Certain Steel Wire Rod From Brazil and Japan

Investigations Nos. 731-TA-646 and 648 (Final)

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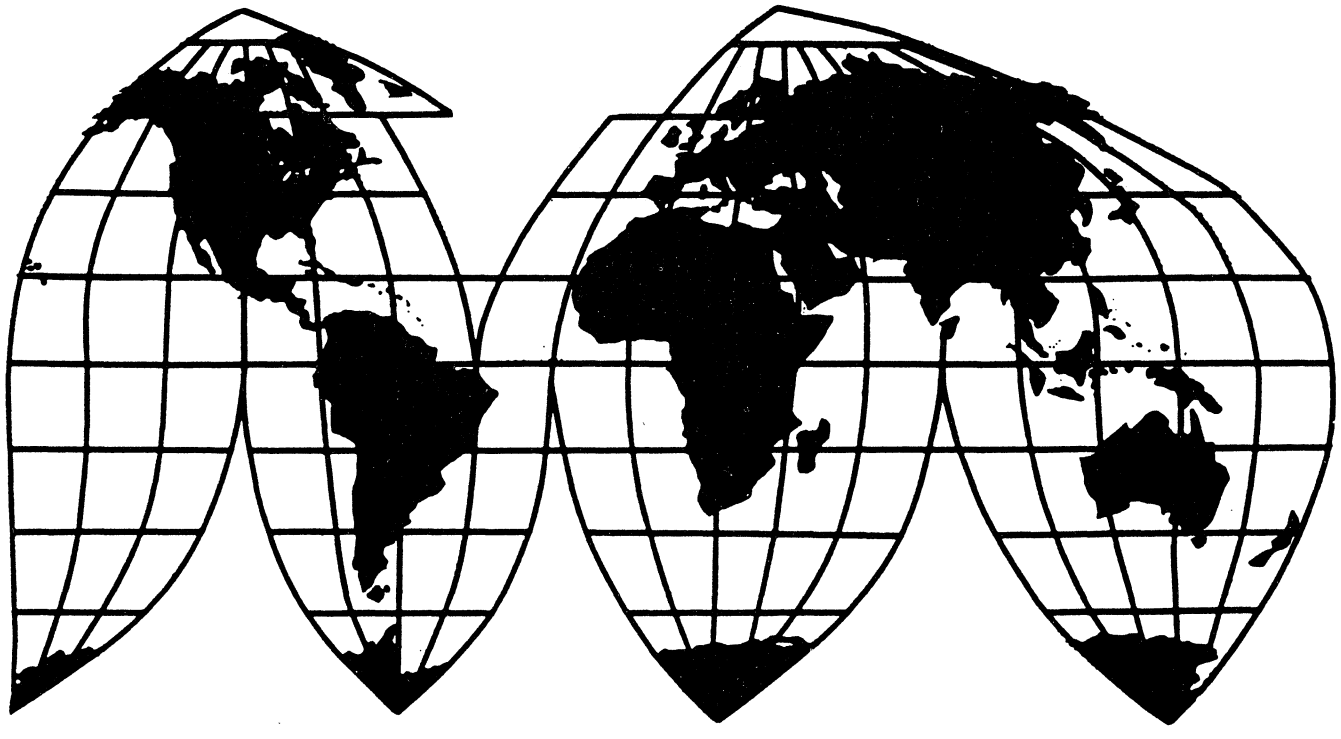

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U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

PART I

DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-646 and 648 (Final)

CERTAIN STEEL WIRE ROD FROM BRAZIL AND JAPAN

Determinations

On the basis of the record[1] developed in the subject investigations, the Commission determines,[2] pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Brazil and Japan of certain steel wire rod,[3] provided for in subheadings 7213.31.30, 7213.31.60, 7213.39.00, 7213.41.30, 7213.41.60, 7213.49.00, 7213.50.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective November 26, 1993, following preliminary determinations by the Department of Commerce that imports of certain steel wire rod from Brazil and Japan were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the institution of the Commission's investigations 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 of December 16, 1993 (58 F.R. 65732). The hearing was held in Washington, DC, on February 15, 1994, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Chairman Newquist dissenting.

[3] For purposes of these investigations, certain steel wire rod is defined as hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter. The following products are excluded from the scope of these investigations:

- steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and having the following chemical content, by weight: carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorus plus sulfur less than or equal to 0.04 percent, and nitrogen less than or equal to 0.006 percent (termed "1080 tire cord" quality wire rod);

- free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium;

- stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and

- wire rod 7.9 to 18 mm in diameter, containing 0.48 to 0.73 percent carbon by weight, and having partial decarburization and seams no more than 0.075 mm in depth (termed valve spring quality wire rod).

VIEWS OF VICE CHAIRMAN WATSON, COMMISSIONER CRAWFORD AND COMMISSIONER NUZUM[1]

Based on the record in these final investigations, we determine that the industry in the United States producing certain steel wire rod is neither materially injured nor threatened with material injury by reason of imports of certain carbon and alloy steel wire rod from Brazil and Japan that have been found to have been sold at less than fair value (LTFV).[2]

I. LIKE PRODUCT

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission must first define the "like product" and the "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the relevant industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[3] In turn, the Act defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[4]

The Department of Commerce ("Commerce") has defined the article subject to these investigations as:

> hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter. The following products are excluded from the scope of these investigations:
>
> - steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and having the

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[1] Chairman Newquist finds that the domestic industry is threatened with material injury by reason of LTFV imports from Brazil and Japan. He concurs in the majority's discussion of like product and of the domestic industry and related parties, and generally concurs in its discussion of the condition of the domestic industry. See Dissenting Views of Chairman Newquist, infra.

[2] Material retardation of the establishment of an industry is not an issue in these investigations and will not be discussed further.

