

# **CERTAIN COLD-ROLLED CARBON STEEL PRODUCTS FROM THE REPUBLIC OF KOREA**

**Determination of the Commission  
in Investigation No. 701-TA-218  
(Final) Under the Tariff Act  
of 1930, Together With the  
Information Obtained  
in the Investigation**



**USITC PUBLICATION 1634**

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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, DC

Investigation No. 701-TA-218 (Final)

CERTAIN COLD-ROLLED CARBON STEEL PRODUCTS FROM  
THE REPUBLIC OF KOREA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)), that an industry in the United States is materially injured or threatened with material injury 3/ by reason of imports from the Republic of Korea (Korea) of cold-rolled carbon steel plates and sheets, provided for in item 607.83 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be subsidized by the Government of Korea.

Background

The Commission instituted this investigation effective September 18, 1984, following a preliminary determination by the Department of Commerce that imports of the subject carbon steel products from Korea were being subsidized within the meaning of section 701 of the Act (19 U.S.C. § 1671). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington,

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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 Liebler dissenting.

3/ Chairwoman Stern and Commissioner Rohr determine that an industry in the United States is threatened with material injury by reason of imports of the subject products from Korea. Accordingly, pursuant to section 705(b)(4) of the Act (19 U.S.C. § 1671d(b)(4)), they further determine that they would not have found material injury but for any suspension of liquidation of entries of that merchandise. Commissioner Eckes and Commissioner Lodwick determine that an industry in the United States is materially injured by reason of imports of the subject products from Korea.

DC, and by publishing it in the Federal Register on October 17, 1984 (49 FR 40676). A second notice, announcing a rescheduling of the hearing, was published in the Federal Register on November 30, 1984 (49 FR 47121). The hearing was held in Washington, DC, on December 13, 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**

We determine that an industry in the United States is materially injured or threatened with material injury by reason of imports of cold-rolled carbon steel sheet products from the Republic of Korea which have been found by the Department of Commerce ("Commerce") to be subsidized by the Republic of Korea.

Chairwoman Stern and Commissioner Rohr have determined that the domestic industry is threatened with material injury by reason of the Korean imports. Commissioner Eckes and Commissioner Lodwick have determined that the domestic industry is materially injured by reason of the subject imports. 1/

Definition of the domestic industry

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

The imported product which is the subject of this investigation is cold-rolled carbon steel sheet that has been flat-rolled and is over 12 inches in width. This product has been the subject of other countervailing duty and antidumping investigations concerning imports from other countries. In those

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1/ Commissioner Eckes and Commissioner Lodwick reach their affirmative determination in this investigation based on a case-by-case analysis.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

prior cases the like product was found to be domestically produced cold-rolled carbon steel sheet. 4/ 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 cold-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 cold-rolled carbon steel sheet.

#### Condition of the domestic industry

The domestic industry producing cold-rolled carbon steel sheet experienced problems during the period covered by the investigation. As recently as September, 1984, the Commission unanimously determined that this domestic industry was experiencing material injury based on data through March, 1984. 5/ With an improvement in the economy, there has been a consequential improvement in the cold-rolled sheet industry during 1983 and the first nine months of 1984. However, despite this improvement, the industry continues to experience difficulties.

Domestic production of cold-rolled carbon steel sheet fell from 12.8 million short tons in 1981 to 9.2 million short tons in 1982 before recovering to 12.1 million short tons in 1983. In January-September 1984 there was an increase in production to 9.6 million short tons from 9.0 million short tons

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4/ See, e.g., Cold-Rolled Carbon Steel Sheet from Brazil, Inv. No. 731-TA-154 (Final), USITC Pub. 1579 (1984); Certain Carbon Steel Products from Brazil, Invs. Nos. 701-TA-205-207 (Final), USITC Pub. 1538 (1984); Certain Carbon Steel Products from Spain, Invs. Nos. 701-TA-155, 157-160, and 162 (Final), USITC Pub. 1331 (1982); Certain Carbon Steel Products from Argentina, Australia, Finland, and Spain, Invs. Nos. 731-TA-169-182 (Preliminary), USITC Pub. 1510 (1984).

5/ Cold-Rolled Carbon Steel Sheet from Brazil, Inv. No. 731-TA-154 (Final).

during the same period in 1983. 6/ Capacity for domestic cold-rolled carbon steel sheet producers declined slightly from 18.1 million short tons in 1981 to 17.3 million short tons in 1983. 7/ Capacity utilization declined from 70.6 percent in 1981 to 51.5 percent in 1982. Capacity utilization then increased to 70.0 percent in 1983 and then to 77.7 percent in January-September 1984 compared to 69.1 percent during the same period in 1983. 8/ U.S. producers' shipments followed the same trends as production and capacity utilization at a slightly less accelerated pace. 9/

Apparent U.S. consumption of cold-rolled carbon steel sheet was 15.2 million short tons in 1981 but declined to 12.1 million short tons in 1982. Consumption then recovered to 15.3 million short tons in 1983. Consumption was 12.6 million short tons in January-September 1984, an increase from 10.9 million short tons in the same period in 1983. 10/

Employment also declined substantially between 1981 and 1982 and then improved in 1983. There was further slight improvement in 1984, but employment remains significantly below 1981 levels. Hourly compensation decreased from 1981 to 1983, although there was some improvement in 1984. 11/

Despite improvement in production, capacity utilization, total U.S. consumption, and net sales, operating losses continued in 1983 and 1984. 12/ Although operating losses did substantially decrease in January-September 1984

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6/ Report of the Commission ("Report") at A-12.

7/ Id.

8/ Id.

9/ Id. at A-13. Similarly, U.S. producers' inventories have increased 37 percent from 1982 to 1983 and increased 8 percent in the January-September 1984 period over the same period in 1983.

10/ Id. at A-12.

11/ Id. at A-19, Table 8.

12/ Id. at A-19.

when compared to the same period in 1983, the industry continues to report losses. 13/

Although there has been some improvement in the condition of the domestic industry, especially during 1984, we find that the industry continues to be materially injured.

Material injury by reason of subsidized imports 14/

Imports from the Republic of Korea as a share of the apparent U.S. consumption represented 0.7 percent in 1981, 0.5 percent in 1982, and 1.2 percent in 1983. 15/ Korean subsidized imports' share of apparent U.S. consumption increased to 2.5 percent during January-September 1984 when compared with 1.1 percent for the same period in 1983. 16/ The volume of imports declined from 101,000 tons in 1981 to 66,000 tons in 1982, but increased to 191,000 tons in 1983 and to 316,000 tons in January-September 1984, as compared with 124,000 tons for the same period in 1983. 17/ The level of imports in 1984 is greater than for subsidized imports from Brazil which recently were found to have caused material injury. 18/

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13/ Id.

14/ Chairwoman Stern and Commissioner Rohr join in this discussion of the causal factors. They conclude, however, that on the basis of these and other factors a threat of material injury by reason of the subsidized imports is warranted.

15/ Report at A-24.

16/ Id.

17/ Id. at A-23.

18/ See Certain Carbon Steel Products from Brazil, Invs. Nos. 701-TA-205-207 (Final). Commissioner Eckes notes his negative determination in Cold-Rolled Carbon Steel Sheet from Brazil, Inv. No. 731-TA-154 (Final), USITC Pub. 1579 at 6, n.14 (1984). Not all of the Brazilian producers were found to be selling at LTFV in that investigation. Thus, trends for LTFV imports from Brazil were substantially lower than for subsidized imports from Brazil which the Commission found to be a cause of material injury. Trends for imports from Korea in this investigation are higher than trends for LTFV imports from Brazil, and are comparable to trends for subsidized imports from Brazil.

The information available on transaction prices reported by purchasers of cold-rolled sheet permitted comparisons of prices for U.S. and Korean cold-rolled sheet paid by steel service centers in 21 instances. 19/ In general, the Korean cold-rolled sheet undersold the domestic product (13 of the 21 comparisons). 20/ The margins of underselling ranged from 1 percent to 14 percent. 21/ Available transaction prices reported by end users permitted comparisons in 15 instances. 22/ The pattern of underselling for end users was more irregular, where underselling of the domestic product by the Korean product occurred 12 out of the 15 times. The margins of underselling generally ranged from 0 percent to 18 percent. 23/ The information available indicated that the domestic producers have been cutting prices to retain customers. Price depression was confirmed in five instances in which U.S. producers were forced to lower their prices in order to take a sale from competing Korean imports. 24/ This, in turn, prevented domestic producers from achieving favorable operating levels despite increased production, capacity utilization, and shipments during more recent periods.

Threat of material injury by reason of subsidized imports 25/

When determining whether there is a threat of material injury, the Commission considers such factors as the rate of increase of subsidized

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19/ Id. at A-31.

20/ Id.

21/ Id.

22/ Id. at A-33.

23/ Id.

24/ Id. at A-35-A-37. There was also one confirmed instance of a sale lost to Korean imports. Id. at A-35.

25/ Commissioner Eckes and Commissioner Lodwick conclude that the domestic industry is materially injured by reason of the subject imports and, therefore, do not join in this portion of the opinion.

imports, the rate of increase in U.S. market penetration by subsidized imports, the amount of imports held in inventory in the United States, the capacity of producers in the country subject to investigation to generate exports, and the availability of export markets other than the United States. 26/ These factors are considered in conjunction with all other relevant economic indicators.

In this case imports from Korea into the United States increased more than two-and-one-half times from their level in the first nine months in 1983 when compared to the first nine months of 1984. 27/ Import penetration increased steadily from 1982 until the present and has more than doubled in the period January-September 1984 compared with that period in 1983. 28/ Approximately half of the imports are currently being held in inventory by importers. 29/ There is additional capacity that could be used by Korean producers to expand their production. They did increase their capacity utilization ratio for the production of cold-rolled sheet by about half from 1981 to 1983. 30/ Significantly, in both 1983 and January-September 1984, while exports to markets other than the United States declined, the increase in exports to the United States more than offset the loss of the alternative export sales. 31/ Based on this information, together with the discussion of other economic indicators above, Chairwoman Stern and Commissioner Rohr conclude that there is a threat of material injury from imports of subsidized carbon steel sheet from Korea.

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26/ 19 C.F.R. § 207.26(d).

27/ Report at A-23.

28/ Id. at A-24.

29/ Id. at A-21.

30/ Id. at A-5.

31/ Id.

Views of Vice Chairman Liebeler

I determine that an industry in the United States is not materially injured or threatened with material injury, nor is the establishment of an industry in the United States materially retarded,<sup>1</sup> by reason of imports of cold-rolled carbon steel sheets from Korea which the Department of Commerce has determined to be subsidized.

Domestic industry

I concur with my colleagues in their definition of the domestic industry.

Condition of the domestic industry

Despite dramatic improvement in the financial condition of the domestic industry, I also concur with my colleagues in their finding that the domestic industry exhibited signs of material injury during the period of investigation.

No material injury by reason of subsidized imports

I cannot, however, concur with the Commission in its determination that the material injury is by reason of subsidized

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1. Material retardation is not an issue in this investigation and will not be discussed further.

imports from Korea. The legislative history concerning section 705(b) of the Tariff Act of 1930,<sup>2</sup> as amended, indicates that the Commission must satisfy itself that "in light of all the information presented, there is a sufficient causal link between the subsidization and the requisite injury."<sup>3</sup> Such a causal link does not exist in this case.

Imports of cold-rolled carbon steel sheet products from Korea decreased from 0.7 percent of apparent U.S. consumption in 1981 to 0.5 percent in 1982.<sup>4</sup> Concurrently, the operating loss of the industry doubled from 1981 to 1982.<sup>5</sup> This negative correlation continued from 1982 to 1983. The absolute quantity of Korean imports of cold-rolled carbon steel sheet products tripled and Korean market share more than doubled, while the domestic industry's operating loss was cut in half. Finally, during January-September 1984, Korean imports have nearly tripled again

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2. 19 U.S.C. 1671d(b)(1) (1980)

3. S. Rep. No. 249, 96th Cong., 1st Sess. 58 (1979). See also H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

4. It has been suggested that this is an appropriate case for cumulation. As the Trade and Tariff Act of 1984 is not applicable to this case because petitioners filed before enactment of the law, I have evaluated this issue using my traditional analysis. There are currently countervailing duty orders in effect with respect to imports from Argentina, Brazil, South Africa, and Spain. Insofar as no evidence of coordinated activity between these countries and Korea has been presented, I decline to cumulate the imports from the aforementioned countries with those of Korea. See Potassium Chloride from Israel and Spain, Inv. No. 701-TA-213 (Final), USITC Pub. No. 1596 (1984) at 7 n.29.

5. The exact figures are confidential.



in absolute quantity and have increased their market share by over 100%. The operating loss of the domestic industry almost disappeared during this period, shrinking from \$371 million in January-September 1983 to \$43 million in the corresponding period of 1984.<sup>6</sup>

The presence of a pronounced negative correlation is not enough to demonstrate the absence of a causal relationship between the increased Korean imports and the condition of the domestic industry. However, I find insufficient evidence in the record supporting a "sufficient causal link" to rebut the presumption that such trends raise.

#### Threat of material injury

To conclude that subsidized imports constitute a threat of material injury to the domestic industry, the Commission must find that the threat is real and imminent, and not based on a

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6. Report at A-19, Table 11; A-23, Table 13 & A-24, Table 14. The figures on financial performance are not the sole indicators of<sup>1</sup> this negative correlation. Figures on production, capacity utilization (Report at A-12, Table 5), and wages paid (Report at A-16, Table 9) reflect similar trends.

mere possibility that injury might occur at some remote future date.<sup>7</sup>

The argument set forth in the previous section regarding causation also compels me to find an insufficient link between the subsidized imports from Korea and any threat of material injury to the domestic cold-rolled carbon steel sheet industry.

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7. Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780 (Ct. Int'l Trade 1981). This standard was codified by section 612(a)(2)(B)(ii) of the Trade and Tariff Act of 1984, Pub. L. No. 98-573 (October 30, 1984), effective for all cases filed after enactment.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

Following a preliminary determination by the U.S. Department of Commerce that imports of certain cold-rolled carbon steel products from the Republic of Korea (Korea) are being subsidized by the Korean Government, 1/ the U.S. International Trade Commission, effective September 18, 1984, instituted investigation No. 701-TA-218 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. §1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such subsidized products. 2/ Notice of the institution of the Commission's final investigation, and of a public hearing to be held in connection therewith, was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on October 17, 1984 (49 F.R. 40676). 3/ A second notice, announcing a rescheduling of the hearing, was published in the Federal Register on November 30, 1984 (49 F.R. 47121). 4/ The hearing was held in the Commission's hearing room on December 13, 1984. 5/

## Background

This investigation results from a petition filed with the Commission and the Department of Commerce by United States Steel Corp. (U.S. Steel), Pittsburgh, PA. In addition to the products subject to the present final investigation, U.S. Steel's petition alleged that imports of carbon steel structural shapes from Korea were being subsidized by the Government of Korea. 6/ The Commission instituted preliminary investigations on all of these products and made preliminary affirmative injury determinations concerning each of them (49 F.R. 31781, Aug. 8, 1984). The countervailing duty case involving structural shapes resulted in a negative final determination by Commerce effective December 3, 1984. 7/

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1/ 49 F.R. 36538, Sept. 18, 1984. Commerce subsequently made a final affirmative subsidy determination in this case on Dec. 3, 1984. A copy of that determination, as published in the Federal Register on Dec. 3, 1984, is presented in app. A.

2/ The products subject to this investigation are cold-rolled carbon steel plates and sheets as provided for in items 607.8320, 607.8350, 607.8355, and 607.8360 of the Tariff Schedules of the United States Annotated (TSUSA).

3/ A copy of the Commission's notice of investigation, as published in the Federal Register on Oct. 17, 1984, is presented in app. B.

4/ A copy of the Commission's notice of a rescheduled hearing, as published in the Federal Register on Nov. 30, 1984, is presented in app. C.

5/ A list of witnesses appearing at the hearing is presented in app. D.

6/ Carbon steel structural shapes are provided for in TSUSA items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045.

7/ A copy of Commerce's final determination, as published in the Federal Register on Dec. 3, 1984, is presented in app. A.

Related Commission Investigations Concerning Imports  
of the Subject Products

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

Nature and Extent of Subsidies

The Department of Commerce published its final countervailing duty determination on the products subject to this investigation in the Federal Register on December 3, 1984. Commerce found that certain benefits that constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters of the subject products in Korea. The estimated net subsidy is 3.60 percent ad valorem.

The following programs were found to confer subsidies:

(In percent)	
Program	Ad valorem benefit <u>1/</u>
Short-term export financing under the export financing regulations-----	0.33
Tax incentives for exporters-----	<u>2/</u>
Special Depreciation under the "Act Concerning the Regulation of Tax Reduction and Exemption"-----	2.41
Government Equity Infusions into POSCO---	0.71
Reductions in port charges-----	0.05
Tariff reductions on plant and equipment-----	0.10
Total net subsidy-----	3.60

1/ Country-wide rate.

2/ Less than 0.005 percent.

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1/ The Commission, effective Dec. 19, 1984, instituted preliminary countervailing duty investigations on cold-rolled carbon steel plates and sheets from Austria, Sweden, and Venezuela in response to petitions filed that date by U.S. Steel. Concurrently, in response to petitions filed by U.S. Steel and Bethlehem Steel Corp., the Commission instituted preliminary antidumping investigations on these products from Austria, Czechoslovakia, East Germany, Finland, Romania, and Venezuela.

Table 1.-- Cold-rolled carbon steel plates and sheets: Commission investigations since 1981

(A = Affirmative determination; N = Negative determination)

Country	Determinations
	Preliminary determinations
Belgium-----	1/ 2/ 3/ N
Brazil-----	1/ 3/ 4/ N
France-----	1/ 2/ 3/ A
Italy-----	1/ 2/ 3/ A
Korea-----	4/ 5/ N
Luxembourg-----	1/ 2/ 3/ N
Netherlands-----	1/ 2/ 3/ A
United Kingdom-----	1/ 2/ 3/ N
West Germany-----	1/ 2/ 3/ A
Argentina-----	6/ 7/ A
South Africa-----	6/ 7/ A
Spain-----	6/ 7/ A
	Final determinations
Brazil-----	8/ 9/ A
	10/ 11/ N
Spain-----	9/ 12/ 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 less-than-fair-value (LTFV) and subsidized imports.

3/ Includes strip.

4/ By reason of allegedly subsidized imports.

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

6/ Certain Carbon Steel Products from Argentina, Australia, Finland, South Africa, and Spain, investigations Nos. 701-TA-212 (Preliminary) and 731-TA-169-182 (Preliminary), March 1984.

7/ By reason of allegedly LTFV imports.

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

9/ By reason of subsidized imports.

10/ Cold-Rolled Carbon Steel Sheet from Brazil, investigation No. 731-TA-154 (Final), September 1984.

11/ By reason of LTFV imports.

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

Source: See footnotes.

**The Korean Steel Industry and its  
Capacity to Generate Exports**

The Korean steel industry, which consists of 15 to 20 manufacturers, produced 13.1 million tons of raw steel in 1983, ranking 16th among world steel-producing countries. This represented a 5-percent increase over production in 1982, as shown in the following tabulation of statistics of the International Iron and Steel Institute (in millions of short tons):

	<u>Quantity</u>
1979-----	8.4
1980-----	9.4
1981-----	11.9
1982-----	12.5
1983-----	13.1

Approximately three-fourths of Korea's raw steel output in 1983 was from basic oxygen furnaces, and the remainder was from electric furnaces. Employment in the Korean steel industry in 1982 was about 60,290 workers. Korean capacity for steelmaking in 1982 was about 14 million short tons, as compared with about 1 million 10 years earlier. 1/ This expansion followed both the world-wide upsurge in demand for steel during the 1970's and the growth in Korean steel-consuming industries, such as automobile, shipbuilding, and machine. Demand for steel in Korea has increased at a rate of about 20 percent per year since 1970. 2/ Apparent domestic steel consumption increased to 9.6 million short tons in 1983, or by 15 percent over the level in 1982. 3/

The steel industry in Korea is dominated by one firm, Pohang Iron and Steel Co. (POSCO). The corporate organization of POSCO, Korea's only integrated steel mill, is quasi-governmental, with ownership divided into three shares: \* \* \* percent, owned by the Korea Development Bank; \* \* \* percent owned by the Government of Korea; and \* \* \* percent owned by private commercial banks and companies. Its production of raw steel in 1983 totaled 9.3 million tons, which represented a 5-percent decrease from its output in 1982 and made POSCO the 11th largest steel producer in the world. 4/ POSCO produces a wide range of products, including cold-rolled carbon steel sheets. It exports about \* \* \* percent of its production. 5/ The company plans to build a second integrated steelworks at Kwangyong with an initial capacity of 3.3 million short tons per year. Construction is due to start in 1985, with completion of the first stage scheduled for 1988. An eventual capacity of 13.2 million tons per year is anticipated. 6/

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1/ U.S. Department of State Airgram, American Embassy, Seoul, June 1983.

2/ Iron Age, Jan. 16, 1984, p. 39.

3/ "South Korea's Pohang Iron and Steel," Metals Intelligence International, (Paine, Webber, Mitchel, Hutchins, Inc.), Feb. 22, 1984.

4/ American Metal Market, May 23, 1984.

5/ U.S. Department of State Airgram, American Embassy, Seoul, June 1983.

