CERTAIN CARBON STEEL PRODUCTS FROM BRAZIL

Determinations of the Commission in Investigations Nos. 701-TA-205 -207 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 701-TA-205 through 207 (Final)

CERTAIN CARBON STEEL PRODUCTS FROM BRAZIL

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b), that an industry in the United States is materially injured by reason of imports from Brazil of the following products, which have been found to be subsidized by the Government of Brazil: carbon steel plate in coils (inv No. 701-TA-205 (Final)), 2/ hot-rolled carbon steel sheet (inv No. 701-TA-206 (Final)), 3/ and cold-rolled carbon steel sheet (inv No. 701-TA-207 (Final)).4/5/6/ In addition, pursuant to section 705(b)(4)(A) of the act (19 U.S.C. § 1671d(b)(4)(A)), the Commission also determines that there is no material injury, which will be difficult to repair, by reason of massive imports of the subject products over a relatively short period of time. 7/

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 this investigation, carbon steel plate in coils is provided for in item 607.6610 of the Tariff Schedules of the United States Annotated (TSUSA).

3/ For purposes of this investigation, hot-rolled carbon steel sheet is provided for in items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, or 607.8342 of the TSUSA.

4/ For purposes of this investigation, cold-rolled carbon steel sheet is provided for in items 607.8320, 607.8350, 607.8355, or 607.8360 of the TSUSA.

5/ Commissioner Stern determines that an industry in the United States is materially injured or threatened with material injury by reason of imports of subsidized cold-rolled carbon steel sheet from Brazil.

6/ Commissioner Liebeler did not participate.

7/ The effect of this determination is that countervailing duties will be imposed on imports entered on or after February 10, 1984. Had the determination been affirmative, countervailing duties would have been imposed on imports entered 90 days prior to that date (see 19 U.S.C. § 1671b(e)).

Background

The Commission instituted these investigations effective February 10, 1984, following preliminary determinations by the Department of Commerce that there was a reasonable basis to believe or suspect that subsidies were being provided to manufacturers, producers, or exporters in Brazil of the subject carbon steel products.

Notice of the institution of the Commission's investigations and of a hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on March 14, 1984 (49 F.R. 9626). The hearing was held in Washington, D.C., on April 27, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the records in investigations Nos. 701-TA-205 through 207 (Final), we determine that industries in the United States are materially injured by reason of imports of coiled plate, hot-rolled sheet, and cold-rolled sheet from Brazil which have been found by the Department of Commerce (Commerce) to be subsidized by the Government of Brazil. 1/ We also determine that the massive imports of the subject products, determined by Commerce to exist, did not cause material injury that is difficult to repair.

Definition of the domestic industries

The domestic industry against which the impact of the imports under investigation is to be assessed is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . . " 3/

These investigations concern subsidized imports from Brazil of three different types of steel products. These are: (1) coiled plate; (2) hot-rolled carbon steel sheet; and (3) cold-rolled carbon steel sheet.

These products have been the subjects of several other previous countervailing duty and antidumping investigations concerning Brazil and other

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1/ Commissioner Stern determines with regard to the subject subsidized imports of cold-rolled carbon steel sheet that the domestic industry is materially injured or threatened with material injury.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

countries. In these earlier investigations covering the product categories of hot-rolled sheet and cold-rolled sheet, the Commission found that they were separate like products. There was no persuasive evidence in these investigations to cause us to change these categories nor did the parties to the investigation contest these product determinations. 4/

In a recent antidumping investigation, Certain Flat-Rolled Carbon Steel Products from Brazil, 5/ we determined that domestically produced carbon steel plate was like both carbon steel plate in coils and carbon steel plate cut-to-length imported from Brazil. Our reasons for reaching this decision are discussed at length in our opinion in that investigation. 6/ No information was submitted in this investigation that would change our view that domestic carbon steel plate is like imported plate in coils. Therefore, the like product is all domestically produced carbon steel plate, both cut-to-length and coiled.

Based on our findings in these investigations that the like products are carbon steel plate, hot-rolled sheet, and cold-rolled sheet, we determine that

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4/ During the investigation, a domestic producer of galvanized steel, Pinole Point, argued that unannealed, full-hard cold-rolled sheet (full-hard sheet) should be separated out from the cold-rolled sheet category with respect to the definition of the like product. We do not find this argument to be persuasive. There are numerous different types of cold-rolled sheet, of which full-hard sheet is only one. American Iron and Steel Institute, Steel Products Manual, "Sheet Steel: Carbon, High Strength Low Alloy, and Alloy Coils and Cut Lengths," October 1979, at 49. However, when comparing the product variations within the category of cold-rolled sheet with the overall similarity between all cold-rolled sheet in relation to other categories such as hot-rolled sheet or plate, such differences in the characteristics and uses among the various cold-rolled sheet products are not sufficient to warrant their division into a group of several distinct like products. See Certain Tool Steel from Brazil and the Federal Republic of Germany, Inv. No. 701-TA-87 (Final), USITC Pub. 1403 (1983) at 7. See also Color Television Receivers from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-134 and 135 (Final) at 4-5.

Pinole Point also argues that imports of full-hard sheet have not been injurious. We analyze this issue of causation in note 39, infra at 10.

5/ Inv. No. 731-TA-123, USITC Pub. 1499 (1984).

6/ Id. at 3-8.

the domestic industries against which the impact of imports should be assessed are the domestic producers of carbon steel plate, the domestic producers of hot-rolled sheet, and the domestic producers of cold-rolled sheet.

COILED CARBON STEEL PLATE

Condition of the domestic industry

The U.S. carbon steel plate industry experienced difficulties throughout the period covered in the investigation. Production fell from 6.9 million tons in 1981 to 3.6 million tons in 1982, or by 48 percent. 7/ Production increased slightly in 1983 to 3.9 million tons and then increased 63 percent from the January-March 1983 period to the corresponding period of 1984. 8/ Capacity utilization declined from 59 percent in 1981 to 33 percent in 1983. Capacity utilization then increased to 46 percent during January-March 1984 compared with the 27 percent experienced in the corresponding period of 1983, but it has not recovered to the 1981 level. 9/

Shipments of carbon steel plate decreased sharply from 7.7 million tons in 1981 to 4.1 million tons in 1982 with only moderate improvement reported in 1983. Shipments of carbon steel plate increased in January-March 1984 to 1.3 million tons, compared with 1.0 million tons in the corresponding period of 1983, an increase of 34 percent. 10/

Employment of production and related workers declined from 18,499 workers in 1981 to 8,822 workers in 1983. Although employment improved from January-March 1983 to January-March 1984, it still remained 43 percent below the 1981 level. 11/

7/ Report at I-12.
8/ Id.
9/ Id. at I-13.
10/ Id. at I-11.
11/ Id. at I-17.

Although demand for this product increased slightly in 1983 and further in January-March 1984 from the severely depressed level in 1982, U.S. producers' share of apparent consumption declined during January-March 1984. 12/ Prices received by domestic producers have increased recently, but not enough to lift the industry to a profitable position. 13/ Data on the financial experience of U.S. producers' plate operations indicate that the industry has not turned a profit since 1981. 14/ Operating losses were incurred in 1982 and 1983 equal to 13 percent and 20 percent of net sales, respectively. The financial picture improved in January-March 1984 but still showed a sizeable loss. 15/ The reporting firms also experienced substantial negative cash flows of $157 million in 1982, and $234 million in 1983.

Material injury by reason of subsidized imports

Imports of coiled plate from Brazil as a share of total plate consumption, although small, increased significantly 16/ during 1981-83. 17/ From being a minor supplier in 1981, Brazil gained 0.5 percent of the plate market in just two years. Brazil's market share declined to 0.01 percent during January-March 1984 from 0.4 percent in the corresponding period of 1983, after the institution of this investigation.

These import penetration figures represent imports of coiled plate from Brazil as a share of apparent U.S. consumption of total plate. The Commission

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12/ Id. at I-11.
13/ Id. at I-25.
14/ Id.
15/ Id.
16/ Commissioner Stern notes that the significance of large percentage increases on a very small base is questionable. In reaching her affirmative finding, the most important factor was the recent unanimous affirmative Commission determination regarding subsidized cut-to-length plate from Brazil, a product like the one before the Commission in the present investigation.
17/ Report at I-35.

made an affirmative determination in March 1983 in a countervailing duty investigation concerning imports of cut-to-length plate from Brazil. 18/ We have considered this as an important factor in our assessment of the significance of the volume of imports of coiled plate in this investigation. 19/

The information available on delivered prices afforded one comparison in the fourth quarter of 1983. 20/ In this instance the Brazilian product undersold the domestic product by 8.8 percent. Analysis of pricing information submitted by domestic producers and importers also shows underselling. 21/ A number of purchasers reported that the Brazilian coiled plate was priced below the domestic plate. 22/ 23/

HOT-ROLLED CARBON STEEL SHEET

Condition of the domestic industry

The U.S. industry producing hot-rolled carbon steel experienced difficulties throughout the period covered by the investigation. Production fell from 9.7 million tons in 1981 to 6.5 million tons in 1982. Production in 1983 increased to 9.3 million tons, and during January-March 1984 production increased 23 percent when compared to the corresponding period of 1983. 24/

18/ Hot-Rolled Carbon Steel Plate from Brazil, Inv. No. 701-TA-87, USITC Pub. 1356 (1983).

19/ Imports of cut-to-length plate and coiled plate combined increased to 3.9 percent of apparent consumption in 1983 from 3.1 percent in 1981 and 3.0 percent in 1982. This share declined from 5.5 percent in January-March 1983 to 0.5 percent in the corresponding period of 1984 following preliminary affirmative findings by Commerce of sales at less than fair value and the existence of critical circumstances. Report at I-36.

20/ Id. at I-45.

21/ Id. at I-40.

22/ Id. at I-51.

23/ Commissioner Stern notes that Commerce found a net subsidy of 36.48 percent ad valorem for COSIPA, 62.18 percent ad valorem for CSN, and 17.49 percent ad valorem for USIMINAS. The size of these net subsidies is more than sufficient to account for a large part of the success of the Brazilian products in underselling the domestically produced products.

24/ Report at I-12.

Shipments of hot-rolled carbon steel sheet followed a similar pattern to that of production. 25/ From 10.1 million tons in 1981, shipments declined to 7.1 million tons in 1982. Shipments totaled 9.0 million tons in 1983, and increased 47 percent from the January-March 1983 period to the corresponding period of 1984. Employment improved in 1983 and in the first quarter of 1984, but was still 9 percent below the 1981 level. 26/

However, these performance indicators belie the current condition of this industry. While demand for hot-rolled sheet had increased from the severely depressed level of 1982, U.S. producers' share of the market declined. 27/ Prices for certain hot-rolled sheet products have actually declined during the period examined, while others have shown only moderate increases. 28/ Thus, data on the financial experience of U.S. producers' hot-rolled carbon steel sheet operations show losses from 1982 through the first quarter of 1984. 29/

Net sales declined from $3.5 billion in 1981 to $2.3 billion in 1982. Net sales increased to $3.1 billion in 1983 and by 32 percent during January-March 1984, but the reporting hot-rolled carbon steel sheet producers continued to suffer operating losses. These losses amounted to 2.3 percent of net sales in 1981, 17.4 percent in 1982, 10.1 percent in 1983, and 5.1 percent in the interim period of 1984.

Material injury by reason of subsidized imports

Imports from Brazil as a share of apparent consumption increased from less than 0.05 percent in 1981 to 0.5 percent in 1982 and to 2.3 percent in 1983. In January-March 1984, this share rose to 4.3 percent. 30/

25/ Id. at I-11.
26/ Id. at I-17.
27/ Id. at I-11.
28/ Id. at I-46-49.
29/ Id. at I-26-27.
30/ Id. at I-36.

The information available on delivered purchaser prices permitted comparisons of U.S. and Brazilian hot-rolled sheet in 21 instances. 31/ The U.S.-produced product was undersold by Brazil in all of these instances by margins ranging from 7.1 percent to 21.4 percent. A number of purchasers reported that the Brazilian hot-rolled sheet was priced below the domestic sheet. 32/ 33/

COLD-ROLLED CARBON STEEL SHEET

Condition of the domestic industry

The U.S. industry producing cold-rolled carbon steel sheet experienced difficulties throughout the period covered by the investigation. Production fell from 11.2 million tons in 1981 to 8.0 million tons in 1982, before increasing to 10.7 million tons in 1983. Production increased by 18 percent from January-March 1983 to the corresponding period in 1984. 34/ Shipments of cold-rolled carbon steel sheet followed a similar trend to production. 35/

Although demand for cold-rolled carbon steel sheet increased in 1983 and in the following quarter from the depressed level of 1982, U.S. producers' share of consumption declined. 36/ Prices received by domestic producers in 1983 were often below those charged in 1982. 37/ Thus, data on the financial experience of U.S. producers' cold-rolled carbon steel operations indicate that losses have been sustained throughout 1981-83. 38/ Net sales of cold-rolled carbon steel sheet decreased from $4.9 billion in 1981 to $3.6

31/ Id. at I-46-49.
32/ Id. at I-52-53.
33/ See Commissioner Stern's observations concerning the amounts of the net subsidies, supra note 22.
34/ Report at II-7.
35/ Id. at II-6.
36/ Id.
37/ Id. at II-21-22.
38/ Id. at II-12.

billion in 1982, but then increased to $4.7 million in 1983. During the interim period ending March 31, 1984, net sales amounted to $1.3 billion, an increase from $1.0 billion in the corresponding period of 1983. The reporting cold-rolled carbon steel sheet producers incurred operating losses during the entire period of investigation. These losses amounted to 6.1 percent in 1981, 17.6 percent in 1982, 6.8 percent in 1983, and 0.8 percent in the interim period of 1984.

Material injury or threat thereof by reason of subsidized imports

Imports from Brazil as a share of apparent U.S. consumption represented 0.1 percent in 1981, 0.4 percent in 1982, and 2.2 percent in 1983. 39/ Brazil's share of apparent U.S. consumption increased to 2.4 percent during January-March 1984 compared with 1.4 percent in the corresponding period of 1983. 40/

The information available on delivered purchaser prices permitted comparisons of U.S. and Brazilian cold-rolled sheet in 12 instances. 41/ The Brazilian product undersold the competing domestic product on all of these

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39/ Id. at II-16.

40/ Pinole Point argued that, even if full-hard sheet is considered to be cold-rolled sheet for the purposes of defining the like product, full-hard sheet should be separated from cold-rolled sheet in the injury determination. The basis for this argument is that Brazilian full-hard sheet is sold only on the West Coast and only to Pinole Point. According to Pinole Point, the only alternative domestic source would be the U.S. Steel plant in Pittsburg, California. Pinole Point argues that the U.S. Steel plant is not injured by the Brazilian imports. Pinole Point also argues that domestically produced full-hard sheet is not available on the open market and, therefore, imports of full-hard sheet could not be injuring the domestic industry.

Neither of these arguments is supported by the record. There is persuasive evidence that full-hard sheet is available from domestic producers, albeit at higher prices. Report at II-16-II-18. Also, we are persuaded that the U.S. Steel plant is injured by the Brazilian imports because its ability to sell full-hard sheet is limited by the availability of subsidized full-hard sheet.

41/ Id. at II-21-22.

occasions, by margins ranging from 6.4 percent to 20.7 percent. A number of purchasers of Brazilian cold-rolled sheet reported that the Brazilian cold-rolled sheet was priced below the competing domestic product. 42/ 43/

Critical circumstances

We determine under section 705(b)(4)(A) that the material injury is not by reason of massive imports of the subsidized merchandise over a relatively short period to the extent that it is necessary that the duty provided in section 701 be imposed retroactively on these imports in order to repair the material injury. Section 705(b)(4)(A) states:

> If the finding of the administering authority under subsection (a)(2) is affirmative, then the final determination of the Commission shall include findings as to whether-
>
> (i) there is material injury which will be difficult to repair, and
>
> (ii) the material injury was by reason of such imports of the subsidized merchandise over a relatively short period.

Relevant legislative history indicates that the Commission is to determine whether the volume of imports is sufficient to establish that foreign producers have circumvented the countervailing duty law by increasing their exports prior to Commerce's preliminary determination to an extent so as to warrant the retroactive application of countervailing duties. If the Commission had made an affirmative determination, Commerce would have applied countervailing duties retroactively from the date of the preliminary determination, February 3, 1984, to November 3, 1983, the date which is 90 days prior to the determination.

42/ Id. at II-23-24.
43/ See Commissioner Stern's observations concerning the amounts of net subsidies, supra note 22.

The focus of section 705(b)(4)(A) is on the volume of imports. In order to make a determination as to whether an affirmative critical circumstances determination is justified, it is necessary to examine the volume of imports entering the U.S. market during the relevant time period. In making our determinations, we have examined the period November 1983-January 1984. 44/ The volume of imports of each of the subject products during that period is not sufficiently large nor their trend such as to justify the retroactive assessment of countervailing duties, particularly in light of monthly data from January 1982 through March 1984. 45/

44/ This period is appropriate because Commerce initiated its preliminary investigation on November 30, 1983, and then issued its preliminary determination on February 3, 1984.

45/ Because Brazil was a new entrant in the U.S. market for these products, we have not emphasized a comparison with import figures for the November 1982-January 1983 period.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

Following preliminary determinations by the U.S. Department of Commerce that imports of certain carbon steel products from Brazil are being subsidized by the Brazilian Government, the U.S. International Trade Commission, effective February 10, 1984, instituted investigations Nos. 701-TA-205 through 207 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such subsidized products. 1/ Notice of the institution of the Commission's final investigations, and of the public hearing to be held in connection therewith, was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on March 14, 1984 (49 F.R. 9626). 2/ The hearing was held in Washington, D.C., on April 27, 1984. 3/

Commerce has also determined that critical circumstances exist in these investigations (49 F.R. 13726). The effect of an affirmative determination of critical circumstances is that any countervailing duties imposed as a result of these investigations will be retroactive to November 12, 1983, rather than February 10, 1984 (19 U.S.C. § 1671b(d)). Commerce's final affirmative subsidy and critical circumstances determinations were published on April 26, 1984 (49 F.R. 17988). 4/ The applicable statute directs that the Commission make its final injury determinations within 45 days after the final determinations by Commerce.

Background

On November 10, 1983, petitions were filed with the Commission and the Department of Commerce by the United States Steel Corp. (U.S. Steel), Pittsburgh, Pa., alleging that imports of certain carbon steel products from Brazil are being subsidized by the Brazilian Government and that industries in the United States are materially injured or threatened with material injury by reason of imports of such merchandise. Accordingly, effective November 10, 1983, the Commission instituted the following investigations: 5/

> Investigation No. 701-TA-204 (Preliminary), carbon steel plate, provided for in items 607.6615, 607.8320, 607.9400, 608.0710, or 608.1100 of the Tariff Schedules of the United States Annotated (TSUSA);

1/ The products subject to these investigations are carbon steel plate in coils, hot-rolled carbon steel sheet, and cold-rolled carbon steel sheet. Data for cut-to-length plate have been included in order that the condition of the total carbon steel plate industry could be examined.

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

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

4/ A copy of Commerce's final determinations is presented in app. C.

5/ Detailed descriptions of the products covered by these investigations are presented in pts. I and II of this report.

Investigation No. 701-TA-205 (Preliminary), carbon steel products in coils, provided for in TSUSA item 607.6610;

Investigation No. 701-TA-206 (Preliminary), hot-rolled carbon steel sheet, provided for in TSUSA items 607.6710, 607.6720, 607.6730, 607.6740, or 607.8342; 1/ and

Investigation No. 701-TA-207 (Preliminary), cold-rolled carbon steel sheet, provided for in TSUSA items 607.8350, 607.8355, or 607.8360. 2/

On November 21, 1983, the Commission received notification from U.S. Steel that it was withdrawing its countervailing duty petition concerning imports from Brazil of carbon steel plate in cut lengths (as provided for in items 607.6615, 607.8320, 607.9400, 608.0710, or 608.1100 of the TSUSA), and was amending its petitions concerning imports from Brazil of hot-rolled carbon steel sheet (investigations Nos. 701-TA-206 and 731-TA-153 (Preliminary)) and cold-rolled carbon steel sheet (investigations Nos. 701-TA-207 and 731-TA-154 (Preliminary)) to include those carbon steel products provided for in item 607.8320 of the TSUSA.

Accordingly, the Commission terminated investigation No. 701-TA-204 (Preliminary) and, in comformity with the product descriptions utilized by the Commission and by the Department of Commerce in their 1983 antidumping and countervailing duty investigations concerning certain steel products from Brazil and several other countries, 3/ amended the scope of investigations Nos. 701-TA-206, 701-TA-207, 731-TA-153, and 731-TA-154 (Preliminary) to include those carbon steel products provided for in item 607.8320 of the TSUSA.

On December 27, 1983, the Commission determined, on the basis of the record developed during the course of its preliminary investigations, 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 the subject carbon steel products from Brazil.

1/ An antidumping petition was also filed by U.S. Steel on hot-rolled carbon steel sheet from Brazil. On April 26, 1984, Commerce issued a preliminary affirmative decision on that case.

2/ An antidumping petition was also filed by U.S. Steel on cold-rolled carbon steel sheet from Brazil. On April 26, 1984, Commerce issued a preliminary negative determination on that case.

3/ See Certain Steel Products From Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom, and West Germany: Determinations of the Commission in Investigations Nos. 701-TA-86 through 144, 701-TA-146, and 701-TA-147 (Preliminary) Under Section 703(a) of the Tariff Act of 1930 and Investigations Nos. 731-Ta-53 through 86 (Preliminary) Under Section 733(a) of the Tariff Act of 1930 . . ., USITC Publication 1221, February 1982.

Discussion of Report Format

This report is organized in two major parts on the basis of product groups. Part I deals with carbon steel plate in coils and hot-rolled carbon steel sheet and part II deals with cold-rolled carbon steel sheet. Discussions of related Commission investigations on the subject products, the Department of Commerce's findings concerning subsidies, and foreign producers of the subject products in Brazil are presented in this introductory portion of the report.

Related Commission Investigations Concerning Imports of the Subject Steel Products

The products covered by these investigations have also been the subject of a number of other recent (since 1981) Commission investigations. These investigations and the Commission's determinations in each of them are shown in table 1.

Table 1.--Determinations of Commission investigations involving carbon steel plate, hot-rolled sheet, and cold-rolled sheet since 1981

(A = affirmative determination; N = negative determination)

Country	Plate 1/	Hot-rolled sheet	Cold-rolled sheet
	Preliminary determinations		
Belgium	2/3/ A	2/3/4/ A	2/3/4/ N
	5/6/ A	-	-
Brazil	2/7/ A	2/4/7/ N	2/4/7/ N
	7/8/ A	3/8/ A	3/8/ A
France	2/3/ N	2/3/4/ A	2/3/4/ A
Italy	2/3/ N	2/3/4/ A	2/3/4/ A
Korea	6/9/ A	-	-
	7/10/ A	7/10/ A	7/10/ N
Luxembourg	2/3/ N	2/3/4/ N	2/3/4/ N
Netherlands	2/3/ N	2/3/4/ A	2/3/4/ A
United Kingdom	2/3/ A	2/3/4/ N	2/3/4/ N
West Germany	2/3/ A	2/3/4/ A	2/3/4/ A
	5/6/ A	-	-
Romania	2/6/ A	-	-
Argentina	-	-	6/11/ A
Finland	6/11/ A	-	-
South Africa	6/11/ A	6/11/ A	6/11/ A
Spain	6/11/ A	-	6/11/ A
	Final determinations		
Brazil	12/13/ A	-	-
	14/15/ A		
Korea	13/16/ A	13/16/ A	-
Spain	13/17/ A	-	13/17/ A

1/ In its most recent final determination involving cut-to-length and coiled plate, the Commission determined that the two items are like products and should be considered together as the carbon steel plate industry (inv. No. 731-TA-123 (Final), March 1984).

(Continued)

Nature and Extent of Subsidies

The Department of Commerce published its final countervailing duty determinations on the products subject to these investigations in the Federal Register on April 26, 1984. Commerce found 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 the subject products in the following amounts: 36.48 percent ad valorem for Companhia Siderurgica Paulista (Cosipa), 62.18 percent ad valorem for Companhia Siderurgica Nacional (CSN), and 17.49 percent ad valorem for Usinas Siderurgicas de Minas Gerais (Usiminas).

(Footnotes for table 1--Continued)

2/ Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany, invs. Nos. 701-TA-86 through 144, 146, and 147 (Preliminary) and 731-TA-53 through 86 (Preliminary), February 1982.

3/ By reason of both allegedly LTFV and subsidized imports.

4/ Includes strip.

5/ Certain Flat-Rolled Carbon Steel Products from Belgium and the Federal Republic of Germany, invs. Nos. 731-TA-146 and 147 (Preliminary), November 1983 (Commerce terminated these investigations on the grounds that the petitioner was not an interested party with regard to coiled plate and did not represent the domestic industry with regard to cut-to-length plate).

6/ By reason of allegedly LTFV imports.

7/ By reason of allegedly subsidized imports.

8/ Certain Steel Products from Brazil, invs. Nos. 701-TA-205 through 207 and 731-TA-153 and 154 (Preliminary), December 1983.

9/ Certain Hot-Rolled Carbon Steel Plate from the Republic of Korea, inv. No. 731-TA-151 (Preliminary), December 1983.

10/ Certain Steel Products from the Republic of Korea, invs. Nos. 701-TA-170-173 (Preliminary), June 1982.

11/ Certain Carbon Steel Products from Argentina, Australia, Finland, South Africa, and Spain, invs. Nos. 701-TA-212 and 731-TA-169 through 182 (Preliminary).

12/ Hot-Rolled Carbon Steel Plate from Brazil, inv. No. 701-TA-87 (Final), 1983.

13/ By reason of subsidized imports only.

14/ Certain Flat-Rolled Carbon Steel Products from Brazil, inv. No. 731-TA-123 (Final), March 1984.

15/ By reason of LTFV imports only.

16/ Certain Steel Products from the Republic of Korea, invs. Nos. 701-TA-170, 171, and 173 (Final), February 1983.

17/ Certain Carbon Steel Products from Spain, invs. Nos. 701-TA-155, 157 through 160, and 162 (Final), December 1982.

The following programs were found to confer subsidies:

(In percent)

Program	Ad valorem benefit by company		
	Cosipa	CSN	Usiminas
Government provision of equity capital	20.36	24.5	3.73
Government guarantees on long-term loans	0.20	0.37	0.06
Short-term export financing (Resolution 674)	4.61	22.36	1.82
Export financing under the CIC-GREGE 14-11 circular	0.33	0.79	0.00
IPI export credit premium	7.50	10.78	8.71
Funding for expansion through IPI tax rebates	3.21	3.06	2.95
CDI program (exemption of IPI tax and customs duties on imported equipment)	0.45	0.37	0.22
Total net subsidy 1/	36.48	62.18	17.49

1/ Total may not add due to rounding.

The Department of Commerce also made final affirmative determinations of critical circumstances. In making these determinations Commerce found (1) that Brazil's exports subsidies on the subject steel products are inconsistent with the Subsidies Code, and (2) that there have been massive imports of these products over a relatively short period of time. 1/

Monthly imports of coiled plate, hot-rolled sheet, and cold-rolled sheet from Brazil during January 1982-March 1984 are shown in the following tabulation:

1/ Commerce compared the monthly average of imports from Brazil during the period of July through October 1983 with the monthly average of imports for the period of November 1983 through January 1984.

(In short tons)

Period	Coiled plate	Hot-rolled sheet	Cold-rolled sheet
1982:			
January	39	952	416
February	3,673	706	766
March	581	3,446	2,303
April	282	1,450	-
May	574	982	5,551
June	898	11,672	10,321
July	6,534	2,624	596
August	3,208	13,347	12,884
September	1,598	2,791	7,047
October	416	889	1,044
November	-	-	4,109
December	179	6,053	37
1983:			
January	2,291	9,517	7,584
February	1,317	8,797	7,176
March	1,578	18,647	31,647
April	1,998	7,766	20,361
May	1,509	4,749	19,744
June	1,064	20,743	37,256
July	4,176	29,738	24,569
August	9,263	32,646	28,546
September	1,115	22,076	40,029
October	153	22,426	35,551
November	345	28,803	54,806
December	5,155	45,193	36,122
1984:			
January	-	35,085	31,771
February	208	65,343	37,914
March	-	51,389	36,644

The Brazilian Steel Industry and its Capacity to Generate Exports

The Brazilian steel industry produced 16.2 million tons of raw steel in 1983, ranking 13th among world steel-producing countries. This represented a 13-percent increase from production in 1982, as shown in the following tabulation:

	Quantity (million short tons)
1973	7.9
1974	8.3
1975	9.2
1976	10.2
1977	12.4
1978	13.5
1979	15.3
1980	16.9
1981	14.6
1982	14.3
1983	16.2

The Siderbras group of companies produced 10.1 million tons of raw steel in 1983, representing 62 percent of total Brazilian production. 1/ Its three largest producers--Usiminas, Cosipa, and CSN--together accounted for the bulk of Siderbras' raw steel production, and over 50 percent of total Brazilian raw steel production. These three firms, all fully integrated steel producers, account for virtually all of Brazil's production of plate, hot-rolled sheet, and cold-rolled sheet.