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(10). The Commission's like product determinations are factual, and the Commission applies the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. See, e.g., Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

In analyzing like product issues, the Commission considers a number of factors, including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and (6) where appropriate, price. Calabrian Corp. v. U.S. Int'l Trade Comm'n, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington Co. v. United States, 747 F. Supp. at 748-49.

following chemical content, by weight: carbon greater than or equal to 0.79%, aluminum less than or equal to 0.005%, phosphorous plus sulfur less than or equal to 0.040%, and nitrogen less than or equal to 0.006% (termed "1080 tire cord" quality wire rod);

- free-machining steel containing 0.03% or more or lead, 0.05% or more of bismuth, 0.08% or more of sulfur, more than 0.4% of phosphorus, more than 0.05% of selenium, and/or more than 0.01% of tellurium;

- stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and

- wire rod 7.9 to 18 mm in diameter, containing 0.48 to 0.73% carbon by weight, and having partial decarburization and seams no more than 0.075 mm in depth (termed valve spring quality wire rod).[5]

B. Like Product Issues

In our preliminary investigations, we found a single like product consisting of certain carbon and alloy steel wire rod. The Commission stated:

> [w]hile there are many distinctions between different specifications for particular wire rod products, we find that all such products form a broad continuum and that the present record does not establish sufficient bright lines between them to constitute separate like products.[6]

Petitioners urge the Commission to readopt its definition of like product from the preliminary determinations. Respondent purchasers argue that the Commission should find that tire quality, cold heading quality (CHQ) and aluminum conductor steel reinforced (ACSR) quality steel wire rod constitute separate like products. The Canadian, German and Brazilian respondents[7] state that they "fully support" the separate like product arguments and analysis

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[5] 59 Fed. Reg. 5984, 5984-85 (Feb. 9, 1994); 59 Fed. Reg. 5987 (Feb. 9, 1994). Commerce further notes that "[t]he products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.20.0000, 7227.90.6000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS)."

We note that the last paragraph of the definition of the scope, which contains the exclusion for valve spring wire, is a correction of which we were informed by Commerce. Commerce has instructed petitioners to file a correction, which will apply to all investigations.

[6] USITC Pub. 2647, at 9 (June 1993).

[7] Imports of certain steel wire rod from Brazil, Canada, Japan, Belgium, and Germany are all subject to investigation. See note in Section IV., infra for a more detailed explanation. A petition respecting subject imports from Belgium and Germany was filed with the Commission on February 14, 1994, and The Commission's record for those investigations has been merged with the record for the final investigations, i.e. the record pertaining to rod imports from Brazil, Canada and Japan. Accordingly, all parties had the opportunity to

(continued...)

pertaining to tire quality wire rod[8] as well as CHQ wire rod.[9] Respondents' analysis hinges upon arguments pertaining to the following factors: physical characteristics and uses, interchangeability, customer perceptions, and price.

Tire quality rod is used to construct steel reinforcement in pneumatic tires. It is high-carbon rod with restrictive requirements for cleanliness, segregation, decarburization, chemical analysis, and surface imperfections. Tire bead, a subdivision of tire quality rod, is used for rim reinforcement and tire cord, another subtype of tire quality rod, is used for tread reinforcement.[10]

CHQ wire rod is used to manufacture heading, forging or cold-extrusion quality wire. It is produced by closely controlled manufacturing practices and is subject to mill testing and inspection to provide internal soundness and freedom from detrimental surface imperfections. CHQ wire rod can be made from low-, medium- or high-carbon steel.[11]

United States Alumoweld Company, Inc. (USAC) purchases certain ACSR quality wire rod[12] which it uses to make a certain type of wire: Alumoweld wire. USAC has identified itself as the only customer for this ACSR quality rod, and only one wire rod producer, located in Japan, manufactures it.[13] USAC also maintains that the product most similar in characteristics and uses to the imported product is lead patented drawn wire,[14] which is not a rod product and is not within the scope of the investigations. It is not clear what rod product USAC views as most similar to the certain ACSR rod.[15]

We find, as we did in the preliminary investigations, that steel wire rod represents a broad continuum of products, for which there are no sufficiently bright dividing lines to distinguish between tire quality rod, CHQ rod, ACSR rod, and all other rod. On balance, we believe that the common channels of distribution, producer perceptions, common manufacturing facilities and production employees, and similar production processes, support a finding that none of the specialty types of rod constitute a like product separate from other types of steel wire rod.

Our evaluation of the evidence shows that a vast array of steel wire rod products can be identified, differentiated according to chemistry, diameter and manufacturing process.

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[7] (...continued)
present their arguments with respect to issues before the Commission, including the like product.

[8] Posthearing Brief of Thyssen Inc. at 3-4 (Mar. 9, 1994); Responses to Questions from Commission Staff of Thyssen Inc. at 7 (Mar. 9, 1994); (German Responses to Questions); Canadian Respondents' Joint Response to Commissioners' Questions at 52 (Feb. 24, 1994) (Canadian Respondents' Posthearing Brief). The Brazilian respondent states that it concurs with the points presented by the Canadian respondents. Post-Hearing Brief of Siderúrgica Mendes Júnior SA at 1 n.1 (Feb. 24, 1994).

[9] Posthearing Brief of Thyssen Inc. at 3-4; German Responses to Questions at 7.

[10] Confidential Staff Report (hereinafter referred to as "CR") at I-32 - I-33; Public Staff Report (hereinafter referred to as "PR") at II-18. Small and large filament diameter tire cord are subdivisions of tire cord quality rod. Small filament tire cord is used for highly critical applications. CR at I-39; PR at II-21.

[11] CR at I-32; PR at II-18.