6/ Iron and Steel Works of the World, (Metal Bulletin Books), 1983, p. 352. A-4

Other producers of cold-rolled sheets include Union Steel Manufacturing Co., Ltd. (Union), and Dong Jin Steel Co. (Dong Jin). Union is Korea's second largest steel manufacturer, but its sales in 1981 equaled only \* \* \* percent of POSCO's total sales. The company exports its major products (including cold-rolled sheets) to Southeast Asian countries and the western part of the United States. 1/ Dong Jin, Korea's third largest steel producer, is the former Ilssin Steel Co., taken over by POSCO as its wholly owned subsidiary in October 1982, when Ilssin went bankrupt. Dong Jin produces pipes and cold-rolled sheets and coils and exports about \* \* \* percent of its production to the United States. 2/

Table 2 presents data on Korea's production, capacity, and shipments of cold-rolled sheets. As shown, Korea's production of cold-rolled sheets increased by \* \* \* percent during 1981-83, with an increase of \* \* \* percent during January-September 1984 compared with the level in the corresponding period of 1983. Its capacity utilization ratio increased from \* \* \* percent in 1981 to \* \* \* percent in 1983. During January-September 1984 capacity utilization was \* \* \* percent compared with \* \* \* percent in the first 9 months of 1983. Total exports rose throughout the period, as did exports to the United States. However, in both 1983 and January-September 1984, declining exports to markets other than the United States were more than offset by strong increases in exports to the United States.

Table 2.--Cold-rolled sheets: Korea's production, capacity, capacity utilization, domestic shipments, and exports, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Production					
1,000 short tons--	***	***	***	***	***
Capacity-----do-----	***	***	***	***	***
Capacity utilization					
percent--	***	***	***	***	***
Domestic shipments					
1,000 short tons--	***	***	***	***	***
Exports to:					
United States-----do-----	***	***	***	***	***
All other-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***

Source: Counselor for Trade Affairs from the American Embassy, Seoul, June 23, 1983, p. 9.

2/ Ibid.

1/ U.S. Department of State Airgram from the American Embassy, Seoul, June 23, 1983, p. 9.

2/ Ibid.

## The Products

### Description and uses

Cold-rolled carbon steel plates and sheets are flat-rolled products produced by processing hot-rolled, pickled (cleaned) carbon steel plates or sheets in cold-reduction mills. They are considered to be finished products and are distinguished from other flat-rolled products by their dimensional characteristics. For purposes of this investigation, cold-rolled carbon steel plates and sheets are defined as flat-rolled carbon steel products; whether or not corrugated or crimped, whether or not coiled, and whether or not pickled; over 12 inches in width; not cut, not pressed, and not stamped to nonrectangular shape; not coated or plated with metal and not clad.

Cold-rolled carbon steel plates are 0.1875 inch or more in thickness and are provided for in TSUSA item 607.8320; cold-rolled carbon steel sheets are less than 0.1875 inch in thickness and are provided for in TSUSA items 607.8350, 607.8355, and 607.8360. Although cold-rolled plates are included within the scope of the investigation, imports of such products are believed to be negligible. Accordingly, imports under item 607.8320, which are believed to consist principally of pickled plates, are not included in the statistical data presented in this report.

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

Cold-rolled carbon steel sheets are the largest volume steel mill product, having accounted for 22 percent of total U.S. producers' shipments of all carbon steel products (and 19 percent of such shipments of all steel mill products) in 1983. Major consumer markets for cold-rolled sheets are shown in table 3. The automotive industry, the largest single consumer of cold-rolled sheets, accounted for, on average, 33 percent of cold-rolled sheet shipments during 1981-83; shipments to steel service centers and distributors (SSC's) averaged 27 percent over the same period. Other end markets for cold-rolled sheets include the electrical equipment and appliance industries.



Table 3.--Cold-rolled carbon steel sheets: U.S. producers' shipments, by major markets, 1981-83, January-September 1983, and January-September 1984

Market	1981	1982	1983	Jan.-Sept.--	
				1983	1984
Quantity (1,000 tons)					
Automotive-----	4,547	3,469	4,176	2,890	3,082
Steel service centers and distributors-----	3,328	2,798	3,777	2,783	2,902
Electrical equipment-----	1,215	871	1,143	830	895
Appliances, utensils, and cutlery-----	1,203	899	1,135	850	909
All other-----	3,455	2,529	2,764	2,060	2,234
Total-----	13,748	10,565	12,995	9,413	10,022
Percent of total					
Automotive-----	33.1	32.8	32.1	30.7	30.8
Steel service centers and distributors-----	24.2	26.5	29.1	29.6	29.0
Electrical equipment-----	8.8	8.2	8.8	8.8	8.9
Appliances, utensils, and cutlery-----	8.8	8.5	8.7	9.0	9.1
All other-----	25.1	23.9	21.3	21.9	22.3
Total-----	100.0	100.0	100.0	100.0	100.0

Source: American Iron & Steel Institute.

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

#### U.S. tariff treatment

As mentioned, imports of cold-rolled carbon steel plates and sheets are classified for tariff purposes under TSUSA items 607.8320 (plates), 607.8350 (painted or varnished sheets), 607.8355 (annealed sheets not painted or varnished and having a minimum yield point of 40,000 pounds per square inch), and 607.8360 (all other cold-rolled sheets). The current column 1 or most-

favoured-nation (MFN) rate of duty, 1/ final column 1 concession rate granted under the Tokyo round of the Multilateral Trade Negotiations (MTN), 2/ the rate of duty for least developed developing countries (LDDC's), 3/ and the column 2 duty rate 4/ for such imports are shown in the following tabulation (in percent ad valorem and cents per pound):

	<u>Rate of duty</u>
Column 1:	
Jan. 1, 1984-----	6.6%
Jan. 1, 1985-----	6.1%
Jan. 1, 1987 <u>1/</u> -----	5.1%
LDDC-----	5.1%
Column 2-----	0.2¢ + 20.0%

1/ The applicable rate prior to the first staged reduction under the Tokyo round (i.e., that in effect Jan. 1, 1980) was 8.0 percent ad valorem.

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1/ The col. 1 rate is applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. 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. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment.

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

3/ The preferential rates of duty 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 least developed developing countries enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in column 1 applies.

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

Imports of these products are not eligible for duty-free treatment under the GSP. 1/ However, such imports, if the product of designated beneficiary countries, are eligible for duty-free entry under the CBI; 2/ and imports from LDDC's are granted the preferential rates shown.

In addition to the import duties shown above, countervailing duties are currently in effect with respect to imports from Argentina (Apr. 26, 1984), Brazil (June 22, 1984), and Spain (Jan. 3, 1983). 3/ In other actions in recent years, the Commission determined that an industry in the United States was not materially injured or threatened with material injury by reason of less-than-fair-value (LTFV) imports from Brazil and that there was no reasonable indication that an industry in the United States was materially injured, or threatened with material injury, by reason of allegedly subsidized imports from Belgium, Korea, Luxembourg, and the United Kingdom or allegedly LTFV imports from Belgium, Luxembourg, and the United Kingdom.

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

An antidumping complaint involving cold-rolled sheets from South Africa was withdrawn by the petitioner following a declaration by the exporter to restrain shipments of such merchandise to the United States. Final antidumping cases on cold-rolled sheets from Argentina and Spain are pending at the Commission.

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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, enacted in Title V of the Trade Act of 1974, implemented by Executive Order No. 11888 of Nov. 24, 1975, and renewed in Title V of the Trade and Tariff Act of 1984, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until July 4, 1993. It provides duty-free entry to 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 duty-free entry to eligible articles imported directly from designated developing countries in the Caribbean Basin area.

3/ Imports from South Africa are also subject to countervailing duties (Sept. 7, 1982); the current level, however, is 0.00 percent. The weighted-average subsidies for other countries were as follows: Argentina, 5.44 percent ad valorem; Brazil, 36.95 percent; and Spain, 38.25 percent.

## U.S. Producers

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

<u>Firm</u>	<u>Market share</u>	<u>Location</u>
Armco, Inc. (Armco)-----	***	Ashland, KY Middletown, OH
Bethlehem Steel Corp. (Bethlehem)-----	***	Burns Harbor, IN Lackawanna, NY Sparrows Point, MD
Inland Steel Co. (Inland)-----	***	East Chicago, IN
LTV Steel Co. (LTV) <u>1</u> /-----	***	Aliquippa, PA Cleveland, OH East Chicago, IN Gadsden, AL Hennepin, IL Niles, OH Pittsburgh, PA Warren, OH
National Steel Corp. (National)	***	Detroit, MI Granite City, IL Portage, IN Weirton, WV <u>2</u> /
Rouge Steel Corp. (Rouge)-----	***	Detroit, MI
U.S. Steel -----	***	Cleveland, OH Dravosburg, PA Fairfield, AL Fairless Hills, PA Gary, IN Pittsburgh, PA

1/ Since June 29, 1984, Jones and Laughlin Steel Corp. (J&L) and Republic Steel Corp. (Republic) have been operated by LTV; the share of 1983 producers' shipments shown is for J&L and Republic combined.

2/ This plant is now independently owned and operated.

The production of cold-rolled carbon steel sheets is heavily concentrated in the United States, with the four largest producers, including the newly formed LTV, accounting for about \* \* \* percent of total U.S. producers' shipments in 1983.

#### U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 18 firms that imported cold-rolled carbon steel plates and sheets from Korea during January 1983-July 1984. Major importers include \* \* \*. Many of the larger importers are trading companies that deal in a variety of steel products from a number of countries.

#### Apparent U.S. Consumption

Apparent U.S. consumption of cold-rolled carbon steel sheets 1/ decreased from 15.2 million tons in 1981 to 12.1 million tons in 1982, but then rose to 15.3 million tons in 1983; apparent U.S. consumption during January-September 1984, at 12.6 million tons, was 15 percent greater than such consumption during January-September 1983 (table 4). According to industry sources, the increase in apparent consumption during 1983 was due primarily to increasing demand in the automotive industry. 2/ As shown in the table, imports took an increasing share of the market, from 10 percent in 1981 to 15 percent in 1983 and 21 percent during January-September 1984.

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

##### U.S. production, capacity, and capacity utilization

U.S. production of cold-rolled carbon steel sheets fell sharply from 12.8 million tons in 1981 to 9.2 million tons in 1982 and then rose to 12.1 million tons in 1983 (table 5). Production during January-September 1984 was 9.6 million tons, representing an increase of 8 percent from that reported in the corresponding period of 1983. Total productive capacity for cold-rolled sheets declined slightly during 1981-83, from 18.1 million tons in 1981 to 17.3 million tons in 1983. Capacity utilization, which decreased from 70.6 percent in 1981 to 51.5 percent in 1982, increased to 70.0 percent in 1983 and 77.7 percent during January-September 1984. 3/

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1/ As noted, cold-rolled carbon steel plates are also included within the scope of these investigations. However, as both imports and domestic production of such plates are believed to be negligible, they will not be specifically mentioned by name in the remainder of this report.

2/ See fig. 1, p. A-27.

3/ The data on capacity utilization, as calculated from responses to Commission questionnaires, differ from those developed in Carbon and Certain Alloy Steel Products, investigation No. TA-201-51, July 1984. The discrepancy is attributable to different product coverage and different respondents in the two investigations; for example, TA-201-51 included strip products and certain alloy steels, and the production requested in TA-201-51 included captive production as well as production for sale.

Table 4.--Cold-rolled carbon steel sheets: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1981-83, January-September 1983, and January-September 1984

Year	Shipments	Imports	Exports	Apparent consump- tion	Ratio of imports to--	
					Shipments	Con- sumption
: -----1,000 short tons-----					: -----Percent-----	
1981-----	13,748	1,546	46	15,248	11.2	10.1
1982-----	10,565	1,599	21	12,143	15.1	13.2
1983-----	12,995	1/ 2,341	23	15,313	18.0	15.3
Jan.-Sept.--						
1983-----	9,413	1/ 1,550	18	10,945	16.5	14.2
1984-----	10,022	2,590	19	12,593	25.8	20.6

1/ Revised by the staff of the U.S. International Trade Commission.

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

Table 5.--Cold-rolled carbon steel sheets: U.S. production, capacity, 1/ and capacity utilization, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Production 2/					
1,000 short tons--	12,762	9,157	12,093	8,958	9,638
Capacity-----do-----	18,067	17,768	17,274	12,961	12,411
Capacity utilization 3/					
percent--	70.6	51.5	70.0	69.1	77.7

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

2/ U.S. producers submitting useful data together accounted for 91 percent of total shipments of cold-rolled carbon steel sheets in 1983, as reported by the American Iron & Steel Institute.

3/ Calculated from unrounded numbers.

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

U.S. producers' domestic shipments

U.S. producers' domestic shipments of cold-rolled sheets are presented in table 6. Domestic shipments of cold-rolled sheets fell from 10.9 million tons in 1981 to 8.1 million tons in 1982, or by 26 percent; shipments recovered in 1983, rising to 10.2 million tons. During January-September 1984, shipments rose by 10 percent compared with shipments in the corresponding period of 1983. Ten firms reported shipments by type of customer during January-September 1984. Of reported shipments to SSC's during the period, 93 percent were to unrelated distributors and 7 percent to related outlets. Of reported shipments to end users, 94 percent were to unrelated customers and 6 percent to related end users.

Table 6.--Cold-rolled carbon steel sheets: U.S. producers' domestic shipments, 1/ 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Quantity-----1,000 tons--:	10,883	8,084	10,219	7,568	8,308
Value-----million dollars--:	4,820	3,574	4,538	3,339	3,891
Unit value <u>2/</u> -----per ton--:	\$443	\$442	\$444	\$441	\$468

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires. Excludes intercompany and intracompany transfers.

2/ Calculated from unrounded numbers.

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

A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of cold-rolled carbon steel sheets is presented in the following tabulation:

<u>Year</u>	<u>AISI</u> <u>shipments</u> <u>(1,000 tons)</u>	<u>Questionnaire</u> <u>shipments <u>1/</u></u> <u>(1,000 tons)</u>	<u>Coverage</u> <u>(percent)</u>
1981-----	13,748	12,730	93
1982-----	10,565	9,446	89
1983-----	12,995	11,839	91
Jan.-Sept.--			
1983-----	9,413	8,757	93
1984-----	10,022	9,621	96

1/ Including exports and intercompany and intracompany transfers.

U.S. producers' exports

U.S. producers' exports of cold-rolled sheets, as reported in response to Commission questionnaires, were 0.2 percent or less of producers' total shipments of cold-rolled sheets in each of the periods covered by this investigation. Such exports declined from 27,869 tons in 1981 to \* \* \* tons in 1982, and \* \* \* tons in 1983. <sup>1/</sup> Exports fell by 5 percent during January-September 1984 compared with exports in the corresponding period of 1983 (table 7).

Table 7.--Cold-rolled carbon steel sheets: U.S. producers' exports, 1981-83, January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
Quantity-----tons--	27,869	***	***	***	***
Value-----1,000 dollars--	13,287	***	***	***	***
Unit value-----per ton--	\$477	***	***	***	***

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

U.S. producers' inventories

End-of-period inventories of cold-rolled sheets, as reported by U.S. producers in response to the Commission's questionnaires, remained small during 1980-83 and the first nine months of 1984. Such inventories were equal to 7 to 8 percent of the responding producers' (annualized) shipments in each of these periods. Reported end-of-period inventories are shown in the following tabulation (in thousands of tons):

	<u>Inventories</u>
As of December 31--	
1980-----	938
1981-----	970
1982-----	682
1983-----	936
As of September 30--	
1983-----	883
1984-----	951

<sup>1/</sup> These figures are lower than those shown in table 4 because of incomplete coverage by questionnaires of exporters (e.g., export data were not collected from SSC's).



U.S. employment, wages, and productivity

The average number of production and related workers producing cold-rolled carbon steel sheets fell by 26 percent in 1982 but rose by 17 percent in 1983 to 31,861 workers (table 8). The number of such workers rose by 1 percent during January-September 1984 compared with that in the corresponding period of 1983. 1/ Similarly, hours worked by these workers dropped by 29 percent from 1981 to 1982, but rose by 22 percent in 1983. Hours worked rose by 5 percent during January-September 1984 compared with January-September 1983.

Table 8.--Average number of production and related workers producing cold-rolled carbon steel sheets and hours paid 1/ for such workers, 1981-83, January-September 1983, and January-September 1984 2/

Item	1981	1982	1983	January-September--	
				1983	1984
Production and related workers:					
Number-----	36,507	27,179	31,861	31,726	32,024
Percentage change-----	<u>3/</u>	-25.6	17.2	<u>3/</u>	0.9
Hours paid for production and related workers:					
Number-----1,000 hours--	73,656	52,592	64,245	47,471	49,666
Percentage change-----	<u>3/</u>	-28.6	22.2	<u>3/</u>	4.6

1/ Includes hours worked plus hours of paid leave time.

2/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires and not all that did provided useful employment data.

3/ Not available.

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

1/ Respondents to the Commission's questionnaire were asked to identify reductions in the number of production and related workers producing cold-rolled carbon steel sheets of at least 5 percent, or 50 workers, that occurred during January 1981 through September 1984. They were asked to provide the date of each reduction, the number of workers affected, the reason for the reduction, and the duration of the reduction. Two companies, which together accounted for 9 percent of reported employment of production and related workers producing cold-rolled sheets in 1983, provided the requested information. \* \* \*. The remaining respondents did not provide quantified data.

Wages and total compensation 1/ paid to production and related workers producing cold-rolled carbon steel sheets are shown in table 9. Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table 10. As shown, productivity decreased by 0.3 percent in 1982 and increased by 10 percent in 1983 and by 2.0 percent during January-September 1984. Hourly compensation and unit labor costs rose in 1982 but fell in 1983. Hourly compensation rose by 3 percent during January-September 1984 compared with that in the first nine months of 1983, and unit labor costs fell by 6.5 percent during the same period.

Table 9.--Wages and total compensation 1/ paid to production and related workers producing cold-rolled carbon steel sheets, 1981-83, January-September 1983, and January-September 1984 2/

Item	1981	1982	1983	January-September--	
				1983	1984
Wages paid:					
Value----million dollars--:	1,106	831	930	703	756
Percentage change-----:	<u>3/</u>	-24.9	11.9	<u>3/</u>	7.5
Total compensation:					
Value----million dollars--:	1,443	1,150	1,372	1,048	1,046
Percentage change-----:	<u>3/</u>	-20.3	19.3	<u>3/</u>	-0.2

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

2/ Understated to the extent that all U.S producers did not respond to the Commission's questionnaires and not all that did provided useful employment data.

3/ Not available.

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

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

Table 10.--Labor productivity, hourly compensation, and unit labor costs in the production of cold-rolled sheets, 1981-83, January-September 1983, and January-September 1984 1/

Item	1981	1982	1983	January-September--	
				1983	1984
Labor productivity:					
Quantity---tons per hour--	0.1574	0.1570	0.1722	0.1723	0.1758
Percentage change-----	<u>2/</u>	-0.3	9.7	<u>2/</u>	2.0
Hourly compensation: <u>3/</u>					
Value-----per hour--	\$15.02	\$15.80	\$14.47	\$14.81	\$15.22
Percentage change-----	<u>2/</u>	5.2	-8.4	<u>2/</u>	2.8
Unit labor cost: <u>4/</u>					
Value-----per ton--	\$124.50	\$139.32	\$124.00	\$128.15	\$119.83
Percentage change-----	<u>2/</u>	11.9	-11.0	<u>2/</u>	-6.5

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires and not all that did provided useful employment data.

2/ Not available.

3/ Based on wages paid excluding fringe benefits.

4/ 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 cold-rolled carbon steel sheets.--Income-and-loss data were received from nine firms, accounting for about 88 percent of total shipments of cold-rolled carbon steel sheets (as reported by the AISI) in 1983. These data are presented in table 11. The nine responding producers' net sales of such merchandise declined from \* \* \* in 1981 to \* \* \* in 1982, or by 26 percent, and then rose by 27 percent to \* \* \* in 1983. During the interim period ended September 30, 1984, net sales increased by 16 percent to \$4.3 billion, compared with \$3.7 billion in the interim period of 1983.

All nine responding firms reported operating losses in 1982, and eight did so in 1981 and 1983. Combined operating losses of reporting firms grew from \* \* \* in 1981 to \* \* \* in 1982, and then fell to \* \* \* in 1983. During the interim period of 1984, the operating loss declined significantly, by 88 percent, to \$43 million, equivalent to 1.0 percent of net sales, compared with an operating loss of \$371 million, or 10.0 percent of net sales in the interim period of 1983. Four firms sustained operating losses in the interim period of 1984, while all nine firms reported such losses in the interim period of 1983. In the aggregate, the nine responding firms experienced negative cash flows during 1981-83, ranging from \* \* \* in 1983 to \* \* \* in 1982. U.S. producers reported a positive cash flow of \$96 million in the interim period ended September 30, 1984.

Overall operations of the establishments within which cold-rolled carbon steel sheets are produced.--Nine producers of cold-rolled carbon steel sheets provided the Commission with income-and-loss data relative to the overall operations of the establishments within which such merchandise was produced (table 12). Net sales for these establishments declined by 27 percent from \$24.3 billion in 1981 to \$17.8 billion in 1982 and then increased slightly, by 3 percent, to \$18.4 billion in 1983. Such sales rose by 15 percent to \$15.6 billion in the interim period ended September 30, 1984, compared with net sales of \$13.6 billion in the corresponding period of 1983.

In the aggregate, the nine firms sustained operating losses during 1981-83, ranging from a low of \$349 million, or 1.4 percent of net sales, in 1981 to a high of \$2.2 billion, or 12.5 percent of net sales, in 1982. However, during the interim period ended September 30, 1984, the responding U.S. producers reported an operating income of \$16 million, equivalent to a near break-even point of 0.1 percent of net sales, compared with an operating loss of \$1.4 billion, or 10.4 percent of net sales, in the corresponding period of 1983. All nine firms sustained operating losses in 1982 and the interim period of 1983; five firms sustained such losses in 1981 and the interim period of 1984, and seven did so in 1983.

As a share of overall establishment net sales, net sales of cold-rolled carbon steel sheets increased from 22.2 percent in 1981 to 27.7 percent in the interim period ended September 30, 1984.