Usiminas was Brazil's largest raw steel producer in 1982, accounting for 3.2 million tons, or 20 percent of Brazil's total production of raw steel. Usiminas is primarily a producer of flat-rolled carbon steel products, including plate, hot-rolled sheet, and cold-rolled sheet.

CSN, the second largest Brazilian steel producer, makes a full line of carbon steel products, including hot-rolled sheet, cold-rolled sheet, plate, bars, and structural shapes.

Cosipa, the third largest Brazilian steel producer, makes flat-rolled carbon steel products exclusively.

Brazil's aggregate production of hot-rolled sheet declined from 1.8 million tons in 1980 to 1.4 million tons in 1981, before rising to 2.0 million tons in 1982 (table 2). 2/

1/ Siderbras, a Government-controlled corporation in charge of Federally owned steel corporations, was established in 1973 to promote and stimulate new steel projects involving State participation. It controls eight operating Brazilian steel companies; two additional facilities are planned. The most recent steel facility of the Siderbras group to start production was Companhia Siderurgica de Tubarao, which came on line Dec. 1, 1983. The facility is a joint venture of Siderbras and Japanese and Italian steel companies; it produces carbon steel slabs, primarily for the export market.

2/ Brazil's production of hot-rolled sheet in 1982 was the largest achieved during the past decade. Its average annual production of such sheet rose from 1.04 million tons during 1973-77 to 1.65 million tons during 1978-82.

Table 2.--Hot-rolled steel sheet and coiled plate: Brazil's production, practical capacity, capacity utilization, imports, exports, and apparent consumption, 1980-82.

Item	1980	1981	1982
Production----------1,000 short tons--	1,826	1,410	2,020
Capacity 1/----------do----	9,800	9,800	9,800
Capacity utilization 1/--------percent--	18.6	14.4	20.6
Imports----------1,000 short tons--	3	104	2
Exports to--			
United States----------do----	2/	1	81
European Community----------do----	2/	45	121
Argentina----------do----	2/	17	64
Japan----------do----	2/	9	50
All other----------do----	2/	39	260
Total----------do----	56	111	576
Apparent consumption----------do----	1,777	1,403	1,446

1/ Capacity data were derived by the Commission's staff from data published by the Industria Siderurgica Brasileria; such data are substantially overstated in the context of this table. This is because the hot-strip mills upon which these capacity data are based are used for producing all hot-rolled sheet, both that marketed as such and that consumed captively in the production of other products such as galvanized sheet, coated sheet, and tin plate. The effective capacity of any hot-strip mill to produce the hot-rolled sheet and coiled plate which are the subjects of these investigations is subject to the current product mix of the mill.

2/ Not available.

Source: Annuario Estatistico da Industria Siderurgica Brasileria (IBS), 1982 and 1983.

As shown in table 2, Brazil's exports of hot-rolled sheet to the United States and other major markets increased substantially from 1980 to 1982. Brazilian exports of these products to the United States as a share of total exports also rose substantially, from 0.9 percent in 1981 to 14.1 percent in 1982.

Brazil's maximum annual capacity to produce cold-rolled carbon steel sheet remained steady at 4.4 million tons during 1980-82 (table 3). Brazilian production of cold-rolled sheet declined from 2.1 million tons in 1980 to 1.8 million tons in 1981, before increasing to 1.9 million tons in 1982. Consequently, capacity utilization fell from 48.3 percent in 1980 to 39.8 percent in 1981 and then increased to 43.7 percent in 1982.

Brazil's exports of cold-rolled carbon steel sheet to the United States and to other major markets are presented in table 4. Brazil's exports to the United States as a share of total Brazilian exports increased from 14.1 percent in 1981 to 21.5 percent in 1982.

Table 3.--Cold-rolled carbon steel sheet: Brazil's production, capacity, and capacity utilization, 1980-82

Item	1980	1981	1982
Production 1/----1,000 short tons---	2,126	1,750	1,922
Capacity----------do----	4,400	4,400	4,400
Capacity utilization 2/----percent--	48.3	39.8	43.7

1/ Includes both cut-to-length sheet and sheet in coils.

2/ Capacity data are based upon the capacity of Brazil's cold reduction mills. These mills produce cold-rolled sheet used as a feedstock for other flat-rolled carbon steel products, such as galvanized sheet, coated sheet, and tin plate, as well as cold-rolled sheet as an end product. Therefore, capacity utilization rates presented here are understated due to the inclusion in overall capacity of that portion of the cold reduction mill capacity devoted to production of feedstock.

Source: Production and capacity data compiled from Instituto Brasileria de Siderurgica.

Table 4.--Cold-rolled carbon steel sheet: Brazil's exports, by major markets, 1980-82

(In thousands of short tons)

Country	1980	1981	1982
United States----------	1/	22	65
European Community----------	1/	46	65
Argentina----------	1/	1	-
All other----------	1/	88	172
Total----------	67	158	302

1/ Not available.

Source: IBS: Annuario Estatistico da Industria Siderurgica Brasileira, 1982 and 1983.

Counsel for respondents provided production, capacity, and export data on a quarterly basis for 1983. These data pertain only to the three largest producers in Brazil (Usiminas, Cosipa, and CSN) and, therefore, are not an extension to tables 2, 3, and 4. All three Brazilian producers operated at high utilization rates in 1983, ranging from * * * percent * * * to * * * percent * * * for hot-rolled sheet and coiled plate, and * * * percent * * * to * * * percent * * * for cold-rolled sheet (table 5).

Table 5.--Hot-rolled sheet and coiled plate, and cold-rolled sheet: Production, capacity, and capacity utilization for three Brazilian producers, 1983

Items	CSN	Usiminas	Cosipa	Total
	(Short tons)			
Hot-rolled sheet and coiled plate:				
Production-------short tons--	***	***	***	***
Capacity---------------do----	***	***	***	***
Capacity utilization percent--	***	***	***	***
Cold-rolled sheet:				
Production-------short tons--	***	***	***	***
Capacity---------------do----	***	***	***	***
Capacity utilization percent--	***	***	***	***

Source: Post-hearing submission by counsel for respondents.

Total exports for these three firms, by quarters, are presented in table 6. Brazil exports significant quantities of these products to * * *, as well as to the United States.

Table 6.--Certain flat-rolled carbon steel products: Brazil's exports, 1/ by types and by quarters, 1983

Item	January-March	April-June	July-September	October December	Total
Coiled plate:					
To the United States----	***	***	***	***	***
All other----------	***	***	***	***	***
Total----------	***	***	***	***	***
Hot-rolled sheet:					
To the United States----	***	***	***	***	***
All other----------	***	***	***	***	***
Total----------	***	***	***	***	***
Cold-rolled sheet:					
To the United States----	***	***	***	***	***
All other----------	***	***	***	***	***
Total----------	***	***	***	***	***

1/ Data includes exports of CSN, Usiminas, and Cosipa only.

Source: Post-hearing submission by counsel for respondents.

PART I. COILED CARBON STEEL PLATE AND HOT-ROLLED CARBON STEEL SHEET

Introduction

This part of the report presents information relating specifically to coiled plate and hot-rolled carbon steel sheet. As indicated previously, following Commerce's preliminary determination on February 10, 1984, the Commission instituted countervailing duty investigations 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 such imports from Brazil (investigations Nos. 701-TA-205 and 206 (Final)).

The Products

Description and uses

The TSUSA describes carbon steel plate as a flat-rolled carbon steel product, whether or not corrugated or crimped, in coils or cut to length, 0.1875 inch (3/16 inch or 4.76 millimeters (mm)) or more in thickness and, if not cold rolled, over 8 inches in width, or, if cold rolled, over 12 inches in width. Cut-to-length carbon steel plate is provided for in TSUSA items 607.6620 and 607.6625; 1/ coiled plate is provided for in TSUSA item 607.6610. Carbon steel slab which for tariff purposes is classified as hot-rolled plate is not included. 2/

The American Iron & Steel Institute (AISI) categorizes the coiled products covered by TSUSA item 607.6610 as hot-rolled carbon steel sheet, primarily because they are produced on the same hot-strip mills on which other sheet products are produced. From a usage standpoint, the coiled products provided for in TSUSA item 607.6610 are most clearly identified as plate (i.e., they are used in applications requiring products having plate thicknesses (0.1875 inch or more)). From a marketing standpoint, because coiled plate is produced on a hot-strip mill, it is much less expensive than reversing mill plate of the same thickness. As a share of total plate production, on the basis of questionnaire responses, 69 percent was produced in hot-strip mills in 1981, 68 percent in 1982, and 70 percent in 1983; of the total produced in hot-strip mills, 59 percent was cut to length by the producer in 1981, 58 percent in 1982, and 46 percent in 1983.

The TSUSA describes hot-rolled carbon steel sheets as flat-rolled carbon steel products, whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to

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1/ Effective Jan. 1, 1984, the (TSUSA) statistical annotation 607.6615 was replaced by 607.6620 (cut-to-length carbon steel plate over 6 inches in thickness) and 607.6625 (cut-to-length carbon steel plate not over 6 inches in thickness).

2/ "Slab" is defined in the TSUSA as a semifinished product 2 to 6 inches in thickness, of rectangular cross section, having a width of at least four times the thickness. Imports of semifinished products rolled from ingots more than 6 inches in thickness are classified as plate under TSUSA item 607.6620.

nonrectangular shape; not coated or plated with metal; over 8 inches in width and in coils or if not in coils, under 0.1875 inch in thickness and over 12 inches in width. Such products are classified in TSUSA items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342.

In the U.S. market, sales of carbon-steel plate and sheet by domestic producers and importers are made either directly to end users or to steel service centers and distributors, which, in turn, sell to end users. 1/ During 1981-83, an increasing amount, averaging 28 percent, of all domestically produced carbon-steel plate 2/ went to service centers and distributors. The remainder was shipped to end users. The largest end-user markets for carbon-steel plate were the construction, machinery and industrial equipment, and shipbuilding and marine equipment industries, which accounted for 22, 12, and 8 percent, respectively, of total U.S. shipments in 1983 (table I-1). Other major end-user markets included the oil and gas industry (4 percent) and rail transportation (2 percent). Carbon-steel plate is primarily used in the construction of bridges, storage tanks, pressure vessels, railroad freight and passenger cars, ships, industrial machinery, and other capital goods sector products.

Major markets for hot-rolled carbon steel sheet (including coiled plate), as reported by the AISI, are shown in table I-2. During 1981-83, an increasing amount, averaging 38 percent, of all domestically produced hot-rolled carbon steel sheet (including coiled plate) went to service centers and distributors. The remainder was shipped to end users. The largest end-user market for such sheet was the automotive industry, which accounted for an average of 24 percent of total U.S. producers' shipments during 1981-83.

Production processes

Carbon steel plate is produced on various types of mills, including universal plate mills, sheared-plate mills, and hot-strip mills (on which all coiled plate is produced). Universal mills are characterized by vertical rolls preceding and following horizontal rolls. In these mills, only the length of the plate is increased, as the vertical rolls control the width. Consequently, only the ends of the plate need to be sheared. Sheared-plate mills, on the other hand, roll plate only between horizontal rolls, thereby increasing both the width and length of the product while reducing its thickness. Later all the edges are trimmed. The majority of sheared-plate mills are reversing, although some plate mills are semicontinuous or continuous. Hot-strip mills are continuous, and roll plate and sheet in the longitudinal direction of the slab. The slabs are roughed down in roughing stands and sent to finishing stands to attain the desired thickness. Hot-strip-mill plate is normally coiled and then either shipped in that configuration or cut to length on a separate production line.

1/ Large, integrated domestic producers, such as U.S. Steel and Bethlehem Steel Corp. (Bethlehem), also use part of their output of carbon steel plate in fabricating other products, such as bridges, ships, offshore oil-drilling rigs, and pressure vessels.

2/ Excluding coiled plate.

Table I-1.--Cut-to-length carbon steel plate: U.S. producers' shipments, by major markets, 1981-83

Market	1981	1982	1983
	Quantity (1,000 tons)		
Steel service centers and distributors	1,370	826	971
Construction and contractors products	1,242	772	611
Machinery, industrial equipment, and tools	933	461	335
Shipbuilding and marine equipment	781	215	216
Oil and gas industry	238	107	112
Rail transportation	223	95	52
All other	985	562	507
Total	5,772	3,038	2,804
	Percent of total		
Steel service centers and distributors	23.7	27.2	34.6
Construction and contractors products	21.5	25.4	21.8
Machinery, industrial equipment, and tools	16.2	15.2	11.9
Shipbuilding and marine equipment	13.5	7.1	7.7
Oil and gas industry	4.1	3.5	4.0
Rail transportation	3.9	3.1	1.8
All other	17.1	18.5	18.2
Total	100.0	100.0	100.0

Source: American Iron & Steel Institute.

Table 1.--Determinations of Commission investigations involving carbon steel plate, hot-rolled sheet, and cold-rolled sheet since 1981

(A = affirmative determination; N = negative determination)

Country	Plate 1/	Hot-rolled sheet	Cold-rolled sheet
	Preliminary determinations		
Belgium	2/3/ A	2/3/4/ A	2/3/4/ N
	5/6/ A	-	-
Brazil	2/7/ A	2/4/7/ N	2/4/7/ N
	7/8/ A	3/8/ A	3/8/ A
France	2/3/ N	2/3/4/ A	2/3/4/ A
Italy	2/3/ N	2/3/4/ A	2/3/4/ A
Korea	6/9/ A	-	-
	7/10/ A	7/10/ A	7/10/ N
Luxembourg	2/3/ N	2/3/4/ N	2/3/4/ N
Netherlands	2/3/ N	2/3/4/ A	2/3/4/ A
United Kingdom	2/3/ A	2/3/4/ N	2/3/4/ N
West Germany	2/3/ A	2/3/4/ A	2/3/4/ A
	5/6/ A	-	-
Romania	2/6/ A	-	-
Argentina	-	-	6/11/ A
Finland	6/11/ A	-	-
South Africa	6/11/ A	6/11/ A	6/11/ A
Spain	6/11/ A	-	6/11/ A
	Final determinations		
Brazil	12/13/ A	-	-
	14/15/ A		
Korea	13/16/ A	13/16/ A	-
Spain	13/17/ A	-	13/17/ A

1/ In its most recent final determination involving cut-to-length and coiled plate, the Commission determined that the two items are like products and should be considered together as the carbon steel plate industry (inv. No. 731-TA-123 (Final), March 1984).

(Continued)

After leaving one of the assorted finishing stands, the plates are usually divided according to their thickness. Thicker plates that cannot be flattened by a leveler are removed and usually sent to a flame-cutting department. Plates that remain are generally cooled by top and bottom water sprays, and then flattened by a leveler. The effectiveness of the flattening process increases as thickness decreases and as temperature increases. From the leveler, the plates will usually travel to a cooling bed. They are then measured and marked to desired size and shape, and stamped or painted with proper identification. The plates are crop sheared and subsequently side and end sheared. The plates are then weighed individually and transferred to the shipping building. Circular or semicircular plates and sketch plates can be produced by gas cutting or shearing rectangular plates.

Coiled plate and hot-rolled carbon steel sheet are both produced on hot-strip mills. In the hot-strip mill, slabs are heated to a rolling temperature of about 2,000° F. The slabs are sent into a scalebreaker to remove furnace scale, roughed down to a predetermined intermediate thickness in roughing stands and then sent to a series of finishing stands where further reductions are made. A typical continuous mill for hot rolling has four or five roughing stands and five to seven finishing stands. As the product is reduced in thickness, it is increased in length. Each succeeding set of rolls is rotated at a higher rate of speed to compensate for the elongated sheet. Water sprays at various locations cool the metal and remove oxide from the hot sheet surface. Upon reaching final thickness, the hot-rolled material has cooled to about 1,500° F. The product is then coiled or cut into shorter lengths and stacked. If desired, the sheet may be pickled (cleaned), in a bath of sulfuric or hydrochloric acid to remove surface oxides formed during hot rolling.

Coiled plate from hot-strip mills must also be leveled and cut to length before it can be used. This is sometimes done by the producer but is increasingly done by independent processors. There are basically two types of processors--toll processors, which level the plate and cut it to specified lengths for a fee paid by a distributor or end-user customer, and steel service centers/distributors, which purchase the coiled plate and level and cut it themselves in their own facilities. The leveling equipment, for the most part, has a maximum leveling capacity of about 1/2 inch.

In early 1983, coiled plate sold for approximately $80 to $100 per ton less than cut-to-length plate, because production costs in hot-strip mills are lower than those in sheared-plate mills and because the costs of cutting are foregone, and transportation costs are lower. The leveling and cutting, when done by toll processors or service centers/distributors, adds a charge of approximately $20 per ton to the product, thus making the cost of the cut products approximately $60 to $80 per ton less than cut-to-length plate from reversing mills. Because of, among other factors, higher labor costs in the hot-strip mills, it costs these domestic producers more than processors to supply this service. Thus, coiled plate which has been cut to length by the producer (called strip-mill plate) is usually priced at a level between the prices of the processor's plate and the reversing-mill plate. Price differentials narrowed in late 1983 as discounting increased.

U.S. tariff treatment

As mentioned, the imported coiled plate and hot-rolled sheet products subject to these investigations are classified and reported for tariff and statistical purposes under items 607.6610 (coiled plate), and 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342 (hot-rolled sheet) of the TSUSA. The current column 1 or most-favored-nation (MFN) rates of duty, 1/ final concession rates granted under the Tokyo round of the Multilateral Trade Negotiations (MTN), 2/ rates of duty for least developed developing countries (LDDC's), 3/ and column 2 duty rates 4/ are shown in table I-3. As indicated, such imports are currently dutiable at column 1 rates of from 6.2 to 6.8 percent ad valorem. Imports of the subject flat-rolled carbon steel products are not eligible for duty-free treatment under the GSP. 5/ However, such imports, if the product of designated beneficiary countries, are eligible for duty-free entry under the Caribbean Basin Initiative (CBI). 6/

1/ 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. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only communist countries currently eligible for MFN treatment. However, these rates would not apply to products of developing countries where such articles are eligible for preferential treatment provided under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

2/ Final concession rates granted under the Tokyo round of the MTN are the result of staged duty reductions of col. 1 rates which began Jan. 1, 1980. The reductions will occur annually with the final rates becoming effective Jan. 1, 1987.

3/ The preferential rates in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items and apply to covered products of the LDDC's 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 in col. 1 applies.

4/ The rates of duty in col. 2 apply to imported products from those communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

5/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, as enacted in title V of the Trade Act of 1974 and implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985. It provides for duty-free entry of eligible articles imported directly from designated beneficiary developing countries.

6/ The CBI is a program of nonreciprocal tariff preferences granted by the United States to developing countries in the Caribbean Basin area to aid their economic development by encouraging greater diversification and expansion of their production and exports. The CBI, as enacted in Title II of Public Law 98-67 and implemented by Presidential Proclamation No. 5133 of Nov. 30, 1983, applies to merchandise entered or withdrawn from warehouse for consumption on or after Jan. 1, 1984, and is scheduled to remain in effect until Sept. 30, 1995. It provides for duty-free entry of eligible articles imported directly from designated countries in the Caribbean Basin area.

Table I-3.--Cut-to-length carbon steel plate, 1/ coiled carbon steel plate, and hot-rolled carbon steel sheet: U.S. rates of duty as of Jan. 1, 1980, Jan. 1, 1984, and Jan. 1, 1987

Article description (abridged)	Rate of duty				
	Col. 1			LDDC's	Col. 2
	Jan. 1, 1980 2/	Jan. 1, 1984	Jan. 1, 1987		
Carbon steel plate, not in coils, not coated or plated with metal, not pickled and not cold rolled. 3/	7.5% ad val.	6.8% ad val.	6.0% ad val.	6.0% ad val.	20% ad val.
Carbon steel plate, in coils, not coated or plated with metal, not pickled and not cold rolled. 4/	7.5% ad val.	6.8% ad val.	6.0% ad val.	6.0% ad val.	20% ad val.
Carbon steel sheet, not cut, not pressed, and not stamped to non-rectangular shape, not coated or plated with metal and not clad:					
Not pickled and not cold rolled. 5/	7.5% ad val.	6.2% ad val.	4.9% ad val.	4.9% ad val.	20% ad val.
Pickled but not cold rolled. 6/	8.0% ad val.	6.6% ad val.	5.1% ad val.	5.1% ad val.	0.2¢/lb. + 20% ad val.

1/ Imports from Brazil of cut-to-length carbon steel plate are not subject to these investigations.

2/ The rate shown for Jan. 1, 1980, was also the applicable rate prior to the first staged reduction under the Tokyo round.

3/ Imports under TSUSA items 607.6620 and 607.6625.

4/ Imports under TSUSA item 607.6610.

5/ Imports under TSUSA items 607.6710, 607.6720, 607.6730, and 607.6740.

6/ Imports under TSUSA items 607.8320 and 607.8342.

In addition to the import duties shown in table I-3, findings of dumping have been issued and antidumping duties are currently in effect with respect to imports of cut-to-length and coiled carbon-steel plate from Brazil and cut-to-length plate from Japan and Taiwan. Countervailing duties are currently in effect with respect to imports of cut-to-length plate from Brazil and Spain and cut-to-length plate, coiled plate, and hot-rolled sheet from the Republic of Korea (Korea). U.S. imports of carbon-steel mill products such as plate are also subject to restraints imposed by administrative actions taken under provisions of the Buy American Act. 1/

Petitioners withdrew unfair trade complaints involving cut-to-length plate from Belgium, the United Kingdom, and West Germany and hot rolled sheet (including coiled plate) from Belgium, France, Italy, the Netherlands, and West Germany to bring into effect the Arrangement Concerning Trade in Certain Steel Products, which was concluded by the European Coal and Steel Community (ECSC) and the United States in October 1982. Under the Arrangement, European Community (EC) exports to the United States of 10 categories of steel products are to be limited to a specified share of apparent U.S. consumption from November 1, 1982, to December 31, 1985. Cut-to-length carbon steel plate is included in a category in which exports are limited to 5.36 percent of consumption. Hot-rolled carbon steel sheet (including coiled plate) is included in a category in which exports are limited to 6.81 percent of consumption.

U.S. Producers

About 15 firms produce cut-to-length carbon steel plate in the United States. The following tabulation, which was compiled from data obtained in response to the Commission's questionnaires, shows the principal producers and each firm's share of total U.S. producers' shipments of cut-to-length carbon steel plate (as reported by AISI) in 1983:

1/ The Buy American Act, 41 U.S.C. 10a-10d (1978), is the primary Congressionally mandated preference for U.S. goods. Under this act, U.S. Government agencies may purchase products of foreign origin for delivery in the United States only if the cost of the domestic product exceeds the cost of the foreign product, including duty, by 6 percent or more. This difference rises to 12 percent if the low domestic bidder is situated in a labor-surplus area, and to 50 percent if the purchase is made by the Department of Defense. The preferences may be waived in the public interest, however. For a more complete discussion of "Buy American" restrictions, see Certain Carbon Steel Products From Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, and the United Kingdom: Determinations of the Commission in Investigations Nos. 731-TA-18-24 (Preliminary) . . ., USITC Publication 1064, May 1980, p. A-17.

Firm	Share of shipments (percent)
Armco, Inc. (Armco)	***
Bethlehem	***
Gilmore Steel Corp. (Gilmore)	***
Inland Steel Co. (Inland)	***
Lukens Steel Co. (Lukens)	***
National Steel Corp. (National)	***
Republic Steel Corp. (Republic)	***
U.S. Steel	***

As indicated, domestic production of cut-to-length carbon steel plate is highly concentrated, with the five largest producers--* * *--accounting for 73 percent of total shipments in 1983. The first four of these producers are fully integrated firms that produce a wide range of steel mill products. * * *.

About 20 firms in the United States produce hot-rolled carbon steel sheet and coiled plate in a total of approximately 40 mills. The majority of these mills are located in Pennsylvania (11), Ohio (6), and Indiana (5). In addition, mills are also located in Illinois, Alabama, Utah, California, West Virginia, Maryland, and Kentucky. The following tabulation, which was compiled from data obtained in response to the Commission's questionnaires, shows the principal producers and each firm's share of total U.S. producers' shipments of coiled plate (as reported in questionnaires) and hot-rolled sheet (as reported by AISI) in 1983 (in percent of shipments):

Firm	Share of shipments of-- Coiled plate	Hot-rolled sheet
Armco	***	***
Bethlehem	***	***
Inland	***	***
Interlake, Inc. (Interlake)	***	***
National	***	***
Rouge Steel Corp	***	***
U.S. Steel	***	***

As indicated, the top four producers of coiled plate--* * *--together accounted for 81 percent of domestic producers' shipments in 1983. The top five producers of hot-rolled sheet--* * *--together accounted for 75 percent of domestic producers' shipments in 1983. Most of the producers are fully integrated firms that produce a wide range of steel mill products.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 19 firms that imported hot-rolled carbon steel sheet and coiled plate Brazil during October 1982-September 1983. The six largest importers together accounted for approximately 90 percent of the total quantity imported during that period. Most of the larger importers are trading companies that deal in a variety of steel products from a number of countries.

Apparent U.S. Consumption

Apparent U.S. consumption of carbon steel plate and hot-rolled sheet are shown in table I-4. The table shows separate statistical breakouts for cut-to-length plate, coiled plate, cut-to-length and coiled plate combined, and hot-rolled carbon steel sheet (excluding coiled plate). Apparent consumption of coiled carbon steel plate fell from 2.4 million tons in 1981 to 1.5 million tons in 1982 but rose in 1983 to 1.8 million tons. 1/ Coiled plate consumption increased by 30 percent during January-March 1984 compared with consumption in the corresponding period of 1983. Apparent consumption of cut-to-length plate and coiled plate together (total plate) fell by 43 percent from 1981 to 1982, with virtually no change in 1983. Total plate consumption increased by 43 percent in the first quarter of 1984 compared with consumption in the corresponding period of 1983.

Consumption of hot-rolled carbon steel sheet fell from 11.7 million tons in 1981 to 8.4 million tons in 1982, or by 28 percent, and then rose to 11.1 million tons in 1983, or by 32 percent. In the first quarter of 1984, consumption of hot-rolled sheet increased by 49 percent compared with consumption in the corresponding period of 1983.

The share of the domestic market for coiled plate supplied by imports rose from 21.3 percent during 1981 to 26.7 percent in 1982, but then fell to 16.2 percent in 1983 and to 15.8 percent in January-March 1984. The share of the market supplied by imports of total carbon steel plate rose from 23.7 percent in 1981 to 27.5 percent during 1982, and then fell to 23.5 percent in 1983. Imports of carbon steel plate accounted for 26.0 percent of plate consumption in the first quarter of 1984. The share of the U.S. market supplied by imports of hot-rolled carbon steel sheet (excluding coiled plate) rose steadily from 14.1 percent in 1981 to 16.3 percent in 1982, and to 18.6 percent in 1983. Imports of hot-rolled sheet accounted for 22.5 percent of consumption in January-March 1984.

1/ Unless otherwise noted, all quantities shown in this report are in short tons (2,000 pounds).

Table I-4.--Cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet (excluding coiled plate): U.S. producers' shipments, imports for consumption, exports, and apparent U.S. consumption, 1981-83, January-March 1983, and January-March 1984

Product and period	Shipments	Imports	Exports	Apparent consumption	Ratio of imports to-- Shipments	Ratio of imports to-- Consumption
	1,000 short tons				Percent	
Cut-to-length plate:						
1981	5,772	1,837	121	7,488	31.8	24.5
1982	3,038	1,149	52	4,135	37.8	27.8
1983	2,804	1,027	26	3,805	36.6	27.0
January-March						
1983	622	189	6	805	30.4	23.5
1984	844	366	6	1,204	43.4	30.4
Coiled plate: 1/						
1981	1,925	512	34	2,403	26.6	21.3
1982	1,072	389	5	1,456	36.3	26.7
1983	1,502	290	-	1,792	19.3	16.2
January-March						
1983	333	61	0	394	18.3	15.5
1984	433	81	0	514	18.7	15.8
Total plate:						
1981	7,697	2,349	152	9,894	30.5	23.7
1982	4,110	1,538	57	5,591	37.4	27.5
1983	4,305	1,317	26	5,596	30.6	23.5
January-March						
1983	955	250	6	1,199	26.2	20.9
1984	1,277	447	6	1,718	35.0	26.0
Hot-rolled sheet: 2/						
1981	10,126	1,649	103	11,672	16.3	14.1
1982	7,056	1,365	34	8,387	19.3	16.3
1983	9,035	2,064	10	11,089	22.8	18.6
January-March						
1983	2,015	369	9	2,375	18.3	15.5
1984	2,748	793	10	3,531	28.9	22.5

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires.

2/ Excluding coiled plate.

Source: Shipments (domestic and export) of cut-to-length carbon steel plate and hot-rolled carbon steel sheet, compiled from statistics of the American Iron & Steel Institute; shipments (domestic and export) of coiled plate, compiled from questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Consideration of Material Injury to an Industry in the United States

The information in this section of the report was compiled from questionnaire data. It is therefore understated to the extent that a few domestic firms that are believed to produce the subject products did not respond to the Commission's questionnaires. Nevertheless, most of the major producers of the products have responded, and they are believed to account for more than 80 percent of total U.S. production of carbon steel plate and hot-rolled sheet. Tables in this section are arranged to show data separately on cut-to-length plate, coiled plate, cut-to-length and coiled plate combined (total plate), and hot-rolled carbon steel sheet.