[12] USAC adds two items to the Commission's definition of ACSR to arrive at its own definition, which it claims covers two additional grades of rod. It also uses the term aluminum conductor steel reinforced wire rod rather than aluminum cable steel reinforced wire rod. Pre-Hearing Brief of United States Alumoweld Company, Inc. at 1 n.1 (Feb. 9, 1994). USAC admits that it is the only domestic user of certain ACSR quality wire rod that meets its definition. Pre-Hearing Brief of USAC at 1.

[13] Pre-Hearing Brief of USAC at 8-9, 11; Post-Hearing Brief of United States Alumoweld Company, Inc. at 2, 5-6 (Feb, 24, 1994).

[14] Pre-Hearing Brief of USAC at 14.

[15] See Pre-Hearing Brief of USAC at 15-16.

The American Iron and Steel Institute, American Society for Testing and Materials, and the Society of Automotive Engineers publish specifications of chemical composition limits, physical properties and thermal treatments. End users may request modification of these nominal specifications to achieve a specific performance on their machinery.[16] The plethora of product variety blurs any distinction based on physical characteristics.[17]

Petitioners maintain that the facilities and processes used to produce all steel wire rod in the United States are essentially the same.[18] They further allege that all grades and qualities of steel wire rod can be and are manufactured in the same facilities using the same production employees, simply by varying the chemistry of the molten steel and by adjusting the rolling and cooling practices.[19] The record shows that steel wire rod is manufactured on the same equipment in the same facilities by the same employees. Special metallurgical properties are imparted by simply adjusting the chemistry and by varying rolling and cooling practices.[20]

Steel wire rod is almost always sold in irregularly wound coils for subsequent redrawing[21] directly to wire drawers and wire products producers, who are the primary consumers of steel wire rod and who convert the coiled rod into wire in one or more continuous wire drawing operations. There is some interchangeability between alloy and carbon grades, and at the margin between carbon grades.[22] Although there are hundreds of grades and size variations of steel wire rod, the variation may be one only of degree.[23] It is true that customers require rod that, besides meeting traditional chemical and metallurgical specification requirements, is certified to perform in the customer's plant,[24] which further limits interchangeability. Yet most purchasers have qualification procedures[25] which limit interchangeability for a wide range of types of steel wire rod.

Virtually all sales of all steel wire rod are made to end users. Thus, the channels of distribution are the same for all types of rod.[26]

We note that, in the recent past, we were not persuaded that unique specifications, processes and end uses mandate a finding of separate like products.[27] We believe that these investigations also present a continuum of products reflecting a spectrum of qualities, grades, chemistries, sizes, and other features, which are reflected in the various industry

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[16] CR at I-10; PR at II-9.

[17] Even one purchaser of tire quality rod, which argued for a finding of separate like products, concedes that there is no clear dividing line on the basis of chemical properties. See Pre-Hearing Brief of Amercord, Inc. at 4-5 (Feb. 9, 1994); Answers to the Commissioners' Questions on Behalf of Amercord, Inc. at 7-9 (Feb. 24, 1994).

[18] Petitioners' Post Hearing Brief, Ex. 1-F at 3 (Feb. 24, 1994).

[19] Petitioners' Post Hearing Brief, Ex. 1-F at 3.

[20] See CR at I-11; PR at II-9.

[21] CR at I-19; PR at II-13.

[22] CR at I-19; PR at II-13.

[23] CR at I-19; PR at II-13.

[24] CR at I-92; PR at II-49.

[25] CR at I-93; PR at II-50.

[26] CR at I-49; PR at II-26.

[27] See Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom, Invs. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-353 (Final) and Invs. Nos. 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664, at 94 (Aug. 1993) (Vol. I) ("we do not perceive a clear distinction between . . . narrow, specialized steel and the continuum of many different specialized . . . steels with unique specifications, processes and end uses").

specifications and the many specifications for specific end uses.[28] Accordingly, we continue to find that there is one like product, consisting of certain hot-rolled carbon and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter, and excluding the specific types of certain steel wire rod excluded from the scope of Commerce's investigations.

II. DOMESTIC INDUSTRY AND RELATED PARTIES

A. Domestic Producers

In light of our like product determination, we reaffirm our determination in the preliminary investigation that there is a single domestic industry comprising the producers of certain carbon and alloy steel wire rod.

B. Related Parties

Under section 771(4)(B) of the Act, producers who are themselves importers of LTFV or subsidized merchandise are considered related parties and may be excluded from the domestic industry in "appropriate circumstances."[29] The rationale for excluding related parties is the concern that the overall industry data may be skewed by inclusion of the related parties who are shielded from any injury that might be caused by the unfair imports. Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.[30]

During the preliminary investigations involving Brazil, Canada and Japan, the Commission determined not to exclude two domestic producers related to a Canadian producer, which is also an importer of record.[31] The Commission found that excluding them from the domestic industry was not necessary to minimize any distortion in the aggregate data bearing on the condition of the domestic industry.[32] The indicators on which we based

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[28] With respect to USAC's ACSR rod in particular, it appears that USAC simply requires that its extensive specifications be met to achieve a specific performance. Other specialized products, especially those related to public safety such as bridge cable, mining wire rope and the like, require complex qualification procedures, and no party has argued that the Commission should determine that these products are separate like products.

[29] 19 U.S.C. § 1677(4)(B). Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992); Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude related parties include:

> (1) the percentage of domestic production attributable to related producers;
> (2) (the reasons why the domestic producers have chosen to import the product under investigation -- to benefit from the unfair trade practice, or to enable them to continue production and compete in the domestic market; and
> (3) the position of the related producers vis-a-vis the rest of the domestic industry, i.e. whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See Torrington Co. v. United States, 790 F. Supp. at 1168.

[30] See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1168.

[31] CR at I-49; PR at II-26. Although this determination does not address imports of certain steel wire rod from Canada, the issue of related parties is germane as a result of the cumulation of subject imports from Canada. See Section IV, infra.

