bars from Brazil entered the United States. In mid-November 1983, an additional shipment of * * * short tons of iron bars were imported from Brazil. According to AIA, this shipment * * *.

Table 12.--Iron bars: U.S. producers' shipments, exports, imports, and consumption, 1980-82, January-September 1982, and January-September 1983

* * * * *

Total inventory of iron bars held in the AIA warehouse is presented in the following tabulation (in short tons):

December 31, 1982----- ***
 September 30, 1983----- ***
 November 30, 1983----- ***

According to AIA, this inventory is the minimum it must hold in order to be able to quickly respond to its customers' orders. Of the * * * short tons held in AIA's warehouse, on November 30, 1983, * * * short tons were * * *. AIA considers these bars to have a fast turnover and expects to sell this tonnage by * * *. The remaining * * * short tons of inventory was * * *. These bars are slower moving and, according to AIA, may take up to * * * to sell. According to TUPY, it expects to export * * * to the United States in 1984. Such exports will * * *.

Imports of iron bars as a share of U.S. consumption were * * * percent in 1980 and 1981, and * * * percent in 1982 (table 13). Imports accounted for * * * percent of U.S. consumption in January-September 1983. Imports from Brazil accounted for * * * percent of U.S. consumption during January 1982-September 1983.

Table 13.--Iron bars: Ratios of U.S. producers' domestic shipments, all imports, and imports from Brazil to U.S. consumption, 1980-82, January-September 1982, and January-September 1983

* * * * *

AIA and Quaker City sold * * * short tons of Brazilian iron bars in 1982 and * * * short tons of Brazilian iron bars in January-September 1983. These sales accounted for * * * percent of U.S. consumption in 1982 and * * * percent of consumption in January-September 1983, as shown in the following tabulation:

| | <u>Shipments of</u> <u>imports</u> <u>(short tons)</u> | <u>Share of U.S.</u> <u>consumption</u> <u>(percent)</u> |
|---------------------|--|--|
| 1980----- | 0 | 0 |
| 1981----- | 0 | 0 |
| 1982----- | *** | *** |
| January-September-- | | |
| 1982----- | 0 | 0 |
| 1983----- | *** | *** |

Prices

In its petition, Wells Manufacturing Co. states that its price schedule for iron bars was established in 1975, with four subsequent price increases occurring between May 1, 1975, and January 1, 1981. Thus, U.S. producers' list prices have not changed since 1981. The petitioner states that direct

sales to end users, as well as sales to distributors, are made from a price list. ^{1/} U.S. producers' transaction prices remained relatively stable during 1982 and 1983 (tables 14-18). In certain instances, distributors receive a commission for handling sales and service of sales of U.S. producers to large end users.

Table 14.--Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 1-inch diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983

* * * * *

Table 15.--Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, centerless ground, 1-inch diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983

* * * * *

Table 16.--Continuous-cast iron bars (ASTM 536, type 65-45-12, 65,000 psi tensile strength, as cast, 4-inches diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983

* * * * *

Table 17.--Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 7-inches diameter round, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983

* * * * *

Table 18.--Continuous-cast iron bars (ASTM A-48, class 40, 40,000 psi tensile strength, as cast, 1-1/4 inch by 2-1/4 inch, 72-inches long): U.S. producers' prices, prices of the product imported from Brazil, and distributors' prices, by quarters, January 1982-December 1983

* * * * *

^{1/} Transcript of conference, pp. 12 and 35.

The Commission sent questionnaires to U.S. producers, importers, and distributors of iron bars, requesting pricing information on sales of five different iron bar products to distributors and to end users. AIA competes directly with both U.S. producers and with U.S. producers' distributors. The appropriate price comparison, therefore, depends on how the Brazilian iron bar sold by AIA competes with U.S.-produced iron bar for sales to a specific customer. If a customer buys directly from Wells or Shenango, AIA's selling price should be compared with the U.S. producers' price. If a customer does not buy directly from a U.S. producer but buys from a U.S. distributor, AIA's selling price should be compared with the U.S. distributors' price.

