HOT-ROLLED CARBON STEEL SHEET FROM BRAZIL

Determination of the Commission in Investigation No. 731-TA-153 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-153 (Final)

HOT-ROLLED CARBON STEEL SHEET FROM BRAZIL

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is materially injured by reason of imports from Brazil of hot-rolled carbon steel sheet provided for in items 607.67 and 607.83 of the Tariff Schedules of the United States (TSUS), which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). 2/ In addition, pursuant to section 735(b)(4)(A) of the Act (19 U.S.C. § 1673d(b)(4)(A)), the Commission determines that there is no material injury by reason of massive imports of the subject product described in section 735(a)(3)(19 U.S.C. § 1673(a)(3)), to an extent that, in order to prevent such material injury from recurring, it is necessary to impose antidumping duties retroactively on those imports. 3/4/

Background

The Commission instituted this investigation effective April 26, 1984, following a preliminary determination by the Department of Commerce that there was a reasonable basis to believe or suspect that imports of hot-rolled

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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/ Vice Chairman Liebeler dissenting.

3/ The effect of this determination is that antidumping duties will be imposed on imports entered on or after April 26, 1984 for Cosipa and Usiminas and on or after July 11, 1984 for CSN. Had the determination been affirmative, antidumping duties would have been imposed on imports entered 90 days prior to those dates (see 19 U.S.C. § 1673d(c)).

4/ Commissioners Eckes and Lodwick dissenting.

carbon steel sheet from Brazil were being sold in the United States at less than fair value.

Notice of the Commission's investigation and of a hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of May 23, 1984 (49 F.R. 21812). The public hearing was held in Washington, D.C. on July 26, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONER ECKES,
COMMISSIONER LODWICK, AND COMMISSIONER ROHR

On the basis of the record in investigation No. 731-TA-153 (Final), we determine that an industry in the United States is materially injured by reason of imports of hot-rolled carbon steel sheet from Brazil which has been found by the Department of Commerce ("Commerce") to be sold at less than fair value ("LTFV").

With regard to critical circumstances, Chairwoman Stern and Commissioner Rohr determine that the material injury is not by reason of the massive imports found by Commerce to exist, to an extent that, in order to prevent such material injury from recurring, it is necessary to impose the antidumping duty retroactively on those imports. 1/ 2/

Definition of the domestic industry

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." 3/ "Like

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1/ The majority negative critical circumstances determination of Chairwoman Stern and Commissioner Rohr is joined by Vice Chairman Liebeler by reason of her negative material injury determination. The reasons for Chairwoman Stern's and Commissioner Rohr's negative critical circumstances determination follow. See Views of Chairwoman Stern and Commissioner Rohr on No Critical Circumstances.

2/ Commissioner Eckes and Commissioner Lodwick determine that the material injury is by reason of massive imports found by Commerce to exist, to an extent that, in order to prevent such material injury from recurring, it is necessary to impose the antidumping duty retroactively on those imports. Commissioner Eckes questions whether the negative "critical circumstances" vote by some of his colleagues may be considered a "majority" determination. See Views of Commissioner Eckes and Commissioner Lodwick Regarding the Determination of Critical Circumstances.

3/ 19 U.S.C. § 1677(4)(A).

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 . . . ." 4/

The imported product which is the subject of this investigation is hot-rolled carbon steel sheet. This product has been the subject of other previous countervailing duty and antidumping investigations concerning Brazil and other countries. In those cases the like product was found to be domestically produced hot-rolled carbon steel sheet. 5/ We find no persuasive evidence in this investigation to cause us to change this definition of like product. Moreover, the parties in this investigation did not contest this product determination.

Based on our finding in this investigation that the like product is hot-rolled carbon steel sheet, we determine that the domestic industry against which the impact of the imports should be assessed are the domestic producers of hot-rolled carbon steel sheet.

Condition of the domestic industry

The U.S. industry producing hot-rolled carbon steel sheet 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. 6/ Shipments of hot-rolled carbon steel sheet followed a similar pattern to that

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4/ 19 U.S.C. § 1677(10).

5/ See, e.g., Certain Steel Products from the Republic of Korea, invs. Nos. 701-TA-170, 171, and 173 (Final), February 1983; Certain Carbon Steel Products from Argentina, Australia, Finland, South Africa, and Spain, invs. Nos. 701-TA-212 and 731-TA-169 through 182 (Preliminary), March 1984; Certain Steel Products from Brazil, invs. Nos. 701-TA-205 through 207 and 731-TA-153 and 154 (Preliminary), December 1983.

6/ Report of the Commission ("Report") at A-17.

of production. 7/ From 8.9 million tons in 1981, shipments declined to 6.0 million tons in 1982. Shipments totaled 8.0 million tons in 1983, and increased from 1.8 million tons in January-March 1983 to 2.2 million tons in the corresponding period of 1984. Employment improved in 1983 and in the first quarter of 1984, but was still 8 percent below the 1981 level. 8/

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. 9/

Although the industry's performance, as measured by many indicators, has been improving, it remains materially injured. We note that though domestic shipments increased from the depressed levels of 1982, the rebound is weaker than the upturn in consumption. As a result, U.S. producers' share of the market declined. 10/ Prices for certain hot-rolled sheet products have actually declined during the period examined, while others have shown only moderate increases. 11/

Material injury by reason of LTFV imports

The volume of imports from Brazil rose quickly from only 3,000 short tons in 1981 to 45,000 short tons in 1982. It rose further to 251,000 short tons

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7/ Id. at A-18.
8/ Id. at A-20.
9/ Id. at A-24.
10/ Id. at A-29.
11/ Id. at A-32-35. In five of seven cases in which price series for specific items sold either to service centers or end-users were obtained, prices were lower in the first quarter of 1984 than in the first quarter of 1982.

in 1983. In the first quarter of 1984, 152,000 short tons were imported into the United States. This is a dramatic increase when compared to 37,000 short tons during the first quarter of 1983. 12/

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. 13/

The information available on delivered purchaser prices permitted comparisons of U.S. and Brazilian hot-rolled sheet in 21 instances. 14/ The U.S.-produced product was undersold by Brazil in all of these instances by margins ranging from 1.1 percent to 21.4 percent. A number of purchasers reported that the Brazilian hot-rolled sheet was priced below the domestic sheet. 15/ 16/ 17/

Four allegations of lost sales were confirmed. In all of these instances price was a major factor. Two of these purchasers cited price in combination with a superior quality product. 18/

Conclusion

We determine that the domestic industry producing hot-rolled carbon steel sheet is materially injured by reason of LTFV imports from Brazil. The increased quantities and low prices of those imports have prevented the domestic industry from increasing production and raising prices; the result is that the industry continues to operate at a loss.

12/ Id. at A-28.
13/ Id. at A-29.
14/ Id. at A-36.
15/ Id. at A-36-40.
16/ Id. at A-40-44.
18/ Chairwoman Stern notes that the substantial LTFV margins found by Commerce play a significant role in the ability of the Brazilian product to compete in the U.S. market.
17/ Report at A-41-44.

VIEWS OF CHAIRWOMAN STERN AND COMMISSIONER ROHR ON NO CRITICAL CIRCUMSTANCES

In making its final determination as to the existence of less than fair value sales, the Department of Commerce concluded under section 735(a)(3) that critical circumstances exist with respect to imports of the products subject to this investigation. The Commission is therefore required in its final determination to include a finding under section 735(b)(4)(A):

> [A]s to whether the material injury is by reason of massive imports described in section (a)(3) to an extent that, in order to prevent the material injury from recurring, it is necessary to impose the duty imposed under section 731 retroactively on those imports. 1/

In reaching our conclusion that the statutory requirements for an affirmative finding on critical circumstances have not been met in this case we have examined the purposes for which the critical circumstances provisions were added to the antidumping law as well as the particular economic indicators which are of relevance to the standards contained in the critical circumstances provision.

First, one purpose of the critical circumstances provisions of the antidumping laws are to remedy injury caused by sporadic dumping, i.e., that dumping which occurs at periodic intervals or in surges. The data with respect to the volume of imports and the data on underselling do not indicate to us that this is what has occurred in the market. 2/

A second purpose of the critical circumstances provisions is to prevent the circumvention of the antidumping law. This could occur, for example, if foreign manufacturers rush large quantities of their products into the United

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1/ 19 U.S.C. 1673d(b)(4)(A).
2/ Report at A-23, A-27-34.