[32] USITC Pub 2647, at 11-12.

our preliminary determination not to exclude these domestic producers as related parties have remained essentially unchanged. Thus, the data do not indicate that these producers were shielded from the effects of unfairly traded imports. Inclusion of such data would not have a skewing effect on the industry's aggregate data. We note in particular that no domestic producer imported rod from Canada.[33] In view of these facts, we do not believe that appropriate circumstances exist to exclude these producers from the domestic industry.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether the domestic industry is materially injured by reason of LTFV imports, the Commission considers all relevant economic factors which have a bearing on the state of the industry in the United States. These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is determinative, and we consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[34] In evaluating the condition of the domestic industry, we look at the domestic industry as a whole.[35]

In examining the condition of the domestic industry, we discuss the above industry indicators for all domestic steel wire rod, whether captively consumed or sold on the merchant market. In reaching our determination we have, however, taken into consideration the degree of captive consumption and sales to related end users. In general, captive consumption and sales to related end users attenuate the degree of competition between the domestic product and the subject imports. We note that seven domestic producers internally consumed a certain amount of their production of certain steel wire rod or sold it to related wire manufacturers.[36] In addition, 29 percent of domestic producers' shipments were sales to related end users and eleven of the 13 responding producers provided shipments to wholly- or partially-owned wire drawers.[37] From 1990 to 1992, the ratio of internal consumption and company transfers to U.S. shipments averaged 20 percent.[38]

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[33] See Importers Questionnaires.

[34] 19 U.S.C. § 1677(7)(C)(iii). The demand for certain steel wire rod varies on both a long-term and a shorter-term yearly cycle. Over the longer cycle, demand fluctuates with the construction, automobile and agricultural industries. Over a yearly cycle, rod shipments are traditionally highest in the second and third quarters and slower in the first and fourth quarters, primarily as a result of the peak construction activity during the summer months. CR at I-24; PR at II-15; Hearing Tr. at 214-15. Petitioners admit that 1993 should have been a peak in the cycle for the industry, due to the fact that the automotive and construction industries were flourishing, and demand for rod was constant. Hearing Tr. at 35; 120. Yet petitioners claim their performance in 1993 was "bleak." Hearing Tr. at 35; see also Hearing Tr. at 119. We have considered the evidence concerning the business cycle in making our negative determination. See Section IV, infra.

[35] See, e.g., Welded Stainless Steel Pipe from Malaysia, Inv. No. 731-TA-644 (Final), USITC Pub. 2744, at I-9 n.29 (Mar. 1994).

[36] CR at I-55; PR at II-28.

[37] CR at I-50; PR at II-26.

[38] CR at I-55; PR at II-28. Vice-Chairman Watson also notes that competition between the domestic products and the subject imports can be affected by "Buy American" requirements. In some applications, such as federal and/or state construction projects, it is required that U.S.-produced products be used. These sales accounted for between 0 and 15 percent of domestic producers' total sales in 1992, as well as in 1990 and in 1991. Most purchasers, however, do not buy products under Buy American programs. Product prices under these programs do not appear to be significantly different from prices for all other sales. CR at I-106; PR at II-54.

There were a number of disruptions of domestic production during the period of investigation. First, Bethlehem Steel ceased all production of steel wire rod in September 1992.[39] Four other firms reported disruptions of production totaling over 60,000 short tons, concentrated during the first half of 1993. These disruptions were due to such factors as unavailability of raw materials, equipment failures, building damage, the necessity of environmental cleanup, and delays in the startup of newly-installed equipment.[40]

The demand for steel wire rod increased significantly during the period of investigation, with a particularly marked surge in demand in 1993. Improvements in the automotive and construction markets contributed to the general rise in consumption. There is also evidence that the number of wire drawers is increasing, which augments the need for more steel wire rod.[41]

Indeed, while apparent U.S. consumption of certain steel wire rod decreased 2.5 percent by quantity from 5.8 million short tons in 1990 to 5.6 million short tons in 1991, it increased by 7.2 percent to 6.0 million tons in 1992, thus surpassing the 1990 level.[42] The overall increase was 4.6 percent from 1990 to 1992, and apparent consumption rose more steeply, by 5.1 percent, between the interim periods, i.e. January to September 1992 and January to September 1993.[43]

Domestic production of certain steel wire rod rose by 2.6 percent from 1990 to 1992, from 5.0 million short tons to 5.1 million short tons. This increase intensified between the interim periods: from 3.9 million short tons in interim 1992 to 4.1 million short tons in interim 1993, a gain of 5.2 percent.[44] Average-of-period capacity increased by 1.3 percent from 5.96 million short tons in 1990 to 6.04 million in 1992, and declined by 1.9 percent from 4.6 million tons in the interim 1992 period to 4.5 million tons in the interim 1993 period.[45] Average-of-period capacity utilization rates decreased slightly from 83.8 percent in 1990 to 83.4 percent in 1991, but climbed to 84.9 percent in 1992. Between the interim periods, the level of average-of-period capacity utilization rose from 85.5 percent to 91.7 percent.[46]

We view the domestic industry as operating at or very near full capacity in 1993. We note that two companies operating at low capacity utilization rates opted, for reasons unrelated to import competition, to operate below full capacity.[47] If the capacity utilization rate of the domestic industry were calculated without including these companies, the figure would be in excess of 98 percent during interim 1993.[48]

The domestic industry's U.S. shipments of certain steel wire rod increased by 3.7 percent from 4.9 million short tons in 1990 to 5.0 million short tons in 1992. These shipments increased at a greater rate between the interim periods: from 3.9 million short tons in interim 1992 to 4.1 million short tons in interim 1993, an increase of 5.8 percent.[49] Measured by value, domestic shipments fell by 3.8 percent from $1.61 billion in 1990 to $1.55 billion in 1991, then rose by 0.8 percent to $1.56 billion in 1992. The value of these shipments rose from $1.1 billion to $1.3 billion between the interim periods, or by 19.5 percent.[50]