The price comparisons in tables 14 through 18 generally indicate that AIA is more price competitive when it competes with U.S. producers' distributors rather than directly with U.S. producers. Telephone conversations relating to lost sales and lost revenue allegations tend to indicate that AIA may have a * * * to * * * percent price advantage to some customers, but little of a price advantage to others. Price comparisons in the table give an indication of price differentials between domestic and Brazilian iron bars at the two different levels of distribution. These comparisons do not necessarily reflect head-to-head competition of sales to the same customers, and there may, therefore, be some biases present in the price comparisons. Evaluation of lost sales and lost revenue information may give a better indication of head-to-head competition between domestic and Brazilian iron bars.

AIA's prices are generally equal to or greater than U.S. producers' prices, and are generally lower than the distributors' prices. In seven of eight transactions to distributors and subdistributors, AIA's prices were equal to or greater than the prices of the U.S. producers. Similarly, in 7 out of 10 transactions to end users, AIA's prices were also equal to or greater than U.S. producers' prices.

Comparable prices were reported by U.S. distributors and AIA in selling to subdistributors for eight transactions covering four different product categories. In six of the transactions, AIA's margins of underselling ranged from * * * percent to * * * percent, with an aggregate average of * * * percent. In two additional transactions, AIA's prices were greater than the U.S. distributors' prices, by margins of * * * percent and * * * percent averaging * * * percent. In each of these cases, the importer's prices were for unusually small shipments.

U.S. distributors and AIA reported comparable prices to end users for 15 transactions. The margins of underselling for eight transactions ranged from * * * percent to * * * percent, with an average of * * * percent. AIA's prices were higher than U.S. distributors' prices in six instances, ranging from * * * to * * * percent. Prices were identical in one instance, both AIA's and U.S. distributors' product sold at \$* * * during * * * 1983 (table 18).

Lost sales

* * * provided * * * lost sales allegations relating to competition from imports of iron bars from Brazil. The total quantity involved in these ^{A-17} allegations is * * * short tons, valued at * * *. There were no quantities or values reported for two allegations,

and for one allegation there was no quantity reported. * * *. This product was not imported from Brazil until 1982. Imports from Brazil totaled * * * short tons, valued at \$* * *, from November 1982 to September 1983. Of these imports, * * * short tons were sold by AIA to distributors or end users.

The Commission's staff contacted 12 of the * * * purchasers named in the allegations. The alleged lost sales for the 12 purchasers contacted amounted to * * * short tons. One of these purchasers accounted for * * * to * * * percent of AIA's sales of iron bars. This purchaser reported that it bought Brazilian iron bars because * * *. This purchaser reported that the price for Brazilian iron bars was * * *.

Of the other 11 firms, 8 reported that they had purchased Brazilian iron bars, and 3 of these firms cited lower prices as the primary purchasing factor. Of the other five firms that purchased Brazilian iron bars, two purchased the Brazilian-produced iron bars for nonprice reasons, two firms reported purchases from distributors that had already been named in other lost sales allegations, thus, the inclusion of these lost sales would have constituted double counting of imports, and one firm would give no details over the telephone concerning its reason for purchasing Brazilian iron bars.

Three firms reported that they had never purchased Brazilian iron bars. Two of these firms reported that they had been approached by the distributor of the Brazilian iron bar. One reported it was offered a price which was * * * to * * * percent lower than the price offered by its domestic supplier and the other reported that the price of the Brazilian product was "competitive." Details of the information gathered from each of the purchasers follows.

Purchaser No. 1.--* * *--This lost sales allegation involves the purchase of * * * short tons of * * *, valued at \$* * *. * * *. The prices of iron bars it purchased from AIA were comparable with the prices it paid for U.S.-produced iron bars. * * *.