U.S. production, capacity, and capacity utilization

As shown in table I-5, production of coiled carbon steel plate dropped dramatically from 2.0 million tons in 1981 to 1.0 million tons in 1982, or by 47 percent. It then increased by 43 percent in 1983 to 1.5 million tons. Productive capacity for coiled plate remained fairly constant at 2.9 million tons during 1981-83. Capacity utilization for coiled plate fell from 68 percent in 1981 to 37 percent in 1982, but then partially recovered to 51 percent in 1983.

Total plate production fell from 6.9 million tons in 1981 to 3.6 million tons in 1982, and then rose somewhat to 3.9 million tons in 1983.

Production of hot-rolled sheet fell from 9.8 million tons in 1981 to 6.6 million tons in 1982, or by 33 percent, but then rose by 46 percent to 9.6 million tons in 1983. The capacity of the machinery used to produce hot-rolled sheet remained relatively constant at about 17.5 million tons during 1981-83. Capacity utilization declined from 56 percent in 1981 to 37 percent in 1982, and then increased to 54 percent in 1983.

Production and capacity utilization improved for all categories during January-March 1984.

U.S. producers' domestic shipments

U.S. producers' domestic shipments of coiled plate, total plate, and hot-rolled carbon steel sheet are presented in table I-6.

Domestic shipments of coiled plate fell from 1.8 million tons in 1981 to 1.0 million tons in 1982, or by 43 percent, before increasing to 1.4 million tons in 1983. Domestic shipments of all carbon-steel plate fell by 46 percent from 1981 to 1982, then rose by 5 percent in 1983.

U.S. producers' total domestic shipments of hot-rolled carbon steel sheet fell from 8.9 million tons in 1981 to 6.0 million tons in 1982, and then rose by 33 percent to 8.0 million tons in 1983.

In the first quarter of 1984, shipments for all products increased compared with shipments in the corresponding period of 1983.

Table I-5.--Cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet (excluding coiled plate): U.S. production, 1/ practical capacity, 2/ and capacity utilization, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Cut-to-length plate:					
Production-----1,000 short tons--	4,912	2,515	2,375	491	833
Capacity----------do----	8,695	8,716	8,717	2,165	2,164
Capacity utilization----percent--	56.5	28.9	27.3	22.7	38.5
Coiled plate:					
Production-----1,000 short tons--	1,968	1,040	1,489	291	439
Capacity----------do----	2,889	2,809	2,942	701	576
Capacity utilization----percent--	68.1	37.0	50.6	41.5	76.2
Total plate: 3/					
Production-----1,000 short tons--	6,880	3,555	3,864	782	1,272
Capacity----------do----	11,584	11,525	11,659	2,866	2,740
Capacity utilization----percent--	59.4	30.8	33.1	27.3	46.4
Hot-rolled sheet:					
Production-----1,000 short tons--	9,696	6,475	9,290	1,975	2,439
Capacity----------do----	17,499	17,584	17,621	4,362	4,005
Capacity utilization----percent--	55.4	36.8	52.7	45.3	60.9

1/ Production and capacity figures are understated to the extent that all producers did not respond to the Commission's questionnaires.

2/ 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 attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

3/ As mentioned in the sections of this report on product descriptions and production processes, coiled plate is produced on hot-strip mills. Because hot-strip mills are primarily producers of sheet, the allocation of their capacity to the production of coiled plate is more a function of the demand for sheet than it is the demand for the coiled plate. Therefore, combined capacity and capacity utilization data for cut-to-length and coiled plate are less meaningful indicators of the producers' condition than are the separate data, particularly those for cut-to-length plate.

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

Table I-6.--Cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet: U.S. producers' domestic shipments, 1/ 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
	Quantity (1,000 short tons)				
Cut-to-length plate	4,476	2,344	2,084	438	647
Coiled plate	1,777	1,012	1,430	313	417
Total	6,253	3,356	3,514	751	1,064
Hot-rolled sheet	8,868	6,021	8,024	1,757	2,208
	Value (million dollars)				
Cut-to-length plate	2,185	1,137	857	217	277
Coiled plate	641	346	443	95	132
Total	2,826	1,483	1,300	312	409
Hot-rolled sheet	3,237	2,130	2,735	579	768
	Unit value (per ton)				
Cut-to-length plate	$488	$485	$411	495	428
Coiled plate	361	342	310	304	317
Total	452	442	370	415	384
Hot-rolled sheet	365	354	341	330	348

1/ Does not include intercompany and intracompany transfers.

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

The AISI compiles data on shipments of steel products, including those under investigation; however, as has been stated before, they do not break out data for coiled plate separately, but include it in their statistics on hot-rolled sheet. A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of cut-to-length carbon steel plate and hot-rolled carbon steel sheet (including coiled plate) is presented in the following tabulation:

Product and year	AISI shipments (1,000 tons)	Questionnaire shipments 1/ (1,000 tons)	Coverage (percent)
Cut-to-length plate:			
1981----------	5,772	4,858	84
1982----------	3,038	2,549	84
1983----------	2,804	2,336	83
Hot-rolled sheet and coiled plate:			
1981----------	12,051	11,406	95
1982----------	8,128	7,637	94
1983----------	10,536	10,582	100

1/ Including exports and intercompany and intracompany transfers.

U.S. producers' exports

U.S. producers' exports of coiled plate fell throughout the period, from 34,000 tons in 1981 to 5,000 tons in 1982 and zero in 1983. Exports of hot-rolled sheet fell from 109,000 tons in 1981 to 29,000 tons in 1982 and 4,000 tons in 1983 (table I-7). In the first quarter of 1984, U.S. producers did not report any exports of coiled plate, but did report 5,000 tons of hot-rolled sheet.

U.S. producers' inventories

End-of-period inventories of coiled plate and hot-rolled sheet, as reported by U.S. producers in response to the Commission's questionnaires, remained small during 1981-83, amounting to about 5 to 10 percent of the responding producers' shipments of each product in each of these periods. Reported end-of-period inventories are shown in the tabulation following table I-7 (in thousands of short tons):

Table I-7.--Cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet: U.S. producers' export shipments, 1/ 1981-83

Item	1981	1982	1983
	Quantity (1,000 short tons)		
Cut-to-length plate	75	32	14
Coiled plate	34	5	0
Total	109	37	14
Hot-rolled sheet	122	29	4
	Value (million dollars)		
Cut-to-length plate	32	16	7
Coiled plate	8	2	-
Total	39	18	7
Hot-rolled sheet	37	8	1
	Unit value		
Cut-to-length plate	$427	$500	$500
Coiled plate	235	400	-
Average	358	486	500
Hot-rolled sheet	303	276	250

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires.

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

U.S. producers' inventories

	Coiled plate	Total plate	Hot-rolled sheet
As of Dec. 31--			
1980	106	330	489
1981	143	348	518
1982	107	228	379
1983	93	210	541
As of March 31--			
1983	65	174	395
1984	99	219	535

U.S. employment, wages, and productivity

The number of production and related workers producing coiled carbon steel plate fell by 35 percent in 1982 and then rose by 10 percent in 1983 (table I-8). Hours worked by these production and related workers fell by 38

Table I-8.--Average number of employees, total and production and related workers, in U.S. establishments producing cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet, and hours paid 1/ for the latter, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Average employment:					
All products:					
Number	212,847	161,471	147,546	133,358	112,578
Percentage change	2/	-24.1	-8.6	2/	-15.6
Production and related workers producing--					
All products: 3/					
Number	177,278	130,289	120,387	96,279	111,372
Percentage change	2/	-26.5	-7.6	2/	15.7
Cut-to-length plate:					
Number	15,153	7,926	6,440	6,121	7,800
Percentage change	2/	-47.7	-18.7	2/	27.4
Coiled plate:					
Number	3,346	2,169	2,382	2,145	2,733
Percentage change	2/	-35.2	9.8	2/	27.4
Total plate:					
Number	18,499	10,095	8,822	8,266	10,533
Percentage change	2/	-45.4	-12.6	2/	27.4
Hot-rolled sheet:					
Number	20,310	15,208	18,735	15,627	18,567
Percentage change	2/	-25.1	23.2	2/	18.8
Hours worked by production and related workers producing--					
All products: 3/					
1,000 hours	359,342	251,045	244,902	55,796	59,668
Percentage change	2/	-30.1	-2.4	2/	6.9
Cut-to-length plate:					
1,000 hours	29,848	15,419	13,059	3,037	3,973
Percentage change	2/	-48.0	-14.2	2/	30.8
Coiled plate:					
1,000 hours	6,783	4,187	4,788	1,075	1,450
Percentage change	2/	-38.3	14.4	2/	34.9
Total plate:					
1,000 hours	36,631	19,606	17,847	4,112	5,423
Percentage change	2/	-46.5	-9.0	2/	31.9
Hot-rolled sheet:					
1,000 hours	40,295	29,934	36,863	7,680	9,545
Percentage change	2/	-25.7	23.1	2/	24.3

1/ Includes hours worked plus hours of paid leave time.
2/ Not available.
3/ Includes total plate, hot-rolled sheet, and cold-rolled sheet.

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

percent from 1981 to 1982 and then rose by 14 percent in 1983. The combined number of production and related workers producing cut-to-length and coiled carbon steel plate fell by 52 percent from 1981 to 1983. Combined hours worked by production and related workers producing cut-to-length and coiled plate fell by 51 percent during that period. The number of production and related workers producing hot-rolled sheet declined 25 percent from 1981 to 1982 and then increased 23 percent in 1983. Hours worked by these workers similarly fell by 26 percent in 1982, then rose by 23 percent in 1983.

Wages and total compensation 1/ paid to production and related workers producing all products and those paid to production and related workers producing cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet (excluding coiled plate) are shown in table I-9.

Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table I-10. As shown, productivity fell in 1982 but reached period highs in 1983, and hourly compensation rose in 1982 but fell in 1983. One component of the cost differential between the production of cut-to-length carbon steel plate and coiled plate is apparent in table I-10, which shows that unit labor costs for coiled plate were, on average, 45 percent below those for cut-to-length plate.

Table I-9.--Wages and total compensation 1/ paid to production and related workers in establishments producing cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Wages paid to production and related workers producing--					
All products:					
Value					
million dollars--	5,560	4,179	3,621	860	884
Percentage change----	2/	-24.8	-13.4	2/	2.8
Cut-to-length plate:					
Value					
million dollars--	418	230	174	41	56
Percentage change----	2/	-45.0	-24.4	2/	36.6
Coiled plate:					
Value					
million dollars--	103	68	70	16	21
Percentage change----	2/	-34.0	2.9	2/	31.2

See footnotes at end of table.

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

Table I-9.--Wages and total compensation 1/ paid to production and related workers in establishments producing cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984--Continued

Item	1981	1982	1983	January-March--	
				1983	1984
Total plate:					
Value					
million dollars--	521	298	244	57	77
Percentage change----	2/	-42.8	-18.1	2/	35.1
Hot-rolled sheet:					
Value					
million dollars--	615	497	558	123	147
Percentage change----	2/	-19.2	12.3	2/	19.5
Total compensation paid to production and related workers producing--					
All products:					
Value					
million dollars--	4,830	3,660	3,626	1,339	1,316
Percentage change----	2/	-24.2	-0.9	2/	-1.7
Cut-to-length plate:					
Value					
million dollars--	548	317	296	63	80
Percentage change----	2/	-42.2	-6.6	2/	27.0
Coiled plate:					
Value					
million dollars--	132	93	98	23	30
Percentage change----	2/	-29.6	5.4	2/	30.4
Total compensation paid to production and related workers producing--Continued					
Total plate:					
Value					
million dollars--	681	410	394	86	110
Percentage change----	2/	-39.8	-4.0	2/	27.9
Hot-rolled sheet:					
Value					
million dollars--	800	692	805	253	259
Percentage change----	2/	-13.5	16.3	2/	2.4

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

2/ Not available.

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

Table I-10.--Labor productivity, hourly compensation, and unit labor costs in the production of cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Labor productivity:					
Cut-to-length plate:					
Quantity					
tons per hour--	0.1580	0.1541	0.1662	0.1569	0.1896
Percentage change----	1/	-2.5	7.9	1/	20.8
Coiled plate:					
Quantity					
tons per hour--	0.2496	0.2166	0.2975	0.2371	0.2800
Percentage change----	1/	-13.2	37.3	1/	18.1
Total Plate:					
Quantity					
tons per hour--	0.1750	0.1674	0.2014	0.1778	0.2138
Percentage change----	1/	-4.4	20.3	1/	20.2
Hot-rolled sheet:					
Quantity					
tons per hour--	0.2385	0.2147	0.2503	0.3206	0.2540
Percentage change----	1/	-10.0	16.6	1/	-20.8
Hourly compensation: 2/					
Cut-to-length plate:					
Value------per hour--	$14.00	$14.92	$13.32	$13.50	$14.10
Percentage change----	1/	6.6	-10.7	1/	4.4
Coiled plate:					
Value------per hour--	$15.19	$16.24	$14.62	$14.88	$14.48
Percentage change----	1/	6.9	-10.0	1/	-2.7
Total plate:					
Value------per hour--	$14.22	$15.20	$13.67	$13.86	$14.20
Percentage change----	1/	6.9	-10.1	1/	2.4
Hot-rolled sheet:					
Value------per hour--	$15.26	$16.60	$15.14	$16.02	$15.40
Percentage change----	1/	8.8	-8.8	1/	-3.9
Unit labor costs: 3/					
Cut-to-length plate:					
Value-------per ton--	$116.18	$133.42	$136.39	$132.35	$106.24
Percentage change----	1/	14.6	2.2	1/	-19.7
Coiled plate:					
Value-------per ton--	$77.97	$102.54	68.82	90.20	73.90
Percentage change----	1/	31.6	-32.9	1/	-18.1

See footnotes at end of table.

Table I-10.--Labor productivity, hourly compensation, and unit labor costs in the production of cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984--Continued

Item	1981	1982	1983	January-March--	
				1983	1984
Unit labor costs:--Cont.					
Total plate:					
Value-------per ton--:	$106.24	$124.91	$109.61	117.60	94.87
Percentage change----:	1/	17.6	-12.3	1/	-19.3
Hot-rolled sheet:					
Value-------per ton--:	$83.25	$107.66	$87.26	102.67	106.84
Percentage change----:	1/	29.3	-19.0	1/	4.1

1/ Not available.
2/ Based on wages paid excluding fringe benefits.
3/ Based on total compensation paid.

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

Financial experience of U.S. producers

Operations on cut-to-length carbon steel plate.--Income-and-loss data were received from 10 firms, accounting for 83 percent of total shipments of cut-to-length steel plate (as reported by AISI) in 1983. These data are presented in table I-11. The 10 responding producers' net sales of such merchandise declined from $2.3 billion in 1981 to $1.2 billion in 1982, or by 48 percent, and then declined by an additional 23 percent to $944 million in 1983.

In 1982 and 1983, the 10 firms sustained aggregate operating losses of $141 million, or 11.5 percent of net sales, and $235 million, or 24.9 percent of net sales, respectively, compared with an operating income of $66 million, or 2.8 percent of net sales, in 1981. All 10 responding firms reported operating losses in 1982, compared with 8 firms reporting operating losses in 1983 and 3 firms in 1981.

In the aggregate, the 10 responding firms experienced a positive cash flow of $107 million in 1981, compared with negative cash flows of $109 million in 1982 and $210 million in 1983.

Eleven firms, which accounted for 84 percent of total shipments (as reported by AISI) in 1983, reported data for the first quarters of 1983 and 1984 on their income-and-loss experience for their cut-to-length carbon steel plate operations. These data are presented in the tabulation following table I-11.

Table I-11.--Income-and-loss experience of 10 U.S. producers 1/ on their operations producing cut-to-length carbon steel plate, accounting years 1981-83

Item	1981	1982	1983 2/
Net sales----------million dollars--	2,343	1,231	944
Costs of goods sold----------do----	2,202	1,308	1,127
Gross income or (loss)----------do----	140	(77)	(183)
General, selling, and administrative expenses----------do----	74	64	52
Operating income or (loss)----------do----	66	(141)	(235)
Depreciation and amortization expenses 2/----------do----	41	32	25
Cash flow or (deficit) from operations--do----	107	(109)	(210)
Ratio to net sales of--			
Gross income or (loss)----------percent--	6.0	(6.3)	(19.4)
Operating income or (loss)----------do----	2.8	(11.5)	(24.9)
Cost of goods sold----------do----	94.0	106.3	119.4
General, selling, and administrative expenses----------do----	3.2	5.2	5.5

1/ These 10 firms accounted for 83 percent of 1983 shipments of cut-to-length plate, as reported by AISI.

2/ Nine firms reported data in 1983 (* * *).

3/ Only 7 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

Item	January-March--	
	1983	1984
Net sales----------million dollars--	229	306
Gross income or (loss)----------do----	(43)	(36)
Operating income or (loss)-------do----	(57)	(48)
Gross income margin----------percent--	(18.8)	(11.8)
Operating income margin----------do----	(24.9)	(15.7)

Aggregate operating losses declined from $57 million, or 24.9 percent of net sales in January-March 1983, to $48 million, or 15.7 percent of net sales, in the same period of 1984.

Operations on coiled plate.--There were seven producers, accounting for all U.S. shipments of coiled carbon steel plate in 1983 (as reported in response to the Commission's questionnaires), that provided income-and-loss data relative to their operations producing such merchandise. Net sales of coiled plate fell 46.9 percent from $635 million in 1981 to $337 million in 1982, but then increased to $424 million in 1983, as shown in table I-12.

Table I-12.--Income-and-loss experience of 7 U.S. producers 1/ on their operations producing coiled carbon steel plate, accounting years 1981-83

Item	1981	1982	1983
Net sales----------million dollars--	635	337	424
Costs of goods sold----------do----	635	384	447
Gross income or (loss)----------do----	0	(47)	(23)
General, selling, and administrative expenses----------do----	14	12	14
Operating income or (loss)----------do----	(14)	(59)	(37)
Depreciation and amortization expenses 2/----------do----	13	11	13
Cash flow or (deficit) from operations--do----	(1)	(48)	(24)
Ratio to net sales of--			
Gross income or (loss)----------percent--	-	(13.9)	(5.4)
Operating income or (loss)----------do----	(2.2)	(17.5)	(8.7)
Cost of goods sold----------do----	100.0	113.9	105.4
General, selling, and administrative expenses----------do----	2.2	3.6	3.3

1/ These 7 firms accounted for 100 percent of 1983 shipments of coiled plate reported in response to the Commission's questionnaires.

2/ Only 4 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

U.S. producers of coiled plate reported aggregate operating losses throughout the period under investigation. Operating losses increased from $14 million, or 2.2 percent of net sales, in 1981 to $59 million, or 17.5 percent of net sales, in 1982, but then fell in 1983 to $37 million, or 8.7 percent of net sales. Five firms reported operating losses in 1981; all responding firms sustained operating losses in 1982, and six firms did so in 1983.

In the aggregate, the seven responding firms experienced negative cash flows of $48 million in 1982 and $24 million in 1983, compared with a small negative cash flow of $1 million in 1981.

Responding firm's income-and-loss data on their coiled carbon steel plate operations for January-March 1983 and 1984 are presented in the following tabulation:

Item	January-March--	
	1983	1984
Net sales----------million dollars--	95	136
Gross income or (loss)----------do----	(14)	(4)
Operating income or (loss)-------do----	(18)	(9)
Gross income margin----------percent--	(14.7)	(2.9)
Operating income margin----------do----	(18.9)	(6.6)

Source: Compiled from data submitted in response to questionnaires of the USITC.

The aggregate operating loss was cut in half in the most recent period, from $18 million, or 18.9 percent of net sales in January-March 1983, to $9 million, or 6.6 percent of net sales, in the corresponding period of 1984.

Operations on cut-to-length plate and coiled plate.--Combined income-and-loss data for the production of cut-to-length plate and coiled plate is presented in table I-13. Net sales of these products fell by 47.3 percent from $3.0 billion in 1981 to $1.6 billion in 1982 and by another 12.8 percent to $1.4 billion in 1983.

In 1982, the firms reported an operating loss of $200 million, or 12.8 percent of sales, compared with an operating income of $52 million (1.7 percent of sales) in 1981, and an operating loss of $272 million (19.9 percent of sales) in 1983. The number of firms reporting operating losses were 6 in 1981, 11 in 1982, and 10 in 1983.

Table I-13.--Income-and-loss experience of 11 U.S. producers 1/ on their operations producing cut-to-length and coiled carbon steel plate, accounting years 1981-83

Item	1981	1982	1983
Net sales----------million dollars--	2,978	1,568	1,368
Costs of goods sold----------do----	2,838	1,692	1,574
Gross income or (loss)----------do----	140	(124)	(206)
General, selling, and administrative expenses----------do----	88	76	66
Operating income or (loss)----------do----	52	(200)	(272)
Depreciation and amortization expenses 2/----------do----	54	43	38
Cash flow or (deficit) from operations--do----	106	(157)	(234)
Ratio to net sales of--			
Gross income or (loss)----------percent--	4.7	(7.9)	(15.1)
Operating income or (loss)----------do----	1.7	(12.8)	(19.9)
Cost of goods sold----------do----	95.3	107.9	115.1
General, selling, and administrative expenses----------do----	3.0	4.8	4.8

1/ These 11 firms accounted for 100 percent of 1983 shipments of coiled plate (as reported in response to the Commission's questionnaires) and 83 percent of 1983 shipments of cut-to-length plate (as reported by AISI).

2/ Only 4 firms provided depreciation and amortization expenses for operations on coiled plate and only 7 firms provided depreciation and amortization expenses for operations on cut-to-length plate. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

Income-and-loss data on their total plate operations for January-March 1983 and 1984 are presented in the following tabulation:

Item	January-March--	
	1983	1984
Net sales----------million dollars--	324	442
Gross income or (loss)----------do----	(57)	(40)
Operating income or (loss)-------do----	(75)	(57)
Gross income margin----------percent--	(17.6)	(9.0)
Operating income margin----------do----	(23.1)	(12.9)

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

Aggregate operating losses dropped from $75 million, or 23.1 percent of net sales, in January-March 1983, to $57 million, or 12.9 percent of net sales, in the corresponding period of 1984.

Operations on hot-rolled carbon steel sheet.--Income-and-loss data were received from nine firms, which together accounted for 92 percent of total shipments of all hot-rolled carbon steel sheet in 1983 (as reported by AISI, but with shipments of coiled plate deducted). These data are presented in table I-14. The responding producers' net sales of hot-rolled carbon steel sheet (excluding coiled plate) fell from $3.5 billion in 1981 to $2.3 billion in 1982, or by 33.2 percent. Such sales rose in 1983 to $3.1 billion, or by 32.6 percent.

In 1983, the nine firms sustained an aggregate operating loss of $313 million, or 10.1 percent of net sales, compared with operating losses of $405 million, or 17.4 percent of net sales, in 1982 and $81 million, or 2.3 percent of net sales, in 1981.

Table I-14.--Income-and-loss experience of 9 U.S. producers 1/ on their operations producing hot-rolled carbon steel sheet, 2/ accounting years 1981-83

Item	1981	1982	1983
Net sales----------million dollars--	3,487	2,329	3,089
Costs of goods sold----------do----	3,447	2,605	3,276
Gross income or (loss)----------do----	40	(276)	(187)
General, selling, and administrative expenses----------do----	121	129	126
Operating income or (loss)----------do----	(81)	(405)	(313)
Depreciation and amortization expenses 3/----------do----	77	74	83
Cash flow or (deficit) from operations--do----	(4)	(331)	(230)
Ratio to net sales of--			
Gross income or (loss)----------percent--	1.1	(11.9)	(6.1)
Operating income or (loss)----------do----	(2.3)	(17.4)	(10.1)
Cost of goods sold----------do----	98.9	111.9	106.1
General, selling, and administrative expenses----------do----	3.5	5.5	4.1

1/ These nine firms accounted for 92 percent of 1983 shipments of hot-rolled sheet (excluding coiled plate).

2/ Excluding coiled plate.

3/ Only 7 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated and deficits are somewhat overstated.

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

All nine responding firms reported operating losses in 1982 and 1983, compared with five firms that reported such losses in 1981. In the aggregate, the nine firms experienced negative cash flows from their operations on hot-rolled carbon steel sheet (excluding coiled plate) each year during 1981-83. Such negative cash flows amounted to $331 million in 1982, and $230 million in 1983, compared with a small negative cash flow of $4 million in 1981.

The nine responding firms also reported income-and-loss data for January-March 1983 and 1984 on their hot-rolled carbon steel sheet operations. These data are presented in the following tabulation:

Item	January-March--	
	1983	1984
Net sales----------million dollars--	644	849
Gross income or (loss)----------do----	(62)	(7)
Operating income or (loss)-------do----	(97)	(43)
Gross income margin----------percent--	(9.6)	(0.8)
Operating income margin----------do----	(15.1)	(5.1)

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

Aggregate operating losses for this product line were also reduced by half during the most recent period, from $97 million, or 15.1 percent of net sales, in January-March 1983, to $43 million, or 5.1 percent of net sales, in the corresponding period of 1984.

Capital expenditures.--Four firms supplied data relative to their expenditures for land, buildings, and machinery and equipment used in the manufacture of cut-to-length carbon steel plate. Such capital expenditures increased from $31 million in 1981 to $36 million in 1982, and then dropped to $27 million in 1983. Capital expenditures declined by 38 percent in January-March 1984 compared with such expenses in the corresponding period of 1983. The same number of firms supplied data on their capital expenditures used in the manufacture of coiled plate. Such expenditures declined from $29 million in 1981 to $20 million in 1982, and then increased to $25 million in 1983. In January-March 1984, capital expenditures for three reporting firms dropped by 36 percent from the level reported in January-March 1983. Again four firms supplied data on their expenditures for land, buildings, and machinery and equipment used in the manufacture of hot-rolled carbon steel sheet (excluding coiled plate). Such capital expenditures declined from $92 million in 1981 to $70 million in 1982, and then increased to $78 million in 1983. Three firms reported such expenditures for Janaury-March 1983-84 period.

One firm, * * *, reported an increase of 186 percent in its capital expenditures in January- March 1984, compared with such expenditures in the corresponding period of 1983. Reported capital expenditures are shown in the following tabulation:

Item and period	Expenditures (1,000 dollars)
Cut-to-length plate:	
1981	30,933
1982	36,008
1983	26,947
January-March:	
1983	4,213
1984	2,620
Coiled plate:	
1981	28,547
1982	20,051
1983	24,785
January-March:	
1983	3,465
1984	2,222
Hot-rolled sheet: 1/	
1981	91,731
1982	70,494
1983	78,430
January-March:	
1983	8,143
1984	11,334

1/ Excluding coiled plate.

Research and development expenditures.--Research and development expenses relative to operations on cut-to-length carbon steel plate, as reported by seven producers that responded to this part of the Commission's questionnaires, fell from $6.4 million in 1981 to $5.2 million in 1982 and $4.7 million in 1983. Research and development expenses relative to operations on coiled plate were provided by two producers. These expenses decreased by 20 percent from 1981 to 1982 but then increased by 13 percent from 1982 to 1983. Research and development expenses relative to operations on hot-rolled carbon steel sheet (excluding coiled plate), as reported by six producers that responded to this part of the Commission's questionnaire, rose from $6.4 million in 1981 to $6.6 million in 1982, and $7.1 million in 1983. Reported research and development expenditures are shown in the following tabulation:

Item and period	Expenditures (1,000 dollars)
Cut-to-length plate:	
1981	6,362
1982	5,167
1983	4,736
January-March:	
1983	266
1984	704
Coiled plate:	
1981	***
1982	***
1983	***
January-March:	
1983	***
1984	***
Hot-rolled sheet: 1/	
1981	6,353
1982	6,571
1983	7,078
January-March:	
1983	431
1984	709

1/ Excluding coiled plate (except for * * *, which included coiled plate in its data).

Consideration of Threat of Material Injury to an Industry in the United States

In its examination of the question 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 in subsidized imports, the rate of increase in U.S. market penetration by such imports, the amounts of imports held in inventory in the United States, and the capacity of producers in the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of cut-to-length carbon steel plate, coiled plate, and hot-rolled sheet and of their U.S. market penetration is presented in the section of this part of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Subsidized Imports." Available data on foreign producers' capacity, production, and exports were presented in the introductory part of the report.

U.S. importers' inventories

The Commission sent questionnaires to 14 firms which were believed to have imported plate in coils or hot-rolled sheet from Brazil. Seven firms, accounting for approximately 61 percent of such imports in 1983, reported that they had imported the subject products from Brazil. Of the 151,451 tons imported by the responding firms in 1983, inventories held as of the end of that period totaled 10,189 tons, or 6.7 percent of their reported imports.

Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Subsidized Imports

U.S. imports

Imports from all sources.--Imports of carbon steel plate in coils from all sources declined steadily from 512,000 tons in 1981 to 290,000 tons in 1983, for a net decrease of 43 percent. Imports increased by 33 percent in January-March 1984 compared with imports in the corresponding period of 1983. The average unit value of total imports of coiled plate declined by about 22 percent, from $307 per ton in 1981 to $238 per ton in 1983 (table I-16). In the first quarter of 1984, the average unit value increased to $258 per ton.