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[39] CR at I-43; PR at II-24.
[40] CR at I-53 - I-54; PR at II-27.
[41] CR at I-26 - I-27; PR at II-17.
[42] CR at I-25, Table 2; CR at C-3, Table C-1.
[43] CR at I-24, I-26; PR at II-15.
[44] CR at I-52, I-51, Table 6; PR at II-28. We note that disruptions curtailed 1993 production levels slightly. See text, supra.
[45] CR at I-51, Table 6.
[46] CR at I-51, Table 6.
[47] See CR at I-26 - I-27; I-54 - I-55; PR at II-27-28.
[48] See Producers Questionnaires.
[49] CR at I-56, Table 7.
[50] CR at I-56, Table 7; CR at C-4, Table C-1.

The nature of production in this industry -- upon customer orders -- is such that inventory levels were low throughout the period examined. As a share of U.S. shipments, end-of-period inventories reached their lowest level in the interim 1993 period.[51]

The number of production and related workers producing certain steel wire rod decreased by 4.4 percent from 1990 to 1992 and continued to decline, by 8.4 percent, between the interim periods.[52] The number of hours they worked also decreased: by 6.3 percent from 1990 to 1992, and by 2.9 percent between interim 1992 and interim 1993.[53] Hourly compensation increased throughout the period, and the increase continued from interim 1992 to interim 1993.[54] The unit value of labor, however, declined during the period, appearing to reflect improvements in productivity.[55]

The financial performance of the domestic steel wire rod industry showed certain declines during the period 1990 to 1992, followed by a strong recovery in 1993.[56] Indeed, some key profit indicators were higher in 1993 than they had been in any year during 1990 to 1992.

The value of net sales declined 2.4 percent from $1.52 billion in 1990 to $1.49 billion in 1991, then rose almost imperceptibly in 1992. In contrast, there was a more substantial 9.7 percent increase from $1.12 billion in interim 1992 to $1.23 billion in interim 1993.[57] As a percentage of sales, the cost of goods sold rose from 92.1 percent in 1990 to 92.5 percent in 1991, and climbed further to 93.2 percent in 1992. The figure remained steady between interim periods at 92.6 percent.[58]

Selling, general and administrative (SG&A) expenses for the steel wire rod industry as a percentage of sales increased from 2.8 percent in 1991 to 3.1 percent in 1992, and remained steady at 2.9 percent in the interim periods.[59] Operating income decreased from $76.9 million in 1990 to $54.8 million in 1992, but rose from $49.96 million in interim 1992 to $55.75 million in interim 1993.[60] The operating income margin decreased from 5.0

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[51] CR at I-57; PR at II-30; CR at I-58, Table 8.

[52] CR at I-57; PR at II-30.

[53] CR at I-58; PR at II-30.

[54] CR at I-59, Table 9.

[55] CR at I-59, Table 9.

[56] After the hearing, domestic producers were requested to supply profit-and-loss data on their steel wire rod operations for the period October 1 to December 31, 1993. Thus, we were able to construct full-year 1993 financial results to the operating profit level.

Data from all nine of the producers providing fourth quarter information show increases in unit sales values. All but one of the increases was in excess of five percent, and four were greater than 10 percent. Additionally, eight of the nine producers experienced increases in operating margins. The operating margins of two producers more than doubled, while for three the margins increased by over one-half and another increased by approximately one-quarter. CR at I-67; PR at II-36. We note that preliminary LTFV duties were imposed on the imports subject to the three final investigations effective November 29, 1993. These events may have contributed to the domestic industry's improved performance during October-December 1993. We have considered the fourth-quarter 1993 results with this understanding in mind.

[57] CR at I-63, Table 11; CR at C-4, Table C-1. For 1993 as a whole, the increase in net sales was even more marked, up 11.3 percent from 1992 to 1993. CR at I-68, Table 13.

[58] CR at I-63, Table 11.

[59] CR at I-63, Table 11.

[60] CR at I-63, Table 11. A comparison of full-year 1992 data with full-year 1993 data shows an increase in operating income from ***. CR at I-68, Table 13. This represents a substantial 61.7 percent increase in operating income. In addition, the operating margin rose from 3.8 percent in 1992 to *** percent in 1993. CR at I-68, Table 13. Again we note that 1993 operating income exceeded comparable 1990 to 1992 levels.

percent in 1990 to 3.7 percent in 1992. Between interim periods, the operating income margin remained steady at 4.5 percent.[61]

From 1990 to 1991, capital expenditures declined from $40.6 million to $32.5 million, but rose to $35.3 million in 1992. They then declined from $21.5 million in interim 1992 to $20.7 million in interim 1993.[62] Research and development expenses for the steel wire rod industry increased from $4.5 million in 1990 to $4.8 million in 1991, then decreased to $4.1 million in 1992. The decline continued between interim periods: from $3.3 million in interim 1992 to $2.4 million in interim 1993.[63] Petitioners claim that the decrease in total assets committed to steel wire rod production between 1990 and 1992 penalized capacity and retarded product enhancements.[64] However, as explained above, capacity increased during this period and production increased throughout the period of investigation.[65]

IV. CUMULATION

In determining whether there is a reasonable indication of material injury by reason of LTFV imports, the Commission is required to "cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market."[66] Cumulation is not required, however, when imports from a subject country are negligible and have no discernible adverse impact on the domestic industry.[67] We first examine whether there is a reasonable overlap in competition between the domestic and imported products, and among the subject imported products.[68]

With regard to whether the subject imports compete with each other and the domestic like product, the Commission generally has considered four factors, including:

> (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
>
> (2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product;
>
> (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and