Capital expenditures and research and development expenses.--Three of the nine U.S. producers providing financial information supplied data relative to their capital expenditures for buildings, machinery, and equipment used in the

Table 11.--Income and loss experience of 9 U.S. producers 1/ on their operations producing cold-rolled carbon steel sheets, 2/ accounting years 1981-83 and interim periods ended Sept. 30, 1983, and Sept. 30, 1984

Item	1981	1982	1983	Interim period ended Sept. 30--	
				1983	1984
Net sales--million dollars--	***	***	***	3,713	4,306
Cost of goods sold--do----	***	***	***	3,921	4,199
Gross profit or (loss) do----	***	***	***	(208)	107
General, selling, and administrative expenses million dollars--	***	***	***	163	150
Operating income or (loss) <u>3/</u> -----do----	***	***	***	(371)	(43)
Depreciation and amortization expense <u>4/</u> million dollars--	***	***	***	130	139
Cash flow or (deficit) from operations <u>4/</u> million dollars--	***	***	***	(241)	96
As a share of net sales:					
Gross profit or (loss) percent--	***	***	***	(5.6)	2.5
Operating income or (loss)-----do----	***	***	***	(10.0)	(1.0)
Cost of goods sold--do----	***	***	***	105.6	97.5
General, selling, and administrative expenses-----percent--	***	***	***	4.4	3.5
Number of firms reporting losses-----	***	***	***	9	4

1/ \* \* \*. Hence, technically, there are 10 producers reporting data in 1984.

2/ U.S. producers submitting useful data together accounted for about 88 percent of total shipments of cold-rolled carbon steel sheets in 1983, as reported by the AISI.

3/ In its questionnaire, the Commission asked producers to provide interest expense and other (nonoperating) income or expense information in order to determine net income or loss before income taxes. However, only three producers, which together accounted for 21.6 percent of reported 1983 net sales, and Weirton provided such data. Two firms did not report those line items and the remaining four firms did not allocate those expenses. Instead, they reported zero. Thus, data on interest expense, other income or expense, and net income or loss before income taxes are not presented in the table.

4/ One firm, \* \* \*, which accounted for \* \* \* percent of reported 1983 net sales, did not provide the Commission with data on depreciation and amortization expense. Hence, cash flow from operations is understated and deficits are overstated.

Table 12.--Income and loss experience of 9 U.S. producers 1/ on overall operations of their establishments within which cold-rolled carbon steel sheets are produced, accounting years 1981-83 and interim periods ended Sept. 30, 1983, and Sept. 30, 1984

Item	1981	1982	1983	Interim period ended Sept. 30-	
				1983	1984
Net sales-----million dollars--	24,311	17,809	18,429	13,582	15,568
Cost of goods sold-----do-----	23,996	19,346	19,079	14,409	15,019
Gross profit or (loss)-----do-----	315	(1,537)	(650)	(827)	549
General, selling and administrative expenses-----million dollars--	664	685	797	579	533
Operating income or (loss) <u>2/</u> ---do-----	(349)	(2,222)	(1,447)	(1,406)	16
Depreciation and amortization expense included above <u>3/</u> ---do-----	738	632	568	448	468
Cash flow or (deficit) from operations- <u>3/</u> -----do-----	389	(1,590)	(879)	(958)	484
As a share of net sales:					
Gross profit or (loss)-----percent--	1.3	(8.6)	(3.5)	(6.1)	3.5
Operating income or (loss)-----do-----	(1.4)	(12.5)	(7.9)	(10.4)	0.1
Cost of goods sold-----do-----	98.7	108.6	103.5	106.1	96.5
General, selling, and administrative expenses-----percent-----	2.7	3.8	4.3	4.3	3.4
Ratio of net sales of cold-rolled carbon sheets to establishments' sales-----percent-----	22.2	22.5	27.6	27.3	27.7
Number of firms reporting operating losses-----do-----	5	9	7	9	5

1/ \* \* \*.

2/ In its questionnaire, the Commission asked producers to provide interest expense and other (nonoperating) income or expense information in order to determine net income or loss before income taxes. However, only four producers, which together accounted for 13.1 percent of reported 1983 net sales, and Weirton provided such data. Three firms did not report those line items and the remaining two firms did not allocate these expenses, instead reporting zero. Thus, data on interest expense, other income or expense, and net income or loss before income taxes are not presented in the table.

3/ One firm, \* \* \*, which accounted for \* \* \* percent of reported 1983 net sales, did not provide the Commission with data on depreciation and amortization expense. Hence, cash flow from operations is understated and deficits are overstated.

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

production of cold-rolled carbon steel sheets, and five U.S. producers supplied data relative to their research and development expenditures, as shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Capital expenditures</u>	<u>Research and development expenses</u>
1981-----	***	***
1982-----	***	***
1983-----	***	***
January-September--		
1983-----	29,052	<u>1/</u> 4,066
1984-----	<u>2/</u> 24,214	<u>1/</u> 4,072

1/ Data are for 4 firms.

2/ Data are for 4 firms, including Weirton.

Total capital expenditures declined each year from \* \* \* in 1981 to \* \* \* in 1983. Such expenditures, which included \* \* \*, fell to \$24.2 million during January-September 1984 compared with \$29.1 million in the corresponding period of 1983. Research and development expenses dropped from \* \* \* in 1981 to \* \* \* in 1983 and then remained at \$4.1 million during January-September 1984, the same level as in the corresponding period of 1983.

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

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

The Commission sent questionnaires to 18 firms which were believed to have imported cold-rolled sheets from Korea. Eleven firms, accounting for approximately 87 percent of such imports in 1983, reported that they had imported the subject products from Korea. Of the 166,529 tons imported by the responding firms in 1983, inventories held as of the end of that period totaled \* \* \* tons, or \* \* \* percent of their reported imports. Thirteen firms reported importing 196,289 tons of cold-rolled sheets from Korea during

January-September 1984, or 62 percent of such imports during the period. Inventories held as of September 30, 1984 rose to \* \* \* tons and represented \* \* \* percent of reported imports.

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

U.S. imports

Imports from all sources.--Aggregate U.S. imports of cold-rolled carbon steel sheets increased steadily and by more than 50 percent from 1.5 million tons in 1981 to 2.3 million tons in 1983; such imports during January-September 1984 amounted to 2.6 million tons, an increase of 67 percent over the level of January-September 1983 (table 13). The average unit value of such imports declined from \$390 per ton in 1981 to \$374 per ton in 1982 and \$330 per ton in 1983 but then increased to \$351 per ton during January-September 1984.

Imports from Korea.--Imports of cold-rolled carbon steel sheets from Korea declined from 101,000 tons in 1981 to 66,000 tons in 1982, or by 35 percent, before increasing to 191,000 tons in 1983. Imports from Korea continued to increase during January-September 1984, to 316,000 tons, compared with imports of 124,000 tons during January-September 1983. The average unit value of these imports dropped from \$382 per ton in 1981 to \$319 per ton in 1983, but then increased to \$345 per ton during January-September 1984.

U.S. market penetration

Imports from all sources.--Market penetration of cold-rolled sheets imported from all countries increased steadily from 10.1 percent of apparent U.S. consumption in 1981 to 15.3 percent in 1983 and 20.6 percent during January-September 1984 (table 14).

Imports from Korea.--Market penetration of cold-rolled sheets imported from Korea increased irregularly from 0.7 percent of apparent U.S. consumption in 1981 to 1.2 percent in 1983. During January-September 1984, Korea's share of the market increased to 2.5 percent compared with 1.1 percent in the corresponding period of 1983.

Imports from Brazil. 1/--Imports of cold-rolled sheets from Brazil rose from 0.1 percent of consumption in 1981 to 2.2 percent in 1983, then fell to 1.6 percent during January-September 1984.

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1/ The remainder of this section presents information on the U.S. market penetration of imports from countries for which affirmative countervailing and/or antidumping determinations have been made (see p. A-9). Table 14 also presents data on imports from countries subject to pending investigations (see p. A-2).



Table 13.--Cold-rolled carbon steel sheets: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-September 1983, and January-September 1984

Source	1981	1982	1983	January-September--	
				1983	1984
Quantity (1,000 short tons)					
Korea-----	101	66	191	124	316
Brazil-----	19	45	343	217	204
Argentina-----	<u>2/</u>	104	<u>3/</u> 130	<u>3/</u> 92	116
South Africa-----	40	42	103	74	73
Spain-----	62	48	67	51	218
Japan-----	383	296	559	347	616
West Germany-----	380	396	309	197	240
All other-----	561	603	639	448	807
Total-----	1,546	1,599	<u>3/</u> 2,341	<u>3/</u> 1,550	2,590
Value (million dollars)					
Korea-----	38	24	61	39	109
Brazil-----	8	15	101	63	62
Argentina-----	<u>2/</u>	33	37	26	36
South Africa-----	14	15	30	21	22
Spain-----	26	19	19	14	70
Japan-----	155	124	204	129	238
West Germany-----	150	146	113	71	92
All other-----	213	222	210	146	281
Total-----	603	598	773	508	908
Unit value (per short ton)					
Korea-----	\$382	\$369	\$319	\$314	\$345
Brazil-----	410	338	293	292	303
Argentina-----	417	321	<u>3/</u> 282	<u>3/</u> 281	308
South Africa-----	348	364	291	282	296
Spain-----	411	388	283	266	319
Japan-----	404	418	364	372	386
West Germany-----	393	368	366	357	382
All other-----	379	368	328	326	348
Total-----	390	374	<u>3/</u> 330	<u>3/</u> 328	351

1/ Includes imports under TSUSA items 607.8350, 607.8355, and 607.8360. Although imports of cold-rolled plates under TSUSA item 607.8320 (which is believed to consist principally of pickled plates) are included within the scope of this investigation, such imports are believed to be negligible.

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

3/ Revised by the staff of the U.S. International Trade Commission.

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Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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

Table 14.--Cold-rolled carbon steel sheets: 1/ Ratios of imports from Korea, Brazil, Argentina, South Africa, Spain, Venezuela, Finland, Austria, Sweden, East Germany, Romania, Czechoslovakia, and all countries to apparent U.S. consumption, 2/ 1981-83, January-September 1983, and January-September 1984

Source	(In percent)					
	1981	1982	1983	January-September--		
				1983	1984	
Korea-----	0.7	0.5	1.2	1.1	2.5	
Brazil-----	0.1	0.4	2.2	2.0	1.6	
Argentina-----	<u>3/</u>	0.9	0.8	0.8	0.9	
South Africa-----	0.3	0.3	0.7	0.7	0.6	
Spain-----	0.4	0.4	0.4	0.5	1.7	
Venezuela-----	<u>3/</u>	<u>3/</u>	0.3	0.2	0.3	
Finland-----	<u>3/</u>	<u>3/</u>	0.1	0.1	0.4	
Austria-----	0.0	0.0	0.1	<u>3/</u>	0.7	
Sweden-----	<u>3/</u>	<u>3/</u>	0.05	0.06	0.4	
East Germany-----	0.0	0.0	<u>3/</u>	<u>3/</u>	0.6	
Romania-----	0.0	0.0	0.0	0.0	0.06	
Czechoslovakia-----	0.0	0.0	0.0	0.0	<u>3/</u>	
All countries-----	10.1	13.2	15.3	14.2	20.6	

1/ Includes imports under TSUSA items 607.8350, 607.8355, and 607.8360. Although imports of cold-rolled sheets entered under TSUSA item 607.8320 are included within the scope of this investigation, such imports are believed to be negligible.

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

3/ Less than 0.05 percent.

Source: Tables 4 and 13 and official statistics of the U.S. Department of Commerce.

Imports from Argentina.-- Market penetration of cold-rolled sheets from Argentina increased from less than 0.05 percent of consumption in 1981 to 0.8 percent in 1983 and 0.9 percent during January-September 1984.

Imports from South Africa.--Imports of cold-rolled sheets from South Africa accounted for 0.3 percent of U.S. consumption in 1981 and 1982, and then increased to 0.7 percent in 1983. Market penetration declined to 0.6 percent in the first nine months of 1984.

Imports from Spain.--Imports of cold-rolled sheets from Spain, which accounted for 0.4 percent of consumption during 1981-83, increased to 1.7 percent during January-September 1984.

## Prices

Market conditions in industries that require steel sheets as an input, such as the automobile, construction, energy, and utility industries, have an effect on demand for and prices of cold-rolled sheets. For example, the auto industry has experienced declining demand for large cars and has begun to produce smaller, lighter cars. This has reduced the demand for steel sheets and has had a dampening effect on sheet prices. Moreover, overall demand for hot- and cold-rolled steel sheets and their prices depend, to a large extent, on the levels of activity in the automobile industry. Thirty-two percent of the cold-rolled sheets (and 22 percent of the hot-rolled sheets) 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 the third quarter of 1984 (table 15). Figure 1 graphically reflects the close correlation between shipments of cold-rolled sheets and the level of auto production.

Another large user of cold-rolled steel sheets 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 into January-March 1984. Production dipped in April-June 1984, but recovered in July-September. Household appliance production (and thus shipments of cold-rolled sheets) is linked to the level of residential construction. Figure 2 depicts this linkage.

Prices of steel sheets are usually quoted f.o.b. mill in terms of dollars per ton. <sup>1/</sup> 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. Prices are changed by adjusting 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 sheets have announced seven base price increases and one decrease since 1979. The most recent increase, which averaged approximately 7 percent, was announced in September 1983. BLS data show that base prices for cold-rolled sheets increased by about 5 percent during October 1983-September 1984. Transaction prices softened, however, during July-September 1984.

During recent years, discounting from list prices characterized this market. Such competitive allowances lessened beginning in mid-1983 and continued into April-June 1984.

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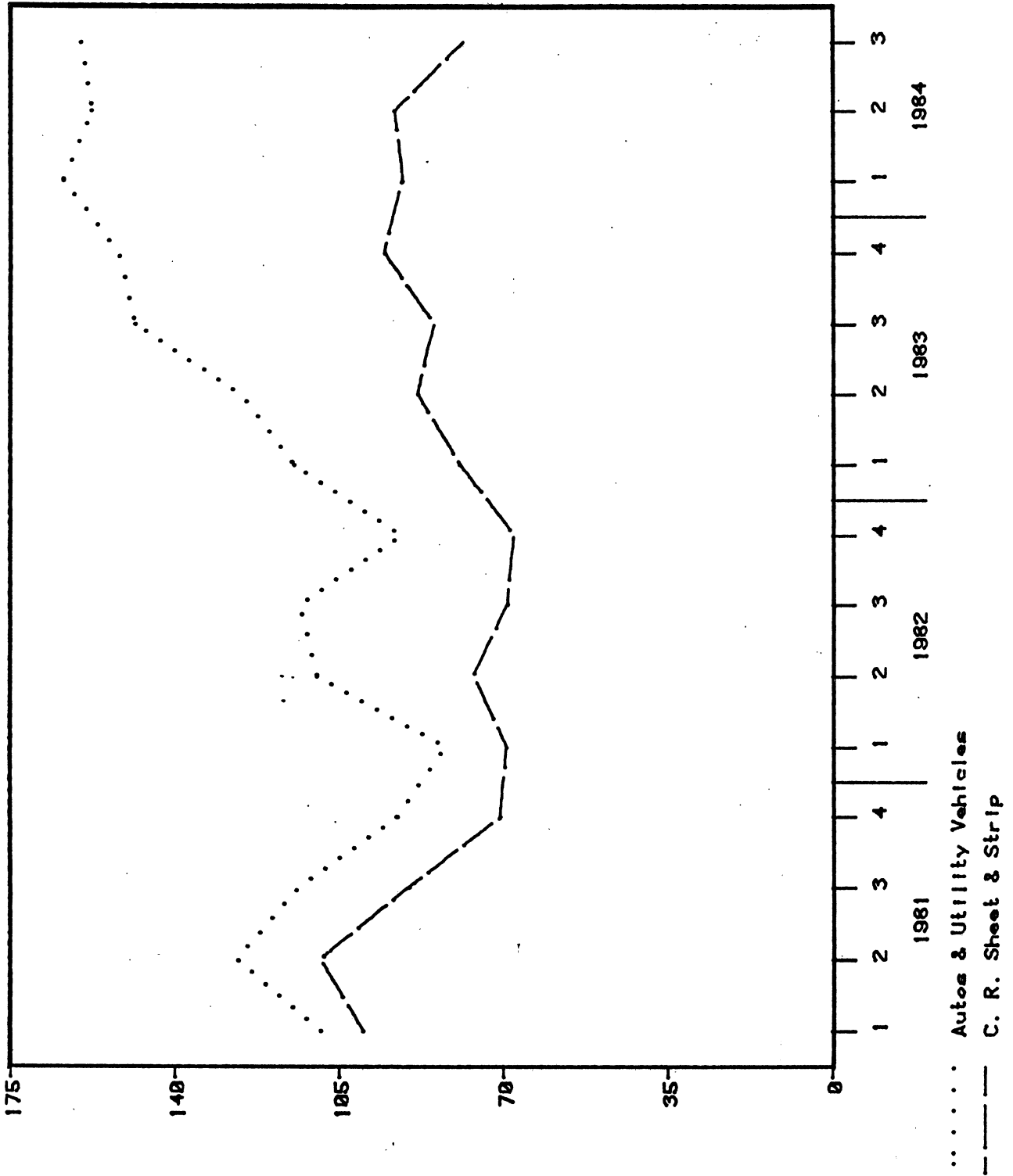
<sup>1/</sup> Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, in which a producer supplying a customer located closer to a competing producer will absorb any differences in freight costs. The more distant producer charges the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

Table 15.--Seasonally adjusted industrial production indexes for household appliances and automobiles, by quarters, January 1981-September 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	104.1
October-December-----	77.8	85.0
1982:		
January-March-----	77.0	75.5
April-June-----	80.0	100.6
July-September-----	84.0	104.1
October-December-----	85.1	84.2
1983:		
January-March-----	88.2	105.2
April-June-----	89.8	115.5
July-September-----	97.1	136.1
October-December-----	100.0	139.4
1984:		
January-March-----	107.3	149.6
April-June-----	101.6	144.5
July-September-----	106.3	146.8

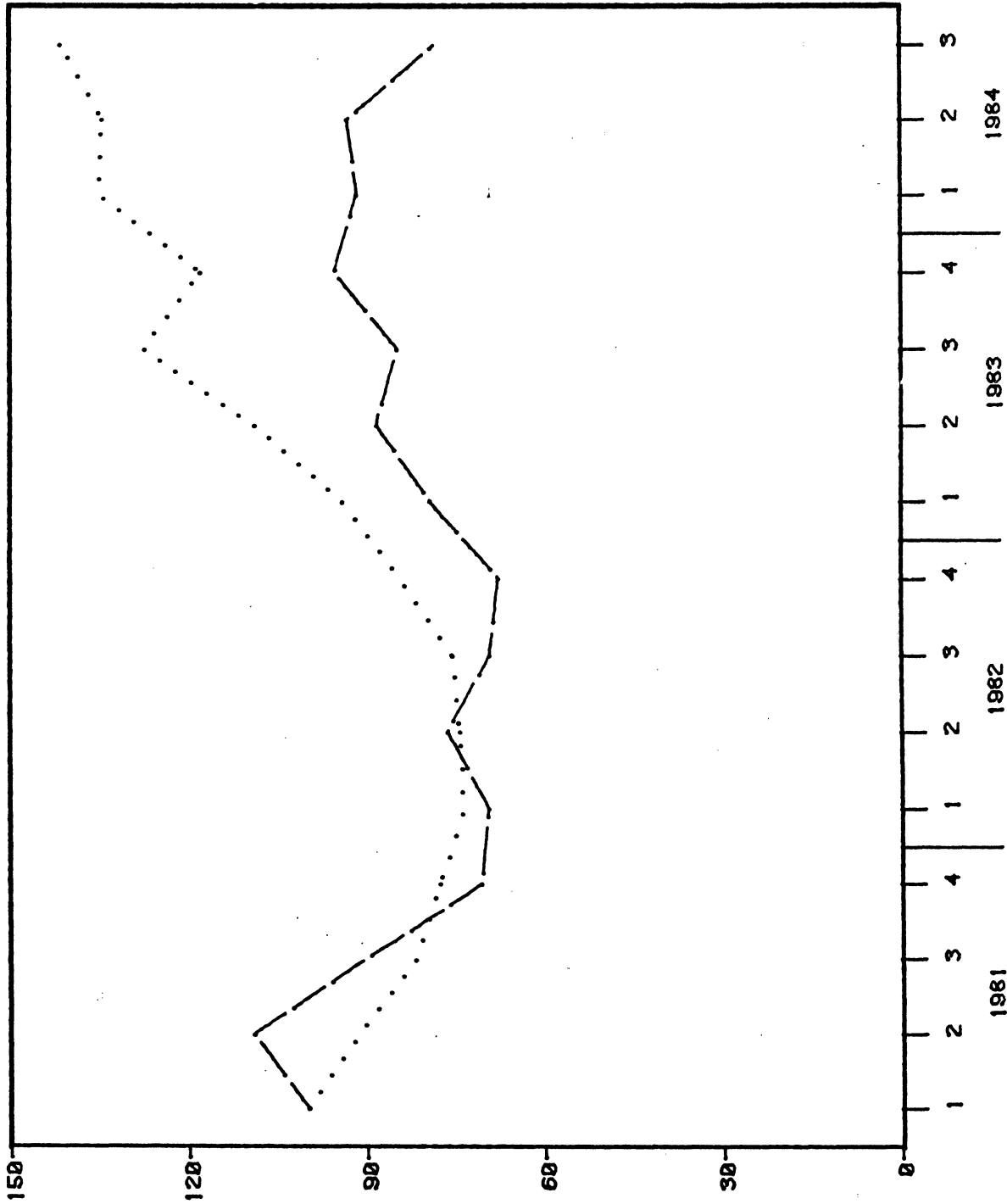
Source: Data Resources, Inc., Central Data Bank.

Figure 1.--Indexes of shipments of cold-rolled sheet and strip and production of autos and utility vehicles, by quarters, January 1981-September 1984.