Imports of cut-to-length and coiled plate combined declined steadily from 2.3 million tons in 1981 to 1.3 million tons in 1983, for an overall decrease of 44 percent (table I-17). The average unit value of total imports of these products also declined steadily, from $353 per ton in 1981 to $244 per ton in 1983.

Aggregate U.S. imports of hot-rolled carbon steel sheet declined from 1.6 million tons in 1981 to 1.4 million tons in 1982, before increasing to 2.1 million tons in 1983. These imports increased by 114 percent in the first quarter of 1984 compared with those in the corresponding period of 1983. The average unit value of imports of hot-rolled carbon steel sheet declined by 17 percent, from $316 per ton in 1981 to $263 per ton in 1983 (table I-18). In the first quarter of 1984, the average unit value was $264 per ton.

Imports from Brazil.--Imports of coiled carbon steel plate from Brazil amounted to only 66 tons in 1981. Such imports then rose to 18,000 tons in 1982, and to 30,000 tons in 1983. These imports declined by 96 percent in January-March 1984 compared with those in January-March 1983. The average unit value of imports of coiled plate from Brazil declined steadily during 1981-83. In the first quarter of 1984, the average unit value increased by 14 percent compared with that in the corresponding period of 1983.

Imports of cut-to-length and coiled plate from Brazil declined from 309,000 tons in 1981 to 167,000 tons in 1982, or by 46 percent. These imports then increased by 32 percent to 220,000 tons in 1983. Total imports of Brazilian plate fell by 88 percent in January-March 1984 compared with those in the corresponding period of 1983. The average unit value of these imports declined from $365 per ton in 1981 to $227 per ton in 1983, then rose to $231 per ton in January-March 1984.

Table I-15.--Cut-to-length carbon steel plate: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983 and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
	Quantity (1,000 short tons)				
Brazil	309	149	190	61	8
Finland	49	73	85	13	67
Spain	99	76	49	2/	46
South Africa	63	128	36	8	20
Canada	228	149	235	32	70
Belgium/Luxembourg	301	178	127	16	50
Republic of Korea	115	90	99	17	10
All other	673	306	206	42	95
Total	1,837	1,149	1,027	189	366
	Value (million dollars)				
Brazil	112	48	43	16	2
Finland	18	23	22	3	18
Spain	37	24	10	-	10
South Africa	22	40	9	2	5
Canada	86	57	60	10	19
Belgium/Luxembourg	111	62	33	4	12
Republic of Korea	41	31	22	4	3
All other	245	102	54	11	24
Total	673	388	253	50	93
	Unit value				
Brazil	$365	$319	$229	$256	$231
Finland	367	318	255	248	263
Spain	372	319	206	-	217
South Africa	354	316	251	264	237
Canada	377	385	255	311	280
Belgium/Luxembourg	369	349	259	256	239
Republic of Korea	359	345	219	245	271
All other	364	332	262	262	253
Average	366	337	246	267	253

1/ Includes imports under TSUSA items 607.6615, 607.6620 and 607.6625.
2/ Less than 500 tons.

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

Note.--Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

Table I-16.--Coiled carbon steel plate: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
	Quantity (short tons)				
Brazil	66	17,981	29,964	5,187	208
Spain	773	147	19,747	-	6,641
South Africa	10,709	6,016	11,955	2,353	2,382
West Germany	100,120	131,410	62,394	7,086	10,745
France	105,760	31,478	37,832	13,191	3,559
Republic of Korea	17,525	39,215	29,465	9,332	5,620
All other	276,933	163,082	98,864	24,165	52,251
Total	511,885	389,328	290,221	61,314	81,406
	Value (1,000 dollars)				
Brazil	22	4,913	6,399	1,198	48
Spain	199	35	4,078	0	1,759
South Africa	3,039	1,715	2,559	553	565
West Germany	31,251	38,182	15,803	1,874	2,963
France	32,019	10,423	9,288	3,266	985
Republic of Korea	5,266	11,154	6,574	1,976	1,427
All other	85,502	47,598	24,438	6,089	13,246
Total	157,299	114,019	69,140	14,956	20,993
	Unit value				
Brazil	$338	$273	$214	$231	$233
Spain	258	236	206	-	265
South Africa	284	285	214	235	237
West Germany	312	291	253	264	276
France	303	331	246	248	277
Republic of Korea	300	284	223	212	254
All other	309	292	247	252	254
Average	307	293	238	244	258

1/ Includes imports under TSUSA item 607.6610.

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

Note.--Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

Table I-17.--Total carbon steel plate: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
	Quantity (1,000 short tons)				
Brazil	309	167	220	66	8
Finland	63	85	102	18	75
Spain	100	76	69	2/	53
South Africa	74	134	48	10	22
Canada	259	164	252	37	81
Belgium/Luxembourg	341	203	139	18	51
Republic of Korea	133	130	129	27	16
All other	1,070	581	359	74	141
Total	2,349	1,538	1,317	250	447
	Value (million dollars)				
Brazil	113	52	50	17	2
Finland	22	27	25	4	20
Spain	37	24	14	3/	12
South Africa	25	42	12	3	5
Canada	96	62	65	11	23
Belgium/Luxembourg	124	69	36	5	12
Republic of Korea	47	42	28	6	4
All other	366	183	92	19	36
Total	830	502	322	65	114
	Unit value				
Brazil	$365	$314	$227	254	231
Finland	352	315	249	241	261
Spain	371	319	206	220	223
South Africa	344	315	242	257	237
Canada	370	380	259	311	285
Belgium/Luxembourg	364	340	256	254	239
Republic of Korea	351	327	220	233	265
All other	342	314	256	216	213
Average	353	326	244	261	254

1/ Includes imports under TSUSA items 607.6615, 607.6620 and 607.6625 (cut-to-length plate) and item 607.6610 (coiled plate).

2/ Under 500 tons.

3/ Less than $500,000.

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

Note.--Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

Table I-18.--Hot-rolled carbon steel sheet: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
	Quantity (1,000 short tons)				
Brazil	3	45	251	37	152
South Africa	27	20	78	7	25
Japan	442	342	362	77	130
France	355	165	264	44	63
West Germany	225	271	235	29	73
Republic of Korea	54	111	179	45	57
All other	543	410	695	130	293
Total	1,649	1,365	2,064	369	793
	Value (million dollars)				
Brazil	1	12	54	8	31
South Africa	8	6	18	2	6
Japan	148	113	111	23	41
France	107	50	69	12	18
West Germany	69	80	63	8	19
Republic of Korea	17	33	44	11	15
All other	173	119	183	36	79
Total	522	412	543	100	209
	Unit value				
Brazil	$371	$265	$214	$227	$205
South Africa	289	279	236	233	239
Japan	334	331	307	305	315
France	300	303	262	269	280
West Germany	309	295	269	284	266
Republic of Korea	306	292	247	240	270
All other	317	289	263	277	270
Average	316	302	263	272	264

1/ Excluding coiled plate. Includes imports under TSUSA items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342.

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

Note.--Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

Imports of hot-rolled carbon steel sheet from Brazil amounted to only 3,000 tons in 1981. Such imports then rose to 45,000 tons in 1982 and to 251,000 tons in 1983. In the first quarter of 1984, these imports more than tripled when compared with those in the corresponding period of 1983. The average unit value of imports of hot-rolled sheet from Brazil declined steadily during the period examined.

U.S. market penetration

Imports from all sources.--Market penetration of coiled plate from all countries increased from 21.8 percent of consumption in 1981 to 27.4 percent in 1982, and then fell to 16.8 percent in 1983 and 15.8 percent during Janury-March 1984 (table I-19).

Market penetration of hot-rolled sheet from all countries increased steadily from 14.1 percent of consumption in 1981 to 18.5 percent in 1983, and to 22.5 percent during January-March 1984.

Imports from Brazil.--Imports of Brazilian coiled plate accounted for under 0.05 percent of U.S. coiled plate consumption in 1981, 1.2 percent in 1982, and 1.7 percent in 1983, and then fell to under 0.05 percent in January-March 1984.

Imports of coiled plate from Brazil as a share of total plate consumption accounted for under 0.05 percent in 1981, 0.3 percent in 1982, and 0.5 percent in 1983. These Brazilian imports accounted for 0.01 percent of total plate consumption in January-March 1984.

Imports of total carbon steel plate from Brazil accounted for 3.1 percent of consumption in 1981 and for 3.0 percent in 1982, but then increased to 3.9 percent in 1983. These Brazilian imports accounted for 0.5 percent of consumption in January-March 1984.

Market penetration of imports of hot-rolled sheet from Brazil increased from under 0.05 percent in 1981 to to 2.3 percent in 1983, and then increased to 4.3 percent during January-March 1984.

Table I-19.--Cut-to-length carbon steel plate, coiled plate, and hot-rolled carbon steel sheet: Ratios of imports from Brazil and all countries to apparent U.S. consumption, 1/ 1981-83, January-March 1983, and January-March 1984

(In percent)

Item	1981	1982	1983	January-March 1983	January-March 1984
Cut-to-length plate 2/ from--					
Brazil	4.1	3.6	5.0	7.6	0.7
All countries	24.5	27.8	27.0	23.5	30.4
Coiled plate 3/ as a share of U.S. coiled plate consumption from--					
Brazil	5/	1.2	1.7	1.3	5/
All countries	21.3	26.7	16.2	15.6	15.8
Coiled plate 3/ as a share of total U.S. plate consumption from--					
Brazil	5/	0.3	0.5	0.4	0.01
All countries	5.2	7.0	5.2	5.1	4.7
Total plate from--					
Brazil	3.1	3.0	3.9	5.5	0.5
All countries	23.7	27.5	23.5	20.9	26.0
Hot-rolled sheet 4/ from--					
Brazil	5/	0.5	2.3	1.6	4.3
All countries	14.1	16.3	18.6	15.5	22.5

1/ Consumption calculated as the sum of U.S. producers' domestic shipments and imports for consumption.

2/ Includes imports under TSUSA items 607.6620 and 607.6625.

3/ Includes imports under TSUSA item 606.6610. Because domestic producers' shipments (and therefore apparent U.S. consumption) are understated to the extent that questionnaire data were not received from all firms, market penetration by imports is somewhat overstated.

4/ Includes imports under TSUSA items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342.

5/ Less than 0.05 percent.

Source: Shipments of cut-to-length carbon steel plate and hot-rolled carbon steel sheet, compiled from statistics of the American Iron & Steel Institute; shipments of coiled plate, compiled from questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Transportation costs

Due to the fact that carbon steel has a low value per unit of weight in comparison with other manufactured goods, the transportation costs are an important factor in marketing steel products in the United States. About 60 percent of domestic steel production in 1982 took place in the "steel belt" 1/ area. Since significant quantities of steel are consumed in areas far from the production centers, the cost of transportation becomes an important factor when competing with the imported steel products.

Most domestic steel is shipped by truck; however, it has become very difficult to obtain reliable transportation cost data due to the deregulation of the U.S. trucking industry. Trucks are usually used for shipping steel within a 500 mile radius of the steel mill. When longer distances are involved, the shipments are made by rail, or if feasible, by barge.

Conversations with steel service center and domestic mill officials indicate that port-proximate markets for imported steel incur small inland freight costs (generally less than $0.35 per hundredweight). In contrast, domestic product freight costs, notwithstanding freight equalization charges, are frequently more than $1.50 per hundredweight, a considerable freight cost disadvantage. Freight costs from domestic mills to more distant markets (e.g. Gary, Indiana to Los Angeles), might amount to as much as $5.00 per hundredweight or $100 per ton. Such additional costs to purchasers make import sourcing, especially on the west coast, often a more attractive alternative.

Prices

Market conditions in industries that require steel sheet as an input, such as automobiles, construction, energy, and utilities, have an effect on prices in the sheet industries. For example, the auto industry has experienced declining demand for large cars and has begun to produce smaller, lighter cars. This has reduced the demand for steel sheet and in turn has had a dampening effect on sheet prices. Moreover, overall demand for hot- and cold-rolled steel sheet, and their price, depend to a large extent on the levels of activity in the automobile industry. Thirty-two percent of the cold-rolled sheet and 22 percent of the hot-rolled sheet produced domestically were used by the auto industry in 1983. The industrial production index for automobiles and utility vehicles showed a sharp decline from late 1981 into early 1982, some recovery in mid 1982, and then a strong recovery from mid 1983 through the first quarter of 1984 (table I-20). Another large user of hot- and cold-rolled steel sheet is the household appliance industry. Industrial production in this market was generally depressed during 1982 and early 1983, with a fairly strong recovery shown in late 1983 and the first quarter of 1984.

1/ Illinois, Indiana, Ohio, and Pennsylvania.

Table I-20.--Seasonally adjusted industrial production index for household appliances and automobiles, by quarters, January 1981-March 1984

(January-March 1981 = 100)

Period	Household appliances	Automobiles and utility vehicles
1981:		
January-March	100.0	100.0
April-June	95.2	116.3
July-September	99.5	114.1
October-December	77.8	85.0
1982:		
January-March	77.0	75.5
April-June	80.0	100.6
July-September	84.0	104.0
October-December	85.1	84.1
1983:		
January-March	88.2	105.1
April-June	89.8	115.5
July-September	97.1	136.1
October-December	100.0	139.4
1984:		
January-March	107.8	150.0

Source: Data Resources, Inc., Central Data Bank.

Prices of steel sheet are usually quoted f.o.b. mill in terms of dollars per ton. 1/ Prices consist of a base price for each product plus additional charges for extras such as variations in length, width, thickness, chemistry, and so forth. Price changes are accomplished by changing the base price, the charges for extras, or both. According to data on list prices collected by the Bureau of Labor Statistics (BLS), domestic producers of steel sheet announced five base price increases and one decrease during January 1979-July 1982. Since then, there have been two more announced price increases, both in 1983. A recent base price increase, which averaged approximately 7 percentage points, was announced in September of 1983. The most current information obtained from BLS shows that the prices for hot-rolled sheet increased approximately 2 percent during October 1983-April 1984. The prices for cold-rolled sheet increased at a somewhat greater rate, about 5 percent, during that same period.

The Commission asked domestic producers and importers for their selling prices to steel service centers/distributors (SSC's) and end users for five hot-rolled carbon steel sheet products (products 1 through 5 2/), three

1/ Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, in which a producer supplying a customer located closer to a competing producer will absorb any differences in freight costs. The more distant producer charges the customer's account for freight costs as if the product were shipped from the closer producer.

2/ Product specifications are provided in app. D.

cold-rolled carbon steel sheet products (products 6 through 8), and two coiled plate products (products 9 and 10), by quarters, during January 1982 through March 1984. Domestic producers' selling prices are weighted-average, f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers' selling prices are weighted-average, duty-paid prices, ex-dock, port of entry, net of all discounts and allowances, and excluding U.S. inland freight charges. In addition, the Commission requested price data from purchasers of the subject steel products, by market areas, 1/ covering the same time frame. The prices provided by purchasers are delivered prices, net of all discounts and allowances, and include all shipping charges. These prices provide a better basis for comparing price levels of domestic and imported steel products than do the f.o.b. selling prices, because they include all inland freight charges and are isolated on the basis of geographic areas.

Selling prices of hot-rolled carbon steel plate in coils.--U.S. producers' weighted-average quarterly selling prices to SSC's 2/ of hot-rolled carbon steel plate in coils declined through 1982 and January-March 1983, then generally recovered during the rest of 1983 and January-March 1984, at which time they were about the same or slightly higher than average prices in January-March 1982. The limited data on selling prices of Brazilian coiled plate show virtually no change during 1983 (table I-21).

There were six instances where price comparisons between domestic and Brazilian product could be made. In four instances, margins of underselling ranged between 1.2 and 6.9 percent; in the other two instances, overselling was noted, at 0.6 and 1.5 percent.

Selling prices of hot-rolled carbon steel sheet.--U.S. producers' weighted-average quarterly selling prices to SSC's and end users of the five representative hot-rolled carbon steel sheet products also generally fell through 1982 and the first quarter of 1983, and then rose during the latter part of 1983 and January-March 1984 (table I-22). Weighted-average selling prices for imports from Brazil followed a similar trend in those instances where adequate data were reported for analysis.

Based on f.o.b. selling prices reported by domestic producers and importers, Brazilian hot-rolled carbon steel sheet undersold the competing domestic products in 19 out of 20 instances in which price comparisons were possible, by margins ranging from 2.4 to 29.4 percent. There was one instance of overselling, by 7.0 percent.

1/ The market areas for which pricing data were requested are Atlanta, Chicago, Detroit, Houston/New Orleans, Los Angeles/San Francisco, Philadelphia/New York, and Portland/Seattle.

2/ Inadequate data were provided on sales to end users for comparisons to be made.

Table I-21.--Coiled carbon steel plate: Weighted-average net selling prices for the largest sales to SSC's 1/ of domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products 2/ and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 9:				
1982:				
January-March	$291.00	-	-	-
April-June	290.00	-	-	-
July-September	285.40	-	-	-
October-December	265.43	-	-	-
1983:				
January-March	263.00	-	-	
April-June	284.76	$289.00	($4.24)	(1.5)
July-September	293.36	289.84	3.52	1.2
October-December	287.17	289.00	(1.83)	(.6)
1984:				
January-March	303.13	-	-	-
Product 10:				
1982:				
January-March	305.00	-	-	-
April-June	297.00	-	-	-
July-September	293.73	-	-	-
October-December	268.26	-	-	-
1983:				
January-March	265.86	-	-	-
April-June	297.83	289.00	8.83	3.0
July-September	294.14	289.00	5.14	1.8
October-December	310.48	289.00	21.48	6.9
1984:				
January-March	314.33	-	-	-

1/ Data provided on sales to end users were inadequate for comparisons to be made.

2/ Product descriptions are presented in app. D.

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

Table I-22.--Hot-rolled carbon steel sheet: Weighted-average net selling prices for the largest sales of domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by types of customers, and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Sales to SSC's			
	Per ton	Per ton	Per ton	Percent
Product 1:				
1982:				
January-March	$380.26	-	-	-
April-June	377.66	-	-	-
July-September	359.22	-	-	-
October-December	334.15	-	-	-
1983:				
January-March	322.23	-	-	-
April-June	324.59	-	-	-
July-September	329.24	$289.00	$40.24	12.2
October-December	252.54	-	-	-
1984:				
January-March	459.00	-	-	-
Product 2:				
1982:				
January-March	370.61	-	-	-
April-June	348.22	-	-	-
July-September	338.98	-	-	-
October-December	345.38	-	-	-
1983:				
January-March	317.67	-	-	-
April-June	328.47	-	-	-
July-September	380.44	288.00	92.44	24.3
October-December	348.49	-	-	-
1984:				
January-March	334.46	-	-	-
Product 3:				
1982:				
January-March	305.07	-	-	-
April-June	308.01	-	-	-
July-September	297.41	-	-	-
October-December	281.74	275.00	6.74	2.4
1983:				
January-March	309.87	280.00	29.87	9.6
April-June	309.17	285.00	24.17	7.8
July-September	332.41	290.00	42.41	12.8
October-December	339.04	287.46	51.58	15.2
1984:				
January-March	343.76	308.32	35.45	10.3

See footnotes at end of table.

Table I-22.--Hot-rolled carbon steel sheet: Weighted-average net selling prices for the largest sales of domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by types of customers, and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Sales to SSC's			
	Per ton	Per ton	Per ton	Percent
Product 4:				
1982:				
January-March	$300.18	-	-	-
April-June	296.90	-	-	-
July-September	292.57	-	-	-
October-December	273.64	-	-	-
1983:				
January-March	304.16	-	-	-
April-June	318.85	-	-	-
July-September	355.21	$285.00	$70.21	19.8
October-December	392.33	277.06	115.28	29.4
1984:				
January-March	387.89	306.98	80.90	20.9
Product 5:				
1982:				
January-March	435.00	-	-	-
April-June	311.00	-	-	-
July-September	340.00	-	-	-
October-December	304.00	-	-	-
1983:				
January-March	289.00	-	-	-
April-June	307.93	-	-	-
July-September	345.00	310.00	35.00	10.1
October-December	303.00	324.07	(21.07)	(7.0)
1984:				
January-March	-	306.45	-	-
	Sales to end users			
Product 3:				
1982:				
January-March	344.49	-	-	-
April-June	377.80	-	-	-
July-September	328.51	-	-	-
October-December	311.98	-	-	-
1983:				
January-March	303.65	255.00	48.65	16.0
April-June	319.09	-	-	-
July-September	315.01	280.00	35.01	11.1
October-December	304.11	290.00	14.11	4.6
1984:				
January-March	319.25	310.00	9.25	2.9

See footnotes at end of table.

Table I-22.--Hot-rolled carbon steel sheet: Weighted-average net selling prices for the largest sales of domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by types of customers, and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Sales to end users			
	Per ton	Per ton	Per ton	Percent
Product 5:				
1982:				
January-March	$361.00	-	-	-
April-June	343.00	-	-	-
July-September	345.00	-	-	-
October-December	363.00	-	-	-
1983:				
January-March	325.00	-	-	-
April-June	336.00	-	-	-
July-September	337.00	$310.00	$27.00	8.0
October-December	326.92	310.00	16.92	5.2
1984:				
January-March	325.00	315.00	10.00	3.1

1/ Product descriptions are presented in app. D.

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

Purchase prices for hot-rolled carbon steel plate in coils.--Only one price comparison was possible for coiled plate. It involved product 9 sold in the Los Angeles/San Francisco area in October-December 1983. In that instance, the Brazilian product undersold domestic products by 8.8 percent (table I-23).

Purchase prices for hot-rolled carbon steel sheet.--Purchase prices reported for domestic hot-rolled carbon steel sheet generally followed the same trend as did the selling prices reported by U.S. producers in 1982 (i.e., declining), but for most of the representative products, the strengthening of prices that was reported by producers during 1983 and January-March 1984 is not apparent for the purchasers' data until several quarters later, if at all. Time lags between the shipping and receipt of orders may explain this apparent discrepancy. Where trends could be observed, purchase prices for Brazilian products seem to generally track those of domestic products. In the 21 instances in which comparisons could be made, however, the Brazilian products undersold domestic products in each one, by margins ranging from 1.1 to 21.4 percent (table I-24).

Appreciation of the U.S. dollar.--Table I-25 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 1981 through March 1984. As shown in the table, the cruzeiro devalued in nominal terms by approximately 1,500 percent against the dollar, but, because of Brazil's rapid rate of inflation (more than 1,100 percent) during that period, the cruzeiro devalued in real terms by much less, approximately 42 percent.

Table I-23.--Coiled carbon steel plate: Weighted-average net purchase prices for domestic products and imports from Brazil in the Los Angeles/San Francisco market area, 1/ and the average margins by which imports from Brazil undersold or oversold domestic products, by products 2/ and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of underselling/(overselling)	
	Per ton	Per ton	Per ton	Percent
Product 9:				
1982:				
January-March	$308.00	-	-	-
April-June	338.27	-	-	-
July-September	339.49	-	-	-
October-December	339.00	-	-	-
1983:				
January-March	-	-	-	-
April-June	308.00	-	-	-
July-September	315.79	-	-	-
October-December	338.81	$309.00	$29.81	8.8
1984:				
January-March	-	-	-	-

1/ Data povided were inadequate for an analysis of prices in any of the other market areas.

2/ Product descriptions are presented in app. D.

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

Table I-24.--Hot-rolled carbon steel sheet: Weighted-average net purchase prices for domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by market areas, 2/ and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Product 2			
	Per ton	Per ton	Per ton	Percent
Chicago:				
1982:				
January-March	$369.11	-	-	-
April-June	367.00	-	-	-
July-September	367.00	-	-	-
October-December	347.00	-	-	-
1983:				
January-March	310.58	$300.00	$10.58	3.4
April-June	346.11	320.00	26.11	7.5
July-September	345.25	301.28	43.97	12.7
October-December	356.53	340.00	16.53	4.6
1984:				
January-March	397.70	380.00	17.70	4.4
Houston/New Orleans:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	-	260.00	-	-
April-June	-	279.66	-	-
July-September	-	277.00	-	-
October-December	300.00	290.00	10.00	3.3
1984:				
January-March	300.00	290.00	10.00	3.3
Los Angeles/San Francisco:				
1982:				
January-March	410.00	-	-	-
April-June	385.00	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	347.00	309.00	38.00	11.0
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1984:				
January-March	-	-	-	-

See footnotes at end of table.

Table I-24.--Hot-rolled carbon steel sheet: Weighted-average net purchase prices for domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by market areas, 2/ and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of underselling/(overselling)	
	Product 2			
	Per ton	Per ton	Per ton	Percent
Philadelphia/New York:				
1982:				
January-March	$347.57	-	-	-
April-June	343.79	-	-	-
July-September	318.00	-	-	-
October-December	331.50	-	-	-
1983:				
January-March	308.00	-	-	-
April-June	320.57	$252.00	$68.57	21.4
July-September	308.00	-	-	-
October-December	308.00	-	-	-
1984:				
January-March	333.00	-	-	-
Portland/Seattle:				
1982:				
January-March	377.00	357.00	20.00	5.3
April-June	362.00	337.00	25.00	6.9
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	-	-	-	-
April-June	302.00	-	-	-
July-September	334.12	-	-	-
October-December	325.00	300.00	25.00	7.7
1984:				
January-March	-	310.00	-	-
	Product 3			
	Per ton	Per ton	Per ton	Percent
Chicago:				
1982:				
January-March	328.00	-	-	-
April-June	278.00	-	-	-
July-September	-	-	-	-
October-December	341.00	-	-	-
1983:				
January-March	270.15	-	-	-
April-June	290.53	-	-	-
July-September	285.00	278.00	7.00	2.5
October-December	285.00	-	-	-
1984:				
January-March	285.00	-	-	-

See footnotes at end of table.

Table I-24.--Hot-rolled carbon steel sheet: Weighted-average net purchase prices for domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by market areas, 2/ and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Product 3			
	Per ton	Per ton	Per ton	Percent
Detroit:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	$283.00	-	-	-
April-June	280.00	-	-	-
July-September	280.00	$277.00	$3.00	1.1
October-December	280.00	-	-	-
1984:				
January-March	280.00	-	-	-
Houston/New Orleans:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	-	260.00	-	-
April-June	-	269.55	-	-
July-September	-	270.00	-	-
October-December	300.00	290.00	10.00	3.3
1984:				
January-March	300.00	290.00	10.00	3.3
Philadelphia/New York:				
1982:				
January-March	318.00	-	-	-
April-June	318.00	-	-	-
July-September	318.00	-	-	-
October-December	318.00	-	-	-
1983:				
January-March	308.00	-	-	-
April-June	308.00	252.00	56.00	18.2
July-September	308.00	-	-	-
October-December	308.00	-	-	-
1984:				
January-March	333.00	-	-	-

See footnotes at end of table.

Table I-24.--Hot-rolled carbon steel sheet: Weighted-average net purchase prices for domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by market areas, 2/ and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Product 3			
	Per ton	Per ton	Per ton	Percent
Portland/Seattle:				
1982:				
January-March	$377.00	$357.00	$20.00	5.3
April-June	362.00	337.00	25.00	6.9
July-September	332.00	-	-	-
October-December	332.00	-	-	-
1983:				
January-March	335.00	-	-	-
April-June	306.00	-	-	-
July-September	318.50	-	-	-
October-December	325.00	300.00	25.00	7.7
1984:				
January-March	-	-	-	-
	Product 4			
	Per ton	Per ton	Per ton	Percent
Detroit:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-
1983:				
January-March	276.00	-	-	-
April-June	280.00	-	-	-
July-September	280.00	-	-	-
October-December	305.33	271.00	34.33	11.2
1984:				
January-March	280.00	-	-	-

1/ Product descriptions are presented in app. D.

2/ The market areas for which pricing data were requested are Atlanta, Chicago, Detroit, Houston/New Orleans, Los Angeles/San Francisco, Philadelphia/New York, and Portland/Seattle. Data provided were inadequate for an analysis of prices in any of the areas other than those identified.

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

Table I-25.--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-March 1984.

(January-March 1981 = 100)

Period	United States Producer Price Index	Brazilian Producer Price Index	Nominal exchange-rate Index 1/	Real exchange-rate Index 1/
1981:				
Jan.-Mar	100.0	100.0	100.0	100.0
Apr.-June	102.4	119.7	118.5	101.4
July-Sept	103.3	138.2	140.8	105.2
Oct.-Dec	103.2	160.5	166.8	107.3
1982:				
Jan.-Mar	104.0	188.4	194.7	107.5
Apr.-June	104.2	227.4	226.2	103.7
July-Sept	104.8	269.0	267.9	104.4
Oct.-Dec	104.8	310.8	325.4	109.7
1983:				
Jan.-Mar	104.9	387.9	461.1	124.7
Apr.-June	105.2	512.8	672.2	137.9
July-Sept	106.3	734.7	901.6	130.4
Oct.-Dec	106.8	1,035.5	1,225.3	126.4
1984:				
Jan.-Mar	108.0	1,228.5	1,611.1	141.6

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

Source: International Monetary Fund, International Financial Statistics, April 1984.

Lost sales

Hot-rolled carbon steel plate in coils.--In response to the Commission's questionnaire, * * * reported four instances during June 1983 through October 1983 where it allegedly lost sales to Brazilian coiled plate. 1/ These allegations involved four customers and a total of 2,675 tons of coiled plate. All four were contacted by telephone; three of these responded to the purchasers' questionnaire as well. A summary of the responses for each of these firms follows.