States, which in the normal course of business would have been imported after the suspension of liquidation or imposition of a dumping order, before the effective date of such orders. In such a case, imports could be expected to rise beyond the level required by normal demand conditions in the market and inventories would also be expected to rise significantly as importers would increase their stocks on undutied goods to meet demand once the imposition of duties causes the cost of the imports to increase. In the present case, Brazilian imports have increased significantly in quantity. 3/ However, this increase in imports does not appear to be significantly above the increase in demand in the market brought about by the general recovery and other factors. 4/ Further, we do not see the significant increases in inventories which we would expect if importers were stockpiling inventory against future demand. 5/ We therefore conclude that the data does not support the inference that increased Brazilian imports were for the purpose of circumventing the impact of the antidumping law.

Apart from our conclusion that neither of the purposes of the critical circumstances provisions would be served by the imposition of retroactive dumping duties in this case, we also find that the data does not support an affirmative finding in light of the express statutory provisions of section 735(b)(4)(A). In reaching this conclusion, we looked first at the nature of the increases in imports which constitute the massive imports found to exist by the Department of Commerce. These imports were found to exist during the period from November 1983 to March 1984. Imports from Brazil clearly did

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3/ Id. at A-23.
4/ Id. at A-13.
5/ Questionnaire responses by importers show a decline in inventories held on March 31, 1984, from those held as of end of year 1983.

increase during this period. 6/ So, too, did imports from all sources and so did domestic production. 7/ It is our view that the surge in Brazilian imports was thus a natural reaction to increased demand in the marketplace.

It is also true that Brazilian imports dropped dramatically in May 1984, contemporaneously with the suspension of liquidation which followed the Department of Commerce's preliminary affirmative determination. While such a drop is relevant, we will not necessarily infer the existence of critical circumstances from such data particularly where, as in the present case, the drop is also contemporaneous to the separate imposition of final countervailing duties in an independent case. 8/ The countervailing duties imposed at that time ranged from 17 to 62 percent, much greater in magnitude than the bonds required by the suspension of liquidation in this case.

Finally, we looked at material injury, which must be to such extent that to prevent its recurrance retroactive duties are necessary. We note that over the period of the massive imports the indicators of the industry's performance improved. 9/ We further note that prices remained stable or increased and domestic inventories did not substantially increase. 10/ This suggests that Brazilian imports were absorbed by the increase in demand without causing injury of a type that is recurring or necessitates the retroactive imposition of duties.

6/ Report at A-5.
7/ Id. at A-14, A-23. We also note that import penetration from these other countries also increased.
8/ Certain Carbon Steel Products from Brazil. 49 Fed. Reg. 17988 (1984).
9/ Report at A-14-15, A-17.
10/ Id. at A-19, A-33-35.

We have therefore concluded that Brazilian imports over the entire period of investigation are a cause of material injury to the domestic industry. However, we must also determine that there is no material injury by reason of massive imports from Brazil to such an extent that to prevent such injury from recurring it is necessary to impose retroactive duties.

VIEWS OF COMMISSIONER ECKES AND COMMISSIONER LODWICK

REGARDING THE DETERMINATION OF CRITICAL CIRCUMSTANCES 1/

In its final determination, the Department of Commerce (the administering authority) found that "critical circumstances" existed with respect to imports of hot-rolled carbon steel sheet from Brazil. The facts of this investigation warrant an affirmative determination by the Commission regarding the issue of critical circumstances. Indeed, the peculiar outcome of the determination in this investigation raises questions about the propriety of the Commission's voting procedures.

The Commission's responsibility in determining critical circumstances is set forth in sec. 735(b)(4)(A) of the Act, 2/ which provides:

> If the finding of the administering authority under subsection (a)(2) is affirmative, then the final determination of the Commission shall include a finding as to whether the material injury is by reason of massive imports described in subsection (a)(3) [massive imports of the merchandise which is the subject of the investigation over a relatively short period] to an extent that, in order to prevent such material injury from recurring, it is necessary to impose the duty imposed by section 731 retroactively on those imports.

The relevant legislative history to this section states:

> The provision is designed to provide prompt relief to domestic industries suffering from large volumes of, or a surge over a short period of imports, and to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an investigation and a preliminary determination by the Authority [Department of Commerce]. 3/

1/ Commissioner Lodwick's views are limited to the section entitled "Discussion of Critical Circumstances." 11

2/ 19 U.S.C. 1673(b)(4)(A).

3/ H. Rep. No. 96-317, 96th Cong., 1st Sess. 63 (1979).

Commission Procedure--

The relevant legislative history indicates that the Commission's determination must focus on the volume of imports as well as the nature of imports entering the U.S. market during the relevant time period. In the usual antidumping investigation, the Department of Commerce effectively imposes antidumping investigation duties on imports when it renders an affirmative preliminary determination. Such duties do not apply to goods imported prior to the Commerce Department preliminary decision. However, by statute, Congress has provided for the further retroactive assessment of duties on imports in certain situations involving massive imports "in order to prevent such material injury from recurring."

The Commission has interpreted the statute as providing for separate determinations regarding the questions of material injury and critical circumstances. In this investigation, a Commissioner voting negatively regarding the question of material injury is said to have "automatically" voted negatively on the question of critical circumstances. 4/ Without

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4/ It is debatable whether on August 15, three commissioners actually voted negatively on the issue of critical circumstances. In GC-H-239, a subsequent memorandum from the General Counsel to Chairwoman Stern, dated August 21, 1984, the General Counsel asserts the view that a certain Commissioner's negative material injury was automatically a negative critical circumstances vote, and thus the critical circumstances vote was 3-2 negative." (emphasis added)

However, a careful review of the official minutes of the meetings, which were formally approved by the Commission at its meeting on August 22, 1984, suggests a different interpretation. The minutes show that with respect to material injury that Commissioner stated: "I determine that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry is not materially retarded, by reason of imports of hot-rolled carbon steel sheet from Brazil, which are being sold at less than fair value."

This voting language contains no reference at all to the issue of critical circumstances. Thus, one can argue that it was a negative vote on the issue of injury alone.

reaching the ambiguities of various legal interpretations of the statute, 5/ this unusual procedure has the potential for rendering meaningless the critical circumstances determinations of commissioners voting affirmatively on the question of material injury. It is arguable whether a Commissioner who finds no material injury to the domestic industry should not then vote, or be counted as having made an "implicit" negative critical circumstances finding, on whether the material injury found by other Commissioner's is caused by "massive imports."

4/ (Continued)

A few moments later when the roll was called on the question of critical circumstances, Commissioners Eckes and Lodwick affirmed that the "material injury is by reason of massive imports of hot-rolled carbon steel sheet from Brazil over a relatively short period," and they stated "it is necessary that the duty provided for in section 731 be imposed retroactively on these imports in order to prevent such injury from recurring." Two other commissioners, Chairwoman Stern and Commissioner Rohr, said that "material injury is not by reason of massive imports" and "it is not necessary" to impose retroactive duties. However, Vice Chairman Liebeler stated only: "I voted negatively." (emphasis added) Stated in the past tense, her vote language refers to her vote on the issue of material injury. In neither vote did she directly address the issue of critical circumstances.

If the General Counsel is correct that "a negative critical circumstances finding is implicit in a negative material injury determination," then the outcome was a 3-to-2 negative determination on critical circumstances. However, in the past the Commission has consistently held separate votes on the issue of critical circumstances. (An affirmative on material injury was not treated as an "automatic" affirmative on critical circumstances.) From this point of view, the fact that the Vice Chairman did not address directly the issue of critical circumstances leads to the possible conclusion that only four Commissioners actually voted on critical circumstances. If this is true, the Commission was divided evenly, and the affirmative position, not the negative position, prevailed.

5/ See GC-H-239, memorandum from the General Counsel to Chairwoman Stern, dated August 21, 1984. In that memorandum is the statement that ". . . even if the Commission reaches a negative material injury determination under section 735, a critical circumstance finding is required." That conclusion, however, requires a broad, if not mirror image, interpretation of the statute. The legislative history states that "If the petitioner alleges critical circumstances in a timely manner under section 733(e), then the authority and ITC would be required to include additional findings in their final determinations under section 735 if those determinations are affirmative. [emphasis added] Sen. Rept. No. 96-249, 96th Cong., 1st Sess. 73 (1979).