Source: Compiled from American Iron and Steel Institute data and Federal Reserve Board data.

Figure 2.--Indexes of shipments of cold-rolled sheet and strip and the level of residential construction, by quarters, January 1981-September 1984.



..... Residential Construction

----- C. R. Sheet & Strip

Source: Compiled from American Iron and Steel Institute data and Federal Reserve Board data.

Trends in prices.--The Commission asked domestic producers and importers for their selling prices to SSC's and end users for three cold-rolled carbon steel sheet products (products 1 through 3), 1/ by quarters, during January 1982 through September 1984. Domestic producers' selling prices are weighted-average, f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers' selling prices are weighted-average, duty-paid prices, ex-dock, port of entry, net of all discounts and allowances, and excluding U.S. inland freight charges. These are average prices charged in many different transactions and do not include delivery charges. Such data cannot be used to compare the levels of domestic producers' and importers' prices from the purchasers' viewpoint in a particular market area. However, they are useful for comparing trends in these prices and should reflect general patterns of underselling and discounting. The f.o.b. net selling prices reported by domestic producers and importers in the final investigation are presented in tables 16 and 17.

Domestic producers' prices for the three cold-rolled sheet products (numbered 1-3) generally reflect a steady downward trend in 1982 followed by a strong upturn in mid-1983 that continued through September 1984. This pattern occurred in sales to both end users and SSC's.

The weighted-average domestic price of product 1 in sales to end users declined 9 percent from a level of \* \* \* per ton in January-March 1982 to \* \* \* per ton in January-March 1983, before climbing steadily to \* \* \* per ton in July-September 1984. Prices of representative products 2 and 3 reflect quite similar patterns, ending the subject period at levels \* \* \* to \* \* \* percent (\* \* \*-\* \* \*) above the January-March 1982 levels. Domestic prices of these products sold to SSC's reflect a similar pattern but at price levels about 5 percent lower than the average prices to end users.

Importers' selling prices for cold-rolled sheets from Korea cover all three products. Sales of these imported products to end users show a general pattern that parallels the domestic trend except that the decline generally was sharper and the recovery weaker for products 1 and 2. During 1982 and half of 1983 the import price of product 1 fell \* \* \* percent (\* \* \*) from \* \* \* per ton to \* \* \* per ton in April-June of 1983. The trend reversed in October-December of that year as prices climbed \* \* \* percent to \* \* \* in July-September 1984. Product 2 followed a similar price trend, but product 3 prices recovered earlier in 1983 and climbed to \* \* \* percent above the base index by period end.

The import price trend in sales to SSC's shows a similar downward path. Weighted-average prices fell beginning in 1982 and continued to fall during the first half of 1983. Overall, prices of the three products dropped \* \* \* to \* \* \* percent. Product 1 fell from an initial period level of \* \* \* per ton to a period low of \* \* \* per ton in April-June 1983, product 2 from \* \* \* to \* \* \* , and product 3 from \* \* \* to \* \* \* per ton. Then prices of products 1 and 2 climbed to a level \* \* \* to \* \* \* percent below the January-March 1984 level. Product 3 price ended the subject period at \* \* \* per ton, \* \* \* percent above the base period price level.

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1/ Product specifications are provided in app. E.

Table 16.--Cold-rolled carbon steel sheets sold to SSC's and end users:  
Weighted-average net selling prices for sales of domestic products and  
indexes (January-March 1982=100) of those prices, by types of product  
and by quarters, January 1982-September 1984

\* \* \* \* \*

Table 17.--Cold-rolled carbon steel sheets sold to SSC's and end users:  
Weighted-average net selling prices for sales of imports from Korea and  
indexes of those prices (January-March 1982=100), by types of products  
and by quarters, January 1982-September 1984

\* \* \* \* \*



Purchase prices.--The Commission asked purchasers of cold-rolled sheets to provide quarterly purchase prices they paid for domestic sheets and sheets imported from Korea during the period January 1983-September 1984. Three representative cold-rolled sheet products were selected for pricing. 1/ To ensure that these prices would be comparable, purchasers were identified by their locations, and questionnaires were sent to firms in seven metropolitan areas. 2/ The prices provided by purchasers are by class of customer (SSC or end user) and by market area. They represent delivered prices, net of all discounts and allowances, and include all shipping charges. These prices provide a better basis for comparing price levels of the subject domestic and imported carbon steel products than do the f.o.b. selling prices, because they include all inland freight charges plus wharfage and handling costs for imports. Also, they are isolated by specific geographic market areas. Seventeen purchasers provided usable data on purchase prices.

Transaction prices reported by purchasers of cold-rolled sheets enabled quarterly comparisons of domestic and subject import prices paid by SSC's located in three market areas--Houston/New Orleans, Los Angeles/San Francisco, and Portland/Seattle. These comparisons, overall, covered product 1 in seven instances, product 2 in ten instances, and product 3 in four instances. Transaction price comparisons were possible for prices paid by end users located in three market areas--Chicago, Houston/New Orleans, and Los Angeles/San Francisco. These comparisons covered product 1 in three instances, product 2 in nine instances, and product 3 in three instances. Weighted-average purchase prices of domestic and Korean cold-rolled sheets based on the data received and margins of underselling (or overselling) by imports are presented in tables 18 and 19.

Margins of underselling.--In general, imported Korean cold-rolled sheets undersold the domestic product in sales to SSC's, but the margins were relatively small. Underselling appears in 13 of the 21 comparisons. Margins ranged from 1 percent (\* \* \*-\* \* \* per ton) to 14 percent (\* \* \* per ton).

Four comparisons for product 1 purchased in the Los Angeles/San Francisco market area show that imported Korean sheets undersold the domestic product by margins that ranged from \* \* \* percent (\* \* \*-\* \* \* per ton) to \* \* \* percent (\* \* \* per ton). In one quarterly comparison, imported Korean sheets were priced \* \* \* percent (\* \* \* per ton) above the domestic sheets. Two comparisons of quarterly prices paid for product 1 in the Portland/Seattle market show domestic prices below the Korean sheet prices by margins of \* \* \* percent (\* \* \* per ton) and \* \* \* percent (\* \* \* per ton).

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1/ These products and their specifications are listed in app. E.

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

Table 18.--Cold-rolled carbon steel sheets purchased by SSC's: Weighted-average net delivered purchase prices paid for domestic and imported cold-rolled sheets and the average margins by which imports from Korea undersold or oversold (-) domestic products, by market areas, by types of products, and by quarters, January 1983-September 1984

\* \* \* \* \*

Table 19.--Cold-rolled carbon steel sheets purchased by end users: Weighted-average net delivered purchase prices paid for domestic and imported cold-rolled sheets and the average margins by which imports from Korea undersold or oversold (-) domestic products, by market areas, by types of products, and by quarters, January 1983-September 1984

\* \* \* \* \*

A single comparison of product 2 purchase prices in the Houston/New Orleans market shows that imported Korean sheets undersold the domestic product by a margin of \* \* \* percent (\* \* \* per ton). Five of seven comparisons show underselling by Korean sheets for product 2 in the Los Angeles/San Francisco area. The margins ranged from \* \* \* percent (\* \* \* per ton) to \* \* \* percent (\* \* \* per ton). The two instances of overselling are by margins of \* \* \* percent (\* \* \* per ton) and \* \* \* percent (\* \* \* per ton). Two quarterly comparisons of purchase prices in the Portland/Seattle market were possible. One shows overselling of \* \* \* percent (\* \* \* per ton) and the other shows underselling of \* \* \* percent (\* \* \* per ton).

A single quarterly comparison of purchase prices paid for product 3 in the Houston market shows that the Korean product undersold the domestic product by \* \* \* percent (\* \* \* per ton). Three quarterly comparisons of purchase prices for product 3 were possible for the Los Angeles/San Francisco market area. Two show overselling by margins that ranged from \* \* \* percent (\* \* \* per ton) to \* \* \* percent (\* \* \* per ton). The other comparison indicates that imported Korean sheets undersold the domestic product by \* \* \* percent (\* \* \* per ton).

Comparisons of transaction prices paid by end users indicate that imported Korean cold-rolled sheets generally undersold the domestic product (table 19). Underselling appears in 12 of 15 quarterly comparisons. Margins of underselling are relatively small, however, ranging from 0 percent (\* \* \* per ton) to 18 percent (\* \* \* per ton).

Two quarterly comparisons of purchase prices for product 1 paid by end users located in the Chicago market area show margins of underselling by the Korean sheets of \* \* \* percent (\* \* \* per ton) in one quarter, and \* \* \* percent (\* \* \* per ton) in another quarter. A single quarterly comparison of purchase prices paid by end users for product 1 in the Los Angeles market indicates underselling by the imported Korean product of \* \* \* percent (\* \* \* per ton).

Five quarterly comparisons are possible for product 2 purchase prices paid by end users located in the Los Angeles/San Francisco market area. Four of these comparisons indicate underselling by imported Korean sheets. The margins in this market area ranged from \* \* \* percent (\* \* \* per ton) to \* \* \* percent (\* \* \* per ton). Data received from end users located in the Houston/New Orleans market area enabled four quarterly comparisons of purchase prices. Margins of underselling existed in all four comparisons and ranged from \* \* \* (\* \* \* per ton) to \* \* \* percent (\* \* \* per ton).

Purchase prices paid for product 3 by end users located in the Los Angeles/San Francisco area provided three quarterly comparisons. Imported Korean sheets were priced above the domestic product in two of these comparisons by margins of \* \* \* percent (\* \* \* per ton) and \* \* \* percent (\* \* \* per ton). The single comparison showing underselling indicates an underselling margin of \* \* \* percent (\* \* \* per ton).

Exchange rates

The recent strength of the U.S. dollar against most major currencies has led to claims that foreign steel producers have increased in competitiveness vis-a-vis U.S. producers. Indeed, because the dollar now buys more foreign currency than before, imported steel should be less expensive for U.S. purchasers. However, there are several reasons why the fall in the price of foreign steel may not have been as great as the percentage appreciation of the dollar. If foreign producers import raw materials from the United States or from countries whose currencies are tied to the dollar, a portion of their costs will rise with the dollar. Also, foreign producers may choose to increase their profits by lowering their dollar prices by less than the depreciation would allow, thereby not passing on the full cost reduction to consumers.

Quarterly data reported by the International Monetary Fund on the value of the Korean won indicate that during January 1981-September 1984 the quarterly nominal value of the won declined by 18 percent relative to the U.S. dollar, and the quarterly real value 1/ of the won depreciated by a total of 15 percent, 2/ as shown in the following tabulation (January-March 1981=100):

	<u>Dollars</u> <u>per won,</u> <u>nominal rate</u>	<u>Dollars</u> <u>per won,</u> <u>real rate</u>
1981:		
January-March-----	100	100
April-June-----	98	101
July-September-----	97	102
October-December-----	97	102
1982:		
January-March-----	94	99
April-June-----	92	97
July-September-----	90	95
October-December-----	90	95
1983:		
January-March-----	89	94
April-June-----	87	91
July-September-----	85	88
October-December-----	84	87
1984:		
January-March-----	84	86
April-June-----	84	86
July-September-----	82	85

1/ The real value of a currency is the absolute value adjusted for the differences between inflation rates in the United States and the foreign country.

2/ These percentage changes indicate the maximum amount that the Korean producers could reduce their dollar prices of the subject products without reducing their profits, assuming they had no dollar-denominated costs or contracts.

Lost sales

Domestic producers, for the most part, did not provide specific allegations of lost sales of cold-rolled carbon steel sheets to imports from Korea. \* \* \*, however, provided two specific allegations naming Korea as the competing import source. These allegations involved two purchasers, one in the east and another on the west coast. Both purchasers were contacted. The two allegations, in aggregate lost volume, totaled \* \* \* tons of cold-rolled sheets.

The first instance involved \* \* \* located in \* \* \*. \* \* \* allegedly bought \* \* \* tons of cold-rolled sheets imported from Korea in the \* \* \* at a price of \* \* \* per ton, compared with a domestic price of \* \* \* per ton. \* \* \*'s director of purchasing confirmed both the volume and prices cited in this transaction.

A second allegation named \* \* \* as the purchaser of \* \* \* tons of Korean cold-rolled sheets (class I, commercial quality) for \* \* \* delivery. \* \* \* alleged that the import price of \* \* \* per ton was \* \* \* below the discounted domestic price quote (\* \* \* per ton). \* \* \*, an executive of the firm, acknowledged ordering the imported cold-rolled sheets, but stated that it may or may not be Korean when it arrives, since \* \* \* made the buy from \* \* \*. \* \* \* guarantees that the steel will come from a good mill but does not identify the exact mill source in advance. \* \* \*'s previous purchase of cold-rolled sheets from \* \* \* turned out to be half Korean and half West German. A Korean trading company did quote direct to \* \* \*, but at a higher price than \* \* \*'s \* \* \* per ton for the contracted shipment. \* \* \* stated that the spread between the domestic price quote and the accepted import price quote was about as alleged. Recently, he noted, prices of cold-rolled sheets have begun turning up, and \* \* \* is taking a long position (1-year supply) on its orders in order to gain the price benefit. According to \* \* \*, the imported cold-rolled sheets are as good as, if not better than, domestic quality. Price, however, is the major sourcing determinant. Finally, \* \* \* added that \* \* \* buys from approved vendors and that buyers have to be careful about sourcing from Spanish, South African, and South American mills. The value of these lost sales totaled \* \* \*.

Lost revenue

\* \* \* provided eight instances of alleged lost revenue as a result of price reductions on sales of cold-rolled sheets in competition with imported Korean cold-rolled sheets. These allegations named five purchasers and totaled \* \* \* tons of cold-rolled sheets with a total value of \* \* \* million. One allegation named \* \* \*, \* \* \*, as a purchaser of the domestic product in four instances after \* \* \* discounted its price to a level within \* \* \* per ton of the competing import price. The four instances involved quotes made in \* \* \* for quantities of cold-rolled sheets ranging from \* \* \* to \* \* \* tons. The accepted domestic quotes allegedly ranged from \* \* \* per ton to \* \* \* per ton compared with competing quotes on Korean sheets of \* \* \* to \* \* \* per ton. \* \* \*, purchasing manager at \* \* \*, confirmed the aggregate volume of \* \* \* tons. The price levels were about as alleged. As for the question of who was the price setter in the market at the time, \* \* \* asserts that Brazil, not Korea, was setting the price on cold-rolled sheets. \* \* \*. In order to

sell, \* \* \* had to come close to the competing Brazilian price quotes, says \* \* \*. Currently, cold-rolled sheet prices to \* \* \* are \* \* \* per ton (actual price) for the Korean product, \* \* \* per ton (actual price) for Japanese sheet, and \* \* \* per ton (delivered) from \* \* \*. The price increase this reflects from earlier in 1984 is not because of an increase in demand, \* \* \* emphasizes, but because of a decrease in supply.

Another allegation cited \* \* \* as purchaser of \* \* \* tons of cold-rolled sheets in the \* \* \* after \* \* \* reduced its price to \* \* \* per ton to meet a competing price of \* \* \* per ton for the Korean sheet. \* \* \* had listed an initial domestic offer price of \* \* \*, which was a bit higher than the \* \* \* figure recalled by \* \* \*, purchasing manager. \* \* \* agreed that the accepted price and competing price of the Korean product were "fairly accurate prices." Although \* \* \* bought the domestic sheets, he stated that \* \* \* follows a very flexible sourcing pattern because of the dynamic market, going from one foreign source to another. More recently, "nontraditional" sources have been used. \* \* \* says the quality of steel from the Orient is better. Permanent layoffs and rationalization efforts have caused cutbacks in labor and impacted on domestic quality, he believes. His rule is to "try to get as good a product as possible at as economic a price" as he can obtain. As for the current market, he states that earlier this year domestic sources were pushing scare buying, urging buyers to hedge against "longer lead time" and "possible allocation." Buyers responded, but since then demand for cold-rolled sheets has softened, and there is significant inventory overhang and price deterioration.

A third allegation named \* \* \* as having purchased \* \* \* tons of full-hard, cold-rolled sheets from \* \* \* in \* \* \* after its price was reduced from \* \* \* to the \* \* \* per ton level of competing imported Korean sheets. \* \* \* affirmed the purchase but explained that the decision was more complicated than simply price. \* \* \* had tried a small quantity of Korean sheets. It proved to be "most expensive." \* \* \* makes \* \* \*, a \* \* \* ton annual market for cold-rolled sheets. Most \* \* \* use galvanized sheets and "roll form" them. \* \* \*. 1/

This new cold-rolled sheet product opens a new market for prime steel that is now competing with "secondary" cold-rolled and "secondary" galvanized sheets previously used for \* \* \*. \* \* \* believes that \* \* \* was attracted by this new market opportunity more than by import competition as a catalyst for quoting an attractive price. \* \* \* has bought cold-rolled sheets from Mexico and from Japan as second sources, but it is dependent on \* \* \* for the bulk of its supply.

\* \* \* was another \* \* \* firm named as buying \* \* \* tons of cold-rolled sheets from \* \* \* after the domestic quote was reduced to almost the level of the competing Korean product. \* \* \*, purchasing manager of the manufacturing firm, acknowledged the \* \* \* purchase, stating that he buys \* \* \* to \* \* \* tons out of \* \* \*, each year. \* \* \* had quality problems of gauge and hardness, says \* \* \*. Although the purchase decision is largely a price question, he adds that if you had equal price the decision would go to the foreign source. The import competition was not just Korean, he notes,

but also Brazilian and Japanese. However, there were times during the recent recession when \* \* \* quoted even below the price of competing imports. \* \* \* emphasized that without imports the supply is inadequate. Dependable supply of cold-rolled sheets is critical to his firm, since they account for \* \* \* percent of the company's volume.

A final allegation involved \* \* \*. In this instance \* \* \* allegedly received a \* \* \*-ton order for cold-rolled sheets from \* \* \* after cutting its price from \* \* \* to \* \* \* per ton in competition against Korean sheets. Delivery was scheduled for the \* \* \*. This purchaser confirmed \* \* \*'s allegations.

### Transportation costs

Because carbon steel products have a low value per unit of weight in comparison with other manufactured goods, transportation costs are an important factor in marketing these products in the United States. Currently, most domestic carbon steel production of these products is in mills located in the "steel belt" 1/ area. Since significant quantities of carbon steel are consumed in areas far from the production centers, the cost of their transportation becomes an important factor when they compete with the imported products.

Most domestic carbon steel products are shipped either by truck or by rail. 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.

Transportation of cold-rolled carbon steel sheets.--The Commission asked domestic producers and importers to provide 1983 data on cold-rolled carbon steel sheet shipments as follows: the distances shipped from the mill or port (in percent); the share shipped (in percent), by mode (truck, rail, or barge); the quantity shipped to major geographic areas, grouped by States; and the transportation cost, both per ton and as a percent of delivered cost, to seven specified market areas. 2/ Five domestic producers, with mills located in Maryland, New York, Indiana, Pennsylvania, Illinois, Michigan, West Virginia, Kentucky, Ohio, and California, reported relevant transportation data for cold-rolled sheets. No importers provided the requested data.

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1/ Illinois, Indiana, Ohio, and Pennsylvania.

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

Distance shipped and transport mode used.--Salient data on distance shipped and mode used are presented, by firm and mill location, in table 20. Although no common pattern characterizes distance shipped, truck transport was the dominant mode used for 10 of the 11 mills providing such data. \* \* \* percent or more of eight mills' shipments of cold-rolled sheets were by truck in 1983; the remaining three firms shipped \* \* \* percent, \* \* \* percent, and \* \* \* percent of their respective shipments of cold-rolled sheets by truck. The pattern of distances shipped by the 11 reporting cold-rolled sheet mills varies markedly. Shipments to purchasers within a 200-mile radius or less range from \* \* \* percent (\* \* \*'s mill) to \* \* \* percent (\* \* \*'s mill). Shipments to purchasers located 200 to 500 miles from the respective mills range from \* \* \* percent (\* \* \*'s mill) to \* \* \* percent (\* \* \*'s mill) of total cold-rolled sheet shipments. Shipments to locations over 500 miles from these mills range from \* \* \* percent (\* \* \*'s mill) to \* \* \* percent (\* \* \*'s mill).

Transportation costs to specific market areas.--Six domestic cold-rolled carbon steel sheet producers provided transportation cost data by market area, from a total of 15 mills (table 21). The geographic breadth of cold-rolled sheet mill locations creates a diverse pattern of freight costs to many of the market areas. For example, freight costs by truck to the Philadelphia/New York area from the respondent mills serving that market range from \* \* \* percent of delivered cost, or \* \* \* per ton (from \* \* \* 's mill), to \* \* \* percent, or \* \* \* per ton (from \* \* \*'s mill). The range of freight costs is narrower to the Atlanta market--from \* \* \* percent, or \* \* \* per ton (from \* \* \*'s mill) to \* \* \* percent, or \* \* \* per ton (from \* \* \*'s mill).

The data show that freight by rail for long hauls is less costly than by truck. For example, savings amount to about \* \* \* percent of delivered cost (\* \* \* per ton) shipping cold-rolled sheets by rail from \* \* \* to the Chicago market area, or almost \* \* \* percent (\* \* \* per ton) when shipping from \* \* \* to the Houston/New Orleans market. For short hauls, rail can be a more costly mode than truck. For example, freight by truck from \* \* \* to Chicago amounts to \* \* \* percent of delivered price, or \* \* \* per ton; by rail the cost is \* \* \* percent, or \* \* \* per ton.

Importers failed to provide the transportation cost data requested by the Commission. In an attempt to make some comparison of freight costs incurred by domestic mills vs. imported cold-rolled sheet vendors, the staff contacted purchasers located in various subject markets. Facts on competitive freight cost advantages and disadvantages of buying imported cold-rolled carbon steel sheets and other carbon steel products, as related by specific purchasers located in various market areas, are sketched below. According to these purchasers, freight cost comparisons in terms of dollars per ton are applicable not only to cold-rolled sheets but also to hot-rolled sheets, galvanized sheets, plates and structural shapes (except for extra-length structural shapes).