Purchaser 1.--* * *, a service center in * * *, was alleged to have bought * * * tons of coiled plate from Brazil during October 1983. * * *'s questionnaire response reported coiled plate purchases as follows during 1981-83 (in short tons):

Source	1981	1982	1983
Produced in the United States-------	***	***	***
Produced in Brazil------------------	***	***	***
Produced in other countries---------	***	***	***
Total purchases-----------------	***	***	***

Even though * * * did not purchase the alleged tonnage specified by * * *, they stated that representatives for Brazilian steel offered prices which were below the competition. Subsequently, this firm's suppliers either met the Brazilian price or came close enough to where other considerations offset any difference. * * * stated that Brazilian steel prices have exerted tremendous downward pressure on prices during 1982 and 1983.

Purchaser 2.--* * *, a steel service center located in * * *, was alleged to have bought * * * tons of Brazilian coiled plate in * * *. * * * returned a purchaser questionnaire in these investigations, but was not able to isolate purchases of coiled plate from their hot-rolled sheet purchases. * * *, a vice president for * * *, stated that during 1981-83 his firm sourced 70 percent of its steel from importers and 30 percent from domestic mills. While * * * conceded that they were receiving some Brazilian steel from the importer, he had no idea as to the quantity. He considered Brazilian steel to be of a higher quality than U.S.-produced steel. Foreign producers, including Brazil, are more competitive with respect to price, according to * * *.

Purchaser 3.--* * *, a steel service center located in * * *, was alleged to have bought * * * tons of Brazilian coiled plate in * * *. This firm denied purchasing any imported Brazilian plate during * * *. * * *, a buyer for the firm, admitted that Brazil was a low-priced supplier in the market, but they were able to negotiate a more favorable price on Spanish plate.

Purchaser 4.--* * *, a steel service center located in * * *, was alleged by * * * to have purchased * * * tons of Brazilian coiled plate in * * *. * * *, buyer for the firm, reported buying * * * tons of the alleged Brazilian plate at a price of $319 per ton. This price was $10 per ton less than that

1/ * * * which was the only other U.S. producer providing lost sales information on coiled plate, did not provide specific examples that could be verified.

of the competing domestic product. The combination of good quality and the right price was given as the factor leading to the purchase. Unreliable delivery was mentioned as the only drawback to relying too heavily on Brazil as a source.

Hot-rolled carbon steel sheet.--* * * and * * * provided the Commission with seven specific allegations of lost sales of hot-rolled carbon steel sheet from Brazil during February 1982 through September 1983. 1/ These allegations cited seven customers and a total of approximately 12,000 tons of hot-rolled sheet. All seven were contacted; a summary of their responses follows.

Purchaser 1.--* * * is a steel service center * * *. * * * lost sales totaling * * *'s tons in * * *.

* * * total purchases of hot-rolled sheet increased steadily during 1981-83. The following tabulation shows the tonnage bought, by source, during this period (in short tons).

Source	1981	1982	1983
Produced in the United States	***	***	***
Produced in Brazil	***	***	***
Other countries	***	***	***
Total	***	***	***

* * * has purchased U.S.-produced sheet from * * * and * * *. * * *. * * * began to purchase Brazilian steel in 1983. A combination of factors -- availability, price, and quality -- were reported as the reasons for adding Brazil as a source. * * * also purchases from the Netherlands, Japan, and West Germany.

Purchaser 2.--* * * is a steel service center located in * * *. * * * alleged lost sales to the Brazilians * * *, totaling * * * tons * * *.

This firm's purchases of hot-rolled sheet during 1981-83, by source, are presented in the following tabulation (in short tons):

Source	1981	1982	1983
U.S. produced	***	***	***
Produced in Brazil	***	***	***
Other countries	***	***	***
Total	***	***	***

Brazilian steel was first purchased by this firm in 1982, when it accounted for under 2 percent of its total hot-rolled sheet purchases. In 1983, Brazil's share rose to 42 percent based upon its close adherence to order specifications and competitive pricing.

1/ * * * provided lost sales information on hot-rolled sheet but did not provide specific examples that could be verified.

* * *, a buyer for that firm, stated that foreign mills supply a superior quality product at the market price. He felt domestic mill prices exceed market prices by about $40 a ton.

Purchaser 3.--* * * is a steel service center located in * * *. * * *'s purchases of hot-rolled sheet fluctuated from * * * tons in 1981 to * * * in 1982, and to * * * tons in 1983. * * * alleged lost sales to the Brazilian product of * * * tons in * * *. This firm did not report any purchase of Brazilian hot-rolled sheet until 1983. During that year * * * purchased * * * tons, and price was stated as the most important factor leading to that decision. * * * stated that the Brazilian material has led to lower prices in their sales area. In most cases they have found Brazil to be the lowest-priced supplier.

Purchaser 4.--* * *, an end user located in * * *, was alleged to have bought * * * tons of Brazilian hot-rolled sheet in * * *. * * *, vice president for this firm, stated that he is not able to identify the source of material he purchased in prior years from local distributors.

Purchaser 5.--* * *, a steel service center located in * * *, was sold * * *. * * * alleged a lost sale of * * * tons in * * *. Officials that would have been familiar with * * * sourcing during that time are no longer with the company.

Purchaser 6.--* * * was alleged to have bought * * * tons of hot-rolled sheet in * * *. * * *. As previously stated, * * * could not estimate the quantity of their total hot-rolled sheet purchases that would have been produced in Brazil. Once again he reported that foreign producers, including Brazil, are more competitive on price than the domestic mills.

Purchaser 7.--* * * provided details * * * of a lost sale in early * * *. The allegation involved * * * as a purchaser of * * * of Brazilian hot-rolled sheet. This firm returned a purchaser questionnaire and reported sourcing the following tonnage during 1982-83 (in short tons).

Source	1982	1983
U.S. produced	***	***
Produced in Brazil	***	***
Other countries	***	***

* * * increased its purchase of Brazilian sheet in 1983 at the expense of U.S. suppliers. Brazilian sheet was underselling domestic sheet by $20 to $40 per ton. Lower price was stated as the most important factor in this decision, followed by the availability and quality of the Brazilian sheet.

Lost revenue 1/

Hot-rolled carbon steel plate in coils.--* * * reported three specific instances in which they allegedly reduced their prices on sales of coiled plate in competition with imports from Brazil. Two of these occurred in * * * and one was for * * * delivery.

Purchaser 1.--* * *, a steel service center located in * * *, reported purchasing the alleged * * * tons of hot-rolled sheet from * * * after the domestic mill reduced its initial quote, but * * *, buyer for the firm, did not recall this supplier's initial price quote. * * *, however, that other domestic mills and several offshore sources, including Brazilian suppliers, were quoting comparable prices against which * * * competed.

Purchaser 2.--* * * of * * *, reported that the prices alleged in the competitive encounter described by * * * during * * * were not accurate. * * * a purchasing agent stated that Brazilian prices were reflective of the market.

Purchaser 3.--* * * was named in a price suppression allegation involving * * * tons. * * *, a buyer for the firm, could not recall the alleged purchase but stated that the * * * market is very price competitive, and he would attribute that to the presence of many foreign sources which would include Brazil.

Hot-rolled carbon steel sheet.--* * * reported four instances of lost revenues on a total of * * * tons in sales. In one of these instances, involving * * * tons, the purchaser--* * *, a steel service center located in * * *--reported buying approximately * * * tons of imported * * * sheet. * * *, buyer for the firm, stated that the * * *-ton figure probably represented an unsold shipment of Brazilian hot-rolled sheet that was shipped to his area in * * *. Purchasers in the other two instances, totaling * * * tons, could not recall the specific tonnage purchased or the specific price quotes of the domestic producer. These purchasers stated, however, that they probably purchased some domestic hot-rolled sheet during the periods cited, but the quantities could not have been as much as those alleged. In the fifth allegation, the purchaser could not recall the specific instance.

1/ Calculating lost revenue in a highly competitive market poses some problems. First, list price is not an accurate reflection of market price competition absent any import presence. Second, there may often be only one opportunity to quote, thus requiring an initially discounted offer price.

PART II. COLD-ROLLED CARBON STEEL SHEET

Introduction

This part of the report presents information relating specifically to cold-rolled carbon steel sheet. As indicated previously, following the Department of Commerce's preliminary findings, the Commission instituted a final countervailing duty investigation 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 such imports from Brazil (investigation No. 701-TA-207 (Final)).

The Product

Description and uses

Cold-rolled carbon steel sheet is a flat-rolled product that is produced by processing hot-rolled pickled (cleaned) carbon steel sheet in cold-reduction mills. Sheet is considered to be a finished product and is distinguished from other flat-rolled products by its dimensional characteristics. For purposes of these investigations, cold-rolled carbon steel sheet is defined as a flat-rolled product other than alloy iron or steel; whether or not corrugated or crimped; not cut, not pressed, and not stamped to nonrectangular shape; not coated or plated with metal; over 12 inches in width; in coils, or, if not in coils, under 0.1875 inch in thickness; as provided for in items 607.8320, 607.8350, 607.8355, and 607.8360 of the TSUSA. 1/

The production of cold-rolled sheet begins with a coil of hot-rolled sheet, which is decoiled, pickled, dried, oiled, and recoiled. It is then sent to a cold-reduction mill (so called because the steel is passed through a series of reducing rolls without being reheated) to emerge as a thinner product, with a smoother finish and a higher strength-to-weight ratio than can be achieved by hot-rolling alone. The sheet is then coiled and is usually annealed (heat treated) to restore the ductility lost during cold-rolling. A portion, however, is sold in an unannealed, "full hard" condition. After the steel has been softened in the annealing furnace, it is passed through a temper mill, which finishes the cold-rolled sheet by imparting additional hardness, flatness, and surface quality. The product is then shipped to consumers in coils or cut lengths.

Cold-rolled carbon steel sheet is the largest bolume single steel mill product, having accounted for 22 percent of total U.S. producers' shipments of all steel mill products in 1983. Major consumer markets for cold-rolled sheet are shown in table II-1. The automotive industry, the largest single consumer of cold-rolled sheet accounted for, on average, 33 percent of cold-rolled

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1/ Coiled products 0.1875 inch or more in thickness are defined in the TSUSA as plate. U.S. industry practice, however, is to classify such products as sheet when shipped in coils. For the purposes of these investigations, imports of cold-rolled coiled plate (item 607.8320) are incorporated in data presented in pt. I of this report; such imports are believed to be minimal.

sheet shipments during 1981-83; shipments to steel service centers and distributors averaged 27 percent over the same period. Other end markets for cold-rolled sheet include the electrical equipment and appliance industries.

U.S. tariff treatment

For purposes of these investigations, cold-rolled carbon steel sheet is classified under items 607.8320, 607.8350, 607.8355, and 607.8360 of the TSUSA. Concessions granted by the United States at the Tokyo round of the MTN resulted in reductions in the column 1 duty rate for item 607.83 which began on January 1, 1982. The final concession rates will become effective on January 1, 1987. Imports of cold-rolled sheet are dutiable at the column 1 (MFN) rate of 6.6 percent ad valorem as of January 1, 1984. The sheet products are not eligible for duty-free treatment under the GSP, but imports from the LDDC's are granted a preferential rate of 5.1 percent ad valorem. In addition, imports from designated beneficiary countries may be eligible for duty-free entry under the CBI.

The current U.S. rates of duty, as well as rates which represent the final stage of duty reductions granted at the MTN, are summarized in table II-2. Preferential rates for LDDC's are those shown in the column entitled "Jan. 1, 1987." An explanation of the applicability of column 1, column 2, GSP, CBI, and LDDC rates of duty is presented in part I of this report.

In addition to the import duties shown in table II-2, countervailing duties are currently in effect with respect to imports from Spain. 1/ In other actions in recent years, the Commission determined that there was no reasonable indication that an industry in the United States was being materially injured, or threatened with material injury, by reason of imports (alleged to be subsidized) from Belgium, Brazil, Republic of Korea, Luxembourg, and the United Kingdom. Similar determinations were made in cases on imports alleged to be sold in the United States at less than fair value from Belgium, Luxembourg, and the United Kingdom.

Petitioners withdrew unfair trade complaints involving cold-rolled sheet from France, Italy, the Netherlands, and West Germany to bring into effect the Arrangement Concerning Trade in Certain Steel Products, which was concluded by the European Coal and Steel Community and the United States in October 1982. Under the arrangement, exports from the EC to the United States of 10 categories of steel products are to be limited to specified shares of apparent U.S. consumption from November 1, 1982, through December 31, 1985. Cold-rolled carbon steel sheet is included in a category in which exports are limited to 5.11 percent of consumption.

1/ Imports from South Africa are also subject to countervailing duties; the current level, however, is 0.00 percent.

Table II-1.--Cold-rolled carbon steel sheet: U.S. producers' shipments, by major markets, 1981-83

Market	1981	1982	1983
	Quantity (1,000 tons)		
Automotive	4,547	3,469	4,176
Steel service centers and distributors	3,328	2,798	3,777
Electrical equipment	1,215	871	1,143
Appliances, utensils, and cutlery	1,203	899	1,135
All other	3,455	2,529	2,764
Total	13,748	10,565	12,995
	Percent of total		
Automotive	33.1	32.8	32.1
Steel service centers and distributors	24.2	26.5	29.1
Electrical equipment	8.8	8.2	8.8
Appliances, utensils, and cutlery	8.8	8.4	8.7
All other	25.1	23.9	21.3
Total	100.0	100.0	100.0

Source: American Iron & Steel Institute.

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

Table II-2.--Cold-rolled carbon steel sheet: U.S. rates of duty as of Jan. 1, 1983, Jan. 1, 1984, and Jan. 1, 1987, by TSUSA items

(Cents per pound; percent ad valorem)

TSUSA item No.	Article	Rate of duty			
		Col. 1			Col. 2
		Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1987	
607.8320	Carbon steel plate, not coated or plated with metal, not clad, and not pickled.	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8350	Carbon steel sheet, not coated or plated with metal not clad, and not pickled, painted, or varnished.	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8355	Carbon steel sheet, not coated or plated with metal and not clad, not pickled, having a miminum yield point of 40,000 lb. PSI	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8360	Carbon steel sheet, not coated or plated with metal not clad, and not pickled, other.	7.0%	6.6%	5.1%	0.2¢ + 20%

U.S. Producers

There were 14 known firms in the United States producing cold-rolled carbon steel sheet during 1982 and 1983. Most of these firms are located in the Great Lakes region and Pennsylvania. The following tabulation, which was compiled from data obtained in response to Commission questionnaires, shows the principal producers and each firm's share of total U.S. producers' shipments of cold-rolled sheet, as reported by the AISI, in 1983 (in percent):

Firm	Market share	Location
Armco	***	Middletown, Ohio
Bethlehem	***	Burns Harbor, Ind. Sparrows Point, Md. Mansfield, Ohio
Inland	***	East Chicago, Ind.
J & L	***	East Chicago, Ind. Cleveland, Ohio Aliquippa, Pa. Hennepin, Ill. Pittsburgh, Pa.
National	***	Granite City, Ill. Detroit, Mich. Portage, Ind. Weirton, W. Va.
Republic	***	Gadsden, Ala. Cleveland, Ohio Niles, Ohio Warren, Ohio
Rouge	***	Detroit, Mich.
U.S. Steel	***	Pittsburgh, Pa. Gary, Ind. Cleveland, Ohio Dravosburg, Pa. Fairless Hills, Pa.

The production of cold-rolled carbon steel sheet is heavily concentrated in the United States, with the three largest producers accounting for about 40 percent of total U.S. producers' shipments in 1983.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 19 firms that imported cold-rolled carbon steel sheet from Brazil during October 1982-September 1983. The two largest importers together accounted for approximately 80 percent of the total quantity imported during that period. Most of the larger importers are trading companies that deal in a variety of steel products from a number of countries.

Apparent U.S. Consumption

Apparent U.S. consumption of cold-rolled sheet decreased from 15.2 million tons in 1981 to 12.1 million tons in 1982, but then rose to 15.3 million tons in 1983 (table II-3). According to industry sources, the increase in apparent consumption during 1983 was due primarily to increasing demand in the automotive industry. As shown in table II-3, imports took an increasing share of the market, from 10 percent in 1981 to 15 percent in 1983. In the first quarter of 1984, imports accounted for 20 percent of apparent U.S. consumption of cold-rolled sheet.

Table II-3.--Cold-rolled carbon steel sheet: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1981-83, January-March 1983, and January-March 1984

Period	Shipments	Imports	Exports	Apparent consumption	Ratio of imports to-- Shipments	Ratio of imports to-- Consumption
	1,000 short tons				Percent	
1981	13,748	1,546	44	15,250	11.2	10.1
1982	10,565	1,599	22	12,142	15.1	13.2
1983	12,995	2,331	9	15,317	17.9	15.2
January-March--						
1983	2,960	387	5	3,342	13.1	11.6
1984	3,537	889	8	4,418	25.1	20.1

Source: Shipments, compiled from data of the American Iron & Steel Institute; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of cold-rolled carbon steel sheet fell sharply from 11.2 million tons in 1981 to 8.0 million tons in 1982, and then rose to 10.7 million tons in 1983 (table II-4). Production in January-March 1984 was 2.8 million tons, representing an increase of 18 percent from that reported in the corresponding period of 1983. Total productive capacity for cold-rolled sheet declined slightly during 1981-83, from 16.2 million tons in 1981 to 15.5 million tons in 1983. Capacity utilization decreased from 69.2 percent in 1981 to 50.1 percent in 1982, but then increased to 69.2 percent in 1983. Capacity utilization reached 74.3 percent in January-March 1984.

Table II-4.--Cold-rolled carbon steel sheet: U.S. production, capacity, 1/ and capacity utilization, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Production 2/--1,000 short tons--	11,197	7,989	10,723	2,431	2,880
Capacity----------do----	16,174	15,946	15,501	3,874	3,874
Capacity utilization 3/-percent--	69.2	50.1	69.2	62.8	74.3

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 attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

2/ U.S. producers submitting usable data together accounted for 88 percent of total shipments of cold-rolled sheet in 1983, as reported by the American Iron & Steel Institute.

3/ Calculated from unrounded numbers.

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

U.S. producers' domestic shipments

U.S. producers' domestic shipments of cold-rolled sheet are presented in table II-5. Domestic shipments of cold-rolled sheet fell from 10.4 million tons in 1981 to 7.7 million tons in 1982, representing a decline of 26 percent. Shipments recovered in 1983, rising to 9.8 million tons. In January-March 1984, shipments rose by 19 percent compared with shipments in the corresponding period of 1983.

Table II-5.--Cold-rolled carbon steel sheet: U.S. producers' domestic shipments, 1/2/ 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Quantity----------1,000 tons--	10,398	7,730	9,841	2,241	2,656
Value----------million dollars--	4,520	3,373	4,302	778	931
Unit value 3/----------per ton--	$435	$436	$437	$347	$351

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires.

2/ Excludes intercompany and intracompany transfers.

3/ Calculated from unrounded numbers.

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

A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of cold-rolled sheet is presented below:

Year	AISI shipments (1,000 tons)	Questionnaire shipments 1/ (1,000 tons)	Coverage (percent)
1981----------	13,748	11,127	81
1982----------	10,565	8,243	78
1983----------	12,995	10,528	81

1/ Including exports and intercompany and intracompany transfers.

U.S. producers' exports

U.S. producers' exports of cold-rolled sheet declined from 27,761 tons in 1981 to 5,770 tons in 1982 and 5,322 tons in 1983, but rose in January-March 1984 (table II-6).

Table II-6.--Cold-rolled carbon steel sheet: U.S. producers' export shipments, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March 1983	January-March 1984
Quantity----------tons--	27,761	5,770	5,322	1,096	1,391
Value----------1,000 dollars--	13,269	3,093	3,710	523	868
Unit value----------per ton--	$461	$536	$697	$477	$624

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

U.S. producers' inventories

End-of-period inventories of cold-rolled sheet, as reported by U.S. producers in response to the Commission's questionnaires, remained small during 1980-83. Such inventories were equal to about 8 percent of the responding producers' shipments in each of these periods. Reported end-of-period inventories are shown in the following tabulation (in thousands of tons):

	Inventories
As of Dec. 31--	
1980----------	792
1981----------	864
1982----------	614
1983----------	816
As of March 31--	
1983----------	626
1984----------	872

U.S. employment, wages, and productivity

The number of production and related workers producing cold-rolled carbon steel sheet fell by 24 percent in 1982, but rose by 18 percent in 1983, to 32,004 workers. Similarly, hours worked by these workers dropped by 27 percent from 1981 to 1982 but rose by 23 percent in 1983 (table II-7).

Wages and total compensation 1/ paid to production and related workers producing cold-rolled carbon steel sheet are shown in table II-8. Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table II-9. As shown, productivity fell slightly in 1982 but increased by 9 percent in 1983, and hourly compensation rose in 1982 but fell in 1983.

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

Table II-7.--Average number of production and related workers producing cold-rolled carbon steel sheet and hours paid 1/ for such workers, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Production and related workers:					
Number	35,715	27,157	32,004	29,681	31,148
Percentage change	2/	-24.0	17.8	2/	4.9
Hours worked by production and related workers:					
Number------1,000 hours--	71,976	52,493	64,620	14,779	16,104
Percentage change	2/	-27.1	23.1	2/	9.0

1/ Includes hours worked plus hours of paid leave time.
2/ Not available.

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

Table II-8.--Wages and total compensation 1/ paid to production and related workers producing cold-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Wages paid to production and related workers:					
Value---million dollars--	1,084	836	942	222	243
Percentage change	2/	-22.9	12.7	2/	9.4
Total compensation paid to production and related workers:					
Value---million dollars--	1,409	1,151	1,386	331	342
Percentage change	2/	-18.3	20.4	2/	3.3

1/ Includes wages and contributions to social security and other employee benefits.
2/ Not available.

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

Table II-9.--Labor productivity, hourly compensation, and unit labor costs in the production of cold-rolled sheet, 1981-83, January-March 1983, and January-March 1984.

Item	1981	1982	1983	January-March--	
				1983	1984
Labor productivity:					
Quantity--tons per hour--	0.1543	0.1512	0.1650	0.1634	0.1777
Percentage change--------	1/	-2.0	9.1	1/	8.9
Hourly compensation: 2/					
Value----------per hour--	$15.06	$15.93	$14.58	$15.02	$15.09
Percentage change--------	1/	5.8	-8.5	1/	0.5
Unit labor costs: 3/					
Value----------per ton---	126.86	145.04	130.01	137.06	119.50
Percentage change--------	1/	14.3	-10.4	1/	-12.8

1/ Not available.
2/ Based on wages paid excluding fringe benefits.
3/ Based on total compensation paid.

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

Financial experience of U.S. producers on their operations on cold-rolled carbon steel sheet

Income-and-loss data were received from nine firms, accounting for 75 percent of total shipments of cold-rolled carbon steel sheet (as reported by AISI) in 1983. These data are presented in table II-10. The nine responding producers' net sales of such merchandise declined from $4.9 billion in 1981 to $3.6 billion in 1982, or by 26 percent, and then rose by 28 percent to $4.7 billion in 1983.

All nine responding firms reported operating losses in 1982 and 1983, while eight did so in 1981. Their combined operating losses grew from $301 million (6.1 percent of net sales) in 1981 to $641 million (17.6 percent of net sales) in 1982, and then fell to $317 million (6.8 percent of net sales) in 1983. In the aggregate, the nine responding firms experienced a negative cash flow each year, ranging from a $187 million in 1981 to $528 million in 1982.

Table II-10.--Income-and-loss experience of 9 U.S. producers 1/ on their operations producing cold-rolled carbon steel sheet, accounting years 1981-83

Item	1981	1982	1983
Net sales----------million dollars--	4,908	3,634	4,653
Costs of goods sold----------do----	5,032	4,094	4,782
Gross income or (loss)----------do----	(124)	(460)	(129)
General, selling, and administrative expenses----------do----	177	181	188
Operating income or (loss)----------do----	(301)	(641)	(317)
Depreciation and amortization expenses 2/----------do----	117	113	105
Cash flow or (deficit) from operations--do----	(184)	(528)	(212)
Ratio to net sales of--			
Gross income or (loss)----------percent--	(2.5)	(12.7)	(2.8)
Operating income or (loss)----------do----	(6.1)	(17.6)	(6.8)
Cost of goods sold----------do----	102.5	112.7	102.8
General, selling, and administrative expenses----------do----	3.6	5.0	4.0

1/ These 9 firms accounted for 75 percent of 1983 shipments of cold-rolled sheet, as reported by AISI.

2/ Only 6 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

All nine firms reported income-and-loss data for January-March 1983 and 1984 on their cold-rolled carbon steel sheet operations. These data are presented in the following tabulation:

Item	January-March--	
	1983	1984
Net sales----------million dollars--	1,032	1,298
Gross income or (loss)----------do----	(95)	39
Operating income or (loss)------do----	(144)	(11)
Gross income margin----------percent--	(9.2)	3.0
Operating income margin---------do----	(14.0)	(0.8)

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

Aggregate operating losses declined sharply from $144 million, or 14.0 percent of net sales in January-March 1983, to $11 million, or 0.8 percent of net sales, in the corresponding period of 1984.

Capital expenditures and research and development expenses.--Four U.S. producers supplied data relative to their capital expenditures for buildings, machinery, and equipment used in the production of cold-rolled carbon steel sheet, and six U.S. producers supplied data relative to their research and development expenditures, as shown in the following tabulation (in thousands of dollars):

Period	Capital expenditures	Research and development expenses
1981	101,435	12,160
1982	87,004	11,730
1983	79,645	9,594
January-March--		
1983	13,056	877
1984	13,786	886

Consideration of Threat of Material Injury to an Industry in the United States

In its examination of the question 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 in subsidized imports, the rate of increase in U.S. market penetration by such imports, the amounts of imports held in inventory in the United States, and the capacity of producers in the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of cold-rolled carbon steel sheet and of their U.S. market penetration is presented in the section of this part of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Subsidized Imports." Available data on foreign producers' capacity, production, and exports were presented in the introductory part of the report.

U.S. importers' inventories

The Commission sent questionnaires to 14 firms which were believed to have imported cold-rolled sheet from Brazil. Seven firms, accounting for approximately 37 percent of such imports in 1983, reported that they had imported the subject products from Brazil. Of the 128,526 tons imported by the responding firms in 1983, inventories held as of the end of that period total 19,492 tons, or 15.2 percent of their reported imports.

Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Subsidized Imports

U.S. imports

Imports from all sources.--Aggregate U.S. imports of cold-rolled carbon steel sheet increased steadily from 1.5 million tons in 1981 to 2.3 million tons in 1983, for an increase of more than 50 percent during the period. Their average unit value declined from $390 a ton in 1981 to $374 a ton in 1982 and $332 a ton in 1983 (table II-11). About 889,000 tons were imported during January-March 1984 at an average unit value of $341 per ton, compared with 387,000 tons at an average unit value of $334 per ton in the corresponding period of 1983.

Imports from Brazil.--Imports of cold-rolled carbon steel sheet from Brazil rose from 19,000 tons in 1981 to 45,000 tons in 1982 and then increased to 343,000 tons in 1983. Their average unit value declined steadily during the period, from an average of $410 a ton in 1981 to $293 a ton in 1983. Imports of Brazilian cold-rolled sheet totaled 106,000 tons during January-March 1984, compared with 46,000 tons in the corresponding period of 1983.

Table II-11.--Cold-rolled carbon steel sheet: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Source	1981	1982	1983	January-March--	
				1983	1984
	Quantity (1,000 short tons)				
Brazil	19	45	343	46	106
Argentina	2/	104	121	27	59
South Africa	40	42	103	9	24
Spain	62	48	67	0	60
Japan	383	296	559	108	226
West Germany	380	396	309	44	71
Republic of Korea	101	66	191	28	97
France	154	140	137	34	17
All other	408	463	502	91	229
Total	1,546	1,599	2,331	387	889
	Value (million dollars)				
Brazil	8	15	101	14	32
Argentina	2/	33	37	8	18
South Africa	14	15	30	3	5
Spain	26	19	19	0	19
Japan	155	124	204	40	84
West Germany	150	146	113	15	27
Republic of Korea	38	24	61	9	33
France	55	51	46	11	6
All other	158	171	164	29	79
Total	603	598	773	129	303
	Unit value				
Brazil	$410	$338	$293	$299	$303
Argentina	417	321	304	286	300
South Africa	348	364	291	284	207
Spain	411	388	283	0	324
Japan	404	418	364	372	373
West Germany	393	368	366	348	378
Republic of Korea	382	369	319	327	341
France	357	365	335	330	368
All other	387	369	326	319	345
Average	390	374	332	334	341

1/ Includes imports under TSUSA items 607.8334, 607.8350, 607.8355, and 607.8360.

2/ In 1981, one short ton of cold-rolled carbon steel sheet was imported from Argentina. It was valued at less than $500.

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

Note.--Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

U.S. market penetration

Imports from all sources.--Market penetration of cold-rolled sheet imported from all countries increased steadily from 10.1 percent of apparent U.S. consumption in 1981 to 15.2 percent in 1983, and then increased to 20.1 percent in January-March 1984 (table II-12).