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[61] CR at I-63, Table 11.
[62] CR at I-72, Table 15.
[63] CR at I-72, Table 16.
[64] Petitioners' Post Conference Brief at 4; see CR at I-71, Table 14.
[65] Chairman Newquist does not join the remainder of this opinion.
[66] 19 U.S.C. § 1677(7)(C)(iv)(I); Chaparral Steel Co. v. United States, 901 F.2d 1097, 1101 (Fed. Cir. 1990).
[67] 19 U.S.C. § 1677(7)(C)(v).
[68] Imports of certain steel wire rod from Brazil, Canada and Japan, as well as from Belgium and Germany, are all subject to investigation, even though the petition pertaining to the latter two countries was filed later than the petition for the former countries. See, e.g., Ferrosilicon from the People's Republic of China, Inv. No. 731-TA-567 (Final), USITC Pub. 2606, at 12, 22 (Mar. 1993) (cumulating imports from Brazil and Egypt, subject to preliminary investigations, with those from China, Kazakhstan, Russia, Ukraine, and Venezuela, subject to final investigations).

(4) whether the imports are simultaneously present in the market.[69]

No single factor is determinative and the list of factors is not exclusive.[70] Only a "reasonable overlap" of competition is required; the Commission does not have to find that all imports compete with all other imports and all domestic like products.[71]

A. Reasonable Overlap in Competition

Based on the evidence in the record, we find that all subject imports, i.e. imports from Brazil, Canada, Japan, Belgium, and Germany,[72] were simultaneously present in the market during the period of investigation.[73] Also, the channels of distribution for imports and the domestic like product are the same or similar: the vast majority of sales are to end users, with a small number made to distributors.[74]

The application of the "fungibility" factor in assessing competition presents special difficulties in cases such as these involving a myriad of products within a single like product. In these investigations, the extensive purchaser questionnaire data have been particularly helpful in assessing the degree of fungibility. Over two-thirds of responding purchasers ranked quality as the most important factor they consider in buying decisions.[75] Other important considerations are price, availability, service, freight costs/delivery, existing contracts, credit/payment terms, reliability, product range, and packaging.[76] Questionnaire data obtained in the investigations indicate that virtually all purchasers deem rod imports from Japan to be superior in quality to the domestic product,[77] while most purchasers of the Brazilian and Canadian products reported them to be comparable in quality to the domestic product. No purchaser questionnaire data are available in the preliminary investigations of subject imports from Germany and Belgium, but other evidence in the record, discussed below, indicates a reasonable overlap of competition with respect to these imports.

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[69] See, e.g., Fundicao Tupy S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

[70] Commissioner Crawford believes the traditional four factors are relevant in determining whether competition exists under the statute, but that factors (2) through (4) can provide false indications, depending on the facts of a particular case. A more appropriate test is whether changes in the relative prices of two products will affect the demand for each. If for reasons relating to the substitutability of one product for the other, changes in the price of imports from a particular country would not affect demand for imports subject to investigation from another country or for the like product, a reasonable overlap of competition does not exist. See Dissenting Views of Commissioners Brunsdale and Crawford, Stainless Steel Wire Rod from India, Inv. No. 731-TA-638 (Final), USITC Pub. 2704, at 22-25 (Nov. 1993).

[71] Wieland Werke, AG v. United States, 718 F. Supp. 50, 52 (Ct. Int'l Trade 1989); Granges Metallverken AB v. United States, 716 F. Supp. 17, 21, 22 (Ct. Int'l Trade 1989).

[72] See note, supra, explaining how imports from all five countries are subject to investigation.

[73] See CR at I-123, Table 30. It appears that there were no Belgian imports in the western or northeast regions of the United States, nor imports from Canada in the southern region. See INV-R-036 (Mar. 16, 1994). This fact alone is insufficient to support a finding that there is no reasonable overlap of competition. See Wieland Werke, AG v. United States, 718 F. Supp. at 52.

[74] CR at I-49 - I-50; PR at II-26.

[75] CR at I-126 - I-127; PR at II-61.

[76] CR at I-127; PR at II-61.

[77] CR at I-103; PR at II-53.

1. Subject Imports from Brazil

The majority of imports from Brazil are industrial quality rod,[78] which also accounts for 63.3 percent of domestic producers' total shipments.[79] Industrial quality rod has less stringent specifications than other types of steel wire rod.[80] Thus, it would appear that industrial quality rod from different sources has a greater degree of fungibility. The substantial volumes of industrial quality rod supplied by Brazil during the period examined support the conclusion that a reasonable overlap of competition exists with respect to other suppliers of industrial quality rod to the U.S. market, namely, domestic, Canadian, Belgian, and German firms.[81] We also note the frequency with which individual purchasers reported sourcing wire rod from more than one of these suppliers.[82]

The only category in which the Brazilian rod competes with the Japanese rod is that of CHQ rod. While there was a significant quantity of Brazilian CHQ rod shipped in 1992, it represents only nine percent of total imports from Brazil.[83] In addition, virtually all of this quantity was sold to one purchaser.[84] Although that customer also purchased Japanese CHQ rod, it purchased alloy CHQ steel wire rod, not carbon CHQ rod, from Japan.[85] The CHQ rod that was shipped from Brazil during the period of investigation was carbon CHQ rod.[86] We do not deem there to be a reasonable overlap of competition between Japanese and Brazilian steel wire rod and, accordingly, we do not cumulate those imports.

2. Subject Imports from Canada

Imports from Canada were present throughout the period of investigation in all product categories except PC strand quality.[87] From the presence of significant volumes of imports from Canada in virtually all product categories, and reports by most purchasers that the Canadian product is comparable to the domestic, Japanese and Brazilian products, we find a reasonable overlap of competition between subject imports from Canada and the domestic product, and among Canadian and other imports.