Purchaser No. 2.--* * *--This lost sales allegation involves the purchase of * * * short tons of * * * from Brazil. The value of the lost sale was given as \$* * *. This purchaser reported that it had bought a sample lot (* * * short tons) of Brazilian iron bars from TUPY in late 1982 or early 1983, and has purchased no Brazilian iron bars since that time. * * *, and the price of the Brazilian product was about the same as the prices it paid to its U.S. suppliers.

Purchaser No. 3.--* * *--This lost sales allegation involves the purchase of * * * short tons of Brazilian * * * iron bar. The value of the lost sale was given as \$* * *. This firm reported that it began buying from AIA in 1983, and also buys from * * *. * * * reported that prices from AIA were about the same as prices it has paid to its U.S. suppliers.

Purchaser No. 4.--* * *--This lost sales allegation involves the purchase of * * * short tons of Brazilian * * * iron bar. The value of the lost sale was given as \$* * *. This firm reported that it has purchased from

AIA, and also buys from * * *. However, it would give no other information over the telephone.

Purchaser No. 5.--* * *---This lost sales allegation involves the purchase of * * * short tons of Brazilian * * * iron bar. The value of the lost sale was given as \$* * *. This firm reported that it buys only from * * * because of a contract it has * * *. However, it has been approached by AIA and reported that the prices offered by AIA were * * * to * * * percent lower * * *.

Purchaser No. 6.--* * *,--* * *

Purchaser No. 7.--* * *---This lost sales allegation involves the purchase of * * * short tons of * * * iron bar. The value of the lost sale was given as \$* * *. This firm reported that it has never purchased Brazilian iron bar to its knowledge; it would give no other information over the telephone.

Purchaser No. 8.--* * *---This lost sales allegation involves the purchase of * * * short tons pounds of Brazilian * * * iron bars. The value of the lost sale was given as \$* * *. * * *. * * * reported that it has bought only * * * short tons, of various sizes of Brazilian iron bars. Its primary reason for buying the Brazilian product was its lower price. * * *

Purchaser No. 9.--* * *---This lost sales allegation involves the purchase of * * * short tons of Brazilian * * * iron bar. The value of the lost sale was given as * * *. * * *.

Purchaser No. 10.--* * *,--* * *. * * * reported that in 1983 it began buying iron bars from AIA, primarily because the price offered by AIA was lower than the price * * * was paying to its supplier of U.S.-produced iron bar. The price from AIA was * * * cents per pound, whereas the price of U.S.-produced iron bars was * * * cents per pound, representing a * * * percent difference. * * * reported that it purchases about * * * short tons of bar a year, and that it now buys exclusively from AIA.

Purchaser No. 11.--* * *---This lost sales allegation involves the purchase of * * * short tons of Brazilian * * * iron bar. The value of the lost sale was given as \$* * *. This firm reported that it buys * * * to * * * short tons of iron bar a year, and purchases from both AIA and from * * *. * * * stated that the lower price of the Brazilian product was its primary reason for purchasing Brazilian bars, but that recently the U.S.-produced iron bars have been lower priced. This firm reported that it prefers to buy domestic products, but that it purposefully bought Brazilian bars in order to encourage U.S. producers to lower their prices.

Purchaser No. 12.--* * *---This lost sale allegation involves the purchase of * * * short tons of Brazilian * * * iron bars. The value of the lost sale was given as \$* * *. This firm reported that it has never purchased Brazilian-produced iron bars. It has been offered the product and found the price to be competitive, but prefers to buy domestic products.

Lost revenue

* * * allegations of lost revenue by reason of import competition from Brazilian iron bars. The specific value of the lost revenue was * * *.

Commission staff contacted four of the * * * firms. Two firms reported that they had purchased Brazilian iron bar. One of these two firms reported that the Brazilian product was lower priced and it told its U.S. supplier of the existence of the lower priced material. The other firms reported that the Brazilian iron bar was lower priced for some specifications and quantities and higher priced for others. The remaining two firms reported that they had never purchased Brazilian iron bar or been approached by the distributor of the Brazilian material. One of these two firms reported that it plays one U.S. producer against another when it is negotiating a price for its annual requirements. The other firm reported that it has purchased some British iron bar, but that it buys primarily from * * *.