Imports from Brazil.--Market penetration of cold-rolled sheet imported from Brazil increased from 0.1 percent of apparent U.S. consumption in 1981 to 0.4 percent in 1982 and 2.2 percent in 1983. During January-March 1984, Brazil's share of the market increased to 2.4 percent.

Table II-12.--Cold-rolled carbon steel sheet: 1/ Ratios of imports from Brazil and all countries to apparent U.S. consumption, 2/ 1981-83, January-March 1983, and January-March 1984

(In percent)

Source	1981	1982	1983	January-March	
				1983	1984
From Brazil	0.1	0.4	2.2	1.4	2.4
From all countries	10.1	13.2	15.2	11.6	20.1

1/ Includes imports under TSUSA items 607.8344, 607.8350, 607.8355, and 607.8360.

2/ Consumption calculated as the sum of U.S. producers' domestic shipments and imports for consumption.

Source: Shipments, compiled from statistics of the American Iron & Steel Institute; imports, compiled from official statistics of the U.S. Department of Commerce.

Exemption request for unannealed, full-hard cold-rolled sheet

Pinole Point Steel Co. (Pinole Point), a wholly-owned subsidiary of Marwais Steel Co. (Marwais), produces galvanized sheet in Richmond, Calif. Pinole Point is seeking an exemption from any additional duties that would result from an affirmative finding by the Commission on its imports from Brazil of unannealed, full-hard, cold-rolled sheet (full-hard sheet). Pinole Point uses full-hard sheet as feedstock in its galvanzing line.

According to officials at Pinole Point, sustaining adequate, fairly priced sources of this feedstock has been troublesome since Marwais purchased this plant from Bethlehem in 1979. Many of the suppliers are themselves producers of galvanized sheet and, according to Pinole Point, this conflict has often led to the dissolution of supplier/buyer arrangements. Starting in 1983, Pinole Point began sourcing this product from Brazil (* * *); they feel that a continuation of this relationship is critical to the company's survival. 1/

As shown in table II-13, Pinole Point has maintained at least * * * sources for this feedstock during the period shown. Foreign suppliers have accounted for at least * * * percent of Pinole Point's purchases of full-hard sheet, except for 1980, when foreign sourcing amounted to * * * percent of the total. Since 1980, domestic sourcing has declined dramatically, * * *.

Domestic producers and importers were asked to report any open-market shipments of full-hard sheet during 1983. Five domestic producers reported shipments of this product totaling approximately 92,000 tons for 1983. The following tabulation presents each of the five firm's response:

Firm	Shipments 1983	Average price (per ton)
U.S. Steel----------	***	***
Armco----------	***	***
Bethlehem----------	***	***
J & L----------	***	***
Wheeling-Pittsburgh----	***	***

Domestic producers were also asked to report any shipments of full-hard sheet to the Western Region. 2/ Only * * * reported such shipments to the Western Region. Its shipments totaled * * * tons in 1983, all originating from * * *. * * * stated that it called on Pinole Point in 1981 and offered to sell full-hard sheet at what they considered a fair price. * * * was told by Pinole Point that it planned to buy from foreign sources because it could obtain it at a better price. * * * states that it continues to offer this full-hard sheet in the open market.

* * * also stated in its questionnaire response that it would make this product available for sale in the open market if it could secure a fair-market price. * * * feels it is being prevented from obtaining such a price by foreign producers who are marketing this product at a less-than-fair-value price.

One importer, * * *, located in * * *, reported a * * *-ton shipment of full-hard sheet in 1983 at * * * per ton. * * * imported the full-hard sheet from Brazil for a producer of galvanized sheet located in the * * * region. Further importation of the product was reportedly discouraged by the subsidy finding by Commerce.

1/ * * *.

2/ The Western Region was defined to include Washington, Oregon, California, Nevada, and Utah.

Table II-13.--Pinole Point's sources of full-hard cold-rolled sheet, 1979-83 and January-April 1984

(In percent)

Source	1979	1980	1981	1982	1983	January-April--1984
Foreign sources:						
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
Total foreign--------	***	***	***	***	***	***
Domestic sources:						
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
* * *----------	***	***	***	***	***	***
Total domestic-------	***	***	***	***	***	***
Total all sources--:	100	100	100	100	100	100

Source: Post-hearing submission by Pinole Point Steel Co., dated May 4, 1984.

Prices

To a large extent, the same factors that were previously discussed in part I dealing with hot-rolled carbon steel sheet are also relevant with respect to cold-rolled carbon steel sheet. Also, similar to the practice in marketing hot-rolled sheet, cold-rolled carbon steel sheet prices are usually quoted f.o.b. mill in terms of dollars per ton. Prices consist of a base price plus additional charges for extras such as variations in length, width, thickness, chemistry, and so forth. Price changes are accomplished by changing the base, the extras, or a combination of both. Domestic producers also usually freight equalize in marketing cold-rolled carbon steel sheet.

Selling prices of cold-rolled carbon steel sheet.--Domestic selling prices of the representative cold-rolled carbon steel sheet products (products 6 through 8) generally followed a trend similar to that noted in sales of hot-rolled sheet products, except that the prices were more stable and exhibited more of a recovery in late 1983/early 1984 (table II-14).

The Brazilian product undersold domestic products in each of the six periods for which comparisons could be made. Margins ranged from 3.9 to 10.2 percent for sales to SSC's and from 12.0 to 14.9 percent for sales to end users.

Purchase prices for cold-rolled carbon steel sheet.--Purchasers reported adequate purchase price data for comparisons to be made only on product 6. However, as with the selling price data, the Brazilian product undersold domestic products in each of the 12 periods for which comparisons could be made. Margins ranged from 6.4 to 20.7 percent (table II-15).

In Atlanta, prices for domestic product 6 declined by 11 percent from January-March 1982 to January-March 1983, then recovered through the first quarter of 1984 for an overall price increase of 4 percent during the 9-quarter period. In the one instance where a price comparison was possible, there was underselling by the Brazilian product of 6.8 percent.

Prices for domestic product 6 sold in the Chicago area increased irregularly but significantly (by 33 percent) during the January 1982-March 1984 period. Prices for the Brazilian product also increased, although not as rapidly, as margins of underselling rose from 6.4 percent in mid 1983 to 8.9 percent in January-March 1984.

Prices in the Detroit area for the subject product produced by domestic steel mills increased by 4.5 percent during the 9-quarter period. In the one period in which a comparison could be made, there was underselling of 9 percent.

Prices for domestic product 6 sold in the Philadelphia/New York area increased by 9 percent during January 1982-March 1984. In the two cases of parallel data, underselling margins of 18.2 and 20.7 percent were shown for the Brazilian product.

Table II-14.--Cold-rolled carbon steel sheet: Weighted-average net selling prices for the largest sales of domestic products and imports from Brazil, and the average margins by which imports from Brazil undersold or oversold domestic products, by products, 1/ by types of customers, and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Sales to SSC's			
	Per ton	Per ton	Per ton	Percent
Product 6:				
1982:				
January-March	$423.41	-	-	-
April-June	420.67	-	-	-
July-September	424.27	-	-	-
October-December	394.13	-	-	-
1983:				
January-March	393.46	-	-	-
April-June	397.09	-	-	-
July-September	403.58	$380.49	$23.09	5.7
October-December	405.47	389.63	15.84	3.9
1984:				
January-March	430.66	394.10	36.56	8.5
Product 8:				
1982:				
January-March	440.79	-	-	-
April-June	428.19	-	-	-
July-September	433.16	-	-	-
October-December	421.93	-	-	-
1983:				
January-March	468.46	-	-	-
April-June	420.73	-	-	-
July-September	428.80	385.00	43.80	10.2
October-December	440.41	-	-	-
1984:				
January-March	464.41	-	-	-
	Sales to end users			
Product 6:				
1982:				
January-March	458.16	-	-	-
April-June	457.50	-	-	-
July-September	453.71	-	-	-
October-December	430.75	-	-	-
1983:				
January-March	431.61	-	-	-
April-June	448.38	-	-	-
July-September	463.06	-	-	-
October-December	458.15	403.00	55.15	12.0
1984:				
January-March	475.14	404.32	70.82	14.9

1/ Product descriptions are presented in app. D.

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

Table II-15.--Cold-rolled carbon steel sheet: Weighted-average net purchase prices for domestic product 6 and imports of product 6 from Brazil, 1/ and the average margins by which imports from Brazil undersold or oversold domestic products, by market areas 2/ and by quarters, January 1982-March 1984

Product and period	Domestic products	Imports from Brazil	Margins of underselling/(overselling)	
	Per ton	Per ton	Per ton	Percent
Atlanta:				
1982:				
January-March	$463.00	-	-	-
April-June	463.00	-	-	-
July-September	463.00	-	-	-
October-December	438.00	-	-	-
1983:				
January-March	413.00	$385.00	$28.00	6.8
April-June	443.00	-	-	-
July-September	443.00	-	-	-
October-December	443.00	-	-	-
1984:				
January-March	483.00	-	-	-
Chicago:				
1982:				
January-March	343.40	-	-	-
April-June	422.20	-	-	-
July-September	403.56	-	-	-
October-December	418.45	-	-	-
1983:				
January-March	427.48	-	-	-
April-June	438.49	-	-	-
July-September	416.40	389.71	26.69	6.4
October-December	432.02	395.00	37.02	8.6
1984:				
January-March	456.55	416.00	40.55	8.9
Detroit:				
1982:				
January-March	449.00	-	-	-
April-June	449.00	-	-	-
July-September	449.00	-	-	-
October-December	424.00	-	-	-
1983:				
January-March	361.75	-	-	-
April-June	429.00	-	-	-
July-September	415.22	378.00	37.22	9.0
October-December	411.29	-		-
1984:				
January-March	469.00	-	-	-

See footnotes at end of table.

Table II-15.--Cold-rolled carbon steel sheet: Weighted-average net purchase prices for domestic product 6 and imports of product 6 from Brazil, 1/ and the average margins by which imports from Brazil undersold or oversold domestic products, by market areas 2/ and by quarters, January 1982-March 1984--Continued

Product and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Philadelphia/New York:				
1982:				
January-March	$483.02	-	-	-
April-June	471.00	-	-	-
July-September	471.00	-	-	-
October-December	449.50	-	-	-
1983:				
January-March	465.36	$369.00	$96.36	20.7
April-June	501.07	-	-	-
July-September	492.80	403.00	89.80	18.2
October-December	537.00	-	-	-
1984:				
January-March	526.54	-	-	-
Portland/Seattle:				
1982:				
January-March	491.00	-	-	-
April-June	491.00	413.00	78.00	15.9
July-September	483.00	405.00	78.00	16.2
October-December	-	405.00	-	-
1983:				
January-March	465.00	399.00	66.00	14.2
April-June	465.00	374.00	91.00	19.6
July-September	430.00	399.00	31.00	7.2
October-December	430.00	-	-	-
1984:				
January-March	440.00	-	-	-

1/ A description of product 6 is presented in app. D. Inadequate data were received for an analysis to be made of prices of products 7 and 8.

2/ The market areas for which pricing data were requested are Atlanta, Chicago, Detroit, Houston/New Orleans, Los Angeles/San Francisco, Philadelphia/New York, and Portland/Seattle. Inadequate data were provided for an analysis of prices in any of the areas other than those identified.

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

Prices for domestic product 6 sold in the Portland/Seattle area declined by 10 percent during the 9-quarter period. Five price comparisons were possible in the area and in all five there was underselling by Brazilian product in this area, with margins ranging between 7.2 and 19.6 percent.

Lost sales

* * * provided nine specific instances of alleged lost sales of cold-rolled carbon steel sheet to competing imports from Brazil between February 1982 and November 1983. These allegations involved seven different purchasers, two of which were steel service centers/distributors and five of which were end users. The total quantity of these alleged lost sales amounted to 7,250 tons of cold-rolled sheet. All seven were contacted and a summary of their responses follows.

Purchaser 1.--* * *, as described earlier in Part I, is a steel service center located * * *. The * * * cited * * * lost sales, * * *. The following tabulation shows this firm's sources for cold-rolled sheet during 1981-83.

Source	1981	1982	1983
U.S. produced	***	***	***
Produced in Brazil	***	***	***
Other countries	***	***	***
Total	***	***	***

* * * is the only domestic supplier of cold-rolled sheet to * * *. Their purchases from * * * declined dramatically in 1982, then increased to a period high in 1983. Brazilian cold-rolled sheet was sourced for the first time in 1982. By 1983, Brazil was the largest supplier of the material to * * *. Once again, this firm stated that the availability of the steel, its high quality, and low price influenced its decision to increase its purchases from Brazil.

Purchaser 2.--* * *, * * *, is located in * * *. This firm uses cold-rolled sheet in its manufacture * * *. * * * alleged lost sales to the Brazilians * * *, for a total of * * * tons. * * *, an official at * * *, stated that his firm had not purchased any Brazilian cold-rolled sheet during 1982, but did purchase close to * * * tons during 1983. According to * * *, price was the sole factor in that decision.

Purchaser 3.--* * *, located in * * *, was a manufacturer of * * * . * * * is in the process of shutting down, * * *. * * * alleged a lost sale of * * * tons of cold-rolled sheet in * * *. * * * did not have access to purchasing records, but did not recall any purchases of Brazilian sheet as alleged.

Purchaser 4.--* * *, located in * * *, is a manufacturer * * *. * * * alleged a lost sale of * * * tons of cold-rolled sheet in * * *. * * *, the materials manager for * * *, either buys direct from domestic mills or from distributors. When sourcing from distributors, * * * specifies either domestic or Japanese steel. * * * stated that his firm did not purchase any Brazilian steel.

Purchaser 5.--* * * of * * * is a manufacturer * * *. * * * alleged a lost sale to Brazil totaling * * * tons in * * *. * * *, * * * the firm, stated that his firm purchased around * * * tons of Brazilian cold-rolled sheet during 1983. He characterized this purchase as experimental and influenced by the favorable pricing offered on this material. The quality of the Brazilian steel was rated as good but extensive delays in material delivery have hindered Brazil from becoming a more important supplier to his firm.

Purchaser 6.--* * * steel service center at * * * was named as the purchaser of * * * tons of Brazilian cold-rolled sheet in * * *. 1/ * * *, * * * material coordinator for * * *, was contacted * * *. He checked the * * * office's purchases for all of 1983 and could confirm * * * purchase of just * * * tons of Brazilian cold-rolled sheet from a broker. The price was about $33 per ton lower than competing domestic prices and this lower price was stated as the primary consideration in * * * decision to purchase the Brazilian material. * * * office historically purchases about 70 percent of its steel requirement from foreign suppliers in order to stay competitive in the * * * area.

Purchaser 7.--* * *, an end user located in * * *, was alleged to have bought * * * tons of Brazilian cold-rolled sheet in * * *. * * *, returned the purchaser questionnaire stating that they had not purchased any of the subject steel products since January 1982.

Lost revenue

* * * provided 10 instances of alleged lost revenues as a result of price reductions on sales of cold-rolled carbon steel sheet in competition with comparable sheet imported from Brazil. These examples involved seven different purchasers. In the aggregate, these allegations totaled 26,120 tons of cold-rolled sheet sold in 1983.

Purchaser 1.--The first instance cited * * *, as purchaser of * * * tons of cold-rolled sheet in * * * at reduced prices because of competing Brazilian sheet. * * *, buyer for this service center/distributor, could not verify the tonnages bought or the price negotiations that transpired, but he did confirm that discounting by * * * was commonplace during this period. The depressed market dictated deviations from list price. Brazilian sheet was also available during this period and generally at a lower price than the discounted domestic-mill price.

Purchaser 2.--* * *, was identified in another allegation as having purchased * * * tons of cold-rolled sheet in * * * after * * * reduced its prices in the face of competition from Brazilian sheet. * * *, vice president for this end-user firm, reported purchases of just over * * * tons from domestic mills during 1983. This firm purchased another * * * tons from service centers. While almost all of this was foreign-produced sheet, they would not know how much was of Brazilian origin.

1/ * * *.

Purchaser 3.--* * *, was named in another allegation involving a purchase of about * * * tons of cold-rolled sheet after the price was reduced to meet a competing offer price on Brazilian sheet. * * *, buyer for this * * * manufacturer, confirmed the purchase but stated that even at the reduced prices, $120 below published price, this is not competitive with offshore cold-rolled sheet priced at $360 to $380 per ton. * * * complained that * * * was losing business to competitors using foreign cold-rolled sheet from Brazil, Japan, and Argentina. On a * * *, a difference of $40 per ton in the cost of sheet translates into a * * * cost disadvantage on material alone. This use of domestic material currently is hurting the firm's sales.

Purchaser 4.--* * *, a large service center/distributor located in * * *, was identified as having purchased * * * tons of cold-rolled sheet in * * * from * * * after that domestic producer reduced its price in competition with imported Brazilian sheet. * * * acknowledged the purchase, made for * * * delivery at * * * per ton. * * * approached * * *, stating what their firm needed in terms of price in order to be competitive. Import price levels were emphasized, but without specific reference to Brazilian imports. * * * noted, however, that Brazil was in the market during that time and that offer prices on Brazilian cold-rolled sheet were commonly known.

Purchasers in the remaining three allegations could not recall the specific instance, but stated that discounting was not uncommon in their market.

APPENDIX A

NOTICE OF INVESTIGATIONS BY THE COMMISSION

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-205 through 207 (Final)]

Certain Carbon Steel Products From Brazil

AGENCY: International Trade Commission.

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

EFFECTIVE DATE: February 10, 1984.

SUMMARY: As a result of affirmative preliminary determinations by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports of certain carbon steel products from Brazil are being subsidized by the Government of Brazil within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671), the United States International Trade Commission hereby gives notice of the institution of investigations Nos. 701-TA-205 through 207 (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the following merchandise:

Hot-rolled, carbon steel plate in coils, provided for in item 607.66 of the Tariff Schedules of the United States (TSUS) (investigation No. 701-TA-205 (Final));

Hot-rolled carbon steel sheet, provided for in TSUS items 607.67 and 607.83 (investigation No. 701-TA-206 (Final)); and

Cold-rolled carbon steel sheet, provided for in TSUS item 607.83 (investigation No. 701-TA-207 (Final)).

The Department of Commerce will make its final subsidy determinations in these cases on or before April 20, 1984, and the Commission will make its final injury determinations by June 8, 1984 (19 CFR 207.25).

FOR FURTHER INFORMATION CONTACT: Lawrence Rausch (202-523-0286), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background

On December 27, 1983, the Commission determined, on the basis of the information developed during the course of its preliminary investigations, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason by imports of the subject carbon steel products from Brazil. The preliminary investigations were instituted in response to a petition filed on November 10, 1983, by United States Steel Corp., Pittsburgh, Pa.

Participation in the Investigations

Persons wishing to participate in these investigations 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 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 will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations, pursuant to § 201.11(d) of the Commission's rules (19 CFR 202.11(d)). Each document filed by a party to the investigations must be served on all

other parties to the investigations (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)).

Staff Report

A public version of the staff report containing preliminary findings of fact in the investigations will be placed in the public record on April 13, 1984, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a public hearing in connection with these investigations beginning at 10:00 a.m. on April 27, 1984, 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 April 9, 1984. 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 April 16, 1984, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 23, 1984.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to 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). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on May 4, 1984.

Written Submissions

As mentioned, parties to these investigations 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 investigations may submit a written statement of information pertinent to the subject of the investigations on or before May 4, 1984. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). 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 rules (19 CFR 201.6).

For further information concerning the conduct of the investigations, 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), and Part 201, subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: March 5, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-6878 Filed 3-13-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

In opposition to the imposition of countervailing duties:

Wald, Harkrader & Ross--Counsel
Washington, D.C.
on behalf of

Three Brazilian Producers of Carbon Steel Products
Exported to the United States

Companhia Siderurgica Paulista (COSIPA)
Usinas Siderurgicas de Minas Gerais (USIMINAS)
Companhia Siderurgica Nacional (CSN)

William H. Barringer)
Mark Schattner)--OF COUNSEL

Finley, Kumble, Wagner, Heine, Underberg & Casey--Counsel
Washington, D.C.
on behalf of

Pinole Point Steel Company

Robert E. Williams, Chairman

Alfred Perry, Vice President Public Affairs

Albert Sherman, Vice President Corporate Planning

Michael J. Calhoun)
Alexander P. Haig)--OF COUNSEL

APPENDIX C

NOTICE OF COMMERCE'S FINAL DETERMINATIONS

[C-351-021]

Certain Carbon Steel Products From Brazil; Final Affirmative Countervailing Duty Determinations

AGENCY: International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain benefits that constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of certain carbon steel products. The net subsidy is 36.48 percent *ad valorem* for COSIPA, 62.18 percent *ad valorem* for CSN, and 17.49 percent *ad valorem* for USIMINAS. In addition, we have determined that critical circumstances exist with respect to the importation of certain carbon steel products from Brazil. Therefore, we have notified the United States International Trade Commission (ITC) of our determinations. We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of certain carbon steel products from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after November 12, 1983, and to require a cash deposit or bond on these products in the amount equal to the estimated net subsidy.

EFFECTIVE DATE: April 26, 1984.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Andrew Debicki, or Alain Letort, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-2438, 377-5403, or 377-5050.

SUPPLEMENTARY INFORMATION:

Final Determinations

Based upon our investigations, we determine that certain benefits constituting subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Brazil of certain carbon steel products. For purposes of these investigations, the following programs are found to confer subsidies:

- Government Provision of Equity

Capital
- Government Guarantees on Long-Term Loans
- Short-Term Export Financing (Resolution 674)
- Export Financing under the CIC-CREGE 14-11 Circular
- IPI Export Credit Premium
- Funding for Expansion through IPI Tax Rebates
- CDI Program (Exemption of IPI Tax and Customs Duties on Imported Equipment)

We determine the net subsidy to be 36.48 percent *ad valorem* for COSIPA, 62.18 percent *ad valorem* for CSN, and 17.49 percent *ad valorem* for USIMINAS.

Case History

On November 10, 1983, we received petitions from the United States Steel Corporation ("U.S. Steel"), of Pittsburgh, Pennsylvania, on behalf of the U.S. industries producing hot- and cold-rolled carbon steel sheet, cut-to-length plate and plate in coils. In compliance with the filing requirements of § 355.26 of our regulations (19 CFR 355.26), the petitions allege that manufacturers, producers, or exporters in Brazil of certain carbon steel products receive, directly or indirectly, benefits constituting subsidies within the meaning of section 701 of the Act, and that these imports are materially injuring, or threatening to materially injure, a U.S. industry. U.S. Steel withdrew its petition covering hot-rolled carbon steel plate cut to length.

We found that the remaining petitions contained sufficient grounds upon which to initiate countervailing duty investigations, and on November 30, 1983, we initiated such investigations (48 FR 55012). We stated that we expected to issue preliminarily determinations by February 3, 1984.

Since Brazil is a "county under the Agreement" within the meaning of section 701(b) of the Act, injury determinations are required for these investigations. Therefore, we notified the ITC of our initiations. On December 27, 1983, the ITC determined that there is a reasonable indication that these imports are materially injuring, or threatening to materially injure, a U.S. industry (49 FR 670).

We presented a questionnaire concerning the allegations to the government of Brazil in Washington, D.C., on December 16, 1983. On January 16, 1984, we received a response to the questionnaire, followed by supplementary responses on January 24, 25, and 27, and March 9, 1984.

On February 3, 1984, we preliminary determined that benefits constituting subsidies within the meaning of the countervailing duty law were being provided to manufacturers, producers, or exporters in Brazil of certain carbon steel products (49 FR 5157). On February 28, 1984, U.S. Steel amended the petitions to allege that critical circumstances exist with respect to imports of certain carbon steel products from Brazil. On March 29, 1984, we issued a notice of "Preliminary Affirmative Determinations of Critical Circumstances" (49 FR 13726). Both petitioner and respondents filed briefs pertaining to these investigations prior to and after our preliminary determinations. In addition, the following interested parties submitted written comments: Bethlehem Steel Corporation ("Bethlehem"), and Republic Steel Corporation, Inland Steel Company, Jones & Laughlin Steel Incorporated, and Cyclops Corporation ("the Four"). We received no requests for a public hearing.

Scope of Investigations

The products covered by these investigations are hot-rolled carbon steel plate in coil, hot-rolled carbon steel sheet, and cold-rolled carbon steel sheet (certain carbon steel products), which are described in the "Product Description Appendix" attached to this notice.

There are three known producers and exporters in Brazil of certain carbon steel products to the United States. We have received information from the government of Brazil regarding Companhia Siderúrgica Paulista (COSIPA), Companhia Siderúrgica Nacional (CSN), and Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS). For purposes of these final determinations, our period of review is calendar year 1982.

Analysis of Programs

Throughout this notice, we reference general principles applied to the facts of the current investigations. These principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina; Final Affirmative Countervailing Duty Determination and Countervailing Duty Order" in this issue of the Federal Register.

In its responses, the government of Brazil provided data for the applicable period, including financial statements and debt information for COSIPA, CSN, and USIMINAS.

For purposes of these final determinations, we are calculating an *ad valorem* subsidy rate for each company. We allocated the benefits received by each respondent in 1982 over the total sales value or export value, as appropriate, of each respondent.

Based upon our analysis of the petition and the responses to our questionnaire, we determine the following:

I. Programs Determined To Confer Subsidies

We determined that subsidies are being provided to manufacturers, producers, or exporters in Brazil of certain carbon steel products under the following programs.

A. *Government Provision of Equity Capital.* Siderurgia Brasileira S.A. (SIDERBRAS) is a government-controlled corporation under the jurisdiction of the Ministry of Industry and Commerce. Pursuant to Decree Law No. 6159 of December 6, 1974, SIDERBRAS became the holding company for the federally owned steel corporations. SIDERBRAS is a majority shareholder of nine Brazilian steel producers and a minority shareholder of one small Brazilian steel producer.

During 1977-1982, SIDERBRAS provided its steel firms with funds in the form of loans, grants or equity. The amounts received include loans made to COSIPA, CSN AND USIMINAS by the Banco Nacional do Desenvolvimento Econômico e Social (National Bank for Economic and Social Development, or BNDES, formerly known as BNDE) and assumed by the Brazilian government through SIDERBRAS. These transactions are in effect debt-to-equity conversions by the government of Brazil. All funds provided to these companies are specifically for expansion projects and are not available to cover operating losses.

We have consistently held that government provision of, or assistance in obtaining capital does not *per se* confer a subsidy. Government equity purchases or financial backing bestow a countervailable benefit only when provided on terms inconsistent with commercial considerations.

For purposes of these final determinations, we conducted a comprehensive review of the companies' financial data and all other factors on the record relevant to a determination of inconsistency with commercial considerations. In order to determine whether a company was a reasonable equity investment (a condition we have termed "equityworthiness"), we focused on the rate of return on equity and long-term prospects for the companies in question for the period 1977 through 1982. We examined financial ratios, profits and losses, and other factors, such as market demand projections and

current operating results, to evaluate a company's current and future ability to earn a reasonable rate of return on equity investments.

Based on these factors, as applied to information on the record, we find COSIPA and CSN to be unequityworthy between 1977 and 1982, and USIMINAS to be equityworthy between 1977 and 1979 and unequityworthy between 1980 and 1982. Consequently, the action of the government in taking an equity position in these companies in those years is inconsistent with commercial considerations and may confer a subsidy.

To calculate the benefit, we compared the companies' rates of return on equity with the average rate of return in Brazil for the year in question. We then applied the "rate of return" shortfall to all purchases of equity that we consider to be inconsistent with commercial considerations. For these final determinations, we used the nationwide rate of return on equity in Brazil as published by *Business Latin America*. We determine the *ad valorem* benefit is 20.36 percent for COSIPA, 24.5 percent for CSN, and 3.73 percent for USIMINAS.

B. *Government Guarantees on Long-Term Loans.* With respect to loans and loan guarantees, we determined whether the companies under investigation were "creditworthy." In making these determinations, we focused on cash flow and other measures of each company's ability to meet its long-term debt obligations.

For purposes of these final determinations, we assessed the creditworthiness of COSIPA, CSN, and USIMINAS for the period 1977 through 1982. Based on the financial measurements outlined above, we find COSIPA to be uncreditworthy between 1977 and 1982, CSN to be creditworthy in 1977 and 1978 and uncreditworthy between 1979 and 1982, and USIMINAS to be creditworthy between 1977 and 1979 and uncreditworthy between 1980 and 1982.

In 1982, the government of Brazil guaranteed a debenture that was floated by USIMINAS on the Japanese market. The issuance was made in a period in which we consider USIMINAS to be uncreditworthy. To determine whether a countervailable benefit was bestowed by the guarantee, we compared the terms of the debenture with the highest terms on a debenture issuance in Japan during 1982, plus a risk premium, as outlined in the Subsidies Appendix. Our analysis showed that the loan guarantee was inconsistent with commercial considerations.

Moreover, we obtained at verification lists of long-term loans in foreign currency received by each of the three companies involved in these investigations under Resolutions 63 and 4131 of the Banco do Brasil. Because these long-term loans in foreign currency were guaranteed by the government of Brazil in years during which the companies were uncreditworthy, and evidence on the record suggests that government guarantees on foreign-currency loans are not generally available in Brazil, we used the methodology for "Loans and Loan Guarantees to Uncreditworthy Companies" described in the Subsidies Appendix to determine whether they were inconsistent with commercial considerations. Our analysis indicates that these loans were made at preferential interest rates.