Such is the situation in this investigation. The Commission majority composed of four members voted affirmatively regarding material injury, but these same four Commissioners were evenly divided regarding critical circumstances. Thus, but for the "implicit" third negative vote, the effect of the otherwise split determination would have resulted in the retroactive imposition of duties.

Discussion of Critical Circumstances--

In the present investigation, the administering authority initiated its preliminary investigation on November 22, 1983, and issued its preliminary affirmative determination on April 26, 1984. Therefore, pursuant to the legislative history, the relevant period for examination of the critical circumstances issue in this investigation extends from December 1983 through April 1984. Absent an affirmative determination of critical circumstances, imports during that period would enter free of any dumping duty which would eventually be imposed as the result of this investigation. An affirmative finding, however, would result in the retroactive application of duties to imports entering 90 days prior to April 26, 1984, or January 27, 1984.

In the relevant period, the volume and trend of imports demonstrate a significant concentration. During the December - April period, about 244,000 tons of hot-rolled carbon steel sheet were imported into the United States from Brazil, an amount almost equal to the total of such imports from Brazil for the entire year of 1983. In the month of December alone, the last full month in which imports could enter free of any additional duty, imports were 57 percent greater than in November, when the petition was filed. Imports reached their highest monthly level of 65,000 tons in February 1984, more than twice the amount entering from Brazil during any single month preceding the filing of the petition during the period of this investigation.

Imports from Brazil declined after the preliminary affirmative determination by Commerce; in fact, no imports were reported for the month of June. These declines immediately following that affirmative determination suggests that imports were curtailed in response to the Commerce determination. Further, sizeable countervailing duties were assessed against these same imports commencing in February 1984, which may account for some of the decline in imports after February.

Arguments that imports from Brazil much like imports from all other sources were responding to increases in U.S. consumption during this period are not persuasive. It is true that imports from other sources increased both absolutely and relatively as a percentage of apparent U.S. consumption, during the period January-March 1984. However, virtually all of these increases were accounted for by Japan, Canada, and other sources which have not been the subject of any Title VII investigation, and thus, have been apparently traded on a fair basis. Unlike those imports, the imports from Brazil were the subject of this Title VII investigation during this period, and were ultimately found to have been sold at less than fair value. LTFV imports from Brazil increased as a share of domestic consumption from 2.3 percent in 1983 to 4.3 percent for the period January-March 1984, and were a significant factor in the marketplace.

Thus, the pattern of import volume and trends which emerges from the data developed in this investigation indicates the anticipation of the preliminary affirmative determination by the administering authority and an attempt to circumvent the imposition of dumping duties on a significant quantity of imports. Therefore, the circumstances are appropriate in this investigation for the retroactive imposition of duties.

VIEWS OF VICE CHAIRMAN LIEBELER

I determine that an industry in the United States is not materially injured, threatened with material injury, or materially retarded by reason of imports of hot-rolled carbon steel sheet from Brazil sold at less than fair value ("LTFV").

Although the record supports a finding of material injury to the domestic industry, I am unable to find that this injury is by reason of imports from Brazil. Low capacity utilization in the domestic industry during the past three and one-half years occurred as the result of a fall in the demand for steel, 1/ not as a result of LTFV imports from Brazil.

Market conditions in industries that require hot-rolled sheet as an input affect demand for hot-rolled sheet. Activity in the automobile industry and the household appliance industry, major users of hot-rolled sheet, sharply declined in late 1981 and early 1982. 2/ Strong recovery did not occur until mid-1983. 3/ The economic indicators concerning the condition of the domestic hot-rolled sheet industry reflect this trend. 4/ The recovery that began in the major end-use markets in mid-1983 and continued into the first quarter of 1984 is clearly reflected in the improvement of the domestic industry's economic indicators for the first quarter of 1984. 5/

Imports from Brazil have not been a contributing factor to the difficulty faced by the domestic industry. As a new entrant in the marketplace, Brazil

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1/ Report at A-14.
2/ Id. at A-10, A-25, 26, Table 17.
3/ Id. at A-26, Table 17.
4/ Id. at A-14-15, A-17.
5/ Id.

exported to the United States less than 0.5 percent of apparent U.S. consumption in 1981, and 0.5 percent in 1982. In 1983, the recoveries of the automobile industry and the household appliance industry began. 6/ These recoveries caused both an improvement in the domestic hot-rolled sheet industry, and an increase in imports from Brazil, which reached 2.3 percent of U.S. apparent consumption. Brazil's highest level of imports, 4.3 percent of apparent U.S. consumption, was during the first quarter of 1984, a period during which the performance of the domestic industry showed further improvement.

Similarly, prices of hot-rolled carbon steel sheet are affected by the level of activity in the industries that require hot-rolled sheet as an input. 7/ Given the low level of activity in these industries until mid-1983 and the availability of other low priced imports of the like product, 8/ the domestic industry could not have raised its prices, even if the Brazilian LTFV imports had not been sold in the United States. Although the price of the domestic like product and the quantity produced demonstrate that the domestic industry was materially injured during the relevant period, the cause of this distress was the depressed demand for steel, not the supply of Brazilian LTFV hot-rolled carbon steel sheet.

Because I have not found a "sufficient causal link between the less than fair value imports and the requisite injury," 9/ I conclude that any material injury or threat thereof to the domestic industry, or material retardation to the establishment of an industry, is not "by reason of" the LTFV imports from Brazil.

6/ Id. at A-26, Table 17.
7/ Id. at A-25.
8/ Id. at A-23-24, Table 15 & Table 16.
9/ S. Rep. No. 249, 1st Sess., 96th Cong. 75 (1979).

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

Following a preliminary determination by the U.S. Department of Commerce that imports of hot-rolled carbon steel sheet from Brazil are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective April 26, 1984, instituted investigation No. 731-TA-153 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's final investigation, 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 of May 23, 1984 (49 F.R. 21812). 1/ The hearing was held in Washington, DC, on July 26, 1984. 2/

Commerce has also determined that critical circumstances exist in this investigation. The effect of an affirmative determination of critical circumstances by the Commission is that any antidumping duty imposed as a result of the investigation will be retroactive (19 U.S.C. § 1671b(d)). Commerce's final affirmative LTFV and critical circumstances determinations were published on July 11, 1983 (49 F.R. 28298). 3/ The applicable statute directs that the Commission make its final injury determination within 45 days after the final determination by Commerce, or in this case, by August 24, 1984. 4/

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 sold at less than fair value (LTFV) 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 antidumping investigations: 5/

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

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

3/ A copy of Commerce's final determination is presented in app. C.

4/ The Commission's work scheduled calls for its determination to be transmitted to the Secretary of Commerce by Aug. 23, 1984, which is 120 days after Commerce's preliminary LTFV determination.

5/ Countervailing duty petitions were also filed by U.S. Steel on carbon steel plate, hot-rolled carbon steel sheet, and cold-rolled carbon steel sheet from Brazil (investigations Nos. 701-TA-204-207 (Preliminary)).

Investigation No. 731-TA-153 (Preliminary), hot-rolled carbon steel sheet, provided for in items 607.6710, 607.6720, 607.6730, 607.6740, and 607.8342 of the Tariff Schedules of the United States Annotated (TSUSA); and

Investigation No. 731-TA-154 (Preliminary), cold-rolled carbon steel sheet, provided for in TSUSA items 607.8350, 607.8355, or 607.8360.

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, 1/ 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.

On April 26, 1984, Commerce issued a preliminary affirmative determination on hot-rolled sheet, and a preliminary negative determination on cold-rolled sheet.

Related Commission Investigations Concerning Imports of the Subject Products

The products covered by this investigation have also been the subject of a number of other recent (since 1981) Commission investigations. These

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1/ 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.

investigations and the Commission's determinations in each of them are shown in table 1.

Table 1.--Commission investigations involving hot-rolled carbon steel sheet since 1981

(A = affirmative determination; N = negative determination)

Country	Hot-rolled sheet
	Preliminary determinations
Belgium	1/2/3/ A
Brazil	1/3/5/ N
	2/6/ A
France	1/2/3/ A
Italy	1/2/3/ A
Korea	5/7/ A
Luxembourg	1/2/3/ N
Netherlands	1/2/3/ A
United Kingdom	1/2/3/ N
West Germany	1/2/3/ A
South Africa	4/8/ A
	Final determinations
Brazil	9/10/ A
Korea	9/11/ A

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

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

3/ Includes strip.