Table 20.--Cold-rolled carbon steel sheets: Distance shipped and transport mode used, as a share of 1983 shipments, by firms and by mill locations

\* \* \* \* \*

Table 21.--Cold-rolled carbon steel sheets: 1983 transportation costs by truck and rail to specific market areas, in dollars per ton and as a percent of delivered cost, by firms and by mill locations

\* \* \* \* \*

\*\*\*, a \*\*\*, provided transportation cost data for cold-rolled sheets imported through the port of \*\*. The importer, \*\*, quotes its price "c.i.f. port, duty-paid, wharfage and handling charges for the buyer's account." \*\* pays the freight by truck from the \*\* dock to its \*\* yard. Wharfage, handling, and freight amount to \*\* per ton. Domestic freight cost from \*\*'s \*\* mill is \*\* per ton. \*\* will not freight equalize to meet the importer's inland freight cost. Based on data from \*\*, freight cost from its \*\* mill would amount to about \*\* percent of delivered price or close to \*\* per ton. According to the \*\*'s purchasing manager, "you have to shop for the best truck rate" since deregulation. The best domestic rate from southern domestic mills has been \*\* per ton, a confirmation of \*\*'s figure. Delivery is more important to \*\* than relatively small differences in freight costs. Orders this past year have been "hand to mouth" or on a spot basis when the product was needed "yesterday."

\*\*\*, \*\*\*, provided transportation-cost data for plates imported through the port of \*\*, then barged up the \*\*, to \*\*. The importer, \*\*, quotes its price "f.o.b. truck, destination, duty-paid, via barge from \*\*." \*\* pays the freight by truck from the \*\* landing on the \*\* to its yard. \*\* absorbs the cost of barging the plate upriver. Barge freight is \*\* per ton, according to \*\*'s purchasing manager. His firm pays \*\* per ton for the truck freight. Plates bought from the \*\* or \*\* mills in the Chicago area incur a freight cost by truck of \*\* per ton, or \*\* per ton from \*\*'s \*\* mill. These domestic mills will not freight equalize to the freight cost of the imported plate. Cut-to-length plates shipped by rail to \*\* from \*\* or \*\* are \*\* percent cheaper. Time in transit, however, also is a factor. Barge time is \*\* to \*\* weeks from placement to delivery; time from billing to delivery is \*\* weeks. By rail, transit time for domestic plate delivery is \*\* to \*\* days; by truck, delivery is within \*\* to \*\* days. Because of deregulation and the cost of money, the pattern of transport, by mode, has changed for \*\*. Two to three years ago, \*\* percent of its steel shipments were by rail, \*\* percent by barge, and \*\* percent by truck; now \*\* percent is by truck.

\*\*\*, a \*\*\* firm, provided and compared transportation cost figures on cut-to-length plates imported through the port of \*\* with those of domestic plates purchased from \*\*, \*\*, or \*\*. \*\* quotes its plate prices to \*\* "c.i.f. port, duty-paid, wharfage and handling charges for buyer's account." Buyer's transportation and handling charges from \*\* (or \*\*) to \*\* amount to \*\* per ton for freight by truck. Freight cost from \*\* is \*\* per ton, and from \*\*, \*\* per ton. The \*\* purchasing manager states that he "never discusses freight costs when writing an order--negotiations are on price, not freight." He also emphasized that "rail is not competitive . . . You never know when you'll get your material." To this purchaser, the difference in domestic and imported plate freight costs is not a significant factor. Product price is the primary concern.

\*\*\*, an \*\*\*, provided transportation costs for plate imported through the port of \*\*\*. The importer, \*\*\*, quotes its price "f.o.b. car/truck, duty-paid, subject to direct discharge." \*\*\* pays the freight to its yard and what is termed a "catching charge" for direct discharge from the vessel to the transport mode. Freight charges amount to \*\*\* per ton. Domestic coiled plates barged from \*\*\*'s \*\*\* mill incur a freight cost of \*\*\* per ton. By rail, \*\*\* reported a freight cost of \*\*\* per ton from that same mill and \*\*\* reported a \*\*\*-per-ton freight cost from its \*\*\* plate mill.

\*\*\*, a \*\*\*, provided transportation costs for coiled plates (and sheets and structurals) imported through the port of \*\*\*, or the port of \*\*\*. The importer, \*\*\*, quotes its price "c.i.f. port, duty-paid, wharfage and handling charges for buyer's account." \*\*\* pays the freight and wharfage, etc., from the dock to its yard; these costs amount to \*\*\* per ton from \*\*\* and \*\*\* per ton from \*\*\*. Competing domestic coiled plates from \*\*\*'s mill or from \*\*\*'s mill at \*\*\* would incur a freight cost of about \*\*\* per ton. \*\*\* noted that truck freight is less since deregulation, and the firm has saved money using that mode. Although truckers tried unsuccessfully on several recent occasions to "jump the rates," competition negated these efforts.

Any analysis of freight cost comparisons is difficult and complex because of the diversity of related factors, e.g., the difficulty in factoring in freight equalization or allowances (which are usually disguised by inclusion in the quoted price), the importance of transit time and cost of inventory, and the problems of generalization based simply on apparent freight cost advantage to the domestic or imported product.

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APPENDIX A

NOTICE OF COMMERCE'S FINAL DETERMINATION

B-1

[C-580-403]

**Final Affirmative Countervailing Duty Determination; Cold-Rolled Carbon Steel Flat-Rolled Products From Korea; and Final Negative Countervailing Duty Determination; Carbon Steel Structural Shapes From Korea**

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** We determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Korea of cold-rolled carbon steel flat-rolled products. The net subsidy is 3.60 percent *ad valorem*. We also determine that no benefits which constitute subsidies within the meaning of the Act are being provided to manufacturers, producers, or exporters in Korea of carbon steel structural shapes. The net subsidy is *de minimis*, and therefore our final determination is negative. Accordingly, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of cold-rolled carbon steel flat-rolled products from Korea which are entered or withdrawn from warehouse, for consumption on or after September 18, 1984, and to require a cash deposit or bond on entries of cold-rolled carbon steel flat-rolled products in the amount equal to the net subsidy.

**EFFECTIVE DATE:** December 3, 1984.

**FOR FURTHER INFORMATION CONTACT:** Barbara Tillman, Rick Herring, or Tom Bombelles of the Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitutional Avenue, NW., Washington, DC 20230; telephone: (202) 377-1785; 377-0187; or 377-3174.

**SUPPLEMENTARY INFORMATION:**

**Final Determination**

Based upon our investigation, we determine that the following programs confer subsidies on the products under investigation:

- Short-term Export Financing under the Export Financing Regulations.
- Tax Incentives for Exporters under Articles 22, 23 and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption."
- Special Depreciation under the "Act Concerning the Regulation of Tax Reduction and Exemption."
- Government Equity Infusions into POSCO.
- Reductions in Port Charges.
- Tariff Reductions on Plant and Equipment under Article 28 of the Customs Act of Korea.

The net subsidy for cold-rolled carbon steel flat-rolled products is 3.60 percent *ad valorem*. Therefore, we determine that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided to manufacturers, producers, or exporters in Korea of cold-rolled carbon steel flat-rolled products. The net subsidy for carbon steel structural shapes is 0.37 percent *ad valorem* which is *de minimis*. Therefore, with respect to carbon steel structural shapes, we determine that no benefits constituting subsidies within the Act are being provided to manufacturers, producers, or exporters of carbon steel structural shapes.

**Case History**

On June 18, 1984, we received a petition from United States Steel Corporation on behalf of the carbon steel structural shapes and cold-rolled carbon steel flat-rolled products (shapes and sheet) industries. In compliance with the filing requirements of § 355.26 of our regulations (19 CFR 355.26), the petitioner alleged that manufacturers, producers, or exporters in Korea of shapes and sheet receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Act, and that these imports materially injure, or threaten material injury to, a U.S. industry.

We found that the petition contained sufficient grounds upon which to initiate countervailing duty investigations, and on July 3, 1984, we initiated investigations (49 FR 28294). We stated that we expected to issue preliminary determinations by September 11, 1984. On September 4, 1984, Chaparral Steel Company entered an appearance to become a party to the proceeding with

respect to carbon steel structural shapes.

Since Korea is a "country under the Agreement" within the meaning of section 701(b) of the Act, injury determinations are required for these investigations. On August 8, 1984, the U.S. International Trade Commission (ITC) determined that there is a reasonable indication that these imports materially injure, or threaten material injury to, a U.S. industry (49 FR 31781).

We presented questionnaires concerning the allegations to the government of Korea at its embassy in Washington, D.C., on July 13, and July 23, 1984. On August 17, August 20, and August 21, we received responses to these questionnaires. On August 20, we presented a second supplemental questionnaire to the government of Korea. We received a response to this questionnaire on August 31. We received another supplemental response on September 4. On July 19, August 31, and September 5, petitioner submitted additional information concerning the alleged subsidies and also alleged new subsidies. On September 18, 1984, we published our preliminary determinations that benefits constituting subsidies were being provided to manufacturers, producers, or exporters in Korea of cold-rolled carbon steel flat-rolled products, and that no benefits constituting subsidies are being provided to manufacturers, producers, and exporters of carbon steel structural shapes (49 FR 36538).

At the request of both petitioners and respondents, we held a hearing on October 31, 1984, to allow the parties an opportunity to address the issues arising in the investigations. Both petitioners, respondents, and other interested parties filed briefs before and after the hearing on these issues. They also filed briefs commenting on our verification.

In its pre-hearing brief filed on October 23, 1984, U.S. Steel made additional allegations of benefits received by manufacturers and exporters of shapes and sheet. These allegations were (1) Regional Tax Incentives, (2) Tax Incentives for Exporters, and (3) Special Foreign Exchange Loan System. In its post-hearing brief filed on November 14, 1984, U.S. Steel made another allegation with respect to cold-rolled carbon steel flat-rolled products. This allegation concerned government infrastructure aid to POSCO in the Pohang area. Since these allegations were made after our preliminary determinations and after the Commerce verification team returned from Korea, the allegations were made too late to be considered in these investigations. These additional

allegations will be given consideration in the section 751 administrative review of the order on cold-rolled carbon steel flat-rolled products, if an order is issued.

#### Scope of the Investigations

The products covered by these investigations are carbon steel structural shapes and cold-rolled carbon steel flat-rolled products. The term "carbon steel structural shapes" covers hot-rolled, forged, extruded, or drawn, or cold-formed or cold-finished carbon steel angles, shapes, or sections, not drilled, not punched, and not otherwise advanced, and not conforming completely to the specifications given in the headnotes to Schedule 6, Part 2, Subpart B of the *Tariff Schedules of the United States, Annotated (TSUSA)*, from blooms, billets, slabs, wire rods, plates, sheets, strip, wire, rails, joint bars, tie plates, or any tubular products set forth in the TSUSA, having a maximum cross-sectional dimension of 3 inches or more, as currently provided for in items 609.8005, 609.8015, 609.8035, 609.8041, or 609.8045 of the TSUSA. Such products are generally referred to as structural shapes.

The term "cold-rolled carbon steel flat-rolled products" covers the following cold-rolled carbon steel products: cold-rolled carbon steel flat-rolled products are flat-rolled carbon steel products, 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 inches or more in thickness; as currently provided for in item 607.8320 of the TSUSA; or over 12 inches in width and under 0.1875 inches in thickness whether or not in coil; as currently provided for in items 607.8350, 607.8355, or 607.8360 of the TSUSA.

There are three Korean producers of cold-rolled carbon steel flat-rolled products that exported to the United States during the period for which we are measuring subsidization: Pohang Iron and Steel Company (POSCO), Dongjin Steel Company (Dongjin), and Union Steel Manufacturing Company (Union). In addition, there are six trading companies that exported cold-rolled carbon steel flat-rolled products to the United States during the period for which we are measuring subsidization: Hyundai Corporation, Kukje-ICC Corporation, Sunkyong Limited, Samsung Co. Ltd., Daewoo Corporation and Hyosung Corporation. Incheon Iron & Steel Company (Inchon) is the only producer of carbon steel structural shapes that exported to the

United States during the period for which we are measuring subsidization. Of the trading companies, only Hyundai Corporation exported carbon steel structural shapes to the United States during the period for which we are measuring subsidization.

#### Analysis of Programs

Throughout this notice, we refer to general principles applied to the facts of these investigations. These general principles are described in detail in the Subsidies Appendix to the "Final Affirmative Countervailing Duty Determination and Order: Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina," published in the April 26, 1984 issue of the Federal Register (49 FR 18006).

For purposes of these determinations, we are calculating a country-wide rate. The period for which we are measuring subsidization is the 1983 calendar year, which corresponds to the most recent fiscal year for each of the Korean producers and exporters.

Petitioner alleged that POSCO is both unequityworthy and uncreditworthy. Although we did not initiate on these specific allegations we did request information in our questionnaires in order to review these allegations in accordance with the guidelines set out in the Subsidies Appendix. Even though government equity infusions into POSCO were found in the 1982 "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Korea" (47 FR 57535) not to be on terms inconsistent with commercial considerations, our standards have been revised by the Subsidies Appendix, and, thus, we must reexamine these allegations in these investigations.

We have consistently held that government provision of equity does not *per se* confer a subsidy. Government equity purchases bestow countervailable benefits only when they occur on terms inconsistent with commercial considerations. When there is no market-determined price for equity, it is necessary to determine whether the company is a reasonable commercial investment. POSCO's shares are not publicly traded and there is no market-determined price for its shares; therefore, we must determine whether POSCO is equityworthy. To make this determination, we reviewed and assessed POSCO's financial statements from 1972 through 1983. We also examined studies submitted by the government of Korea. In analyzing the financial statements, we considered the information from the viewpoint of an investor. The Department, when

considering the accounting principles and practices, analyzed the impact of certain accounting practices on the company's overall financial results. Specifically, we restated the financial results in each of the relevant years in accordance with Korean generally accepted accountancy principles. This restatement resulted in a significant impact on the amount of profits, losses and net worth of the company. After taking into consideration the accounting practices and methods, we examined the following ratios:

- Rate of return on equity;
- Debt to tangible net worth;
- Percent of foreign-denominated debt;
- Cash flow to principal repayment;
- and
- Current ratio.

Based on our review of POSCO's financial statements and the responses from both POSCO and the government, our verification and comments by the parties to the proceeding, we determine that the government's equity infusions into POSCO were on terms inconsistent with commercial considerations from 1978 through 1980.

With respect to the allegation that POSCO is uncreditworthy, we have determined that no long-term loans or loan guarantees are being provided to POSCO on terms that are inconsistent with commercial considerations. Thus, creditworthiness is only of secondary importance in this investigation. Because no long-term loan benchmarks are required, the creditworthiness determination only figures into the calculation of the discount rate for those subsidy programs used by POSCO in which the benefits are treated as grants.

To determine whether POSCO is creditworthy, we focused on the ability of the company to meet its interest obligations. In addition, an important measure of creditworthiness is whether foreign lenders are lending significant amounts of funds to the company. Accordingly, we also examined the percentage of POSCO's outstanding loans that are foreign loans. Our examination of these factors leads us to conclude that POSCO has been and continues to be creditworthy.

Based upon our analysis of the petition, the additional information filed by petitioner, the responses to our questionnaires, comments filed by the parties to the proceeding, and our verification, we determine the following:

#### *I. Programs Determined to Confer Subsidies*

We determine that subsidies are being provided to manufacturers, producers, or exporters in Korea of carbon steel

structural shapes and cold-rolled carbon steel flat-rolled products under the following programs:

#### **A. Short-term Export Financing Under the Export Financing Regulations**

Petitioners alleged that the producers and exporters in Korea of shapes and sheet receive preferential short-term export financing under the following programs:

- Export Loans under the 1972 Regulations for Export Financing;
  - Export loans provided under the Foreign Trade Act;
  - Deferred Payment Export Loans; and
  - Preferential Exchange Rates for Export Loans Based on Letter of Credit
- Short-term export financing is authorized only through the 1972 Export Financing Regulations. Our determination with respect to the three other programs is discussed in the sections on "Programs Determined Not to Confer Subsidies" and "Programs Not in Existence."

Under the Export Financing Regulations, short-term export loans can be provided to the following:

- Exporters in receipt of letters of credit;
- Exporters concluding documents of acceptance or documents against payment contracts;
- Exporters purchasing local supplies;
- Exporters stockpiling raw materials;
- Exporters with certificates based on past export performance;
- Producers of raw materials for export; and
- Companies awarded domestic projects based on international public tender.

To determine whether a subsidy exists with respect to short-term export loans under the Export Financing Regulations, we must determine whether the export loan program is intended to, or operates to, stimulate export rather than domestic sales, or is contingent on export performance. If there is a preference in a program's operation for export over domestic sales, we then must find an appropriate way to measure that preference.

Prior to June 28, 1982, short-term export loans provided under the Export Financing Regulations were charged a lower interest rate than short-term domestic loans. On June 28, 1982, the Monetary Board established a uniform rate of 10 percent for both export and domestic short-term financing provided by commercial banks. The interest rate in effect during the period for which we are measuring subsidization was 10 percent for short-term export loans. We verified that domestic short-term

financing through commercial banks is the predominant short-term debt instrument in Korea (see, for example, the Federation of Korean Industries surveys obtained during verification and the Korean Chamber of Commerce *Survey*, submitted as Exhibit 13 of the Government of Korea's response, August 17, 1984, as well as Bank of Korea *Monthly Statistical Bulletins*).

If all other terms and conditions, as well as the administration, of the domestic and export loan programs were identical, we could not find that an export subsidy is being conferred because export loans are not at an interest rate that is preferential compared to the interest rate on the most comparable, predominant short-term debt instrument. However, we have found that there is a difference in the administration of domestic and export short-term loans programs. The Bank of Korea (BOK) sets different rediscount ratios for export and domestic short-term loans. As specified in the BOK's *1983 Annual Report*, the rediscount ratio for export loans is 70 percent of the face value of the loan. The rediscount ratio on domestic commercial bills is 30 percent of the face value of the loan for large firms and the heavy and chemical industries. The rediscount ratio for small- and medium-sized firms is 70 percent. Small- and medium-sized firms are defined as companies with fewer than 300 employees. None of the steel companies producing the products under investigation is classified as a small- or medium-sized firm. The rediscount rate for both domestic and export short-term loans is 5 percent.

The higher rediscount ratio for export loans provides an incentive for banks to provide an export loan over a domestic loan when lending to a large company. Indeed, the banks' fee structure, which specifies lower fees on the letters of credit on which the short-term export loans are based, indicates that the banks encourage these borrowers to use export financing. Thus, we consider that the higher rediscount ratio for short-term export loans provides, in effect, a preference for export loans over domestic loans.

Because the most comparable, predominant short-term debt instrument (*i.e.*, the 10 percent rate on short-term domestic bank loans) cannot measure this preference, we must find an alternative method of quantifying it. We know from the surveys published by the Korean Chamber of Commerce and by the Federation of Korean Industries, and from the Bank of Korea *Monthly Statistical Bulletins*, that companies do



use sources of short-term financing in addition to bank loans. These sources include investment and finance companies, commercial paper and the curb market. Since the rediscount mechanism operates in such a way as to encourage banks to supply firms short-term export financing at the expense of domestic financing, we must conclude that short-term domestic financing comes from these other sources of financing as well as bank loans.

Therefore, the most appropriate way to measure the preference for export over domestic loans is to compare the 10 percent rate on short-term export credit with a weighted average of rates on short-term domestic credit. We have chosen this measure because it is the best approximation of what firms would pay for export financing if there were not a preference within the banking system for providing loans for export transactions.

The factors used to weight each of the four sources of short-term domestic credit were based on data from a number of sources, including the *Monthly Statistical Bulletins* of the Bank of Korea and the surveys published by the Federation of Korean Industries (FKI). The *Monthly Statistical Bulletins* provide the size of, and interest rates charged on, short-term financing by banks, investment and finance companies and commercial paper. The FKI surveys provide data on the proportion that curb market loans represent of total corporate borrowing for working capital. For the curb market interest rate, we have determined that the most appropriate rate to use is the average monthly rate for 1983 as published in the survey conducted by the Korean Chamber of Commerce, provided as Exhibit 13 to the response submitted by the Government of Korea. This rate is 2.6 percent, which, when compounded, yields an annualized rate of 36.1 percent. We are using the rate published by the Chamber of Commerce as the most appropriate measure of the average curb market rate in 1983, because it is the only independently-conducted study or survey of curb market rates that has been entered in the record of this investigation. We looked extensively for data on these rates at verification. We consider the Chamber survey to be the most accurate reflection of average curb market rates during the period for which we are measuring subsidization.

Using the data from all these sources, we calculated the weighted-average rate that we have determined is the most appropriate way to measure the preference for export over domestic

loans. Comparing this weighted-average rate to the 10 percent rate on export loans, we calculate an export subsidy of 0.33 percent *ad valorem* for cold-rolled carbon steel flat-rolled products and 0.36 percent *ad valorem* for carbon steel structural shapes.

#### B. Tax Incentives for Exporters

Articles 22, 23, and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption" provide for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses. Under Article 22, a corporation may establish a reserve amounting to one percent of foreign exchange earnings, or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve fund. If there are no offsets for export losses, the reserve is returned to the income account and taxed, after a one-year grace period, over a three-year period.

Under Article 23 governing overseas market development, a corporation may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses incurred in developing overseas markets are offset from the reserve fund. Like the export loss reserve fund, if there are no offsets for expenses, the reserve is returned to the income account and taxed, after a one-year grace period, over a three-year period.