SIDERBRAS also guaranteed long-term loans in cruzeiros provided by BNDES and FINAME, which are described below in sections II.B and C of this notice. Government guarantees are not countervailable if they are provided on equal terms to a wide range of industries. We have no evidence to indicate that the government of Brazil guarantees these loans only to a specific industry or group of industries. In addition, we note that the loan guarantees appear to be without effect, since the guarantor is also the lender itself. Finally, we note that, in addition to the SIDERBRAS guarantee, all BNDES loans are secured by company fixed assets to at least 130 percent of the loan value. We verified that each respondent's fixed assets were more than sufficient to cover their outstanding long-term debt, including BNDES/FINAME loans. Since even uncreditworthy companies can receive commercial interest rates on secured loans, we believe these guarantees bestow no subsidy. Therefore, because we have no information that SIDERBRAS guarantees on BNDES/FINAME loans are provided to a specific industry or group of industries, and because they do not appear to be provided on terms inconsistent with commercial considerations, we determine that SIDERBRAS guarantees of BNDES/FINAME loans do not confer a subsidy upon the products under investigation.

For loans with fixed interest rates, we applied the loan methodology for uncreditworthy companies described in the Subsidies Appendix. For our discount rate, we calculated each company's weighted cost of capital by using nationwide debt costs and rate of return on equity figures, which are described in more detail below.

We treated all loans with variable interest rates as short-term loans, and compared the principal and interest a company would pay a normal commerical lender in any given year with amounts actually repaid in that year under these loans.

For the benchmark rate, we used was the London Inter-Bank Offered Rate ("LIBOR") plus the highest observed commerical spread and the risk premium as explained in the Subsidies Appendix.

We allocated the benefits from these guaranteed loans over the total sales of the products under investigation in 1982 and calculated a subsidy of 0.20 percent *ad valorem* for COSIPA, 0.37 percent *ad valorem* for CSN, and 0.06 percent *ad valorem* for USIMINAS.

C. *Short-Term Financing (Resolution 674).* Resolution 674 financing, administered by the Carteira do Comércio Exterior (CACEX) of the Banco do Brasil, is a form of short-term borrowing to obtain working capital to purchase inputs for the production of goods destined for export. Eligibility is determined on the basis of past exports or an acceptable export plan. The amount of available financing is calculated by making a series of adjustments to the value of exports and is denominated in dollars. During the review period, the interest rate ceiling on loans obtained under the program was 40 percent. COSIPA, CSN, and USIMINAS have participated in the program.

Following CACEX approval of their applications, participants in the program receive certificates representing portions of the total dollar amount for which they are eligible. The certificates may be presented to banks in return for cruzeiros at the exchange rate in effect on the date of presentation. Use of a certificate establishes a loan obligation with a term of up to one year (360 days). Certificates must be used within 12 months of the date of issue and loans incurred as a result of their use must be repaid within 18 months of that date.

Since Resolution 674 financing is contingent on export performance, and provides funds to participants at interest rates lower than those available from commercial sources, we determine this program confers an export subsidy. To calculate the subsidy, we used as our benchmark the national average discount rate of accounts receivable, as published in *Análise/Business Trends*. All three companies demonstrated that they discounted accounts receivable to raise short-term capital.

In the past, we have used an uncompounded nominal discount rate of

accounts receivable by the Banco do Brasil as our benchmark for Resolution 674 loans. We now feel that this rate is inappropriate, since (1) compounding is necessary in order to equate the charges on a 90-day loan with an annual loan, and (2) because it is our policy to use national average benchmarks for short-term loan analysis (see the Subsidies Appendix). The national average discount rate of accounts receivable includes an average compensating balance required by Brazilian banks. The facts gathered in this investigation indicate that such compensating balances are a standard requirement for discounting accounts receivable. We have evidence that no such compensating balances are required for Resolution 674 loans.

We calculated the benefit as of the date of repayment of the laon. We applied the difference between the benchmark and the Resolution 674 rate to the amount of repayment. We allocated the resulting amount over the total value of all exports by the companies under investigation. We calculated a subsidy rate of 4.61 percent *ad valorem* for COSIPA, 22.36 percent *ad valorem* for CSN, and 1.82 percent *ad valorem* for USIMINAS.

D. *Export Financing Under the CIC–CREGE 14–11 Circular.* Under its CIC-CREGE 14–11 circular ("14–11"), the Banco do Brasil provides 180- and 360-day cruzeiro loans for export financing, on the condition that companies applying for these loans negotiate fixed-level exchange contracts with the bank. Companies obtaining a 360-day loan must negotiate exchange contracts with the bank in an amount equal to twice the value of the loan. Companies obtaining a 180-day loan must negotiate an exchange contract equal to the amount of the loan. In addition to requiring exchange contracts, the Banco do Brasil requires that these loans be fully secured by collateral, which must be traceable property. The bank normally requires that the value of collateral equal at least 130 percent of the amount of the loan. The bank also charges a commission on all such loans.

All exporters of manufactured products with production cycles of less than 180 days may apply for these loans. The maximum level of eligibility is based on the value of the applicant's exports in the previous year. Companies receiving Resolution 674 loans have a maximum elegibility of 10 percent. All others have a maximum eligibility of 15 percent.

Although this progrram does in certain aspects appear to operate on a purely commercial basis, respondents have not supplied sufficient data to support their assertion that commissions, exchange contract requirements and collateral requirements serve to raise the effective rates on these loans to a level of comparability with those on short-term loans from other commercial sources. Without sufficient information with which to quantify these additional charges, we must compare unadjusted rates on 14–11 loans with our commercial benchmark as the best information available. This comparison shows that the rate on 14–11 loans is below the benchmark.

COSIPA and CSN have both obtained loans under this program. COSIPA took out a 14–11 loan in 1980. Owing to a dispute between COSIPA and the Banco do Brasil, this loan was not repaid until April of 1983. We verified that the loan was repaid at the contracted interest rate plus an annual penalty fee of one percent. The penalty fee was added to COSIPA's contract rate for purposes of comparison with the benchmark. CSN's 14–11 loan was taken out in 1981 and rolled over in 1982 at the same interest rate. This was treated as two separate loans, each of which was compared to the appropriate benchmark for the period in question.

To calculate the subsidy, we compared the interest rates charged with the appropriate benchmarks and applied the difference to the principal amounts. We allocated the results over the total value of exports for COSIPA and CSN. This yielded an *ad valorem* subsidy rate of 0.33 percent for COSIPA, 0.79 percent *ad valorem* for CSN, and 0.00 percent *ad valorem* for USIMINAS.

E. *IPI Export Credit Premium.* Brazilian exporters of manufactured products are eligible for a tax credit on the Imposto sôbre Produtos Industrializados (Tax on Manufactured Products, or IPI). The IPI export credit premium has been found to confer a benefit in previous countervailing duty investigations involving Brazilian products. After having suspended this program in December 1979, the government of Brazil reinstated it on April 1, 1981, in accordance with Ministry of Finance "Portaria" (Notice) No. 270 (amended by Portaria No. 252 on November 29, 1982).

The IPI tax credit is a cash reimbursement from the government of Brazil to the exporter paid through the bank involved in the export transaction. The tax credit is based on the "adjusted" f.o.b. value of the exported merchandise, which is obtained by deducting from the invoice price of the merchandise 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 exporter must demonstrate that 75 percent of the value added of the merchandise originated in Brazil. If this condition is not met, the f.o.b. invoice price is reduced only by the value of the imported inputs when calculating the base upon which the IPI export credit premium is to be paid.

Subsequent to April 1, 1981, this credit premium was partially phased out in accordance with Brazil's commitment pursuant to Article 14 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade ("the Subsidies Code"). The government of Brazil reduced the benefit from 15 percent to 14 percent on March 31, 1982; from 14 percent to 12.5 percent on June 30, 1982; and from 12.5 percent to 11 percent on September 30, 1982. This program is scheduled to be eliminated by May 1, 1985.

We have used 11 percent as the nominal rate of the IPI export credit premium for the entire period of investigation. This is consistent with our policy that we may recognize program-wide changes in a subsidy program that occur after the period of investigation but prior to the preliminary determination.

We verified information regarding the use of the IPI credit premium by COSIPA, CSN, and USIMINAS on an earned basis (as opposed to a receipt basis) for 1982. The utilization rates verified cover the IPI credit premiums accrued on all steel exports, including the products under investigation.

We multiplied the most recent nominal rate of the credit premium by the respective utilization rates of the respondents to arrive at the effective credit premium rate for each respondent, and calculated a net subsidy of 7.50 percent *ad valorem* for COSIPA, 10.78 percent *ad valorem* for CSN, and 8.71 percent *ad valorem* for USIMINAS.

F. *Funding for Expansion Through IPI Tax Rebates.* Decree Law 1547, enacted in April 1977, provides funding for approved expansion projects in the Brazilian steel industry through a rebate of the IPI, a value-added tax imposed on domestic sales. The IPI tax is an indirect tax and, as such, is passed on to the consumer. A steel company collects this tax on sales as an agent for the government, and does not pay the tax itself. Decree Law 1547 is a mechanism by which a steel company is permitted to collect funds due the government and then receive a 95 percent tax rebate. The program does not involve the rebate of

payments made from the company's own funds.

Originally, the IPI tax applied to all domestic sales transactions. In 1979, the value-added tax was eliminated except for producers in 14 industry sectors, including tobacco, automobiles, spirits and alcohol, ceramics, rubber, and steel. The tax rate is different for each of the specified industry sectors; for steel products, the value-added tax is 5 percent.

A Brazilian steel compnay may deposit 95 percent of the net IPI tax due in a special account with the Banco do Brasil. The amounts deposited are to be applied to steel expansion projects. When rebated to the firms, they constitute tax-free capital reserves that must eventually be converted into subscribed capital. COSIPA, CSN, and USIMINAS received benefits under this program from 1977 to 1981.

Under Decree Law 1843 (enacted in December 1980), the companies must now pay the full IPI tax to the government, which in turn rebates 95 percent to SIDERBRAS in the form of capital increases.

Therefore COSIPA, CSN and USIMINAS did not receive countervailable benefits directly from this program in 1982. Yet we consider the funds received by SIDERBRAS to be subsidies to its subsidiaries for those years when these companies were unequityworthy and these funds were passed on to them in the form of equity infusions (discussed in section I.A of this notice).

In order to calculate the benefit attributable to this program, we used the weighted cost of capital formula explained in the Subsidies Appendix. Since we could not find company-specific long-term debt costs for the period under investigation, we used national average debt costs as the best information available. For those years in which the companies were considered creditworthy, we used the prime interest rate, as published in Morgan Guaranty Trust's *World Financial Markets*. We chose the national average prime rate because we could find neither average commercial long-term cruzeiro interest rates nor the national average discount rate of accounts receivable (our preferred short-term interest rate). With regard to the equity variable in the weighted cost of capital formula, we used the nation average rate of return on equity, as taken from *Business Latin America* data. We weight-averaged the debt and equity variables by each company's respective debt-to-total-capitalization and equity-to-total-capitalization ratios. Using our grant methodology for rebates received through 1981, we calulated an *ad valorem* subsidy rate of 3.21 percent for COSIPA, 3.06 percent *ad valorem* for CSN, and 2.95 percent *ad valorem* for USIMINAS.

G. *The CDI Program (Exemption of IPI Tax and Customs Duties on Imported Equipment).* Under Decree Law 1428, the Conselho do Desenvolvimento Industrial (Industrial Development Council, or CDI) provides for the exemption of 80 to 100 percent of the customs duties and 80 to 100 percent of the IPI tax on certain imported machinery for projects approved by the CDI. The recipient must demonstrate that the machinery or equipment for which an exemption is sought was not available from the Brazilian producer. The investment project must be deemed to be feasible and the recipient must demonstrate that there is a need for added capacity in Brazil.

Decree Law 1726 repealed this program in 1979. Subsequently, no new projects were eligible for these benefits. However, companies whose projects were approved prior to the repeal still receive these benefits pending completion of the project.

Although in our preliminary determinations we reversed our prior findings that this program was countervailable, we ascertained at verification that receipt of this benefit is limited to projects in fourteen industries approved by the government. Based on the record of these and earlier Brazilian countervailing duty investigations, we have no evidence that this requirement does not allow the government to target benefits to particular companies. Accordingly, we determine the CDI program confers a subsidy on the products under investigation. We expensed the benefit in the year of receipt and calculated a net subsidy of 0.45 percent *ad valorem* for COSIPA, 0.37 percent *ad valorem* for CSN, and 0.22 percent *ad valorem* for USIMINAS.

II. Programs Determined Not To Confer Subsidies

We determine that subsidies are not being provided to manufacturers, producers, or exporters in Brazil of certain carbon steel products under the following programs.

A. *Raw Materials (Iron Ore) Supplied at Government-Controlled Rates.* Petitioner alleges that Brazilian steel producers benefit from government policies that maintain domestic iron ore prices at levels sustantially below international prices. In our preliminary determinations, we found that the price controls on iron ore provided a benefit to "a specific enterprise or industry" on the basis of our belief that "the steel industry is by far the dominant user" of iron ore, and that the control led to the "provision of . . . goods at preferential rates."

Upon further investigation, we found that the price controls on iron ore apply to sales by four producers of iron ore in Brazil. The producers subject to price control consistently sell iron ore at prices that are below the set maximum prices. Producers not subject to price controls sell iron ore at even lower prices. In addition, one of the Brazilian steel mills under investigation owns its own iron ore mine. That mill produces all the iron ore it consumes, and sells its excess ore production on the open market.

Based on this information, we determine that market forces rather than government-mandated price controls set the prices of iron ore in Brazil. Therefore, we determine that the price control do not constitute the "provision of goods or services" [section 771(5)(B)(ii) of the Act] at preferential rates and do not confer a subsidy on producers of the products under investigation.

Because iron ore is not supplied at preferential rates, we need not address the issue of whether our preliminary determination that price controls on iron ore provided a benefit to a specific enterprise or industry was correct.

B. *BNDES Financing.* Long-term financing in cruzeiros is available in Brazil only through government-controlled financial institutions, such as BNDES and its subsidiary FINAME (see section II.C of this notice *infra*). BNDES provides long-term financing for the purchase of capital equipment and for expansion projects. These loans are available to private as well as state-controlled enterprises for a maximum of 20 years, and require an analysis of the economic viability of the project and the ability of the borrower to service the debt. We verified that BNDES loans were made available to a broad range of economic sectors throughout Brazil, *e.g.*, agriculture and agro-industry, capital goods, consumer goods, civil engineering, energy, infrastructure, and transportation. Therefore, we determine that BNDES loans are generally available and do not confer a subsidy.

C. *FINAME Loans.* The Agência Especial de Financiamento Industrial (Special Agency for Industrial Financing, or FINAME), a subsidiary of BNDES, provides long-term cruzeiro financing for the purchase of capital equipment manufactured in Brazil.

We verified that FINAME loans were provided to a broad range of industries throughout Brazil, such as agriculture,

chemicals, minerals, energy, electronics, pulp and paper, and transportation. Because FINAME loans are generally available, we determine they do not confer a domestic subsidy.

D. *Government Assistance in Repaying Foreign Loans (Aviso GB–588).* Aviso GB–588 is an internal government communication providing that, under certain circumstances, the government of Brazil will assume obligations on the direct dollar debt of companies unable to meet such overseas debt as it comes due. Under the program, the Banco do Brasil assumes payments due overseas lenders with funds provided by the Central Bank (Banco Central do Brasil). The assumed payments are converted into cruzeiro loans from the Banco do Brasil to the companies. The program is open to any company that has incurred such debt subject to a government guarantee. COSIPA, CSN, and USIMINAS have participated in the program.

Since the Aviso GB–588 program, one of several measures designed to deal with Brazil's overall hard currency debt problems, is available to all companies unable to meet scheduled payments on government guaranteed direct dollar debt, it does not operate to the sole benefit of any one industry or group of industries. Consequently, we consider this program to be generally available and therefore not countervailable.

E. *Rail Rate Subsidies Based on Payment in Steel.* Petitioner alleges that barter agreements, under which Brazilian steel mills pay the Rede Ferroviária Federal (Brazilian Federal Railways, or RFFSA) for freight charges with steel, result in preferential rail transport rates for Brazilian steel producers. Petitioner further alleges that Brazilian steel producers may derive independent benefits from a system of preferential rail transport rates.

Respondents acknowledge that COSIPA and CSN have concluded barter arrangements involving RFFSA, PETROBRAS (the state-owned fuel company), and INTERBRAS, PETROBRAS's trading company subsidiary. COSIPA and CSN use RFFSA to transport their products. RFFSA purchases fuel from PETROBRAS. At the time of the arrangements, COSIPA and CSN owed funds to RFFSA. RFFSA assigned its receivables due from COSIPA and CSN to PETROBRAS. This occurred at the same time INTERBRAS was interested in obtaining steel for export. COSIPA and CSN agreed to satisfy the accounts transferred to PETROBRAS by providing INTERBRAS with steel. The price to INTERBRAS for the steel was then offset against the amounts due PETROBRAS under the receivables assigned by RFFSA.

The steel products involved in these transactions were valued on the basis of current list prices plus a percentage based on estimated price increases expected to occur during the interim between the dates of contract and delivery. Subject to certain controls imposed by the government on all commercial transactions in Brazil, the price or value placed on steel sold to INTERBRAS by COSIPA and CSN was negotiated in accordance with CSN's and COSIPA's normal commercial practice. There is no evidence that these transactions have resulted in preferential rail rates for COSIPA or CSN. Aside from assigning its receivables to PETROBRAS, RFFSA has had a secondary role in those arrangements and has not received any steel for its own use. There is no indication that Brazilian steel producers derive preferential benefits through these arrangements either as a result of government direction or concessions by RFFSA.

We also found no evidence that Brazilian steel producers benefit from a system of preferential rail transport rates. Rates charged by RFFSA are published. There is no differential between export and domestic transactions. We established at verification that rail freight charges paid by Brazilian steel producers match those on the published rate tables. Consequently, we determine that Brazilian steel producers do not benefit from preferential rail rates either directly or as a result of the barter arrangement involving their accounts payable to RFFSA.

F. *Supplier Credits (Non-Indexation of Accounts Payable).* Petitioner alleges that payments to suppliers by state-owned companies in Brazil are not adjusted for inflation, and that such non-indexation of overdue accounts payable can constitute a substantial benefit in Brazil's highly inflationary economy. Respondents claim that the government of Brazil does not mandate or direct any preferential treatment for late payments by public sector companies. Instead, contracting parties freely decide whether accounts payable are to be indexed. At verification, we ascertained that certain contracts with suppliers contained a monetary correction clause and others did not. We saw no evidence of any government direction that supplier contracts not be indexed. In the absence of any evidence that non-indexation of accounts payable is mandated by the government, we determine that no countervailable benefits are bestowed to the products under investigation.

G. *Simultaneous Devaluation and Imposition of Export Taxes.* Petitioner alleges that early in 1983, the government of Brazil devalued the cruzeiro in order to stimulate exports, and concurrently imposed an export tax on a number of products in order to offset the benefits of the devaluation. Petitioner claims these joint actions constitute a selective devaluation designed to favor certain exports over others.

Although the government of Brazil announced a 30 percent "maxi-devaluation" on February 21, 1983, and subsequently adjusted several export taxes, we do not consider this to confer a countervailable benefit for two reasons.

First, in order for a selective devaluation to occur, there must be a multiple exchange rate system. There is no such system in Brazil. The devaluation included no provisions to protect certain industries or groups of industries from the effects of the devaluation.

Second, the presumption that the government applied an export tax selectively to confer a benefit requires evidence that it did so deliberately to favor the export of some products over others. Governments set tax rates for various reasons, *e.g.*, to raise revenue and to *inhibit* the export of certain goods in order to dampen upward pressure on domestic prices created by devaluation. Absent evidence that the government imposed selective export taxes purposefully to benefit selected untaxed exports, we do not consider its actions as conferring a countervailable subsidy.

H. *Certain Labor Programs.* Petitioner alleges the government of Brazil has provided assistance for the training and career development of steel industry personnel.

We verified that the government of Brazil has not provided funds or other forms of assistance for the training and career development of steel industry personnel, other than income tax deductions for employee training and meals that were determined not to confer countervailable benefits in *Carbon Steel Plate from Brazil* (48 FR 2568 (January 20, 1983)) because they are generally available. Accordingly, we determine that this program does not confer a subsidy.

I. *Certain Fiscal Incentives.* Petitioner alleges that CSN received certain "fiscal incentives" mentioned in CSN's annual report for 1982. During verification, we ascertained that these fiscal incentives

consisted of a corporate tax credit from a previous year for equity investments made by CSN in a regional airline and a regional development credit company in Brazil. This corporate tax credit is a standard deduction on Brazilian tax forms and can be taken by any company that makes equity investments in regional development projects approved by the government of Brazil. We verified that the corporate tax credit is available to all companies throughout Brazil. Therefore, we determine that the program does not confer a subsidy on the products under investigation.

J. *Certain Donations and Grants.* Petitioner alleges that CSN received certain "donations and grants" mentioned in CSN's annual report for 1982. We verified that these donations and grants consisted of a gift of furniture and medical supplies to the CSN hospital by a private foundation. Accordingly, we determine that this donation does not confer a subsidy upon the products under investigation.

K. *Electricity Used in Steel Production.* Petitioner alleges that Brazilian steel producers benefit from subsidized electricity. We verified that the respondents pay for the electricity they consume according to published, non-preferential rates. We therefore determine electric rates in Brazil do not confer a subsidy upon the products under investigation.

III. Programs Determined Not To Be Used

We determine that manufacturers, producers or exporters in Brazil of certain carbon steel products did not use the following programs, listed in the notice of "Initiation of Countervailing Duty Investigations." We intend to re-examine these programs during any administrative review that may occur under section 751 of the Act.

A. *Government Funds To Cover Operating Losses.* Evidence currently on the record provides no basis for determining the government of Brazil has provided funds to cover the operating losses of companies in the SIDERBRAS group. Equity infusions into respondent steel companies were provided for expansion and are addressed in section I.A., *supra.* Accordingly, we determine respondents have not benefited from government action to cover operating losses.

B. *Local Tax Incentives/Special Tax Deductions for SIDERBRAS.* In its response, the government of Brazil states that there are no local tax measures that benefit respondents. As a result of a special concession by the government, CSN was allowed to use the losses of other companies in the SIDERBRAS group to offset its profits for income tax purposes in 1980. The government conceded this special dispensation to compensate for the fact that within the SIDERBRAS group. Some companies consistently incur losses while other are profitable. However, such benefits received by CSN on its 1980 earnings extended only through 1981, because these are tax benefit that would be allocated solely to the year of receipt. This concession was repealed shortly thereafter and this program no longer exists. Accordingly, we determine that this program was not used by respondents during the period for which we are measuring subsidization.

C. *Export Profits exemption from Corporate Income Tax.* Pursuant to Decree Laws 1158 and 1721, exporters of certain carbon steel products are eligible to participate in this program which exempts a portion of profits attributable to export revenue from income tax. We verified that, since respondents either reported no taxable income or were unprofitable during the period for which we are measuring subsidization, they were not in a position to take advantage of this program. Therefore, we find no countervailing benefits to respondents during the period of investigation.

D. *Accelerated Depreciation for Equipment.* Pursuant to Decree Law 1137, any company which purchases Brazilian-made capital equipment and has an expansion project approved by the CDI may depreciate this equipment at twice the rate normally permitted under Brazilian tax laws. We verified that none of the respondents availed themselves of this program.

E. *Resolution 330 of the BCB.* BCB Resolution 330 provides financing for up to 80 percent of the value of the Merchandise placed in a specified bonded warehouse and destined for export. Exporters of certain carbon steel products would be eligible for financing under this program. However, COSIPA, CSN, and USIMINAS did not use this program because the companies manufactured products to order during the review period and such products were not placed in bonded warehouses. Accordingly, we determine that respondents did not use this program during the period for which we are measuring subsidization.

F. *The BEFIEX program.* The Commissão para a Concessão de Benefícios Fiscais a Programas Especiais de Exportação (Commission for the Granting of Fiscal Benefits to Special Export Programs, or BEFIEX) is authorized by Decree Law 77065 to reduce by 70 to 90 percent import duties and the IPI tax on the importation of machinery, equipment, apparatus, instruments, accessories and tools necessary for special export programs approved by the Ministry of Industry and Trade. Further, imports of components, raw materials and intermediary products may benefit from a reduction of 50 percent of import duties and IPI.

We verified that none of the respondents receives benefits through this program. Most of the merchandise produced by the respondents is sold in Brazil, and they are not able to make the required export commitments. Moreover, receipt of fiscal incentives under CDI program described *supra* makes a company ineligible for BEFIEX incentives.

G. *Apôio à Exportação (PROEX).* Petitioner alleges that a new line of short-term credit for exports was established under the Apôio à Exportação (PROEX) program of BNDES. We found no evidence that the respondents have participated in this program during the period for which we are measuring subsidization.

H. *Incentives For Trading Companies.* Petitioner alleges that CSN and USIMINAS distribute their export sales through such intermediaries as trading companies, and that under Resolution 643 of the BCB, trading companies can obtain export financing similar to that obtained by manufacturers under Resolution 674. We verified that none of the products under investigation was exported by trading companies during the period in investigation.

I. *Raw Materials (Charcoal and Slab) Supplied at Perferential Rates.* 1. *Charcoal.* Petitioner alleges that the government of Brazil has given fiscal incentives to encourage the expansion of charcoal production through reforestation. we ascertained during our verification that the Brazilian steel industry does not use wood charcoal in the steel production process.

2. *Slab.* Petitioner also alleges that Brazilian producers of hot- and cold-rolled sheet and plate in coil will soon be using subsidized slab from SIDERBRAS' Tubarao mill. We verified that neither COSIPA, CSN, nor USIMINAS purchased slab from the Tubarao mill during the period of investigation.

J. *Construction of Ports.* Petitioner alleges that Brazil's Third National Development Plan (1980–85) provides for the construction of a port at Praia Mole designed mainly for the export of steel products and the imports of coal.

During verification, despite our repeated requests, we were unable to obtain any sort of documentation on the Praia Mole port. However,

documentation submitted after verification by Bethlehem confirms the allegation in the petition. According to this documentation, the Praia Mole facility is located at Ponta Tubarão near Vitória in the state of Espírito Santo. Its purpose is to allow the Companhia Siderúrgica de Tubarão (CST), Açominas, and USIMINAS to import coal and export iron ore and steel. This documentation also indicates that Praia Mole, which is currently about half-completed, was not used for the importation of coal before May 1983 or for the exportation of steel before December 1983. Accordingly, we determine no countervailable benefits were bestowed upon the products under investigation during the period for which we are measuring subsidization.

K. *Certain Labor Programs for Employees of State Enterprises.* Petitioner alleges that the government of Brazil has restricted fringe benefits and pay levels of public employees, and that these restrictions confer a countervailable benefit on steel products manufactured in Brazil by state-owned companies.

Since Decree Laws 2036 and 2100 establishing these programs were not in effect during the period for which we are measuring subsidization, they fall outside the scope of this investigation.

L. *The CIEX Program.* Decree Law 1428 authorizes the Comissão para Incentivos à Exportação (Commission for Export Incentives, or CIEX) to reduce import taxes and the IPI tax up to 10 percent on certain equipment for use in export production. During verification, we ascertained this program serves the same purpose as the BEFIEX program, but is aimed at small companies with low production and trade volumes. Respondents demonstrated that they received similar benefits under the CDI program, which disqualifies them from receiving CIEX benefits. Accordingly, we determine none of the respondents received benefits under this program.

M. *Resolution 68 (FINEX) Financing.* Resolution 68 of the Conselho Nacional do Comércio Exterior (CONCEX) provides that CACEX may draw upon the resources of the Fundo de Financiamento à Exportação (FINEX) to extend export loans to foreign buyers of Brazilian goods. The loans are denominated in dollars and have a minimum term of 180 days. FINEX financing is arranged through an exporter, who must demonstrate that the foreign buyer has pre-paid at least 15 percent of the invoice price of the goods in question. The exporter receives the cruzeiro equivalent of the loan to the foreign buyer at the exchange rate prevailing on the date these funds are received. When the loan comes due, the lending bank receives the principal plus interest in dollars directly from the foreign buyer. The bank also retains any cruzeiro gains resulting from exchange rate fluctuations.

Though Resolution 68 loans are apparently intended primarily to facilitate export sales to developing countries or non-traditional markets, we identified one such loan made in relation to the sale by USIMINAS of a product under investigation to a U.S. buyer. However, the due date for repayment of this loan fell outside the period of review. Since FINEX financing provides loans for export purposes at rates lower than those for comparable commercial loans, this loan should be examined during any administrative review that may occur under section 751 of the Act.

IV. Export Taxes

On March 13, 1984, the government of Brazil informed us that it had imposed a 27.42 percent export tax on the products under investigation. The government of Brazil requested that any subsidy found in the final determination be offset by this export tax, if the Department would not agree to enter into a suspension agreement covering these products.

Because this export tax was imposed outside the period of investigation and after the preliminary determinations, it has no effect on the net subsidy amount. We may take into account any export taxes paid before the final determination for purposes of setting the cash deposit only. In this case, because of the late imposition of the export tax, we were unable to verify that it was paid. Consequently, we are not taking it into account in setting the cash deposit rate. We will consider it, however, during any administrative review that may occur under section 751 of the Act.