4/ By reason of allegedly LTFV imports.

5/ By reason of allegedly subsidized imports.

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

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

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

9/ By reason of subsidized imports.

10/ Certain Carbon Steel Products from Brazil, investigations Nos. 701-TA-205 through 207 (Final), June 1984.

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

Source: See footnotes.

Nature and Extent of Sales at LTFV

On July 11, 1984, the Department of Commerce published its final determination that imports of hot-rolled carbon steel sheet from Brazil are being sold at LTFV. The only known Brazilian producers that export the subject merchandise to the United States are Companhia Siderurgica Paulista (Cosipa), Companhia Siderurgica Nacional (CSN), and Usinas Siderurgicas de Minas Gerais (Usiminas). Commerce's investigation covered the period June 1, 1983, through November 30, 1983.

Commerce found that the foreign market value of hot-rolled carbon steel sheet from Brazil exceeded the U.S. price on 60.0 percent of the sales of this product. These margins ranged from 0.47 percent to 103.7 percent and the overall weighted-average margin on all hot-rolled carbon steel sheet sales was 6.45 percent. The weighted-average margins for individual companies are shown in the following tabulation (in percent):

Firm	Margins
Cosipa	18.03
CSN	6.09
Usiminas	18.15
All others	6.45

The Department of Commerce also made a final affirmative determination of critical circumstances. 1/ In making this determination Commerce found (1) the requisite history of dumping of the class or kind of merchandise under investigation, 2/ and (2) that there have been massive imports of these products over a relatively short period of time. 3/

1/ If the Commission finds that critical circumstances do exist in this investigation, the suspension of liquidation for entries of hot-rolled sheet will be ordered for the period 90 days prior to Apr. 26, 1984 (date of publication of Commerce's preliminary determination), for Cosipa and Usiminas, and for the period 90 days prior to July 11, 1984 (date of publication of Commerce's final determination), for CSN. Commerce's preliminary determination excluded CSN (de minimis margins) and, therefore, the calculation of the retroactive period for CSN differs from the other Brazilian producers.

2/ On May 18, 1983, the Commission of the European Communities imposed antidumping duties on imports of sheets and plates of iron and steel, not further worked than hot-rolled, of a thickness 3mm or more, originating in Brazil. Commerce determined that the merchandise covered in its investigation fell within the scope of that action. Commerce found no history of dumping of hot-rolled sheet in the United States.

3/ Commerce compared the monthly average of imports from Brazil during the period of May through October 1983 with the monthly average of imports for the period November 1983 through March 1984.

Monthly imports of hot-rolled sheet from Brazil during January 1982-June 1984 are shown in the following tabulation (in short tons):

Period	Hot-rolled sheet
1982:	
January	952
February	706
March	3,446
April	1,450
May	982
June	11,672
July	2,624
August	13,347
September	2,791
October	889
November	-
December	6,053
1983:	
January	9,517
February	8,797
March	18,647
April	7,766
May	4,749
June	20,743
July	29,738
August	32,646
September	22,076
October	22,426
November	28,803
December	45,193
1984:	
January	35,085
February	65,343
March	51,389
April	47,157
May	22,225
June	0

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 production represents a 13-percent increase compared with 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 hot-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.

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.

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). 1/

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.

1/ 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.

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 table 2. All three Brazilian producers operated at high utilization rates in 1983, ranging from * * * percent * * * to * * * percent * * * (table 3).

Table 3.--Hot-rolled sheet: 1/ Production, capacity, and capacity utilization for 3 Brazilian producers, 1983

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

1/ Includes coiled plate.

Source: Post-hearing submission by counsel for respondents in investigations Nos. 701-TA-205-207, certain carbon steel products from Brazil.

Total exports for these three firms, by quarters, are presented in table 4. Brazil exports significant quantities of hot-rolled sheet to * * *, as well as to the United States.

Table 4.--Hot-rolled carbon steel sheet: Brazil's exports, 1/ by types and by quarters, 1983

Item	January-March	April-June	July-September	October-December	Total
	Short tons				
Hot-rolled sheet to--					
The United States-------	***	***	***	***	***
All other countries-----	***	***	***	***	***
Total----------	***	***	***	***	***

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

Source: Post-hearing submission by counsel for respondents in investigations Nos. 701-TA-205-207, Certain Carbon Steel Products from Brazil.

The Products

Description and uses

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 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 provided for in TSUSA items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342.

Major markets for hot-rolled carbon steel sheet (including coiled plate), as reported by the American Iron & Steel Institute (AISI), are shown in table 5. 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

Hot-rolled carbon steel sheet is 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 elongation of the 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.

U.S. tariff treatment

As mentioned, the hot-rolled sheet products subject to this investigation are classified and reported for tariff and statistical purposes under items 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342 of the TSUSA. The current column 1 or most-favored-nation (MFN) rates of duty, 1/ final

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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 the Caribbean Basin Initiative (CBI), or under the "LDDC" rate of duty column.

Table 5.--Hot-rolled carbon steel sheet: U.S. producers' shipments, by major markets, 1981-83

Market	1981	1982	1983
	Quantity (1,000 tons)		
Steel service centers and distributors	3,638	3,327	4,672
Automotive	3,486	1,739	2,331
Construction and contractors products	1,047	727	838
Machinery, industrial equipment, and tools	336	207	194
Agricultural	338	177	146
All other	3,206	1,951	2,325
Total	12,051	8,128	10,536
	Percent of total		
Steel service centers and distributors	30.2	40.9	44.3
Automotive	28.9	21.4	22.1
Construction and contractors products	8.7	8.9	8.0
Machinery, industrial equipment, and tools	2.8	2.5	1.8
Agricultural	2.8	2.2	1.4
All other	26.6	24.1	22.4
Total	100.0	100.0	100.0

Source: American Iron & Steel Institute.

concession rates granted under the Tokyo round of the Multilateral Trade Negotiations (MTN), 1/ rates of duty for least developed developing countries (LDDC's), 2/ and column 2 duty rates 3/ are shown in table 6. As indicated, such imports are currently dutiable at column 1 rates of either 6.2 or 6.6

1/ 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.

2/ 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.

3/ 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.

Table 6.--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 1/	Jan. 1, 1984	Jan. 1, 1987		
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. 2/	7.5% ad val.	6.2% ad val.	4.9% ad val.	4.9% ad val.	20% ad val.
Pickled but not cold rolled. 3/	8.0% ad val.	6.6% ad val.	5.1% ad val.	5.1% ad val.	0.2¢/lb. + 20% ad val.

1/ The rate shown for Jan. 1, 1980, was also the applicable rate prior to the first staged reduction under the Tokyo round.
2/ Imports under TSUSA items 607.6710, 607.6720, 607.6730, and 607.6740.
3/ Imports under TSUSA items 607.8320 and 607.8342.

percent ad valorem. Imports of the subject flat-rolled carbon steel products are not eligible for duty-free entry under the GSP. 1/ However, such imports, if the product of designated beneficiary countries, are eligible for duty-free entry under the Caribbean Basin Initiative (CBI). 2/

1/ 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.

2/ 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.

In addition to the import duties shown in table 6, countervailing duties are currently in effect with respect to imports of hot-rolled sheet from the Republic of Korea (Korea). The Commission decided that case on February 9, 1983, after Commerce had found subsidies totaling 1.88 percent.

Petitioners withdrew unfair trade complaints involving 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. Hot-rolled carbon steel sheet (including coiled plate) is included in a category in which exports are limited to 6.81 percent of consumption.

Petitioners withdrew the antidumping complaint involving hot-rolled sheet from South Africa when that country agreed to restrict exports to the United States.

U.S. Producers

About 20 firms in the United States produce hot-rolled carbon steel sheet 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, 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 hot-rolled sheet (as reported by AISI) in 1983 (in percent):

Firm	Share of shipments
Armco, Inc. (Armco)	***
Bethlehem Steel Co. (Bethlehem)	***
Inland Steel Co. (Inland)	***
Interlake, Inc. (Interlake)	***
National Steel Corp. (National)	***
Rouge Steel Corp	***
U.S. Steel	***

As indicated, 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 from 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 hot-rolled carbon steel sheet is shown in table 7. Consumption 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.