Information obtained from each of the firms lost revenue allegations follows:

* * *.--This lost revenue allegation involves a sale of * * * short tons of iron bar, with lost revenue given as \$* * *. * * * reported that it buys primarily from * * *. It did buy a small quantity from AIA, and the Brazilian iron bar was generally lower priced. This firm reported that it may have told its U.S. supplier that there was another supplier quoting lower prices.

* * *.--This lost revenue allegation involves sales of * * * short tons annually. * * *. * * * reported that it has never been approached by AIA. It has purchased * * * iron bar, but * * * is its primary supplier.

* * *.--This lost revenue allegation involves sales of * * * short tons with lost revenue given as \$* * *. * * * reported that it buys * * * as well as from AIA. It pays a price of \$* * * per pound to AIA regardless of specification or quantity. Prices paid to * * * range from \$* * * to \$* * * per pound. AIA is therefore lower priced for some purchases, but higher-priced for others. * * * reported that AIA is generally more price competitive for small-quantity orders, but that * * * is more price competitive for large-size orders.

* * *.--* * *. * * * reported that it has never been approached by AIA.
* * *.

Appreciation of the U.S. dollar

Table 19 presents indexes of producer prices in the United States and Brazil and indexes of the nominal and real exchange rates between the U.S. dollar and the Brazilian cruzeiro, by quarters, from January-March 1981 (the base period) through July-September 1983. As shown in table 19, the cruzeiro has been devalued in nominal terms by more than 900 percent against the dollar since January-March 1981, but because of its rapid rate of inflation of more than 640 percent, the cruzeiro has been devalued in real terms by only about 48 percent against the dollar since January-March 1981.

Table 19.--Indexes of producer prices in the United States and Brazil and indexes of the nominal and real exchange rates between the U.S. dollar and the Brazilian cruzeiro, by quarters, January 1981-September 1983 1/

| Period | January-March 1981=100 | | | |
|---------------------|--|--------------------------------------|---|--|
| | United States producer price index | Brazilian producer price index | Nominal exchange rate index <u>1/</u> | Real exchange rate index <u>1/</u> |
| 1981: | | | | |
| January-March-----: | 100.0 | 100.0 | 100.0 | 100.0 |
| April-June-----: | 102.4 | 119.7 | 118.5 | 101.4 |
| July-September----: | 103.3 | 138.2 | 140.8 | 105.2 |
| October-December--: | 103.2 | 160.5 | 166.8 | 107.3 |
| 1982: | | | | |
| January-March-----: | 104.0 | 188.4 | 194.7 | 107.5 |
| April-June-----: | 104.2 | 227.4 | 226.2 | 103.7 |
| July-September----: | 104.8 | 269.0 | 267.9 | 104.4 |
| October-December--: | 104.8 | 310.8 | 325.4 | 109.7 |
| 1983: | | | | |
| January-March-----: | 104.9 | 387.9 | 461.1 | 124.7 |
| April-June-----: | 105.2 | 512.8 | 672.2 | 137.9 |
| July-September----: | 106.3 | <u>2/</u> 648.7 | 900.5 | 147.6 |

1/ Based on nominal exchange rates expressed in units of cruzeiros per U.S. dollar.

2/ Based on data for July only.

Source: Compiled from data reported by the International Monetary Fund in the November issue of the International Financial Statistics.

1984-1985
1985-1986
1986-1987
1987-1988
1988-1989
1989-1990
1990-1991
1991-1992
1992-1993
1993-1994
1994-1995
1995-1996
1996-1997
1997-1998
1998-1999
1999-2000
2000-2001
2001-2002
2002-2003
2003-2004
2004-2005
2005-2006
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011
2011-2012
2012-2013
2013-2014
2014-2015
2015-2016
2016-2017
2017-2018
2018-2019
2019-2020
2020-2021
2021-2022
2022-2023
2023-2024
2024-2025

APPENDIX A

THE FEDERAL REGISTER NOTICES

**INTERNATIONAL TRADE
COMMISSION**

[Investigation No. 701-TA-208
(Preliminary)]

**Iron Bars From Brazil; Preliminary
Countervailing Duty Investigation**

AGENCY: International Trade
Commission.