3. Subject Imports from Japan

We find that the evidence shows a reasonable overlap of competition between U.S. and Japanese rod. A relatively large portion of imports from Japan are tire cord and CHQ rod. As pertains to tire cord rod in particular, domestic producers' shipments of tire cord quality rod were the largest overall.[88] The domestic producers shipped each of the eight specialized "niche" products which the Japanese respondents claimed constituted the bulk of their imports.[89] Successful efforts by some U.S. firms to qualify to supply critical-use products also provide evidence of competition with Japanese products.[90] Japanese

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[78] CR at I-29; PR at II-18; CR at I-30, Table 3; see CR at I-123, Table 30.
[79] CR at I-29; PR at II-18.
[80] CR at I-93; PR at II-50.
[81] See CR at I-123, Table 30.
[82] See CR at I-129 to I-141; Post-Conference Brief of American Wire Producers Association at Ex. 2 (Mar. 9, 1994).
[83] See CR at I-30, Table 3.
[84] See Importer Questionnaires.
[85] Telephone Conversation between Purchaser and Commission Staff on March 15, 1994.
[86] See CR at I-107; PR at II-55; CR at I-123, Table 30.
[87] CR at I-123, Table 30.
[88] CR at I-35, Table 4.
[89] CR at I-34 - I-36, Table 4.
[90] At least one domestic producer has begun to become qualified for tire cord quality rod for critical-use applications with some purchasers. See CR at I-105 - I-106; PR at II-54.

respondents admit that a significant percentage of their 1992 shipments were of non-specialized products.[91] We find there is a reasonable overlap of competition between the domestic and Japanese steel wire rod.

Notwithstanding certain qualification procedures that limit the degree of price-based competition between suppliers of these products, we find that the volume of product and the numbers of purchasers support our finding of a reasonable overlap of competition between the Japanese and Canadian products, the Japanese and Belgian products, and the Japanese and German products. Canadian producers shipped substantial quantities of tire cord quality rod, and a small amount of German tire cord quality rod was shipped in 1990 and in interim 1993.[92] The most demanding tire quality rod purchasers all obtain rod from both Canada and Japan, and some also purchase tire quality rod for small filament applications, which are highly critical applications, from Germany.[93] At least one purchaser stated that its purchases of German wire rod were directly related to its inability to obtain Japanese and Canadian wire rod.[94] The record shows that there were shipments of high-carbon and CHQ rod from Belgium and Germany, as well as from Japan.[95] Accordingly, we find that there is a reasonable overlap of competition with respect to imports from Japan, Canada, Belgium, and Germany. As explained above, we do not find that there is such an overlap between imports from Brazil and those from Japan.[96]

4. Subject Imports from Belgium

Belgian rod imports entered the market in the second and third quarters of 1993.[97] Although the volume of imports from Belgium is relatively small, these imports compete head-to-head with imports from other subject countries.[98] With respect to lost sales and revenues allegations, customers reported that they purchased wire rod from both domestic suppliers and suppliers from Belgium.[99] We note especially that domestic, Belgian and German rod were purchased by a number of the same customers.[100]

5. Subject Imports from Germany

At least one purchaser confirmed that a sale was lost by a domestic supplier to German rod imports. Other purchasers reported buying German rod because an ample supply of domestic rod was unavailable.[101] These purchasers' responses indicate the existence of direct competition between the subject imports from Germany and the domestic product. As pertains to competition among the German and other subject imports, German rod imports were present in four of the six product categories for which pricing data were obtained.[102] More specifically, there were imports from Germany of industrial quality, high-carbon

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[91] See Pre-Hearing Brief of Kobe Steel, Ltd., Nippon Steel Corporation and Sumitomo Metal Industry, Ltd. at 10-11 (Feb. 9, 1994).

[92] CR at I-35, Table 4.

[93] See Post-Conference Brief of Amercord Inc. at 3 (Mar. 9, 1994); Post-Conference Brief of Michelin Tire Corporation at 5 (Mar. 9, 1994); see also CR at I-29 n.35; PR at II-18 n.34.

[94] Post-Conference Brief of Michelin Tire Corporation at 7-8.

[95] CR at I-29 n.35; PR at II-18; CR at I-30, Table 3.

[96] We note that even if we had found subject imports from Brazil and Japan competed with each other and cumulated them, the outcome of the determination would remain unchanged.

[97] CR at I-123, Table 30.

[98] See CR at I-123, Table 30.

[99] CR at I-130 - I-134; PR at II-61.

[100] See Post-Conference Brief of American Wire Producers Association at 7-8.

[101] CR at I-132 - 133, I-136 - I-137; PR at II-61.

[102] CR at I-123, Table 30.

quality and CHQ rod.[103] One purchaser of tire quality rod obtains rod from Japan, Canada and Germany.[104] We find that there is a reasonable overlap of competition with respect to rod imports from Germany and the imports from each of the other subject countries.

B. Negligibility

The statute provides that the Commission is not required to cumulate in any case in which it determines that imports of the merchandise subject to investigation "are negligible and have no discernable adverse impact on the domestic industry."[105] In determining whether imports are negligible, the Commission shall consider all relevant economic factors, including whether:

> (I) the volume and market share of the imports are negligible,
>
> (II) sales transactions involving the imports are isolated and sporadic, and
>
> (III) the domestic market for the like product is price sensitive by reason of the nature of the product, so that a small quantity of imports can result in price suppression or depression.[106]

The negligible imports exception is to be applied narrowly and that is not to be used to subvert the purpose and general applicability of the mandatory cumulation provision of the statute.[107]

Petitioners argue that there is no factual basis for any negligibility findings, while respondents argue that imports from Japan, Belgium and Germany were negligible. Although the volume of subject imports from Japan declined from 1990 to 1992[108] and their market share declined slightly over the same period,[109] these levels remain higher than those we consider to be negligible. In fact, the market share for Japanese rod imports never fell below 1.4 percent.[110] We note, in addition, that both the volume and market share of rod imports from Japan climbed between the interim periods.[111] Such an upward trend further indicates that we should not determine that imports from Japan of certain steel wire rod are negligible.[112]

Rod imports from Belgium increased dramatically, albeit from a small base, throughout the period of investigation. The volume of imports from Belgium in 1992 was over 10 times the amount that entered the market in 1990, and about 20 times as much Belgian rod entered the United States between the interim periods.[113] We do not find that imports from Belgium were sporadic or isolated, as alleged by respondents.[114] We also note that the primary Belgian wire rod producer is owned by an Italian group, which also owns a

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[103] CR at I-30, Table 3. See also discussion, supra, in Section IV.A.1 on overlap in competition between rod imports from Brazil and Germany.