A price fluctuation reserve fund may be established under Article 24. Under this Article, a corporation may establish reserves equivalent to five percent of the book value of the products and works in progress which will be exported by the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to the losses to the income account. If not so utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all monies in the reserve funds are eventually reported as income and subject to corporate tax either when they offset export losses or when the one-year grace period expires. We determine that these export reserve programs confer benefits which constitute export subsidies because they provide a deferral of direct taxes specifically related to export performance. Only certain trading

companies exporting cold-rolled carbon steel flat-rolled products used these programs during the period for which we are measuring subsidization.

Because these export reserve funds constitute a deferral of tax liabilities, we treat the tax savings on these funds as interest-free loans to the corporation. Accordingly, we have quantified the benefits from the reserve funds by calculating the amount of tax savings and then applying a rate of interest which the firm would have had to pay for a short-term loan. Using this methodology, we calculate a benefit of less than 0.005 percent *ad valorem* for cold-rolled carbon steel flat-rolled products.

#### C. Special Depreciation Under the "Act Concerning the Regulation of Tax Reduction and Exemption"

In our questionnaire, we requested information on a program that permits accelerated depreciation under Article 25 of the Act Concerning the Regulation of Tax Reduction and Exemption." Article 25 permits a firm earning more than 50 percent of its total proceeds in a business year from foreign exchange to increase its normal depreciation by 30 percent. As discussed in the section "Programs Determined Not To Be Used," we verified that no producers or exporters of shapes and sheet claimed accelerated depreciation under Article 25. However, POSCO did claim "special" depreciation under Article 11 of the "The Act Concerning the Regulation of Tax Reduction and Exemption." This special depreciation is provided to "a domestic person carrying on an important industry." The "important" industries include:

- The naphtha-cracking industry;
- The iron and steel industry producing pig iron;
- The machine industry;
- The electronics industry;
- The shipbuilding industry; and
- The aerial industry.

Our review, during verification, of the Enforcement Decree for Article 11, indicated that only those enterprises within a designated industry that produce designated goods, are eligible for this special depreciation. We asked the administering authority for clarification concerning whether all firms or just certain firms within an industry could claim this special depreciation. The government of Korea did not provide any further<sup>B-5</sup> documentation clarifying the eligibility requirements. Thus, because we have no evidence in the record of these investigations that this special depreciation for "important" industries

is not limited to a group of enterprises, we determine that it constitutes a subsidy. POSCO is the only company producing either of the products under investigation that claimed this special depreciation.

To calculate the benefits from the special depreciation program for the period in which we are measuring subsidization (calendar year 1983), we determined the tax savings received in 1983 based on the special depreciation which had been deducted from the 1982 income taxes payable in 1983. The amount of tax savings received under this program was divided by the total value of all sales in 1983 to determine a subsidy of 2.41 percent *ad valorem* for cold-rolled carbon steel flat-rolled products.

#### D. Government Equity Infusions into POSCO

Petitioner alleged that equity infusions into POSCO by the government of Korea were on terms inconsistent with commercial considerations. As discussed in the "Analysis of Programs" section, we determine that POSCO was not a reasonable commercial investment (was unequityworthy) from 1978 through 1980, and thus the government equity infusions in each of those years were on terms inconsistent with commercial considerations. Therefore, we determine that these infusions confer benefits which constitute a subsidy. To calculate the benefit, we followed the rate of return shortfall methodology outlined in the Subsidies Appendix. The net subsidy is 0.71 percent *ad valorem* for cold-rolled carbon steel flat-rolled products.

#### E. Reductions in Port Charges

"Designated companies" under the Iron & Steel Industry Rehabilitation Order are eligible on a case-by-case basis to receive discounts from regular utility and port rates. In its response, the government stated that this program was never fully implemented and that only POSCO receives any benefits under it. We verified that POSCO receives a 50 percent reduction in port charges only. Because this reduction is limited to a specific enterprise, we determine that it constitutes a subsidy. Since the reduction is 50 percent of port charges, the amount of the benefit is equal to the amount of port charges paid and is treated as a grant. Under the grant methodology outlined in the Subsidies Appendix, we must compare the sum of all grants received in any given year with 0.5 percent of total sales. If the sum of all grants is less than 0.5 percent, then the grant is allocated to the year of receipt. If the sum of all

grants is greater than 0.5 percent, then we allocate the benefit of those grants over 15 years, which is the average useful life of renewable physical assets in the steel industry. Because POSCO could only provide the port charges paid in 1981 through 1983, we used, as best information available for each of the previous years, an average of the port charge paid in 1981 through 1983. Using this methodology, we calculate a subsidy of 0.05 percent *ad valorem* for cold-rolled carbon steel flat-rolled products.

#### F. Tariff Reductions on Plant and Equipment

Under Article 28 (Duty Abatement for Important Industries) of the Customs Act, "Customs duty may be abated with respect to goods which are designated by the notice of the Ministry of Finance from among machinery equipment for the use of such industries as designated by an Ordinance of the Ministry of Finance from among those falling under any of the following subparagraphs \* \* \* which cannot be properly manufactured domestically \* \* \*." The industries listed in the subparagraphs include the chemical industry, primary metal manufacture, general machinery manufacture, manufacture of electric instruments, manufacture of transportation machinery, manufacture of scientific instruments, manufacture of machine parts, and electric railroad transportation. In our preliminary determinations, we found these tariff reductions to be a subsidy because eligibility for the reduction required government designation and because we did not know whether all the industries listed in the Act had been designated by the Ministry of Finance.

During the government verification, we received a list of all industries designated by the Ministry from 1974 through 1983. While we were verifying this program at one of the companies, we found that the designated industries are subdivided into three categories: Class A, Class B and Class C.

Companies in Class A are eligible for a higher percentage of tariff reduction than those in Class B and Class C. The Class A category includes the following:

- Naptha-chemical industry;
- Steel producers with over 200,000 tons of capacity;
- Manufacturers of certain machinery such as steam turbines and hydrogenerators;
- Electric railway manufacturers; and
- Certain transportation and scientific equipment.

Based on our review of documentation entered in the record of these

investigations, it appears that eligibility for Class A tariff reductions is limited to specific enterprises within designated industries, while eligibility for Class B and Class C tariff reductions are provided to all others in the designated industries. Thus, because no evidence has been submitted to the contrary, we determine that Class A tariff reductions are limited to a group of enterprises and, as such, constitute subsidies.

To determine the amount of the benefit from these tariff reductions, we must determine whether the Class B and Class C tariff reductions are limited to a specific enterprise or industry or group of enterprises or industries. In the 1974 Enforcement Decree, 14 separate industries were designated, including agriculture, mining, chemicals, basic metals, machinery, electric appliances, defense, air transportation and electric railways. All the firms in these industries are eligible for at least a Class C designation. Accordingly, given the number and diversity of those eligible, we do not consider that Class C tariff reductions are limited to a specific enterprise or industry or group of enterprises or industries.

Two companies producing the products under investigation, POSCO and Inchon, have received tariff reductions on plant and equipment. To calculate the benefit from Class A tariff reductions, we compared the amount of tariff reduction received under Class A and the amount of tariff reduction that the company would have received under Class C. We treated the difference as a grant. As explained in the section on "Reductions in Port Charges" above, we summed all the benefits being treated as grants in any given year (*i.e.*, the sum of the reduction in port charges plus tariff reductions on plant and equipment). When the sum of the grants was greater than 0.5 percent, we allocated the grants over 15 years. Using this methodology, we calculate a subsidy of 0.10 percent *ad valorem* for cold-rolled carbon steel flat-rolled products and 0.01 percent *ad valorem* for carbon steel structural shapes.

#### II. Programs Determined Not To Confer Subsidies

We determine that benefits which constitute subsidies are not being provided to manufacturers, producers, or exporters in Korea of shapes and sheet, under the following programs:

##### A. Medium- and Long-Term Credit

Petitioner alleged that producers of shapes and sheet, as part of the Korean steel industry, have received medium- and long-term financing through

government direction of credit and programs designed to finance major or key industries, and that these loans are made on terms which are inconsistent with commercial considerations.

In order to investigate the first allegation, that credit is directed within the Korean economy, we have examined whether the Korean government mandates, explicitly or implicitly, that certain industries or enterprises receive credit at the expense of other borrowers. If there are explicit or implicit government mandates that certain industries or firms receive funds, then we would expect to find this reflected in the composition of the loan portfolios of all the lending institutions combined. Absent a finding that these key or major industries receive a disproportionate share of the medium- and long-term loans available in Korea, we cannot conclude that the Korean government is directing credit to the steel industry.

Medium- and long-term financing is provided through three types of financial organizations in Korea:

- (1) Commercial banks;
- (2) Specialized banks; and
- (3) Development institutions (Korea Development Bank and the Export-Import Bank of Korea).

In addition, there are two government funds through which long-term financing is provided:

- (1) The National Investment Fund; and
- (2) The Fund for Expanding Export Facilities.

We have examined the three types of financial organizations and the two government funds that are the sources of medium- and long-term borrowing in Korea.

Viewing these institutions and funds in the aggregate, we determine that there is no government direction of medium- and long-term credit to the producers of shapes and sheet or to the broader steel sector. We have found that the lending institutions in Korea, when viewed as a whole, provide medium- and long-term loans to all sectors and all major industry groups, indeed to virtually all industries. Notwithstanding that certain of the sources have been created to provide credit to designated groups of recipients, these groups do not receive a disproportionate share of the total medium- and long-term credit available from all sources combined. Moreover, we determine that the steel industry does not receive a disproportionate share of funds from all these sources. Indeed, over the last 15 years, the steel industry has accounted for approximately 6 to 13 percent of GNP. During the same period the basic metals sector, which includes steel, has

received 5 to 8 percent of medium- and long-term loans.

Although we have found that credit is not directed by the Korean government to producers of shapes and sheet or to the broader steel industry, we must still examine whether particular medium- and long-term loans from any of the individual institutions or funds confer benefits which constitute subsidies within the meaning of the countervailing duty law.

In order to determine that medium- and long-term loans are providing benefits which constitute domestic subsidies, we must find that the program is limited to a specific enterprise or industry or group of enterprises or industries, and that the loans are provided on terms inconsistent with commercial considerations. If either of these conditions is not met, then we cannot find that a domestic subsidy exists.

In making the determination on whether a program is limited to a specific enterprise or industry or group of enterprises or industries, we have consistently examined whether there is a *de facto*, as well as a *de jure*, limitation. In making the determination of whether a loan is inconsistent with commercial considerations, we examine whether the potentially countervailing loan offers more favorable terms than the firm would otherwise receive.

Based on our verification and information provided by the petitioners, the responses and the briefs submitted by parties to the proceeding, we have found the following with respect to each of the three types of financial organizations and the government funds:

1. *Commercial Banks.* Commercial banks, which until the early 1980's were either government-owned or government-controlled, consist of seven nationwide or "city" banks and 10 regional or "local" banks. The branches of 48 foreign banks are also included in the commercial bank category. The domestic commercial banks are authorized by the General Banking Act (G.B.A.) and provide the normal financial services that are usually offered by banks in all countries. There is no explicit listing in the G.B.A. that designates certain industries or sectors for receipt of commercial bank credit.

Bank of Korea statistics show the distribution of loans from the deposit money banks (DMB's). DMB's include both commercial and specialized banks. (Specialized banks are discussed in the following section.) Examination of the Bank of Korea statistics demonstrates that during both the 1970's and 1980's all sectors of the economy received loans

through the DMB's and that steel did not receive a disproportionate share.

During verification, we obtained loan statistics directly from Hanil and Cho-Heung, two of the five largest commercial banks in Korea. The loan statistics are broken down by sector, major industry group and industry. The sectors are:

- Agriculture and forestry;
  - Mining;
  - Manufacturing;
  - Electricity, gas and water;
  - Construction;
  - Wholesalers;
  - Transportation and warehousing;
- and
- Others (including social services).

Each of these sectors is then broken down by major industry group and by industry within each group. Steel production is included in the primary metals group within the manufacturing sector. This group includes, in addition to steel, categories for aluminum and others.

Our review of the loan statistics of these two banks for various years in the 1970's and 1980's shows that all sectors and major industry groups, indeed, virtually all industries, received loans. Furthermore, the statistics do not show that the steel industry received a disproportionate share of the loans.

2. *Specialized Banks.* There are seven specialized banks in Korea: Korea Exchange Bank, Medium Industry Bank, Citizens National Bank, Korea Housing Bank, National Agricultural Cooperatives Federation, National Federation of Fisheries Cooperatives and Members Cooperatives, and the National Livestock Cooperative Federation. Each of these banks is set up by its own Act, and, by their titles, these banks are explicitly chartered to service certain broad sectors of the Korean economy.

Like commercial banks, specialized banks are deposit money banks and, therefore, are included in Bank of Korea statistics on DMB loan distribution. As stated previously, the Bank of Korea statistics show that all sectors and industries have received loans through the DMB's and that steel has not received a disproportionate share of DMB loans. In addition, it is clear that the specialized banks have been set up to serve sectors of the economy besides steel. None has been set up specifically for the steel industry or even for the manufacturing sector or heavy industry or even for the manufacturing sector or heavy industry sector. We verified that the steel companies producing the products under investigation have only a few outstanding long-term loans from

cialized banks and that these loans not represent a disproportionate share of the long-term loan funds from specialized banks.

*Development Institutions.*— a. *Korea Development Bank (KDB).* The KDB was established in 1954 to aid in reconstruction of the country following the Korean War. Once reconstruction was completed, the bank shifted its resources to support the development of industries deemed important for long-term economic growth. The industries named in the Enforcement Decree include electric power, coal mining, shipbuilding, iron and steel manufacturing, semiconductors and overseas marine and/or air transport. In addition to these industries, KDB also provides loans for agriculture, oil and gas, food and beverage, textiles, paper and paper products, chemicals, rubber and plastic products, non-metallic mineral products, fabricated metal products, machinery and equipment, construction, wholesale and retail trade, communications and financial services. Thus, while there is an explicit designation that the KDB will service certain industries, it also has provided loans to borrowers in numerous industries that were not designated. During the 1970's and 1980's, the KDB accounted for approximately 45 percent of the medium- and long-term loans available. Prior to the June 1982 equalization of interest rates, these designated industries were charged a lower interest rate than KDB borrowers in other industries. The interest rates charged by KDB are set by the Ministry of Finance.

b. *Export-Import Bank of Korea.* Enacted by Law No. 2122 in July 1969, the purpose of the Export-Import Bank of Korea (Eximbank) is "to promote the sound development of the national economy and economic cooperation with foreign countries by extending the financial aid required for export and import transactions, overseas investment and the development of natural resources abroad." The Enforcement Decree for the Act specifies the "major" raw materials that Eximbank should develop:

- Coal, iron ore, copper, petroleum, and other mined materials;
- Timber and other forest materials;
- Grains, cotton, sugar, rubber and other agricultural materials; and
- Other raw materials deemed necessary to secure stabilized long-term supply for the economy; however, this could be decided through a state meeting and announced through the Ministry of Finance

Thus, if there is any explicit designation of recipients of loans from the Eximbank, the designated group is raw material users.

During verification, we examined all export and overseas investment loans awarded from 1976 through 1982. During those seven years, only five loans were awarded to the steel industry; one in 1979, two in 1980 and two in 1982. None of these five loans was for the financing of exports of the products under investigation. Also, during each of these years, there were other projects financed in other industries. For example, in 1979, the other overseas investment loans went to a textile plant project, a manufacturing plant project, fishery development, a cement plant project, and vessel chartering. Thus, the Korea Eximbank finances projects in a wide number of industries. Moreover, the steel industry has not received a disproportionate share of Eximbank loan monies.

4. *The National Investment Fund.* On December 14, 1973, the government of Korea established the National Investment Fund (NIF) through Law No. 2635. The stated "purpose of this Act is to prescribe necessary matters for the establishment and effective management of the National Investment Fund on the bases of extensive nationwide savings efforts and participation, to secure and supply the investment and loan funds needed to promote the construction of major industries, including the heavy and chemical industries, as well as to help increase exports."

In the preliminary determinations, we determined that NIF loans were countervailable export subsidies because one of the express purposes stated in the Act was to help increase exports and because they were provided at preferential rates.

During verification, we found that there are two types of NIF loans, one to finance development and one to finance exports on a deferred payment basis. The NIF loans to finance exports on a deferred payment basis are managed by Eximbank. We verified that exports of the products under investigation are not eligible to receive NIF loans for exports on a deferred payment basis and that none of the companies producing shapes and sheet has financed exports of shapes and sheet through this program.

With respect to the other pool of NIF monies, our examination of loan files, as well as application and approval documents at the companies, did not reveal any export-related conditions on these NIF loans. Thus, we now conclude the NIF loans are not export subsidies.

Despite the fact that NIF loans would not be considered export subsidies, the law establishing the fund and the enforcement decree explicitly designate certain industries for receipt of these loans. In addition to "major industries, including the heavy and chemical industries," the enforcement decree names steel, nonferrous metals, shipbuilding, machinery, chemicals, electronics, food production, power, mining, cement, rural manufactured goods, projects to increase rural income, and fishing and Fisheries projects. NIF loans accounted for 25 to 30 percent of the medium- and long-term loans issued in the 1970's and 1980's.

5. *Fund for Expanding Export Facilities.* During verification at the companies we found several outstanding long-term loans received through the "Fund for Expanding Export Facilities." This fund was established in 1973 and abolished in 1982. Eligibility for these loans was limited to manufacturers building facilities for producing export goods or raw materials and purchasers of ocean-going vessels used for the fish export industry. Thus, this Act designates exporters as recipients.

Based on the findings reported above, we determine that because commercial banks and specialized banks provide medium- and long-term loans to all sectors and industries in the economy, and because the steel industry did not receive a disproportionate share, loans from these sources are not limited to a specific enterprise or industry or group of enterprises or industries and therefore do not provide benefits which constitute subsidies. Furthermore, based on our review of the Eximbank Act and the Enforcement Decree, and the distribution of the loans we find that there is no *de jure* or *de facto* limitation to an enterprise or industry or group of enterprises or industries. Accordingly, we determine that Eximbank loans do not provide benefits which constitute subsidies.

We also determine that loans provided to the shapes and sheet producers through the KDB and the NIF do not provide benefits which constitute subsidies, because the interest rates paid on these loans have been equal to the interest rate for all medium- and long-term loans in Korea since June 1982. Thus, these loans are not on terms inconsistent with commercial considerations.

To determine whether a loan is inconsistent with commercial considerations, we rely on the methodology in the Subsidies Appendix for long-term loans to companies

considered creditworthy. As stated in the Appendix, the benchmark for long-term loans is company-specific, unless the company lacks adequate comparable commercial experience. If the company lacks comparable commercial experience, we use a national average long-term loan interest rate.

After finding an appropriate benchmark loan, the next step in determining if a loan was given on terms inconsistent with commercial considerations is to calculate the payment differential between the benchmark loan and the loans at issue. Consistent with our methodology, when the long-term loans are at variable interest rates, we calculate the benefit based on the differential between the interest rate for the loan at issue and the interest rate on the benchmark loans in the year for which we are measuring subsidization. As stated above, the rates on all medium- and long-term loans were equalized in 1982. Hence, for the year in which we are measuring subsidization, there is no interest differential between the loans at issue and the benchmark loans.

We note that using as the benchmark the 1983 interest rate on a variable rate long-term commercial loan is not a departure from prior practice. In our preliminary determinations we used a short-term interest rate as the benchmark for NIF loans. However, we stated that because we needed additional information in order to determine whether loans from commercial and specialized banks were subsidies, we could not use those variable rate long-term loans in establishing our benchmark. Thus, because we had no comparable commercial long-term loan experience with which to compare NIF loans, we used, as best information available, a short-term rate for purposes of measuring the benefit conferred by these loans.

Finally, we determine that loans received by the shapes and sheet producers under the Fund for Expanding Export Facilities do not confer benefits that constitute export subsidies. Assuming, as we do, that eligibility for these loans is contingent upon export performance, to quantify any benefit arising from these long-term export-related loans, we must compare the terms of these loans to the cost of comparable commercial domestic long-term loans.

We know that all loans from the Fund for Export Facilities that were still outstanding during the period for which we are measuring subsidization were charged 10 percent interest after the

June 1982 equalization of interest rates. Thus, since June 1982 the cost to the borrower on these loans is the same as the cost of comparable domestic long-term loans. As a result, we find that no benefit is conferred by these long-term export-related loans.

#### B. Import Duty Deferrals

Article 36 of the Customs Act of Korea permits the Ministry of Finance to designate an industry as eligible to pay customs duties on an installment basis, rather than upon entry. In our preliminary determinations, we determined this program to confer a subsidy because the government of Korea did not provide us with any information demonstrating that during the period for which we are measuring subsidization this program was not limited to a specific enterprise or industry or group of enterprises or industries. A program may be available, in principle, to a wide group of industries, but when there appears to be some discretion on the part of the government in the granting of benefits under the program, we must determine whether that discretion effectively limits the program to specific enterprises or industries.

During verification, we found that twenty-four industries were eligible to receive duty deferrals including industries as disparate as mining, cement, fertilizers, chemicals, machine tools, steel works, and plywood. Once an industry is considered eligible, each company within that industry may request deferral status by submitting an application to the Tariff Administration Office of the Office of Customs Administration. We examined this program to determine if only certain companies within each of the twenty-four industries had their application for duty deferral status approved. We found that in practice there appears to be no limitation to the companies within the twenty-four industries which receive duty deferrals, and that any company which applies is granted that status. Therefore, we determine that this program is not limited to a specific enterprise or industry or group of enterprises or industries, and, therefore, does not constitute a subsidy.

#### C. Investment Tax Credit

Petitioner alleged that producers and exporters of shapes and sheet may receive preferential tax benefits under Article 72 of the "Act Concerning the Regulation of Tax Reduction and Exemption," which provides for a temporary investment tax credit when the government deems it necessary for adjustment of economic activities.