Table 7.--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	Consumption
	1,000 short tons				Percent	
Hot-rolled sheet: 1/						
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/ Excluding coiled plate.

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

The share of the U.S. market supplied by imports of hot-rolled carbon steel sheet rose steadily from 14.1 percent in 1981 to 16.3 percent in 1982, and to 18.6 percent in 1983. Such imports accounted for 22.5 percent of consumption in January-March 1984.

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, all of the major producers of hot-rolled sheet have responded, and they are believed to account for more than 90 percent of total U.S. production of hot-rolled sheet.

U.S. production, capacity, and capacity utilization

Production of hot-rolled sheet fell from 9.7 million tons in 1981 to 6.5 million tons in 1982, or by 33 percent, but then rose by 43 percent to 9.3 million tons in 1983 (table 8). 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 55 percent in 1981 to 37 percent in 1982, and then increased to 53 percent in 1983. Production and capacity utilization improved for all categories during January-March 1984.

Table 8.--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
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.

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

U.S. producers' domestic shipments

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 (table 9).

Table 9.--Hot-rolled carbon steel sheet (excluding coiled plate): U.S. producers' domestic shipments, 1/ 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Quantity---------1,000 short tons--	8,868	6,021	8,024	1,757	2,208
Value-------------million dollars--	3,237	2,130	2,735	579	768
Unit value----------------per ton--	$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.

In the first quarter of 1984, shipments increased by 26 percent compared with shipments in the corresponding period of 1983. A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of hot-rolled carbon steel sheet (including coiled plate) is presented in the following tabulation:

	AISI shipments (1,000 tons)	Questionnaire shipments 1/ (1,000 tons)	Coverage (percent)
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 hot-rolled sheet fell from 122,000 tons in 1981 to 29,000 tons in 1982 and 4,000 tons in 1983 (table 10). During January-March 1984, U.S. producers exported 5,000 tons of hot-rolled sheet.

Table 10.--Hot-rolled carbon steel sheet (excluding coiled plate): U.S. producers' export shipments, 1/ 1981-83

Item	1981	1982	1983
Quantity----------1,000 short tons--	122	29	4
Value----------million dollars--	37	8	1
Unit value----------per ton--	$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

End-of-period inventories of hot-rolled sheet (excluding coiled plate), 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 in each of these periods. Reported end-of-period inventories are shown in the following tabulation (in thousands of short tons):

	U.S. producers' inventories
As of Dec. 31--	
1980----------	489
1981----------	518
1982----------	379
1983----------	541
As of Mar.31--	
1983----------	395
1984----------	535

U.S. employment, wages, and productivity

The average number of production and related workers producing hot-rolled sheet (excluding coiled plate) declined by 25 percent from 1981 to 1982 and then increased by 23 percent in 1983 (table 11). 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 hot-rolled carbon steel sheet (excluding coiled plate) are shown in table 12.

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

Table 11.--Average number of employees, total and production and related workers, in U.S. establishments producing 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 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 hot-rolled sheet:					
Number------thousands	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.

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

Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table 13. As shown, productivity fell in 1982 but reached period highs in 1983, and hourly compensation rose in 1982 but fell in 1983.

Table 12.--Wages and total compensation 1/ paid to production and related workers in establishments producing 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 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 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 13.--Labor productivity, hourly compensation, and unit labor costs in the production of hot-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Labor productivity:					
Quantity					
tons per hour--	0.2385	0.2147	0.2503	0.3206	0.2540
Percentage change----	1/	-10.0	16.6	1/	-20.8
Hourly compensation: 2/					
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/					
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 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 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 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 9 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 January-March 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)

Aggregate operating losses for this product line were also reduced by one-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 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 January-March 1983 and January-March 1984. 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:

Period	Expenditures (1,000 dollars)
1981----------	91,731
1982----------	70,494
1983----------	78,430
January-March--	
1983----------	8,143
1984----------	11,334

Research and development expenditures.--Research and development expenses relative to operations on hot-rolled carbon steel sheet (excluding coiled plate), 1/ 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:

Period	Expenditures (1,000 dollars)
1981	6,353
1982	6,571
1983	7,078
January-March--	
1983	431
1984	709

1/ 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 LTFV 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 hot-rolled sheet and of their U.S. market penetration is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and LTFV Imports." Available data on foreign producers' capacity, production, and exports are presented earlier in the report.

U.S. importers' inventories

The Commission sent questionnaires to 14 firms which were believed to have imported 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 LTFV Imports

U.S. imports

Imports from all sources.--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 115 percent in January-March 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 15). In January-March 1984, the average unit value was $264 per ton.

Table 15.--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	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 (per ton)				
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 from Brazil.--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 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 hot-rolled sheet from all countries increased steadily from 14.1 percent of consumption in 1981 to 18.6 percent in 1983, and to 22.5 percent during January-March 1984 (table 16).

Table 16.--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	1984
Ratio of hot-rolled sheet imports to apparent consumption 2/ from--					
Brazil	3/	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 607.6710, 607.6720, 607.6730, 607.6740, 607.8320, and 607.8342.

3/ Less than 0.05 percent.

Source: Shipments of hot-rolled carbon steel sheet, compiled from statistics of the American Iron & Steel Institute adjusted to exclude coiled plate; imports, compiled from official statistics of the U.S. Department of Commerce.

Imports from Brazil.--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.

Transportation costs

Due to the fact that carbon steel has a low value per unit of weight in comparison with other manufactured goods, transportation costs are an important factor in its marketing 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 $7.00 per ton). In contrast, domestic product freight costs, notwithstanding freight equalization charges, are frequently more than $30 per ton, a considerable freight cost disadvantage. Freight costs from domestic mills to more distant markets (e.g., Gary, IN, to Los Angeles), might amount to as much as $100 per ton. Such additional costs to purchasers makes import sourcing, especially on the west coast, often a more attractive alternative.

Prices

Market conditions in industries that require hot-rolled sheet as an input, such as automobiles, construction, energy, and utilities, have an effect on prices in the hot-rolled sheet industry. Overall demand for hot-rolled sheet, and its price, depend to a large extent on the level of activity in the automobile industry. Twenty-two percent of the hot-rolled sheet produced domestically was 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 January-March 1984 (table 17). Another large user of hot-rolled 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.

Prices of hot-rolled sheet are usually quoted f.o.b. mill in terms of dollars per ton. 2/ 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

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1/ Illinois, Indiana, Ohio, and Pennsylvania.

2/ 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.

Table 17.--Seasonally adjusted industrial production indexes 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.

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. The most recent base price increase, which averaged approximately 7 percentage points, was announced in September 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 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). 1/ 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, 2/ covering the same timeframe. 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.

1/ Product specifications are provided 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.

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 generally fell through 1982 and January-March 1983, and then rose during the latter part of 1983 and January-March 1984 (table 18). Weighted-average selling prices for imports from Brazil followed a similar trend in those instances where adequate data were reported for analysis.

Table 18.--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 product	Imports from Brazil	Margins of underselling/ overselling	
			Amount	Percent
	Per ton			
Sales to SCC's				
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	348.00	-	-	-
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

See footnotes at end of table.

Table 18.--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 product	Imports from Brazil	Margins of underselling/ overselling	
			Amount	Percent
	Per ton			
Sales to SCC's				
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
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	-	-	-

See footnotes at end of table.

Table 18.--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 product	Imports from Brazil	Margins of underselling/ overselling	
			Amount	Percent
	---------- Per ton ----------			
Sales to SCC's--Continued				
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
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.

Based on f.o.b. selling prices reported by domestic producers and importers, Brazilian hot-rolled carbon steel sheet undersold the competing domestic product 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.

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. Timelags 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 19).

Table 19.--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

Market area and period	Domestic product	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 2				
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	4.5
Houston/New Orleans:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-

See footnotes at end of table.

Table 19.--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

Market area and period	Domestic product	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 2				
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	-	-	-	-
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	-	-	-	-

See footnotes at end of table.

Table 19.--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

Market area and period	Domestic products	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 3				
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	-	-
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	-	-	-
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	-	-	-	-

See footnotes at end of table.

Table 19.--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

Market area and period	Domestic product	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 3--Continued				
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	-	-	-
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				
Detroit:				
1982:				
January-March	-	-	-	-
April-June	-	-	-	-
July-September	-	-	-	-
October-December	-	-	-	-

See footnotes at end of table.