The government of Brazil has requested that we offset the net subsidy by the amount of the export tax on plate in coil imposed under the terms of the suspension agreement on carbon steel plate. We verified that this export tax was not paid during the period of investigation; therefore, it has no effect on the net subsidy amount. Because we are proposing to terminate the suspension agreement on carbon steel plate, we do not believe it is appropriate to take the export tax into account for cash deposit purposes.

Also, we are concerned that, under past subsidy agreements, Brazil has not always collected required export taxes on time. Such past non-collection casts doubt on Brazil's future timely collections of export taxes. Second, the Brazilian press has reported that the 27.42 percent export tax "would be ploughed back into the domestic steel industry to help finance expansion and modernization programs." Such reports raise concern that even if collected, export taxes may be funneled back to Brazilian steel companies. In our next administrative review under section 751 of the Act, we will consider whether or not to allow an export tax offset. In making such determination, we will consider, among other factors, whether the export tax has been paid, the timeliness of payment, and whether the payments have been funneled back into the steel industry.

Petitioner's Comments

Comment 1: Petitioner argues that iron ore produced internally in integrated facilities provides the same subsidy as iron ore subject to government-controlled prices since the transfer price is the same as the controlled price.

DOC Response: Assuming *arguendo* that petitioner's theory is correct, because we found that government-mandated price controls do not confer a subsidy, the internal transfer of iron ore at similar prices does not confer a subsidy.

Comment 2: Petitioner contends that the method we used in our preliminary determinations to calculate the nationwide rate of return on equity was based incorrectly on the average change in stock market yield indices and ignores payment of dividends.

DOC Position: In our preliminary determinations, we relied on the average change in stock market yield indices as best information available. For purposes of our final determinations, we have used the average rate of return on equity in Brazil for our calculations.

Comment 3: Petitioner asserts that the Department should have used the average rate of return on equity for major Brazilian firms compiled by *Moody's* as the nationwide rate of return on equity.

DOC Position: We decided to use the nationwide average rate of return on equity excerpted from *Business Latin America* because it is much broader-based than the rate compiled by *Moody's. Moody's* rate is an average of the rates of return on equity of 47 blue-chip Brazilian firms, whereas *Business Latin America* publishes a national average rate of return on equity for all industries.

Comment 4: Petitioner argues that the Department should not use ORTN [1] to

[1] ORTN = Obrigações Reajustáveis do Tesouro Nacional (Readjustable Bonds of the National Treasury)

adjust certain subsidy amounts expressed in real terms, because the rate of increase of ORTN significantly understates inflation.

DOC Position: It is irrelevant whether the ORTN adjustment rate is a true reflection of inflation in Brazil, because this index is universally used in that country for "monetary correction" purposes and represents the normal commercial practice of that country. Consequently, we used the ORTN adjustment rate whenever we were comparing data expressed in real terms with ORTN-adjusted data.

Comment 5: Petitioner contends that the fact that private lenders in Brazil are unwilling to make long-term cruzeiro loans demonstrates that BNDES loans were made on terms inconsistent with commercial considerations.

DOC Position: Because BNDES loans are generally available, we need not address the issue of their commercial soundness.

Comment 6: Petitioner argues that we should use rolled-over short-term cruzeiro interest rates as a benchmark for long-term loans in cruzeiros.

DOC Position: Since we determine that BNDES/FINAME loans are generally available, we do not have to address whether these loans are made at non-commercial rates.

Comment 7: Petitioner argues that the benchmark for Resolution 674 loans should properly be the commercial interest rate for short-term working capital loans.

DOC Position: In this and other cases involving Brazilian products, we have verified that trade bill discounts represent the primary means in Brazil for obtaining short-term working capital loans. Therefore, we have used the average short-term trade bill discount rates for Brazil published by *Análise/ Business Trends* as our benchmark for short-term loans.

Comment 8: Petitioner asserts that by using the proration method (as opposed to the payment method), the Department significantly understated the benefit from Resolution 674 financing.

DOC Position: As discussed in section I.C of this notice, we have calculated the benefits from this program as of the date of repayment.

Comment 9: Petitioner argues that if the Department's policy is to take into account program-wide changes after the period of investigation that are favorable to respondents (such as the decrease in the nominal rate of the IPI export credit premium), it should also take into account changes that are unfavorable to respondents, such as purchases of subsidized slab from the Tubarão steel mill by CSN and USIMINAS.

DOC Position: As a general rule, we may take into account program-wide changes which occur after the period of investigation and before the preliminary determination if we have verified information on the change and the magnitude of the resulting subsidy. We have verified the decrease in the nominal rate of the IPI export credit premium, and have information, such as domestic slab usage, necessary for our subsidy calculations. We do not have verified information to take into account other changes, such as the change in the Resolution 674 interest rate, and the purchase of allegedly subsidized slab from Tubarão.

Comment 10: With respect to the Aviso GB-588 program, petitioner contends the Department should assume that respondents are not making any principal or interest payments on their loans.

DOC Position: Since we found this program to be generally available, we do not need to address the issue of repayment.

Respondents' comments

Comment 1: Respondents argue that the Department should have entered into a suspension agreement with the government of Brazil when the latter imposed an export tax on the products under investigation in the amount of the estimated net subsidy after the preliminary determinations.

DOC Position: Under secion 704 of the Act, we have discretion to enter into a suspension agreement only if we find that suspension of the investigation is in the public interest and effective monitoring by the United States is practicable. The legislative history of the Act stresses that sus pension "is an unusual action which should not become the normal means of disposing of cases" [*S. Rep. No. 96-249, 96th Cong., 1st Sess. 54 (1979)*]. Moreover, we recently proposed to terminate two export tax suspension agreements with Brazil, largely because the government did not collect the required export taxes for up to five months [49 FR 11864 (March 28, 1984)]. Under these circumstances, we exercised our discretion not to enter into an export tax suspension agreement.

Comment 2: Respondents argue that since the IPI export credit premium will terminate in April 1985, we should include in our final determinations instructions to adjust the deposit rates downward on goods exported after that date.

DOC Position: We cannot take into account program-wide changes that have not yet been implemented. When the phaseout of the IPI export credit premium actually takes place, we will take it into account in any administrative review that may occur under section 751 of the Act.

Comment 3: The Department should take into account the reduced value of the IPI export credit premium to the respondents because of sometimes lengthy delays incurred in receiving this benefit.

DOC Position: Under section 771(6)(B) of the Act, an offset is allowed for "any loss in the value of the subsidy resulting from its deferred receipt, if the deferral is mandated by Government order." In the case of the IPI export credit premium, no such government mandate exists. Delays in a company's receipt of IPI credits are purely administrative, frequently the result of a company's tardy application for the benefit. No offset is allowed in such a case.

Comment 4: Respondents argue, with reference to IPI tax rebates for capital investments, that the rebate or elimination of an industry-specific tax such as the IPI constitutes a generally available benefit and therefore does not confer a subsidy.

DOC Position: Not all steel companies receive this rebate. Although the same level of IPI tax is applicable to all steel products, only companies producing certain priority products and whose expansion projects are government-approved can receive the rebate. Fabricators of steel products, such as pipe and tube manufacturers who purchase coil, are not eligible for the rebate. COSIPA, CSN, and USIMINAS themselves have not been eligible for the rebates since December 1980, when Decree Law 1843 directed that rebates of the IPI tax collected on sales by state-owned steel companies accrue to SIDERBRAS. Therefore, the rebates are not generally available and constitute a selective benefit to targeted producers.

Comment 5: Respondents argue that since IPI tax rebates for capital investment are paid only on goods sold in the domestic market, no products exported to the United States benefit from the rebate and therefore no subsidy is conferred.

DOC Position: We disagree. That the rebates are generated by domestic sales only does not alter the fact that they benefit all production, including exports.

Comment 6: Respondents contend that since IPI tax rebates are provided in the form of capital contributions and may not be used to cover losses or pay dividends, the Department should treat them as equity infusions made on terms not inconsistent with commercial considerations.

DOC Position: Prior to December 1980, IPI tax rebates flowed directly to the companies in the form of grants; we therefore treated them as grants. After December 1980, the rebates went directly to SIDERBRAS for purposes of increasing its capital investments in steel companies. We treated all equity infusions from SIDERBRAS into the steel companies as equity purchases, to which we applied our equity methodology (see section I.A of this notice).

Comment 7: Regarding IPI tax rebates, respondents argue that the Department, in its preliminary calculations, overestimated the net subsidy in calculating a "real rate of return" by comparing the ORTN adjustment rate to the prime rate for short-term borrowing. Such a "real rate of return," it is alleged, does not reflect verified long-term cruzeiro loan rates or the Department's own information on rates of return.

DOC Position: Because there is no commercial market for long-term loans in Brazil, we must turn to short-term interest rates in constructing our weighted cost of capital. This short-term rate must be expressed in the same terms (real or nominal) as the rate of return on equity. Since the rate of return on equity is expressed in real terms, the interest rate must be adjusted likewise.

Comment 8: Respondents contend we should take into account the increase of the interest rate on Resolution 674 financing to ORTN plus up to three percent, which was enacted in compliance with IMF requirements.

DOC Position: To calculate a change in interest rate of a preferential loan program that occurred after the period of investigation, we need concurrent information on benchmark interest rates. We asked respondents for this information, but they did not submit it in time for us to take into account the change in the Resolution 674 interest rate.

Comment 9: Respondents contend that the Imposto Sôbre Operações Financeiras (IOF) is an indirect tax on the production of goods for export, that the exemption of loans under Resolution 674 from this tax is not a subsidy, and that if we determine that Resolution 674 financing provides a subsidy, we should consider this exemption as part of that subsidy.

DOC Position: We disagree. The IOF is an indirect tax paid on domestic financial transactions. However, this fact is not relevant. Since we are considering the discounting of a cruzeiro-denominated receivable, a transaction upon which the IOF is paid, as the commercial alternative to Resolution 674 loans, it is entirely appropriate that we include the exemption of Resolution 674 loans from the IOF as part of the subsidy in order to measure the full benefit provided under this program.

Comment 10: Respondents argue that the Department mistakenly considered Resolution 68 (FINEX) financing to confer a subsidy since the terms of this financing are not inconsistent with commercial considerations.

DOC Position: For the reasons explained in section III.M of this notice, we will examine this issue during any administrative review that may occur under section 751 of the Act.

Comment 11: Respondents contend that government loan guarantees did not result in preferential rates on long-term loans contracted by respondents or on debentures floated on the international financial markets.

DOC Position: We disagree. During the period in which respondents were found to be uncreditworthy, government loan guarantees enabled these companies to take out long-term loans in foreign currencies or float debentures in international financial markets on terms inconsistent with commercial considerations.

Comment 12: Respondents argue the Department erred in finding government equity infusions in the Brazilian steel companies to be inconsistent with commercial considerations by focusing on a restricted number of financial ratios and ignoring the broader industrial and financial context in which these companies operate.

DOC Position: In making our final determinations of equityworthiness for COSIPA, CSN, and USIMINAS, we reviewed all pertinent information on the record, including that provided by the respondents during verification in support of their claims that the companies should be considered creditworthy and equityworthy. This information included the financial statements for the relevant time periods as well as reports and projections pertaining to the companies' operations.

In arriving at these determinations, we considered all factors on the record that had a bearing on the past, current, and future financial operations of the respondents. Such factors, where available, included the overall market demand for steel, factory productivity, the progress of expansion programs, plant capacity utilization, financial resources, management assessments, and effects of inflation on operations.

In developing the appropriate financial ratios and judging of the results of these ratios, we again took into account the relevant factors. After we examined all these factors, we gave primary consideration to the rate of return on equity for prior periods as well as projected rates of return in making our equityworthiness determinations.

Comment 13: Respondents submit that a review of the performance of each of the respondents over the past 15 years demonstrates a history of profitability, losses being the exception rather than the rule.

DOC Position: Although the three companies earned some profits between 1967 and 1977, all three showed very low or negative profits from 1977 onwards. Since a private investor will focus on a company's most recent performance as an indication of future earning trends, we considered the more recent years to be more important to our analysis of equityworthiness. Moreover, a demonstration of profits or earnings alone is not sufficient for a company to be equityworthy. The rate of earnings per unit of equity, and not the absolute level of earnings, is a far more important determinant of a company's performance. In our equity methodology, we place much greater weight on the rate of return on equity than the absolute level of profits or losses.

Comment 14: Respondents argue that once an investment project is initiated, a company cannot halt its expansion plan because of temporary economic conditions lest it lose its initial investment.

DOC Position: We agree that temporary economic fluctuations should not affect the reasonableness of an equity investment, as long as a company is strong enough to ride out these fluctuations. However, the evidence on the record suggests that the three companies' performance is largely the result of more permanent changes in conditions, such as worldwide overcapacity in steel, price controls on domestic sales of steel, and weak financial conditions of the companies. In such situations, we consider that further equity investments in these companies were inconsistent with commercial considerations.

Comment 15: Respondents submit that the Department cannot use the same standard of equityworthiness when analyzing a company in a period of expansion as when considering an outdated mill going through a period of contraction.

DOC Position: Although a private investor may be willing to wait longer for a return on investment in an expanding company, he will eventually require a reasonable rate of return in relation to other investment opportunities in that country. Indeed, because he may see no return in earlier

years, he will expect a higher rate of return in later years. Given the conditions mentioned in Respondents' Comment 14, it does not appear that the three companies would be able to generate a reasonable rate of return within a reasonable period at the time some of the government equity infusions were made.

Comment 16: Respondents submit that the government of Brazil does not provide budget contributions or other funding for the CIC–CREGE 14–11 program, which generates sufficient revenues to cover its long-term operating costs. Respondents therefore contend that, under Annex A of the Subsidies Code, paragraphs (j) and (k), this program does not confer a subsidy.

DOC Position: As discussed in section I.D of this notice, we determine that program is countervailable. Our determination is based primarily on respondents' failure to provide sufficient information to verify that the program does not provide preferential loans to exporters and covers its long-term operating costs. Moreover, our uniform practice on this issue has been to calculate the subsidy provided under a preferential loan program by comparing the preferential rate to the commercially available rate, rather than to the cost of the funds to the government. As previously stated in our "Notice of Final Affirmative Countervailing Duty Determination" regarding *Ceramic Tile from Mexico* (47 FR 20012), "(r)egardless of what effects the Illustrative List of Export Subsidies may have on U.S. law otherwise, the uniform past practice on this issue in comparison with the legislative history of the Trade Act requires us to calculate the bounty or grant provided under a preferential loan program on the basis of a comparison between the preferential rate and the commercially available rate rather than on the basis of a comparison with the cost of funds to the government."

Comment 17: Respondents suggest that the building of infrastructure, such as the port at Praia Mole, is a normal government function and cannot confer a subsidy.

DOC Position: Since the port facilities at Praia Mole were not used during the period of investigation, the issue is moot. We reserve the right to reexamine Brazilian government involvement in the construction of the Praia Mole port in any administrative review that may occur under section 751 of the Act.

Comments by Interested Parties

Comment 1: The Four argue that certain accounting practices followed by the Brazilian steel companies in their financial statements are not in accordance with generally accepted accounting principles in the United States, and that such practices give a misleading picture of the respondents' financial health by overvaluing assets and profits and undervaluing liabilities and losses.

DOC Position: We accepted the financial statements of the respondents, which were presented in accordance with the generally accepted accounting principles in Brazil. These statements, which were audited by independent accounting firms, were used in determining the creditworthiness and equityworthiness of the three companies.

Although the financial statements were not prepared in accordance with U.S. accounting principles, we analyzed the financial reporting practices in Brazil, and found them to be reasonable given the high rate of inflation in that country.

Comment 2: The Four argue that government equity infusions in the Brazilian steel companies should be countervailed as grants to cover operating losses.

DOC Position: This issue is moot as we are countervailing government equity infusions in the companies under investigation during the period in which they were found to be unequityworthy. To countervail the very same funds under the heading of loss coverage would be double counting. See also the DOC Position on Comment 14 to the Subsidies Appendix.

Comment 3: Bethlehem contends that if the Department persists in using the discount of accounts receivable rate as benchmark for the Resolution 674 financing, it should add an appropriate risk premium to the effective rate.

DOC Position: As stated in the Subsidies Appendix, we do not believe it is appropriate to add a risk premium to short-term loan benchmarks.

Comment 4: The Four oppose the Department's use of the Banco do Brasil's discount of accounts receivable rate as the benchmark for Resolution 674 export financing because it is lower than the rate of inflation in Brazil.

DOC Position: For short-term loans, we use an appropriate national average commercial benchmark, regardless of its position relative to the rate of inflation in the country involved. We note that, especially in highly inflationary economies, real interest rates have been negative at times.

Comment 5: With respect to the Aviso GB–588 program, Bethlehem argues that respondents are unlikely to repay their foreign loans, as all three companies lack sufficient current assets to meet their current debts. Bethlehem argues, therefore, that the Department should treat these loan moratoria as grants.

DOC Position: Since we determined this program to be generally available, we do not need to address this issue.

Comment 6: With respect to the Aviso GB–588 program, Bethlehem contends that "repayment"provision must be excluded from the calculation of each company's rate of return for purposes of calculating the subsidy arising from government equity infusions.

DOC Position: Since we determine this program to be generally available, we do not need to address this issue.

Comment 7: Should the Department persist in using the loan methodology for the Aviso GB–588 program, Bethlehem maintains that the appropriate benchmark is the highest effective short-term interest rate plus a risk premium.

DOC Position: Since we determine this program to be generally available, we do not need to address this issue.

Comment 8: The Four object to the Department's subtraction of an inflation index from the interest rate to calculate the discount rate for Brazil, since the effective cost of money includes the anticipated inflation rate.

DOC Position: We subtracted the ORTN adjustment rate from the nominal interest rate to make our initial calculations in real terms. We adjusted these figures to nominal terms in the second step of our calculations using the ORTN adjustment rate.

Comment 9: Bethlehem and the Four argue that the Department's risk premium for Brazil was grossly understated, which led to a preliminary finding that USIMINAS's 1982 Japanese debenture was not floated on non-commercial terms despite a government guarantee. Bethlehem suggests the Department should have used Brazilian rather than Japanese debenture rates.

DOC Position: For purposes of these final determinations, we have based our analysis of this program on Japanese debenture rates and the risk premium outlined in the Subsidies Appendix. Using this methodology, we found that the loan guarantee of the yen-denominated debenture was inconsistent with commercial considerations. The debenture in question was denominated in yen and floated in Japan. We compared this debenture with other yen-denominated debentures in Japan, in keeping with our long-standing practice of taking a benchmark from the country in which the loan was made, whenever possible (see the Subsidies Appendix for our policy on benchmarks for foreign loans).

Comment 10: Bethlehem argues that Brazilian steel producers benefit from

preferential rail rates on bulk shipments of iron ore.

DOC Position: Since no allegation concerning preferential rail rates on bulk shipments of iron ore was received prior to the preliminary determinations, we did not include it in our investigations. This matter should be addressed in any subsequent review that may occur under section 751 of the Act.

Comment 11: Regarding Resolution 330 financing for export warehousing, Bethlehem contends that contrary to their assertions, respondents must have warehoused steel for export because of bad weather in Brazil which allegedly delayed export shipments by three to five weeks.

DOC Position: We saw no evidence at verification that such warehousing took place, or that loans under this program were received by the companies under investigation.

Comment 12: Bethlehem asserts that because exports of steel from Brazil by trading companies surged in 1983, it is reasonable to assume that some exports of Brazilian steel to the U.S. benefited from incentives to trading companies.

DOC Position: Since our period of investigation is 1982, the issue need not be addressed until any administrative review that may occur under section 751 of the Act.

Verification

In accordance with section 776(a) of the Act, we verified all the information used in making our final determinations.

Suspension of Liquidation

In accordance with section 703(d) of the Act, on February 10, 1984, we instructed the U.S. Customs Service to suspend liquidation of all entries of certain carbon steel products from Brazil (49 FR 5157). On March 29, 1984, because we issued a notice of "Preliminary Affirmative Determinations of Critical Circumstances" (49 FR 13726), we retroactively ordered the suspension of liquidation to November 12, 1983. As of the date of publication of this notice in the Federal Register, the liquidation of all entries, or withdrawals from warehouse, for consumption of this merchandise will continue to be suspended and the Customs Service shall require an *ad valorem* cash deposit or bond for each such entry of this merchandise as follows:

Manufacturer/producer/exporter	*Ad valorem* rate (percent)
COSIPA	36.48
CSN	62.18
USIMINAS	17.49
All other manufacturers/producers/exporters	36.95

This suspension will remain in effect until further notice.

Final Affirmative Determination of Critical Circumstances

Where, as in this case, petitioners have alleged the existence of critical circumstances, section 705(a)(2) of the Act requires us to include in our final determination "a finding as to whether—(A) the subsidy is inconsistent with the Agreement, and (B) there have been massive imports of the class or kind of merchandise involved over a relatively short period."

A. *Consistency with the Subsidies Code.* We have determined that the government of Brazil provides export subsidies on the merchandise under investigation. As we noted in our preliminary determinations of critical circumstances (49 FR 13726), Article 9 of the Subsidies Code prohibits the use of export subsidies on non-primary products. When given by developed countries, such subsidies are inconsistent with the Subsidies Code and are actionable under its dispute settlement provisions. However, Article 14 provides an exception for developing countries, provided they do not use "export subsidies on their industrial products . . . in a manner which causes serious prejudice to the trade or production of another signatory" (Article 14 § 3). For a developing country like Brazil, then, the issue is whether we find export subsidies causing "serious prejudice" to U.S. steel trade or production. Under section 771(7)(C)(iii) of the Act, the ITC evaluates all relevant economic factors bearing on the state of the industry, including actual and potential decline in output, sales, market share, profits, productivity, return on investment, and capacity utilization. Thus, in making its preliminary and final injury determinations, the ITC considers trade and production in the United States. We conclude that, in principle, serious prejudice can exist where material injury to a U.S. industry occurs by reason of imports benefiting from export subsidies.

Based upon the information in the record and the ITC's affirmative preliminary determination of December 27, 1983, we conclude that serious prejudice exists within the meaning of Article 14 § 3 [if the ITC's final determination should be negative, our critical circumstances finding will become moot; in any event, under section 705(a)(4)(A) of the Act, the ITC must make its own affirmative determination of critical circumstances to effect our affirmative finding]. Therefore, we find that Brazil's export subsidies on certain steel products are inconsistent with the Subsidies Code.

We stress that this finding is limited to the facts of these cases and the application of Article 14 § 3 of the Subsidies Code. This finding draws no conclusion, and none should be inferred, with respect to the commitment made by the government of Brazil under Article 14 § 5 of the Subsidies Code. Under Article 14 § 5, developing countries are urged to "enter into a commitment to reduce or eliminate export subsidies when the use of such export subsidies is inconsistent with its competitive and development needs." Article 14 § 6 precludes any signatory from taking countermeasures pursuant to the provisions of Parts II and VI of the Subsidies Code against any export subsidies of such developing country, to the extent that the subsidies in question are covered by a commitment made under Article 14 § 5.

Parts II and VI of the Subsidies Code concern notification of subsidies and international dispute settlement. Significantly, Article 14 § 6 does not affect actions taken under Part I of the Subsidies Code, concerning domestic countervailing duty proceedings.

We have considered comments provided by counsel for respondents, and consulted with the Office of the United States Trade Representative. We concluded that, as a matter of law, we may find a developing country's export subsidies that cause "serious prejudice" to be inconsistent with Article 14 §3 and, therefore, the Subsidies Code, for purposes of our critical circumstances determination. We again note that our finding does not indicate any view regarding Brazil's commitment under Article 14 §5 of the Subsidies Code.

B. *Massive Imports.* Information on the record indicates that imports of the merchandise under investigation have increased dramatically. In considering this question, we compared the monthly average of imports from Brazil during the period of July through October 1983, with the monthly average of imports for the period of November 1983 through January 1984, the three months between our receipt of the petition and our preliminary determinations. These comparisons show that the import volume of hot-rolled plate in coil increased by 316 percent, hot-rolled

sheet increased by 84 percent, and cold-rolled sheet increased by 22 percent.

Normally, we would also analyze imports from prior years in order to determine whether increased imports over a short period could be attributable to factors such as seasonal flows and, therefore, may not constitute massive imports over a short period of time for the purposes of section 705(a)(2). In this case, we have not done so because Brazil is a comparatively new entrant in the U.S. market with consequently low levels of exports of these products to the U.S. in 1981 and 1982.

Based on our comparisons of figures for the periods set forth above, we are persuaded that there have been massive imports of hot-rolled carbon steel plate in coil, hot-rolled carbon steel sheet, and cold-rolled carbon steel sheet over a short period of time.

For the reasons discussed above, we find that critical circumstances exist within the meaning of section 705(a)(2) of the Act. We note that, pursuant to section 705(b)(4) the ITC makes its own determinations regarding critical circumstances. Therefore, pending the ITC's final determination, the suspension of liquidation of entries for a period of 90 days prior to our preliminary determinations shall remain in effect.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will make its determination whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury or the threat of material injury does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an countervailing duty order, directing Customs officers to assess a countervailing duty on certain carbon steel products from Brazil entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the net subsidy amount indicated in the "Suspension of Liquidation" section of this notice.

This notice is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d).

Dated: April 18, 1984.

William T. Archey,

Acting Assistant Secretary for Trade Administration.

Product Description Appendix

For purposes of the investigations:

1. The term *"carbon steel plate in coil"* covers the following hot-rolled carbon steel products. Hot-rolled carbon steel plate in coils is a flat-rolled carbon steel product in coils, 0.1875 inch or more in thickness and over 8 inches in width, currently provided for in item 607.8610 of the *Tariff Schedules of the United States, Annotated (TSUSA).*

2. The term *"hot-rolled carbon steel sheet"*[1] covers the following hot-rolled carbon steel products. Hot-rolled carbon steel sheet is a flat-rolled carbon steel product, whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; 0.1875 inch or more in thickness and over 8 inches in width and pickled, as currently provided for in item 607.8320 of the TSUSA; or under 0.1875 inch in thickness and over 12 inches in width, whether or not pickled, as currently provided for in items 607.8710, 607.8720, 607.8730, 607.8740, or 607.8342 of the *TSUSA.* Please note that the description of hot-rolled carbon steel sheet includes some products classified as plate in the *TSUSA.*

3. The term *"cold-rolled carbon steel sheet"*[1] covers the following cold-rolled carbon steel products. Cold-rolled carbon steel sheet is a flat-rolled carbon steel product, whether or not corrugated or crimpled, whether or not painted or varnished and whether or not pickled; not cut, not pressed and not stamped to non-rectangular shape; not coated or plated with metal; or 12 inches in width, and 0.1875 or more in thickness, as currently provided for item 607.8320 of the *TSUSA;* or over 12 inches in width and under 0.1875 inches in thickness; as currently provided for in items 607.8350, 607.8355, or 607.8360 of the *TSUSA.* Please note that the description of cold-rolled carbon steel sheet includes some products classified as "plate" in the *TSUSA.*

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[1] "Sheet" is a generic term used in the steel industry for certain flat-rolled products. We have used the terms "hot-rolled carbon steel sheet" and "cold-rolled carbon steel sheet" for purposes of clarity. These products are also known as "hot-rolled carbon steel flat-rolled products" and "cold-rolled carbon steel flat-rolled products."

APPENDIX D

DESCRIPTIONS OF PRODUCTS COVERED IN THE PRICE SECTIONS

The products identified below are those used by the Commission to collect pricing information in its questionnaires:

Hot-Rolled Carbon Steel Sheet

Product 1: Hot-rolled carbon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, 0.1210 inch through 0.1874 inch in thickness, over 36 inches through 72 inches in width.

Product 2: Hot-rolled cabon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, 0.0810 inch through 0.1209 inch in thickness, over 48 inches through 72 inches in width.

Product 3: Hot-rolled carbon steel sheets, in coils, mill edge, commercial quality, 0.25 percent carbon maximum, not pickled, 0.1210 inch through 0.1874 inch in thickness, over 36 inches through 72 inches in width.

Product 4: Hot-rolled carbon steel bands, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, o.0540 inch through 0.0610 inch in thickness, over 36 inches through 72 inches in width.

Product 5: Hot-rolled carbon steel bands, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, 0.0540 inch through 0.0610 inch in thickness, over 36 inches through 48 inches in width.

Cold-Rolled Carbon Steel Sheet

Product 6: Cold-rolled carbon steel sheets, incoils commercial quality, class 1, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 7: Cold-rolled carbon steel sheets, in coils commercial quality, class 2, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 8: Cold-rolled carbon steel sheets, in coils, AKDQ A-620, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Hot-Rolled Carbon Steel Plate in Coils

Product 9: Hot-rolled carbon steel bands in coils, structural quality, mill edge, 0.20 percent carbon max., 58,000 pounds tensile strength min., 36,000 pounds yield strength minimum, not pickled, non-killed, 3/16 inch through 1/4 inch in thickness, over 36 inches through 72 inches in width.

Product 10: Hot-rolled carbon steel bands, in coils, structural quality, mill edge, 0.20 percent carbon max., 58,000 pounds tensile strength minimum, 36,000 pounds yield strength minimum, not pickled, non-killed, over 1/4 inch through 1/2 inch in thickness, over 36 inches through 72 inches in width.