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

EFFECTIVE DATE: November 15, 1983.

SUMMARY: The United States
International Trade Commission hereby
gives notice of the institution of a
preliminary countervailing duty
investigation under section 703(a) of the
Tariff Act of 1930 (19 U.S.C. 1671b(a)) to
determine whether there is a reasonable
indication that an industry in the United
States is materially injured, or is
threatened with material injury, or the
establishment of an industry in the
United States is materially retarded, by
reason of imports from Brazil of blooms,
billets, slabs, sheet bars and bars, of
iron, including ductile iron classifiable
in the Tariff Schedules of the United
States (TSUS) as steel, provided for in
TSUS items 606.67, 606.69, 606.83, 606.97,
657.09, 657.10 and 657.25.

FOR FURTHER INFORMATION CONTACT:
Abigail Eltzroth, U.S. International
Trade Commission, 701 E Street NW.,
Washington, D.C. 20436, telephone 202-
523-0289.

SUPPLEMENTARY INFORMATION:**Background**

This investigation is being instituted
in response to a petition filed on
November 15, 1983, by counsel for Wells
Manufacturing Co., a U.S. producer of
the subject iron bars. The Commission
must make its determination in this
investigation within 45 days after the
date of the filing of the petition, or by
December 30, 1983 (19 CFR 207.17).

Participation

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 CFR 201.11),
not later than seven (7) 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 wh-

to accept the late entry for good cause shown by the person desiring to file the entry.

Service of Documents

The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b), as amended by 47 FR 33682, Aug. 4, 1982).

Written Submissions

Any person may submit to the Commission on or before December 13, 1983, a written statement of information pertinent to the subject matter of this investigation (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

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

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on December 9, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Parties wishing to participate in the conference should contract Abigail Eltzroth (202-523-0289), not later than December 7, 1983, to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public Inspection

A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and B (19 CFR Part 207, as amended by 47 FR 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR Part 201, as amended by 47 FR 33682, Aug. 4, 1982).

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

Issued: November 21, 1983.

Kenneth R. Mason,
Secretary.

[FR Doc. 83-31655 Filed 11-23-83; 8:45 am]
BILLING CODE 7820-02-M

International Trade Administration

[C-351-016]

**Continuous Cast Iron Bar From Brazil;
Initiation of Countervailing Duty
Investigation****AGENCY:** International Trade
Administration, Commerce.**ACTION:** Notice.

SUMMARY: On the basis of a petition filed with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of continuous cast iron bar as described in the "Scope of Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of the merchandise are materially injuring, or threatening to materially injure, a U.S. industry. If our investigation proceeds normally, the ITC will make its preliminary determination on or before December 30, 1983, and we will make ours on or before February 8, 1984.**EFFECTIVE DATE:** December 14, 1983.**FOR FURTHER INFORMATION CONTACT:** Roland MacDonald, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; (202) 377-5496.**SUPPLEMENTARY INFORMATION:****Petition**

On November 15, 1983, we received a petition from the Wells Manufacturing

Company, Skokie, Illinois, on behalf of the continuous cast iron bar industry. In compliance with the filing requirements of section 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in Brazil of continuous cast iron bar receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act) and that these imports are materially injuring, or threatening to materially injure, a U.S. industry.

Brazil is a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore, Title VII of the Act applies to this investigation and an injury determination is required.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on continuous cast iron bar, and we have found that the petition meets those requirements.

Therefore, we are initiating a countervailing duty investigation to determine whether the manufacturers, producers, or exporters in Brazil of continuous cast iron bar, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination by February 8, 1984.