During the period from January 1, 1982, through December 31, 1982, Article 57-2 was the enforcement decree for Article 72. Article 57-2 specifies that the investment tax credit was available for the acquisition of fixed assets used directly for the manufacturing or mining business. Consistent with past practice, programs available to all industries in the manufacturing and mining sectors are not limited to "a specific enterprise or industry, or group of enterprises or industries," and thus do not provide domestic subsidies. Since the tax credit is not contingent on export performance, it does not provide an export subsidy. Thus, we determine that this program does not constitute a subsidy.

#### D. Equity Infusions Into Dongjin

Petitioner alleged that POSCO equity infusions into Dongjin were on terms inconsistent with commercial considerations. Dongjin was established on October 27, 1982, by POSCO. At the time of Dongjin's formation, POSCO invested funds in order to provide cash for the purchase of the assets of Ilssin Steel Company and working capital for Dongjin's future operations. POSCO also guaranteed the notes of Dongjin used for the purchase of Ilssin's assets.

Ilssin Steel Company was a bankrupt company, owned and operated by its two major creditors, Korea Exchange Bank (KEB) and Commercial Bank of Korea (CBK). In accordance with Korean law, at the time of bankruptcy the courts foreclosed upon Ilssin's assets and offered the assets for sale at public auction. Because there were no other bidders for the assets at the appraised value or above, the banks, which were the highest bidders, purchased the assets at auction. These assets were then sold to Dongjin for cash and notes.

According to the banks: (1) The price offered by Dongjin was the highest price which they could obtain. (2) The banks' operations of Ilssin were resulting in a cash drain on them, and (3) it was in the bank's interest to sell the assets as a package, so as not to significantly decrease the value of the total package. Because there were no bidders, at auction, which would have paid the appraised value of the assets, and because it was in the banks' interest to minimize their losses, the sale of Ilssin by the banks can be characterized as a distress sale.

Although the banks were eager to sell, the purchase of Ilssin's assets by Dongjin presented certain advantages to POSCO. Ilssin had been a major supplier to POSCO. POSCO had knowledge and management expertise to operate Ilssin and under the

circumstances might negotiate terms which could make the venture economically attractive. The terms negotiated required a minimal amount of cash and notes, some of which were at zero interest rate.

To determine whether POSCO's equity infusion into Dongjin was on terms inconsistent with commercial considerations, we analyzed the terms compared to ordinary commercial considerations. The Department did not find this transaction inconsistent with commercial considerations for the following reasons.

First, we found no evidence that the government directed the banks to sell the assets to Dongjin on favorable terms. Second, the cash investment into a newly created subsidiary by a parent company, and the guaranteeing of subsidiary's notes, when the subsidiary is still a "shell" organization, are normal business practices. Third, because of the commercial advantages to both the seller and the purchaser in this transaction, and the apparent lack of interest by any other party to purchase Ilssin's assets, we determine that the transaction was not on terms inconsistent with commercial considerations. Moreover, we do not consider POSCO's guarantee of Dongjin's notes payable to be a subsidy, because no evidence has been submitted that a parent company's guarantee of a wholly-owned subsidiary's loan is inconsistent with commercial considerations.

#### E. POSCO's Purchases of Domestic Iron Ore

In its July 9 submission, petitioners alleged that, under the Steel Industry Promotion Act (No. 2181 and Enforcement Decree No. 5366), suppliers of iron ore to a domestic steel mill are treated like exporters of the ore and thus are eligible for export financing. In addition, petitioner alleged that, since exports are exempt from the value-added tax (VAT), domestic iron ore sales are as well. We collected information on domestic iron ore sales during verification in conjunction with the allegation that steel companies receive financial and technical assistance in purchasing raw materials (see the section on "Programs Determined Not To Be Used").

At verification, we found that the government sets the prices on domestic iron ore, and that POSCO, the only fully integrated steel mill in Korea, buys virtually all domestic iron ore production. We verified that the price paid by POSCO to the domestic iron ore suppliers was higher than the price paid to numerous unrelated foreign suppliers,

none of whom we have found to be subsidized. Consequently, we determine that no competitive benefit is received by POSCO on its purchases of iron ore. Section 613 of the Trade and Tariff Act of 1984, signed by the President on October 30, codifies the standards for determining upstream subsidies. This section generally codifies Department practice. Our investigation was consistent with both Department practice and the newly codified standards.

With respect to petitioner's allegation that POSCO receives an exemption from VAT on its domestic iron ore purchases, we did receive documents, at verification, which indicate that POSCO has been paying VAT on its domestic iron ore purchases. Because POSCO pays VAT on its domestic iron ore purchases and because no competitive benefit is being received by POSCO through its purchases of domestic iron ore, we determine that no countervailable benefits are being provided to POSCO on its purchases of domestic iron ore.

#### III. Programs Determined Not To Be Used

We have determined that manufacturers, producers, or exporters in Korea of shapes and sheet do not use the following programs that were identified in the notice of "Initiation of Countervailing Duty Investigations of Carbon Steel Structural Shapes and Cold-Rolled Carbon Steel Flat-Rolled Products from Korea":

##### A. Accelerated Depreciation Under Article 25 of the "Act Concerning the Regulations of Tax Reduction and Exemption"

Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption" permits a firm earning more than 50 percent of its total proceeds in a business year from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation, determined by a formula based on the firm's foreign exchange earnings and total business earnings. We verified that none of the producers or exporters of shapes and sheet claimed accelerated depreciation under Article 25 during the period for which we are measuring subsidization.

##### B. Free Export Zone Program

Petitioner alleged that producers and exporters of shapes and sheet receive tax benefits based upon location in a free export zone. We verified that none

of the producers or exporters of shapes and sheet is located in a Free Export Zone.

##### C. Foreign Capital Inducement Law

Petitioner alleged that producers and exporters of shapes and sheet may be receiving financial and tax benefits under the Foreign Capital Inducement Law. The producers and exporters of shapes and sheet are not eligible for any benefits under this program because they have no foreign ownership.

##### D. Export Credit Insurance

Petitioner alleged that the government of Korea provides annual contributions to an export insurance program. We verified that export credit insurance was not used to insure exports of shapes and sheet to the United States.

##### E. Training Aid

Petitioner alleged that the steel industry has received training aid from the government of Korea. We verified that the steel companies producing the products under investigation have not received training grants or other training funds from the government of Korea.

##### F. Financial and Technical Assistance for Raw Material Purchases

Under the Iron and Steel Promotion Act, financial and technical assistance to purchase raw materials is authorized. However, we found no evidence that steel companies producing the products under investigation receive assistance from the government in purchasing raw materials.

##### G. Preferential Utility Rates

Petitioner alleged that "designated companies" under the Iron and Steel Industry Rehabilitation Order are eligible on a case-by-case basis to receive discounts from regular utility charges. Under Article 7 of the Iron and Steel Industry Promotion Act reductions on utility charges are authorized. The steel industry make a request to the Korean Electric Company seeking reduced rates but the Electric Company turned down the request and the reductions were never granted. We also found no evidence that the steel companies producing the products under investigation received reductions or other assistance on any other utility rates.

##### H. Development of Kwangyang Bay Industrial Zone

Petitioner alleged that the government of Korea is constructing a port at Kwangyang Bay to facilitate the importation of coal and iron ore. It is

further alleged that POSCO will benefit from this port. POSCO is in the process of constructing a new steel mill at Kwangyang Bay. The mill is scheduled for completion in 1987.

In 1982, the government established an industrial zone at Kwangyang Bay under the authority of the Industrial Complex Development Act. The authorization for the Kwangyang Bay Industrial Zone states that the purpose of the zone is "to effectively and systematically construct an industrial zone in relation to the construction of Kwangyang steel mill and the major facilities of port, water, roads, railways, etc." According to government officials, the infrastructure is not being built for the exclusive use of POSCO although POSCO will be the first company to use it. In addition, POSCO is undertaking, at its own expense, the construction of several port facilities, such as a central terminal station for cargo and an import pier. There is a projection that 26 companies will locate in the zone upon completion of the infrastructure and POSCO's mill.

We verified that neither the port nor any other infrastructure in the zone has been used to produce or export the products under investigation. Accordingly, we determine that no countervailable benefits were bestowed upon the products under investigation during the period for which we are measuring subsidization.

#### Programs Not in Existence

We determine that the following programs are not in existence or have been abolished:

##### *A. Preferential Exchange Rates for Export Loans*

Petitioner alleged that producers and exporters of shapes and sheet receive preferential exchange rates for export loans based on letters of credit. Petitioner alleged that the exchange rate used for loans based on letters of credit was 10 percent more favorable to Korean exporters than the actual exchange rate. There is no preferential exchange rate used to convert export financing. For export loans granted under the Export Financing Regulations, a Won/U.S. dollar conversion factor which is lower than the official exchange rate is utilized when a loan is received against a letter of credit. Therefore, we determine that there is no program of preferential exchange rates for export loans that provides countervailable benefits to shapes and sheet producers and exporters.

##### *B. Export Financing under the Foreign Trade Transaction Act*

Petitioner alleged that the government of Korea provides the steel industry with preferential short-term export financing under the Foreign Trade Transaction Act. The Foreign Trade Transactions Act has been repealed and was not in effect during the period for which we are measuring subsidization.

##### *C. Steel Industry Development Scheme*

Petitioner alleged that the Korean Ministry of Trade and Industry is sponsoring a steel industry development scheme in which the government will spend 210 billion won on POSCO's plant expansion project. At verification we established that the Ministry of Trade and Industry is not sponsoring such a scheme.

##### *D. Wage Controls*

Petitioner alleged that the government of Korea controls wages for government-run firms such as POSCO, resulting in lower production costs for this segment of Korean industry. It was further alleged that Dongjin may benefit from government wage controls by virtue of its status as a wholly-owned subsidiary of POSCO. The rates paid by POSCO and Dongjin to their workers are comparable to the rates paid by other steel manufacturers. We also found no evidence that the government of Korea has a wage control system under which Dongjin or POSCO must operate.

##### *E. Joint Facilities for Industrial Complexes Scheme*

Petitioners in the OCTG investigation alleged in their August 20 submission that the government of Korea was providing funding for joint facilities in industrial complexes, and that the steel industry was one of the industries targeted for such funding. In 1981 such a program was discussed between the Federation of Small and Medium Industry Cooperatives and the government of Korea. The project was to be located near Kimpo Airport in Seoul. However, in January 1982 the proposed project was cancelled due to lack of funding.

##### *F. Equipment Funds for Export Strategy Industries and Funding for Industrialization of New Technology*

The Ministry of Trade and Industry (MTI) is presently studying proposals concerning these two projects but there has been no final decision on whether to set them up. The Korea Development Bank has received a loan from the Asian Development Bank to fund one of the programs. However, we verified that the

only industries eligible to receive loans from this fund are companies producing machines and machine parts.

##### *G. Assistance for Trading Companies*

Petitioners in the OCTG investigation alleged that the government of Korea provided benefits to trading companies by allowing them to increase their foreign exchange holdings and by allowing them to increase their reserve funds to cover export losses in foreign markets. With regard to the first allegation, trading companies are authorized to maintain foreign currency accounts of over \$300,000. However, we found no evidence that other companies are limited in their foreign exchange holdings or any other evidence to suggest that this allowance for foreign exchange holding provides a countervailable benefit to trading companies. Regarding the allegation on export reserves, we verified at the trading companies that there are no special provisions allowing them to claim additional export loss reserves. Even if there were such provisions, we have verified all the outstanding export reserves held by the trading companies.

##### *H. Import Duty Reductions or Exemptions for Raw Materials*

Petitioner alleged that producers and exporters of shapes and sheet receive reductions or exemptions of import duties on iron ore and coking coal. The 1983 Tariff Schedules of Korea show that imports of iron ore and coking coal were not subject to any import duties. Therefore, we determine that there was no program providing a reduction or exemption of import duties on iron ore and coal that provides countervailable benefits to shapes and sheet producers or exporters during the period for which we are measuring subsidization.

##### *I. Coal Import Funds*

Petitioner alleged that the government of Korea subsidizes the importation of coal through a specific fund for that purpose. We found that there are no coal import funds or programs that relate to the importation of coking coal used to produce steel. Furthermore, respondents indicate that all imported coking coal is purchased on a commercial basis and that world market prices are paid. Therefore, we determine that there is no coal import fund or program that provides countervailable benefits to shapes and sheet producers.

##### *Petitioner's Comments*

B-11

*Comment 1:* Petitioner argues that the commercial bank interest rate, which was averaged with other rates to

compute the benchmark, is not a free market rate and, therefore, should not have been used in determining a benchmark. In support of this contention, petitioner cites Department practice as reflected in prior proceedings and in the Subsidies Appendix where "commercial" interest rates were used as benchmarks or where market-determined prices were sought.

**DOC Position:** Petitioner is reading our prior determinations and the Subsidies Appendix too narrowly. For example, in seeking a "commercial" benchmark interest rate, we are seeking the alternative financing that is available to the firm in the lending marketplace of that country. We are asking if the interest rate paid on the allegedly preferential loan is less than what the average firm in that country would otherwise be paying. Similarly, in looking to market prices, we are seeking the prices that exist in that country's marketplace.

Typically, the marketplace is not the perfectly competitive market envisaged by economists. Instead, it is the commercial environment facing the firm. The commercial environment includes any distortions to relative prices that arise from government actions such as government regulation of the banking system, tax systems, customs duties or minimum wage laws. So long as profit-maximizing firms compete within that system, a marketplace exists and our benchmarks for identifying and valuing subsidies are prices in that marketplace.

**Comment 2:** Petitioner argues that the benchmark interest rate used in the Department's preliminary determination, a weighted average of the interest rates charged by all sources of short-term commercial financing in Korea, does not reflect what a company would pay a normal commercial lender and is thus inconsistent with the principles enunciated by the Department for quantifying subsidies. Petitioner further argues that it is the curb market's unregulated interest rate which reflects the real cost of credit in Korea, and thus, pursuant to the principles enunciated in the Department's Subsidies Appendix, the curb market interest rate should be used as the benchmark interest rate in this case.

**DOC Position:** The Department believes that the correct benchmark for short-term lending normally is the most comparable, predominant form of short-term financing in the country under investigation. However, as explained in the section of the notice on "Short-Term Export Financing Under the Export

Financing Regulations", the Department has found an incentive for banks to lend for export transactions at the expense of domestic financing. Using best information available, the Department has measured this preference for export lending by comparing the cost of export loans with the weighted-average cost of all forms of short-term domestic financing.

In the case of long-term loans, the Department has followed its standard practice of comparing the terms of loans under examination with the terms of comparable commercial long-term loans (see the section of the notice on "Medium- and Long-Term Credit"). In reaching these determinations, we believe we have been faithful to the principles enunciated in our Subsidies Appendix.

**Comment 3:** Petitioner contends that, assuming *arguendo*, the weighted-average benchmark is the correct benchmark, the Department's weighted-average benchmark understates the proportional size of the curb market and overstates the proportional size of bank credit as sources of domestic credit.

**DOC Position:** As explained in the section of the notice on "Short-term Export Financing Under the Export Financing Regulations," we are using a weighted-average of short-term domestic financing costs in order to quantify the banking system's preference for export loans. This weighted-average credit pool comprises short-term domestic bank credit, investment and finance company credit, commercial paper, and the curb market. Our weights are based on the most reliable data entered in the record of this investigation, including the Bank of Korea's *Monthly Statistical Bulletin*, the Federation of Korean Industries' biannual surveys of corporate financing, and the Korea Chamber of Commerce's annual survey of the curb market.

**Comment 4:** Petitioner contends that exporters and/or steel producers of shapes and sheet benefit from a lower effective interest rate on domestic bank loans because they, unlike other borrowers, are not subject to compensating balance requirements.

**DOC Position:** Bank of Korea regulations specifically prohibit domestic banks from requiring compensating balances. During verification, we found no evidence that domestic banks require compensating balances or other borrowers, while not requiring them of exporters and/or steel producers.

**Comment 5:** Petitioner argues that the Korean government allocates the heavily subsidized credit of the "tightly government controlled-banking system"

to select priority, export industries. All others must rely on the curb market for funds. Commercial bank loans have especially focused on the Korean steel industry, and loan decisions are based on political, not creditworthiness considerations. U.S. Steel contends that commercial bank loans were not generally available either prior to or during 1983-1984.

**DOC Position:** For an explanation of our treatment of medium- and long-term loans, see the section of this notice entitled "Medium- and Long-Term Credit".

**Comment 6:** Petitioner contends that the National Investment Fund (NIF) provides preferential loans to producers of shapes and sheet.

**DOC Position:** We have found that NIF loans do not constitute subsidies during the period for which we are measuring subsidization (see the section of this notice entitled "Medium- and Long-Term Credit").

**Comment 7:** Petitioner contends that the NIF provided loans to producers of shapes and sheet at interest rates below those paid on NIF deposits. This differential in the cost of their funds and the return on their funds was assumed by the government, and constitutes an additional subsidy to producers of shapes and sheet.

**DOC Position:** During the period for which we are measuring subsidization, interest rates on long-term variable-rate NIF loans outstanding were not below interest rates on long-term variable-rate NIF deposits outstanding. Therefore, no government assumption of interest charges is indicated during the period for which we are measuring subsidization.

**Comment 8:** Petitioner argues that Korean Development Bank (KDB) loans are not generally available and should therefore be countervailed.

**DOC Position:** We have found that KDB loans do not constitute subsidies during the period for which we are measuring subsidization (see the section of this notice entitled "Medium- and Long-Term Credit").

**Comment 9:** Petitioner alleges that the Export-Import Bank of Korea (Eximbank) has provided loans for POSCO's coking coal development projects abroad—projects which provided the coking coal input for steel production. Given the "government compensation for interest losses" of the Eximbank, these loans are undoubtedly highly preferential.

**DOC Position:** We determine that Eximbank loans are not limited to a specific enterprise or industry or group of enterprises or industries. Because this



criterion for a domestic subsidy is not met, we determine that Eximbank loans do not confer benefits which constitute subsidies.

*Comment 10:* Petitioner argues that a 3.5 percent loan to POSCO, given by the Korean government with funds obtained from the Japanese government, is a countervailable subsidy.

*DOC Position:* We did not initiate an investigation of this loan. This loan was examined in the 1982 investigation of certain steel products from Korea (see "Final Affirmative Countervailing Duty Determinations: Certain Steel Products From the Republic of Korea," 47 FR 57535), and found not to be countervailable. After examining the information submitted by petitioner in these investigations, and the record of the 1982 case, we determined that no new information had been presented, merely a restatement of the existing evidence which we had used to determine that the 3.5 percent loan did not confer a subsidy upon POSCO.

*Comment 11:* Petitioner argues that the respondent's non-responsiveness to questions in the Department's questionnaire concerning both commercial banks and NIF dictates that the Department make all inferences against respondents.

*DOC Position:* We have found respondents responsive to our requests for information throughout this investigation considering the time constraints under which all parties were operating. Furthermore, we obtained information on the commercial banks and NIF during our verification and petitioner was given an opportunity to comment on the reports of our verification which discuss commercial banks and the NIF in detail.

*Comment 12:* Petitioner contends that Korean producers of shapes and sheet benefit from government loan guarantees. In particular, petitioner argues that industry-specific, government loan guarantees permitted POSCO to borrow funds in the European bond market at lower rates than would be possible without government guarantees.

*DOC Position:* In the course of our investigations, we determined that loan guarantees from both government-owned and privately-owned financial institutions are a standard commercial practice in Korea. The Bankers' Association sets the guarantee fees, and all Korean banking institutions charge those fees. The fee structure for loan guarantees does not differentiate by industry or class of transaction (*i.e.*, export or domestic). It does distinguish between won and foreign currency loans. As explained at verification by

both foreign and Korean bankers, foreign banks, unlike Korean banks, cannot require collateral on their loans. Thus, foreign bankers generally require a loan guarantee. Korean banks usually require guarantees when a company has no unpledged collateral. We found that the steel companies producing the products under investigations paid the fees specified by the Bankers' Association for those guarantees that they had on their domestic and foreign currency loans. Thus, we do not consider that these guarantees are on terms inconsistent with commercial considerations.

*Comment 13:* Petitioner contends that the Department's verification reports indicate that preferential port charges for exports exist in Korea, based on the per ton differential in port charges for exporting, importing and domestic shipping.

*DOC Position:* The Korea Maritime and Port Administrative (KMPA) establishes the rates for port charges. Rates vary according to port and also to the type of port activity. Port charges are higher for importers than for exporters; however, the charges for domestic shipping are the lowest. For the port at Pusan the rate is 22 cents a ton for exporting, 37 cents a ton for importing, and 68 won a ton for shipping to another Korean port. The rate of 68 won for domestic shipping is much lower than the 22 cents a ton rate charged to exporters. Since an exporting activity is not favored over a domestic activity, we find no countervailable benefit being provided to producers or exporters of shapes and sheet.

*Comment 14:* Petitioner notes that the Department's verification report on Dongjin indicates that opening charges on letters of credit for loans for purchasing foreign raw materials for domestic use are higher than for loans purchasing foreign raw materials for export use. They consider this to be an export subsidy.

*DOC Position:* As discussed in the section of the notice on "Short-term Export Financing Under the Export Financing Regulations," we consider that the fee structure, which specifies lower charges for opening those letters of credit used to purchase imports of raw materials used in export production, is a manifestation of the preference built into the government's rediscount mechanism on short-term export loans. We consider that we have captured any benefit from this fee structure in our comparison of the weighted-average interest rate on short-term domestic loans with the 10 percent interest rate on short-term export loans.

*Comment 15:* Petitioner contends that Pohang Iron and Steel Company's (POSCO) equity infusions into Dongjin are a countervailable subsidy because no private investor would have been willing to invest in Dongjin.

*DOC Position:* Our determination with respect to the formation of, and equity investment in, Dongjin is set forth in the section entitled "Equity Infusions into Dongjin."