Table 19.--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

Market area and period	Domestic product	Imports from Brazil	Margins of under-selling/(over-selling)	
	Per ton	Per ton	Per ton	Percent
Product 4--Continued				
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.

Appreciation of the U.S. dollar.--Table 20 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 20.--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

* * * 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:

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

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

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

Source	1981	1982	1983
Produced in the United States	***	***	***
Produced in Brazil	***	***	***
Produced in 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 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 sources, are presented in the following tabulation (in short tons):

Source	1981	1982	1983
U.S. produced	***	***	***
Produced in Brazil	***	***	***
Produced in 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, the Brazilian share rose to 43 percent based upon its close adherence to order specifications and competitive pricing.

* * *, 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 * * *. * * * purchases of hot-rolled sheet fluctuated from * * * tons in 1981 to * * * tons in 1982, and to * * * tons in 1983. * * * alleged lost sales to the Brazilian product of * * * tons in * * *. This firm did not report any purchases 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 * * *. * * * buyer, 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 * * *. The allegation involved * * *, * * *, as a purchaser of * * * tons 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
Produced in the United States----------	***	***
Produced in Brazil----------	***	***
Produced in 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/

* * * reported * * * 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 two other 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 fourth 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.

APPENDIX A

NOTICE OF INVESTIGATION BY THE COMMISSION

[Investigation No. 731-TA-153 (Final)]

Hot-Rolled Carbon Steel Sheet From Brazil

AGENCY: International Trade Commission.

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

EFFECTIVE DATE: April 26, 1984.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports of hot-rolled carbon steel sheet from Brazil, provided for in items 607.67 and 607.83 of the Tariff Schedules of the United States, are being sold, or are likely to be sold, in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-153 (Final) under section 735(b) of the act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Unless the investigation is extended, the Department of Commerce will make its final dumping determination in the case on or before July 2, 1984, and the Commission will make its final injury determination by August 23, 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 investigation, that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the hot-rolled carbon steel sheet from Brazil. The preliminary investigation was instituted in response to a petition filed on November 10, 1983, by United States Steel Corp., Pittsburgh, Pa.

Participation in the Investigation

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

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c)).

Staff Report

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

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m., on July 26, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on July 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 July 17, 1984, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is July 23, 1984.

Testimony at the public hearing is governed by section 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 August 2, 1984.

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Written Submissions

As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has

not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before August 2, 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's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

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

By order of the Commission.

Issued: May 16, 1984.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-13868 Filed 5-22-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Hot-Rolled Carbon Steel Sheet from Brazil

Inv. No : 731-TA-153 (Final)

Date and time: July 26, 1984 - 10:00 a.m.

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

In support of the imposition of antidumping duties:

United States Steel Corporation, Pittsburgh, Pennsylvania

John J. Mangan, General Attorney - International Trade

Craig. D. Mallick, Attorney

John H. Satterfield, General Manager - Sheet Products

Paul L. Fidel, Manager - International Trade and Litigation Services

Stewart and Stewart--Counsel
Washington, D.C.
on behalf of

Bethlehem Steel Corporation, Bethlehem, Pennsylvania

Terence P. Stewart--OF COUNSEL

In opposition to the imposition of antidumping duties:

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

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

Brazilian producers and exporters

Mark Schattner)--OF COUNSEL
Arthur J. Lafave, III)

APPENDIX C

NOTICE OF COMMERCE'S FINAL DETERMINATION

[A-351-025]

Final Determinations of Sales at Less Than Fair Value: Certain Carbon Steel Products From Brazil

AGENCY: International Trade Administration/Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain carbon steel products (hot- and cold-rolled carbon steel sheet) from Brazil are being sold in the United States at less than fair value and that critical circumstances exist. The United States International Trade Commission (ITC)

will determine whether these imports are materially injuring, or are threatening to materially injure, a United States industry. We are directing the U.S. Customs Service to suspend liquidation as set forth in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: July 11, 1984.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, 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.

SUPPLEMENTARY INFORMATION:

Final Determinations

We determine that certain carbon steel products from Brazil are being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). Cold-rolled carbon steel sheet produced and sold by COSIPA and CSN are excluded from the determination on cold-rolled carbon steel sheet.

We found that the foreign market value of hot-rolled carbon steel sheet from Brazil exceeded the United States price on 60 percent of the sales of this product. These margins ranged from 0.47 percent to 103.7 percent and the overall weighted-average margin on all hot-rolled carbon steel sheet sales compared is 6.45 percent. We found that the foreign market value of cold-rolled carbon steel sheet from Brazil exceeded the United States price on 8 percent of the sales of this product. These margins ranged from 0.21 percent to 16.83 percent and the overall weighted-average margin on all cold-rolled sheet sales compared is 0.91 percent. The weighted-average margins for individual companies are presented in the "Suspension of Liquidation" section of this notice.

Case History

On November 10, 1983, we received petitions from United States Steel Corporation on behalf of the domestic certain carbon steel products industry. In accordance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitions alleged that imports of certain carbon steel products (hot-rolled carbon steel sheet and cold-rolled carbon steel sheet) from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act and that these imports are materially injuring, or threatening to materially injure, a United States industry.

After reviewing the petitions, we determined that they contained sufficient grounds to initiate antidumping duty investigations. We notified the ITC of our action and initiated the investigations on November 22, 1983 (48 FR 55011). On December 27, 1983, we were informed by the ITC that there is a reasonable indication that imports of certain carbon steel products are materially injuring a United States industry.

On March 13, 1984, the petitions were amended to include an allegation that "critical circumstances" exist with respect to sales of certain carbon steel products from Brazil pursuant to section 733(e) of the Act.

Questionnaires were presented to Companhia Siderurgica Paulista (COSIPA), Companhia Siderurgica Nacional (CSN), and Usinas Siderurgicas de Minas Gerais S/A (USIMINAS), on December 2, 1983. We received responses on February 8, 16, and 22, 1984. Revised responses were received on June 6, 1984.

On April 18, 1984, we made a preliminary determination that hot-rolled carbon steel sheet from Brazil was being, or was likely to be, sold in the United States at less than fair value and that one producer, CSN, should be excluded from this determination (49 FR 17986). We preliminarily determined that cold-rolled carbon steel sheet from Brazil was not being or was not likely to be sold in the United States at less than fair value (49 FR 18024). We also preliminarily determined that critical circumstances did not exist.

Scope of Investigations

The merchandise covered by these investigations in hot-rolled cabon steel sheet and cold-rolled carbon steel sheet.

The term *"hot-rolled carbon steel sheet"* covers the following hot-rolled carbon steel poducts. Hot-rolled carbon steel sheet is a flat-rolled carbon steel product, whether or not corrugated or crimped; 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, over 8 inches in width and pickled; as currently provided for in item 607.8320 of the Tariff Schedules of the United States Annotated (*TSUSA*), or under 0.1875 inch in thickness and over 12 inches in width, whether or not pickled, whether or not in coils, as currently provided for in items 607.6710, 607.6720, 607.6730, 607.6740, or 607.8342 of the *TSUSA*. This description of hot-rolled carbon steel sheet includes some products classified as "plate" in the *TSUSA*.

The hot-rolled carbon steel sheet covered by this investigation is a different product from that covered by the recent antidumping duty investigations on "hot-rolled carbon steel plate and sheet from Brazil." The sheet in those investigations is the product described as "plate in coil" in Appendix A of the notice of "Certain Carbon Steel Products from Mexico; Initiation of Countervailing Duty Investigations" (48 FR 55013).

The term *"Cold-rolled carbon steel sheet"* 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 crimped; 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; over 12 inches in width, and 0.1875 or more in thickness, as currently provided for in item 607.8320 of the Tariff Schedules of the United States Annotated (*TSUSA*), or over 12 inches in width and under 0.1875 inch in thickness in items 607.8350, 607.8355, or 607.8360 of the *TSUSA*. This description of cold-rolled carbon steel sheet includes some products classified as "plate" in the *TSUSA*.

These investigations cover the period from June 1, 1983, through November 30, 1983. COSIPA, CSN, and USIMINAS are the only known Brazilian producers who export the subject merchandise to the United States. We examined virtually all of United States sales made during the period of investigation.

Fair Value Comparisons

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

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price based on the F.O.B. or C & F price to United States purchasers. We deducted brokerage charges, inland freight, handling charges, inland insurance, ocean freight and other expenses incurred in delivering the products to the port of exportation, where appropriate. When comparing the United States price to home market prices, we accounted for taxes imposed

in Brazil but rebated or not collected by reason of the exportation of the merchandise to the United States.