Scope of the Investigation

The product covered by this investigation is continuous cast iron bar produced of gray and ductile iron in solid rectangular (including square) or circular cross-section. Other solid cross sections, including half rounds and quarter rounds, may be included. This product is currently classified in items 606.9700 and 657.0990 of the *Tariff Schedules of the United States Annotated*.

Allegations of Subsidies

The petition alleges that manufacturers, producers, or exporters in Brazil of continuous cast iron bar receive the following benefits which constitute subsidies:

- Industrialized Products Tax (IPI) Export Credit Premium;
- Funding for expansion through the IPI fund;

- Income tax exemption from export earnings;
- Export market development income and withholding tax deductions;
- Accelerated depreciation for capital goods manufactured in Brazil;
- Industrial Development Council (CDI) Program;
- Exemptions from state (ICM) and municipal taxes;
- Substitution of investment credits for corporate income tax payments;
- Benefits under the Drawback Scheme;
- Benefits under the BEFLEX Program;
- Benefits under the CIEX Program;
- Incentives for trading companies;
- Tax deductions for investors;
- Exemptions from taxes on financial transactions (IOF);
- Miscellaneous Tax Benefits;
- Preferential working capital loans for exports—Resolution 674;
- Long-term Loans from the National Bank for Economic Development (BNDE) and Bank for the Purchase of Machinery and Investment Goods (FINAME);
- Preferential Export Financing under CIC—CREGE 14-11;
- Preferential Export Financing under Resolution 68;
- Preferential Export Financing under Resolution 330;
- Government Equity Participation;
- Financial Incentive for Company Capitalization;
- Foreign Exchange and Transaction Facilities;
- Activities of Export Promotion Agencies;
- Preferential Rail and Port Rates;
- Preferential Factor Pricing;
- Labor;
- Export Credit Insurance; and
- Other Benefits.

With the three exceptions set forth below, we will examine the programs to determine whether they conferred countervailable benefits during the period of investigation. In the final determination on certain steel plate from Brazil (48 FR 2568), we determined that fully-indexed FINAME loans are generally available and consequently not countervailable. Therefore, we will only examine partially-indexed FINAME loans in this investigation.

We will not examine discounts of foreign currency accounts receivable under Resolution 331 that was alleged by the petitioner. In our final administrative review on Pig Iron from Brazil (48 FR 31280), we determined that this program was not countervailable.

We also will not examine the allegation of regional development because the allegation is insufficient and

the Department does not have any other information that such a program exists.

Notification to ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission of these actions and to provide it with the information we used to arrive at these determinations. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary determination by ITC

The ITC will determine by December 30, 1983, whether there is a reasonable indication that imports of continuous cast iron bar from Brazil are materially injuring, or threatening to materially injure, a U.S. industry. If the determination is negative, that investigation will terminate; otherwise, the investigation will proceed to conclusion.

Alan F. Holmer,
Deputy Assistant Secretary for Import Administration.

December 5, 1983.

[FR Doc. 83-33197 Filed 12-13-83; 8:45 am]

BILLING CODE 3510-D8-M

APPENDIX B
WITNESSES AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-208 (Preliminary)

IRON BARS FROM BRAZIL

Those listed below appeared at the United States International Trade Commission conference held in connection with the subject investigation on Friday, December 9, 1983, in the hearing room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the imposition of
countervailing duties

Simonelli & Hall
Washington, D.C.
on behalf of

Wells Manufacturing Co.

Marshall Wells, President
Edward J. McMahon, Vice President, Sales
Harold Coolidge, Technical Director, Dura-Bar Division

Michael Hall--OF COUNSEL

In opposition to the imposition of
antidumping duties

Kadison, Pfaelzer, Woodard, Quinn & Rossi
Washington, D.C.
on behalf of

Perfilados TUPY, S.A.
Fundicao TUPY, S.A.
TUPY American Foundry Corp.

Gary D. Myers, President
TUPY American Foundry Corp.

Gary L. Stanley)
Philip J. Mause)--OF COUNSEL

American Iron & Alloys Corp.
Waukesha, Wisc.

Gary S. Griffin, President