*Comment 16:* Petitioner claims that suppliers of iron ore to domestic steel mills receive subsidies in the form of highly preferential export financing and exemption from value-added tax. Because these subsidies are available to every supplier of iron ore, economic forces cause the iron ore producers to pass subsidies through to the purchasers, (*i.e.* steel producers).

*DOC Position:* We have found that POSCO does not receive a competitive benefit from its purchases of domestic iron ore. Our determination is in accordance with section 613 of the Trade and Tariff Act of 1984. With respect to the exemption of VAT on its domestic iron ore purchases, the evidence on the record indicates that POSCO does pay VAT on its domestic iron ore purchases.

*Comment 17:* Petitioner argues that because tariff reductions on plant and equipment are treated as grants, the DOC should consider the extent to which producers of the products under investigation benefited from tariff reductions over the last 15 years.

*DOC Position:* We have employed our standard grant methodology with respect for both tariff reductions and port charges. In any given year when the sum of the grants received was greater than 0.5 percent of total sales, we allocated the grants over 15 years to determine the amount of the benefit accruing to the year for which we are measuring subsidization.

*Comment 18:* Petitioner argues that government equity infusions into POSCO between 1978 and 1980 as well as other equity infusions from 1973 to the present were inconsistent with commercial considerations. In support of this argument, petitioner cites the following factors: (1) Inadequate rate of return on equity, (2) unfavorable economic environment, and (3) lack of dividend payments by POSCO.

*DOC Position:* In order to determine whether government equity infusions are inconsistent with commercial considerations, we analyze the company's operations to determine the potential of the company to yield an adequate rate of return to an investor. Consistent with the Subsidies Appendix,

many factors are considered in this analysis, including those cited by the petitioner. However, other factors, such as management, market growth, availability of production inputs and critical financial indicators (*i.e.*, cash flow, return from operations) also are taken into consideration.

After considering all pertinent factors relevant to each year from 1969 through 1983, including rate of return on equity, economic environment, domestic and export markets and the ability to pay dividends, we concluded that the government's equity infusions into POSCO were inconsistent with commercial considerations from 1978 through 1980.

*Comment 19:* Petitioner states that it is their understanding that POSCO strongly objected to becoming a public corporation because it did not wish to pay dividends. Petitioner argues that POSCO's non-payment of dividends supports petitioner's position that POSCO is unequityworthy.

*DOC Position:* The Department's analysis indicated that, in most years, POSCO's cash position was sufficient to pay dividends. Since POSCO was not a public corporation attempting to attract equity funds in the public market, and therefore was not required to pay dividends, the use of internally generated funds by POSCO for expansion purposes was a business decision that can be considered a normal commercial practice.

*Comment 20:* Petitioner claims that studies conducted in 1969 and 1971 should not be used to determine the equityworthiness of POSCO in 1973 and 1974; rather, the most recent experience should be used for the determination.

*DOC Position:* We analyzed the most recent feasibility studies if available, as well as POSCO's financial position and other relevant factors in our determination of equityworthiness in 1973 and 1974. We agree that studies conducted in 1969 and 1971 would generally not include information pertinent to a 1973 and 1974 determination.

*Comment 21:* Petitioner claims that technological efficiency does not necessarily mean economic efficiency, and thus should not be a major factor in our equityworthiness determination.

*DOC Position:* While technological efficiency clearly has a bearing on the company's ability to produce, efficient production is not the only factor which influences the financial return to the investor.

*Comment 22:* As argued previously, petitioner claims that, before DOC can determine whether government equity infusions are counteravailable, it must

subtract out other domestic government subsidies from the firm's reported profits (losses) to determine a firm's true profitability.

*DOC Position:* We have maintained consistently that the Department should use the same basis as a private investor to determine equityworthiness. When deciding to invest, a private investor will assess the financial position of the firm at that point in time (see the Subsidies Appendix, 49 FR 18006).

We use the actual experience of the company as presented by generally accepted accounting principles in the country in which the company is located for determining the equityworthiness of the company. This provides a consistent standard for comparison to other companies which are conducting business in that country.

We already account for subsidies, other than equity, which the company received from the government by using methodologies specifically designed by the Department to calculate the benefit from these subsidies. If we countervailed these subsidies again when measuring the benefits to the company from the equity investment by the government, we would be double counting.

*Comment 23:* The petitioner claims that the Department should amend its methodology for quantifying the subsidy from government equity infusions by considering the riskiness of the investment in POSCO and comparing its rate of return on equity to a similarly risky investment. Consequently, the comparison should not be made to the average rate of return on equity, but to a rate of return on equity which includes a risk premium.

*DOC Position:* A company is considered to be equityworthy when it indicates the ability to generate a reasonable rate of return within a reasonable time period. We define this rate as the national average rate of return on equity. If the Department decides that a company is unequityworthy (*i.e.*, not likely to yield this average rate), then we find the equity infusion to be inconsistent with commercial considerations. This is not equivalent to saying that the investment is risky. Nor would we have any reasonable basis for determining the degree of risk involved in an investment. Moreover, if we chose to view such an investment as a "risky investment", we would have to reformulate our equityworthiness analysis because investors willing to bear a higher risk would evaluate these financial criteria differently. Therefore, in valuing the benefit from equity infusions that are found to be inconsistent with

commercial consideration, we compare the rate of return of the firm under investigation to the national average rate of return on equity, and do not add a risk premium.

#### Respondents; Comments

*Comment 1:* Responders argue that the Department was incorrect in not using the interest rate for short-term borrowings from commercial banks as the most appropriate national average commercial method of short-term financing. Bill discounts, overdrafts, and general term loans are the domestic equivalents of short-term export financing, and are the alternative financing to export loans. Department precedent has always been to select the most comparable and commonly used alternative source of financing in a given country.

*DOC Position:* We agree that the correct benchmark for short-term lending normally is the most comparable, predominant form of short-term financing in the country under investigation. However, as explained in the section of the notice on "Short-Term Export Financing Under the Export Financing Regulations", the Department has found an incentive for banks to lend for export transactions at the expense of domestic financing. Using best information available, the Department has measured this preference for export lending by comparing the cost of export loans with the weighted-average cost of all forms of short-term domestic financing.

*Comment 2:* Respondents contend that the Department was incorrect in determining that long-term loans provided by the National Investment Fund (NIF) constitute export subsidies. NIF loans are in no way contingent on export performance. Respondents further contend that NIF loans are also not domestic subsidies because they are generally available. In any case, given the Department's methodology for evaluating long-term variable rate loans, no new NIF loans or NIF loans outstanding have been at preferential interest rates since NIF rates were equalized with the commercial bill discount rate in late 1981.

*DOC Position:* We agree that NIF loans do not constitute an export subsidy. We have also found that they do not constitute a domestic subsidy because interest rates on NIF loans during the period under investigation were not on terms inconsistent with commercial considerations. The correct long-term benchmark rate, however, is not that which exists on short-term commercial bills; rather, it is the rate on

comparable commercial long-term borrowing. This is the benchmark we used in determining that NIF loans did not constitute subsidies.

*Comment 3:* Respondents note in their comments on the Government Verification Report that, in the Ministry of Trade and Industry's requirements submission for NIF loans, a number of different companies from industries other than steel are listed and that not only steel companies were specifically listed.

*DOC Position.* We agree that companies from other industries were listed in the submissions.

*Comment 4:* Respondents argue in their comments on the Dongjin Verification Report that the sale of assets by the banks to POSCO was incorrectly characterized as a loan. They argue that the transaction between POSCO and the banks is a purchase contract between the owners of the assets (the banks) and the purchaser (POSCO).

*DOC Position.* Our determination with respect to this transaction is set forth in the section of the notice on "Equity Infusions in Dongjin."

*Comment 5:* Respondents not in their comments on the Dongjin Verification Report, that the charges paid for opening letters of credit are unrelated to the short-term loans themselves.

*DOC Position.* We believe that we have captured any benefit to short-term export loans provided by this fee structure in our calculation of the subsidy on the short-term export loans. For further discussion of this issue, see our response to petitioner's Comment 14.

*Comment 6:* Respondents argue in their comments on the Government Verification Report that the central bank rediscount mechanism was established to ensure that financing reached the productive sector of the economy by tying the financing to commodities and transactions, and the volume of domestic financing under this mechanism far exceeds export financing if overdrafts and general term loans are included. They also argue that because domestic commercial bills finance 100 percent of the bills value, while export loans are eligible for only 80 percent, the rediscount mechanism does not alter the value of financing reaching the borrower.

*DOC Position.* We disagree. In 1983, the volume of short-term domestic financing eligible for rediscount at the Bank of Korea was less than the volume of short-term export financing eligible for rediscount at the Bank of Korea. We believe this is a manifestation of the preference for export financing over domestic financing. Although a large

company's domestic transactions are eligible for financing equal to 100 percent of transaction value, the bank which provides this financing may only rediscount 30 percent of that 100 percent at the Bank of Korea. At the same time, although all firms, export transactions are only eligible for financing equal to 80 percent of transaction value, the bank which provides this financing can rediscount 70 percent of the 80 percent at the Bank of Korea. Thus, the Bank of Korea supplies credit which covers only 30 percent of the value of a domestic transaction as compared to 56 percent of the value of an export transaction.

This preference for export credit is a subsidy, and we have countervailed it (see the section of this notice entitled "Short-term Export Financing Under the Export Financing Regulations.")

*Comment 7:* Respondents contend that tariff reductions on plant and equipment are generally available. They claim that DOC has sufficient evidence, obtained at verification, to find that tariff reductions on imported equipment are available to a large number of industries and, thus, are generally available.

*DOC Position.* We determined that tariff reductions on plant and equipment, unlike import duty deferrals on plant and equipment, confer benefits which constitute subsidies because this program operates to provide higher tariff reductions to certain enterprises within the industries designated as eligible for tariff reductions. Thus, the benefit equals the differential between the higher tariff reductions for certain enterprises and the tariff reduction allowed for all the other designated industries.

*Comment 8:* Respondents argue that DOC should calculate company-specified rates for cold-rolled carbon steel flat-rolled products.

*DOC Position.* It is the Department's policy to issue country-wide rates unless separate enterprises have received significantly different benefits. In this case, although one producer under investigation receives benefits under all six programs found to confer subsidies, while the other producers and exporters receive benefits under only two of the programs, the level of benefits received is not significantly different. Thus, we do not believe that company-specific rates are appropriate.

*Comments 9:* Respondent claims that the Department erred in its preliminary determination by using U.S. "generally accepted accounting principles" instead of Korean "generally accepted accounting principles" to review the financial results of POSCO. Respondent contends that the Department must view the equityworthiness of the company in

the country where it is located. Specifically, respondent claims that in conducting the equityworthiness analysis, the Department should apply Korean accounting principles pertaining to unrealized exchange gains and losses which permit amortization of such gains and losses over a five year period, and should not apply U.S. principles to exchange gains and losses.

*DOC Position:* We did not use U.S. accounting principles to restate POSCO's financial statements which were used as a basis for the preliminary determination. An investor would consider many factors when deciding to invest in a company. One of these factors is the impact of generally accepted accounting principles on the presentation of the firm's financial results. Thus, we also examined the effects of these accounting principles on POSCO's financial statements.

When analyzing the financial results of POSCO, we used the Korean principles which permit a five-year period of amortization for unrealized exchange gains and losses. U.S. accounting principles would require all exchange losses to be expensed in the year in which such losses were incurred. However, a significant number of POSCO's exchange transactions had not been amortized over a five-year period in POSCO's financial statements. An investor reviewing the financial results of POSCO would have considered the impact from these exchange transactions which had not been amortized over five years. Thus, the Department also considered the impact to profits and to other financial aspects of the company from such transactions.

*Comment 10:* Respondent argues that the Department departed from its prior determinations which require the use of the accounting practices of the country of the company under investigation to determine the equityworthiness of a company.

*DOC Position:* We did not depart from our prior determinations. We used the Korean "generally accepted accounting principles" when reviewing the financial statements of POSCO, and we considered the impact to the financial results from the application of such principles.

*Comment 11:* Respondent claims that POSCO is a sound investment if viewed by any standard because of its efficient production operations and its ability to service its debt. Also, the feasibility studies presented to the banks for financing POSCO's expansions presented positive economic projections.

*DOC Position:* We analyzed many factors for the equityworthiness

determination, two of which were POSCO's production results and the effects of debt leverage on its operations. Additionally, the Department reviewed the feasibility studies and compared the projections in each feasibility study with the company's on-going financial results to determine the impact such studies may have had on an investment decision. This comparison revealed that the actual financial results were not commensurate with the financial projections and, therefore, such studies would have been used for only a short period of time as a basis for an investment decision. Furthermore, the fact that the company's performance failed to meet projections would have negatively influenced an investor.

*Comment by Chaparral Steel Company, a Party to the Proceeding:* In addition to endorsing the comments filed by petitioner in these proceedings, Chaparral Steel Company also filed a separate comment pertaining to the production of carbon steel structural shapes.

*Comment:* Chaparral Steel Company provided raw material, transportation, comparative labor cost data, and price information to suggest that, given the Koreans' cost disadvantages and lower selling prices for carbon steel structural shapes in the United States, Korean shapes producers must be subsidized.

*DOC Position:* Chaparral did not provide any detailed evidence or arguments that specific government programs exist which defray the Koreans' presumed cost disadvantage for steel production. At verification, we found that Incheon Iron and Steel Company, the only shapes producers in these investigations, paid all duties and shipping costs for the import of scrap iron and steel. We have also fully investigated all other programs alleged by petitioner to be subsidies. Absent specific charges that additional government subsidies exist to benefit Korean producers of shapes, we cannot determine that carbon steel structural shapes sold in the United States are subsidized to any degree greater than the *de minimis* level found in these determinations.

#### Verification

In accordance with section 776(a) of the Act, we verified the information used in making our final determinations. Commerce officials spent from September 18 to October 17 verifying the information submitted by the government of Korea and by the companies under investigation, and gathering additional information to be used in our final determinations. During this verification we followed normal

verification procedures including inspection of documents and ledgers, and tracing the information in the responses to source documents, accounting ledgers, and to financial statements.

#### Suspension of Liquidation

In accordance with section 703(d) of the Act, on September 18, 1984 we instructed the U.S. Customs Service to suspend liquidation of all entries of cold-rolled carbon steel flat-rolled products from Korea (49 FR 36538). As of the date of publication of this notice in the *Federal Register*, the liquidation of all entries, or withdrawals from warehouse, for consumption of this merchandise will continue to be suspended and the Customs Service shall require a cash deposit or bond for each such entry of this merchandise in the amount of 3.60 percent *ad valorem*. This suspension will remain in effect until further notice. As stated above, our final determination with respect to carbon steel structural shapes is negative; therefore, we are not directing the U.S. Customs Service to suspend liquidation of entries of carbon steel structural shapes.

#### ITC Notification

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

The ITC will make its determination whether imports of cold-rolled carbon steel flat-rolled products materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice.

If the ITC determines that material injury or the threat of material injury does not exist with respect to cold-rolled carbon steel flat-rolled products, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue a countervailing duty order, directing the Customs Service to assess countervailing duties on all entries of cold-rolled carbon steel

flat-rolled products from Korea entered, or withdrawn from warehouse, for consumption on or after the suspension of liquidation date, equal to the net subsidy amount indicated in the "Suspension of Liquidation" section of this notice.

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

William T. Archey,  
*Acting Assistant Secretary for Trade Administration.*

November 26, 1984.

[FR Doc. 84-31524 Filed 11-30-84; 8:45 am]  
BILLING CODE 3510-06-M

**APPENDIX B**  
**NOTICE OF INVESTIGATION BY THE COMMISSION**

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**[Investigation No. 701-TA-218 (Final)]**

**Certain Cold-Rolled Carbon Steel  
Products From the Republic of Korea**

**AGENCY:** United States International  
Trade Commission.

B-18

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

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**SUMMARY:** As a result of an affirmative preliminary determination by the U.S. Department of Commerce that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters in the Republic of Korea (Korea) of cold-rolled carbon steel sheets and plates, provided for in item 607.83 of the Tariff Schedules of the United States, the United States International Trade Commission hereby gives notice of the institution of investigation No. 701-TA-218 (Final) under section 705(b) of the act (19 U.S.C. 167d(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. The Commission will make its final injury determination by January 15, 1985 (19 CFR 207.25).

**EFFECTIVE DATE:** September 18, 1984.

**FOR FURTHER INFORMATION CONTACT:** Nancy Fulcher (202-523-0290), Office of Industries, U.S. International Trade Commission.

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

On August 2, 1984, the Commission notified the Department of Commerce that, on the basis of the information developed during the course of its preliminary investigation, there was a reasonable indication that an industry in the United States was materially injured by reason on imports of certain cold-rolled carbon steel products from Korea. The preliminary investigation was instituted in response to a petition filed on June 18, 1984, 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 § 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 Chairwoman, 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 November 26, 1984, pursuant 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 December 11, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC 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 November 20, 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 9:30 a.m., on November 27, 1984, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is December 6, 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 December 17, 1984.

##### **Written Submissions**

As mentioned, parties to this investigation may file prehearing and posthearing brief 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 December 17, 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 submission 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 submission 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).

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

By order of the Commission.

Issued: October 9, 1984.

**Kenneth R. Mason,**  
Secretary.

[FR Doc. 84-27681 Filed 10-16-84; 8:45 am]  
BILLING CODE 70201-05-01





APPENDIX C

NOTICE OF RESCHEDULING OF HEARING BY THE COMMISSION

Products from Argentina, Australia, Finland, and Spain (49 FR 39622, Oct. 9, 1984). The prehearing conference scheduled in connection with the subject investigation for 9:30 a.m. on November 27, 1984, is rescheduled for 10:00 a.m. on December 7, 1984 (in room 117 of the USITC Building); and prehearing briefs will be due on December 10, 1984, rather than December 6, 1984, as previously scheduled.

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's original notice of investigation (49 FR 40676, Oct. 17, 1984).

**EFFECTIVE DATE:** November 26, 1984.

**FOR FURTHER INFORMATION CONTACT:**

Lynn Featherstone (202-523-0242),  
Office of Investigations, U.S.  
International Trade Commission, 701 E  
Street NW., Washington, DC 20436.

**Authority:** This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: November 27, 1984.

By order of the Commission.

**Kenneth R. Mason,**  
*Secretary.*

[FR Doc. 84-31404 Filed 11-29-84; 8:45 am]

**BILLING CODE 7020-02-M**

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 701-TA-218 (Final)]

**Certain Cold-Rolled Carbon Steel  
Products From the Republic of Korea**

**AGENCY:** International Trade  
Commission.

**ACTION:** Rescheduling of the hearing,  
prehearing conference, and prehearing  
brief filing date in connection with the  
subject investigation.

**SUMMARY:** The Commission hereby  
announces the rescheduling of the  
hearing to be held in connection with  
the subject investigation from 10:00 a.m.  
on December 11, 1984, to 10:00 a.m. on  
December 13, 1984. The hearing will now  
be held concurrently with the hearing  
previously scheduled in connection with  
investigations Nos. 731-TA-169 through  
182 (Final), Certain Carbon Steel

**APPENDIX D**

**LIST OF WITNESSES APPEARING AT THE HEARING**

CALENDAR OF PUBLIC HEARING

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

Subjects : Certain Cold-Rolled Carbon Steel Products  
from The Republic of Korea

and

Certain Carbon Steel Products from Argentina,  
Australia, Finland, and Spain

Inv. Nos. : 701-TA-218 (Final)

and

731-TA-169, 171, 175, 177, 178, 180 & 182 (Final)

Date and time: December 13, 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 and/or  
countervailing duties:

United States Steel Corporation, Pittsburgh, Pennsylvania

John J. Mangan, Senior General Attorney, International Trade

John Satterfield, General Manager of Sales, West

Craig D. Mallick, Attorney

Tim Moran, General Manager of Sales of Sales, West

Paul Fidel, Manager, International Trade and Litigation  
Services

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

Bethlehem Steel Corporation

Robert E. Roll, Manager of Sales, Structural Shapes  
Sales, Steel Group

Roland L. Moore, Manager of Sales, Plate and Tubular  
Product Sales, Steel Group

David A. Roberts, Manager of Sales, Hot & Cold  
Roller Sheet Sales, Steel Group

Eugene L. Stewart--OF COUNSEL

Cravath, Swaine & Moore--Counsel  
New York, N.Y.  
on behalf of

LTV Steel Company, Inland Steel Company and Armco, Inc.

Alan J. Hruska--OF COUNSEL

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

Mudge Rose Guthrie Alexander & Ferdon--Counsel  
Washington, D.C.  
on behalf of

The Korea Iron and Steel Association

Donald B. Cameron )  
Julie C. Mendoza )--OF COUNSEL  
Alan Price )

Mudge Rose Guthrie Alexander & Ferdon--Counsel  
Washington, D.C.  
on behalf of

Propulsora Siderurgica S.A.I.C. of Argentina

Jeffrey S. Neelley--OF COUNSEL

Surrey & Moore--Counsel

Washington, D.C.

Sullivan & Cromwell--Counsel

Washington, D.C.

on behalf of

John Lysaght (Australia), Ltd. ("JLA")

Surrey & Moore

Kermit W. Almstedt--OF COUNSEL

Sullivan & Cromwell

Ms. Margaret K. Pfeiffer--OF COUNSEL

**APPENDIX E**

**DESCRIPTIONS OF PRODUCTS COVERED IN THE PRICE SECTION**

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

Product 1: Cold-rolled carbon steel sheets, in coils, commercial quality, class 1, 0.0230 inch through 0.0270 inch in thickness, 45 inches through 60 inches in width.

Product 2: Cold-rolled carbon steel sheets, in coils, commercial quality, class 1, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 3: Cold-rolled carbon steel sheets, in coils, commercial quality, class 1, 0.0640 inch through 0.0820 inch in thickness, 45 inches through 60 inches in width.