Foreign Market Value

In accordance with section 773(a)(1) of the Act, we used home market prices where there were sufficient home market sales at or above cost of production to determine foreign market value. Where there were no or insufficient sales in the home market at prices at or above cost, we used constructed value. The pretitioner alleged that sales in the home market were at prices below the cost of producing hot-rolled carbon steel sheet. We examined production costs, including materials, labor and general expenses. In calculating foreign market value, we made currency conversions from Brazilian cruzeiros to United States dollars in accordance with § 353.56(a)(1) of the Commerce regulations using the certified daily exchange rates.

We found that sales of certain subgroups of the subject merchandise were made at less than the cost of production over an extended period of time, in substantial quantities, and at prices not permitting the recovery of all costs within a reasonable period of time in the normal course of trade. Where there were insufficient sales above cost and we could not use sales in the home market to determine the foreign market value of the products under investigation which are in these subgroups, we used constructed value. Sufficient sales of other subgroups of the products under investigation were made in the home market at or above cost. Therefore, we used home market prices to determine the foreign market value for these subgroups.

The home market prices were based on ex-factory prices to unrelated home market purchasers including an additional charge for late payment. From these prices, we deducted a regional discount, where appropriate. We also adjusted, where appropriate, for the differences between commissions on sales to the United States and indirect selling expenses in the home market used as an offset to U.S. commissions, in accordance with 19 CFR 353.15(c). We also made a circumstance of sale adjustment for differences in post-shipment credit terms in the two markets.

We made adjustments for differences in physical characteristics. These were based on the differences in industrial costs. Packing was not included in the price to either market.

In accordance with section 773 of the Act, we calculated constructed value, where appropriate, by adding the costs of materials and of fabrication of the merchandise sold to the United States, general expenses, and profit. For materials and fabrication, we used the producers' actual cost figures.

We used the actual general expenses, including those attributable to effects of inflation, since they exceeded the statutory minimum of ten percent of the sum of material and fabrication costs. We calculated profit using the statutory minimum of eight percent of the sum of the general expenses and cost since the actual profit was less than the statutory minimum. We did not add packing costs since the merchandise sold to the United States was unpacked.

Petitioner's Comments

Comment 1

Petitioner claims that currency exchange losses have been incorrectly omitted from production costs. Petitioner argues that the fact that the independent auditors qualified their approval of the respondents' 1983 financial statements in this regard demonstrates the inappropriate treatment of these losses which are a cost of doing business. Petitioner states that currency exchange losses should be treated in the same manner as other financial expenses.

DOC Position

The Department reviewed the financial statements of the respondents and the accompanying audit opinions of their public accounts. We concluded that the impact of the maxi-devaluation of the Braxilian cruzeiro on the financial operating performance in 1983 would be distortive if included in the cost of production in its entirety in one year, but that the complete exclusion (deferral) of the capitalized portion of the devaluation impact in 1983 would also be distortive.

Therefore, the Department has included a portion of the capitalized exchange losses in the cost of production. Since Decree-law 2029/83 permitted the amortization of the devaluation over a maximum five year period, we included ⅕ (20%) of the effect in the 1983 production cost.

Comment 2

Petitioner claims that respondents understated their asset values and, therefore, their depreciation costs in 1983. This claim was based on the fact that respondents revalued assets as of December 31, 1983.

DOC Position

The Department investigated the depreciation methods used by the respondents. The Brazilian accounting practice is to use the government bond rate (ORTN) to increase the depreciation charges on a monthly basis. Therefore, the depreciation charged to cost of production reflects an increased book value of the assets.

Comment 3

Petitioner alleges that certain domestic and export product categories set forth by respondents as representing the most similar comparison groups are not similar and should be rejected for comparison purposes or subject to adjustment.

DOC Position

The comparison groupings proposed by the respondents were reviewed by a steel expert in Import Administration who stated that the grades chosen for comparison purposes were correctly designated and that the dimensional subgroups were valid. Where appropriate, adjustments for differences in merchandise were made.

Comment 4

Petitioner asserts that respondents had improperly adjusted their method of allocating selling, general and administrative (SG&A) expenses. In modifying costs of goods sold by inventory changes, they deferred a portion of SG&A which was charged to income in 1983. SG&A expenses must be based on sales volume in order to fully allocate the expense over all products sold during the period.

DOC Position

We agree. The respondents allocated SG&A expenses to specific products based on the same ratio as the total expense is to cost of production. This methodology, however, does not properly allocate SG&A expenses to the products under investigation. Using their methodology a portion of SG&A would be allocated to inventory. We consider SG&A expenses to be period costs and have reallocated the expenses to specific products based on the same ratio as total SG&A is to cost of goods sold.

Comment 5

Petitioner asserts that no adjustment for differences in credit terms should be allowed since the home market price list is on at-sight terms as are U.S. sales.

DOC Position

We disagree. While the price list prices are based on at-sight terms the price lists provide for additional charges for 60 day payment terms and late

payment. We verified that these additional charges are actually collected and these charges are included in the prices reported. Therefore, we made an adjustment in accordance with 19 CFR 353.15 for the differences in credit costs.

Interested Party's Comments

Comment 1

Bethlehem claims that the prices in the Brazilian home market are fictitious prices due to the government price controls and should not be used as the basis for determining fair value.

DOC Position

We disagree. The government price controls on steel products are part of a generalized price control system in Brazil. Under this system, maximum prices are set by the Interministerial Council on Prices. The maximum prices are revised periodically upon request of the Brazilian steel producers on the basis of increased costs. The prices reported are those actually charged in the home market. Since the presence of a fictitious market has not been demonstrated, we have determined that the home market prices are the proper basis for determining fair value.

Comment 2

Bethlehem claims that use of the official exchange rate in effect on the date of exportation is inappropriate in these investigations since the government of Brazil has devalued the cruzeiro at a rate which exceeds the rate of inflation in Brazil and that this rapid devaluation is specifically aimed at increasing exports. Bethlehem suggests the use of the 1982 exchange rate adjusted for 1983 inflation or use of the exchange rate in the previous quarter.

DOC Position

Since all sales to the United States were calculated on the basis of purchase price, we converted currency at the exchange rate in effect on the date of purchase, in accordance with 19 CFR 353.56(a)(1). We agree that 19 CFR 353.56(b) allows some latitude in the selection of the appropriate exchange rate where prices under consideration are affected by temporary exchange rate fluctuations.

Since the cruzeiro has been subject to significant devaluation over a period in excess of three years, we have determined that these fluctuations are not temporary and that the conversion of currency in accordance with 19 CFR 353.56(a)(1) is appropriate.

Comment 3

Bethlehem alleges that input costs for iron ore, limestone, refractories, fluxes, additives and alloys are undervalued as a result of government price controls on these materials.

DOC Position

We base the determination of input costs on the actual costs to the producers under investigation in the absence of evidence that the suppliers are related to the producers. Where relationships are known to exist, we determine whether the cost element under consideration fairly reflects the amount usually reflected in sales in the market under consideration of the merchandise under consideration in accordance with section 773(e)(2) of the Act (19 U.S.C. 1677b(e)). In the case of iron ore, where a relationship was known to exist between the producer and supplier, we determined that the prices did fairly reflect the amount usually reflected in sales in Brazil. We have no evidence that any relationships within the meaning of section 773(e)(3) of the Act exist between the respondents and other input suppliers. Therefore, we used the transaction prices in calculating production costs.

Respondents' Comments

Comment 1

Respondents argue that when determining whether sales are below cost of production ITA should have compared the weighted-average price for hot- or cold-rolled sheet in Brazil with the weighted average cost of producing hot- or cold-rolled sheet.

DOC Position

We believe that when testing for below cost of production sales, we should examine "such and similar merchandise" rather than the class or kind of merchandise under investigation. Under respondents' theory that we should examine whether the weighted-average price of hot- or cold-rolled sheet exceeds the weighted average cost of hot- or cold-rolled sheet, either all or none of the home market sales would be disregarded. This would be inconsistent with the statutory requirement that ITA disregard only those sales made at less than the cost of production which are made over an extended period of time, and in substantial quantities and not at prices which permit recovery of all costs within a reasonable period of time in the normal course of trade.

Comment 2

Respondents claim that the adjustment for differences in circumstances of sale relating to post-shipment credit should be calculated on the basis of effective interest rates rather than nominal interest rates. Respondents submitted revised responses including post-shipment credit costs based on the effective interest rates.

DOC Position

We agree that the effective rate of interest more accurately reflects the cost of credit to respondents and calculated the adjustment on the basis of each firm's short-term working capital borrowing experience in terms of effective interest rates.

Comment 3

Respondents assert that the late payment fee charged by the respondents should be added to the home market price before comparison to the cost of production, since the analogous costs are included in the cost of production.

DOC Position

We agree. We verified the fact that the charges are actually being paid by the customers. In addition, we included these charges in the home market price and made the appropriate adjustments for differences in circumstances of sale in the calculation of the post-shipment credit costs.

Comment 4

Respondents argue that a circumstance of sale adjustment should be made to reflect differences in pre-shipment financing.

DOC Position

We disallowed this claim because we do not consider the pre-shipment credit to be directly related to the sales under consideration. The pre-shipment financing is working capital financing used by respondents on export sales and is available through exchange contracts which enable the seller to borrow funds in cruzeiros based on anticipated export sales payable in U.S. dollars. These loans are for extended periods of time, often 180 days, and the exchange contracts specify the interest rate. At the time of shipment of an assigned exportation, the lending bank receives payment in U.S. dollars or the loan is converted to a post-shipment credit. Specific export sales or shipments are not tied to these loans until the applicable export licenses are issued which is usually at the time of exportation. The exchange contracts identify an anticipated purchaser; however, receipts from shipments to other purchasers are often applied against the loans. In addition, export contracts often involve multiple shipments. We verified that receipts

from shipments under single export contracts have been applied against multiple exchange contracts. Export contracts are often concluded after the funds are borrowed under exchange contracts. Also, the exporter has the choice of assigning payment for the export shipment to any outstanding exchange contract or receiving the U.S. dollars payment directly. Based on the foregoing, we do not consider the pre-shipment credit to be directly related to the sales under consideration.

Comment 5

Respondents claim that COSIPA's financial expenses should be adjusted to accurately allocate them between assets in current production and assets for expansion which are not in operation. Respondents state that the capitalization and deferral of interest costs on assets under construction is consistent with Brazilian and U.S. generally accepted accounting principles and is, therefore, permissible under the antidumping duty law.

DOC Position

We disagree. In calculating the cost of production, our policy is to use the firm's expenses as recorded in its financial statements as long as those statements are prepared in accordance with the home country's generally accepted accounting principles (GAAP) and do not significantly distort the firm's financial position or actual costs. The principles used in the financial statements with respect to these financial expenses were in accordance with GAAP in Brazil. A similar claim was rejected in the recent investigation on hot-rolled carbon stee plate and hot-rolled carbon steel sheet from Brazil as stated in the final determination published on Jaunary 25, 1984 (47 FR 3102).

The 1983 COSIPA financial statements were prepared after the publication of that notice. The fact that COSIPA was not permitted to alter its treatment of interest expense in 1983 also supports our determination that the claimed adjustment is not warranted.

Comment 6

Respondents claim that a circumstance of sale adjustment should be made for the freight equalization charge which CSN and COSIPA are required to include in their prices.

DOC Position

The freight equalization charge constitutes an increase in revenue to COSIPA and CSN with no corresponding costs. As such, we determine that the freight equalization charge does not constitute a selling expense and an adjustment for a difference in circumstances of sale is not appropriate.

Verification

In accordance with section 776(a) of the Act, we verified data used in making this final determination by using verification procedures which included on-site inspection of manufacturers' facilities and examination of company records and selected original source documentation containing relevant information.

Final Affirmative Determinations of Critical Circumstances

U.S. Steel alleged that imports of hot-rolled carbon steel sheet present "cricital circumstances". Under section 735(a)(3) of the Act, critical circumstances exist when the Department finds that: (1) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than fair value, and (2) there have been massive imports of the class or kind of the merchandise which is the subject of the investigation over a relatively short period.

In determining whether there is a history of dumping of hot- and cold-rolled carbon steel sheet from Brazil in the United States or elsewhere, we reviewed past antidumping findings of the Department of the Treasury as well as past Department of Commerce antidumping duty orders. We found no past antidumping determinations on hot-rolled carbon steel sheet from Brazil which covered the class or kind of hot-rolled carbon steel sheet which is the subject of this investigation. We also reviewed the antidumping actions of other countries made available to us through the Antidumping Code Committee established by the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade. On November 9, 1982, in Commission Recommendation No. 310/10 ECSC, the Commission of the European Communities imposed antidumping duties on imports of hot-rolled sheets of less than 3mm and cold-rolled sheets of iron and steel, originating in Brazil. On May 18, 1983, in Commission Recommendation No. 1230/83 ECSC, the Commission of the European Communities imposed antidumping duties on imports of sheets and plates, of iron and steel, not further worked than hot-rolled of a thickness of 3mm or more, originating in Brazil. We now recognize that all of the merchandise covered by our investigations falls within the scope of the Commission Recommendations. Therefore, we find the requisite history of dumping of the class or kind of merchandise.

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 May through October 1983, with the monthly average of imports for the period of November 1983 through March 1984, the five months between our receipt for the petition and our preliminary determinations. These comparisons show that the import volume of hot-rolled sheet increased by 100 percent and cold-rolled sheet increased by 24 percent. Since USIMINAS is the only major exporter of cold-rolled sheet which is not excluded, we made similar comparisons relative to its shipments of this product and found they had increased by 74 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 735(a)(3). 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 find that there have been massive imports of hot-rolled carbon steel sheet and cold-rolled carbon steel sheet over a relatively short period of time.

For the reasons discussed above, we find that critical circumstances exist within the meaning of section 735(a)(3) of the Act. We note that, pursuant to section 735(b)(4) the ITC makes its own determinations regarding critical circumstances. Therefore, pending the ITC's final determination, the suspension of liquidation of entries is ordered retroactively for a period of 90 days as set forth in the "Suspension of Liquidation" section below.

Suspension of Liquidation

In accordance with section 733(d) of the Act, on April 26, 1984, we directed the United States Customs Service to suspend liquidation of all entries of hot-rolled carbon steel sheet from Brazil

with the exception of hot-rolled carbon steel sheet produced by CSN. 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. The U.S. Customs Service shall require a cash deposit or the posting of a bond of equal amount. The suspension of liquidation of entries is ordered retroactively to January 27, 1984, on hot-rolled carbon steel sheet exported by all manufacturers/exporters except CSN. Suspension of liquidation of all entries of hot-rolled carbon steel sheet sold by CSN and cold-rolled carbon steel sheet sold by all companies except COSIPA and CSN is ordered retroactively for a period of 90 days prior to the date of publication of this notice. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturers/producers/exporters	Weighted-average margins (percent)
Hot-rolled carbon steel sheet:	
COSIPA	18.03
CSN	6.09
USIMINAS	18.15
All Other Manufacturers/Producers: Exporters	6.45
Cold-rolled carbon steel sheet:	
COSIPA (Excluded)	0.0
CSN (Excluded)	0.06
USIMINAS	1.40
All Other Manufacturers/Producers: Exporters	0.91

Article VI.5 of the General Agreement on Tariffs and Trade provides that "(n)o product * * * shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act. Since dumping duties cannot be assessed on the portion of the margin attributable to export subsidies, there is no reason to require a cash deposit or bond for that amount. Accordingly, the level of export subsidies (as determined in the final affirmative countervailing duty determinations on certain carbon steel products from Brazil (49 FR 17988)) has been subtracted from the dumping margin for deposit or bonding purposes.

ITC Notification

In accordance with section 735(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 determine whether imports of hot-rolled carbon steel sheet are materially injuring or threatening to materially injure a U.S. Industry within 45 days of the publication of this notice. The ITC will make its determination on cold-rolled carbon steel sheet within 75 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 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 antidumping duty order directing Customs officers to assess antidumping duties on certain carbon steel products from Brazil, as appropriate entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States prices.

Dated: July 2, 1984.

Alan F. Holmer,

Acting Assistant Secretary for Trade Administration.

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APPENDIX D

PRODUCT DESCRIPTIONS

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

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 carbon 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, 0.0810 inch through 0.1209 inch in thickness, over 48 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.