[104] Prehearing Brief of Michelin Tire Corporation at 9 (Feb. 8, 1994); Post-Conference Brief of Michelin Tire Corporation at 7-8.

[105] 19 U.S.C. § 1677(7)(C)(v).

[106] 19 U.S.C. § 1677(7)(C)(v).

[107] See H.R. Rep. No. 40, 100th Cong., 1st Sess., pt. 1, at 131 (1987); H.R. Rep. No. 576, 100th Cong., 2d Sess. 621 (1988).

[108] CR at I-89, Table 23.

[109] CR at I-90, Table 23.

[110] CR at I-90, Table 23.

[111] CR at I-89 - I-90, Table 23.

[112] See Certain Flat-Rolled Carbon Steel Products at 49.

[113] CR at I-89, Table 23.

[114] See INV-R-036.

major German wire rod exporter.[115] Accordingly, we likewise determine that imports of Belgian rod are not negligible.

The volume of German rod imports more than tripled between 1990 and 1992, and increased by almost four times between interim periods.[116] German market share rose steadily between 1990 and 1992, and more than tripled between interim periods.[117] Respondents concede that these imports do not appear to be sporadic.[118] As we stated above in explaining our finding with respect to Japanese rod imports, the trend of increasing imports from Germany indicates that we should not determine that they are negligible.

Based on our analysis of the evidence in the record, we are cumulating imports of certain steel wire rod from Japan, Canada, Belgium, and Germany, in making our determination with respect to the Japanese investigation, and cumulating like imports from Brazil, Canada, Belgium, and Germany, in making our determination with respect to the Brazilian investigation. As explained previously, we do not find a reasonable overlap of competition between rod imports from Brazil and from Japan.

V. NO MATERIAL INJURY BY REASON OF LTFV IMPORTS

A. Legal Standard

The Commission is required to make a final determination of whether an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports.[119] In making our determination, the Act provides that the Commission:

> (i) shall consider --
>
> > (I) the volume of imports of the merchandise which is the subject of the investigation,
> >
> > (II) the effect of imports of that merchandise on prices in the United States for like products; and
> >
> > (III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States; and
>
> (ii) may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.[120]

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[115] See Petition for the Imposition of Antidumping and Countervailing Duties, Common Volume, at 29-30 (Feb. 11, 1994). See also Coated Groundwood Paper from Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Sweden, and the United Kingdom, Invs. Nos. 731-TA-486-494 (Preliminary), USITC Pub. 2359, at 29 n.94 (Feb. 1991) (such a close relationship may be a "relevant economic factor" in applying the negligible imports exception).

[116] CR at I-89, Table 23.

[117] CR at I-90, Table 23.

[118] Canadian Respondents' Posthearing Brief at 43.

[119] 19 U.S.C. § 1673d(b).

[120] 19 U.S.C. § 1677(7)(B).

The Commission may consider alternative causes of injury, but it is not to weigh causes.[121] The statutory language regarding causation of material injury by reason of LTFV imports is interpreted differently by different Commissioners.[122]

For the reasons discussed below, we find that the domestic steel wire rod industry is not materially injured by reason of LTFV imports from Brazil and Japan.[123]

B. Volume of the LTFV Imports

In determining whether the domestic industry is experiencing material injury by reason of the LTFV imports, we first evaluate the volume of cumulated subject imports from Brazil, Canada, Belgium, and Germany, and then the volume of cumulated subject imports from Canada, Japan, Belgium, and Germany.

The volume of the cumulated imports from Brazil, Canada, Belgium, and Germany decreased slightly from 456,243 short tons in 1990 to 443,006 short tons in 1991, but increased to 663,525 tons in 1992. Between interim periods, these cumulated imports climbed from 504,235 tons to 543,634 tons.[124] The market share of these imports exhibited a similar trend, falling from 7.9 percent in 1990 to 7.8 percent in 1991, but increasing to 10.9 percent in 1992, and from 10.9 percent to 11.2 percent between interim periods.[125] These imports to some extent displaced imports of steel wire rod from other non-subject sources.[126]

The volume of cumulated imports from Canada, Japan, Belgium, and Germany increased from 495,069 short tons in 1990 to 663,426 short tons in 1992, and between interim periods from 492,096 short tons to 571,791 short tons.[127] The market share of these imports also increased, from 8.6 percent in 1990 to 10.9 percent in 1992, and from 10.6 percent in interim 1992 to 11.7 percent in interim 1993.[128] As these imports increased, the volume and market share of imports of steel wire rod from other non-subject sources declined.[129]

Although the volumes and market shares of both sets of cumulated imports increased, the effect of the increased volumes on the domestic industry was small overall. The domestic producers' shipments also increased over the period of investigation from 4.96 million short

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[121] See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

> the volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, at 74. Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

[122] See Defrost Timers from Japan, Inv. No. 731-TA-643 (Final), USITC Pub. 2470, at I-10 nn.47-49 (Feb. 1994).

[123] In making our determination, we consider the impact of the imports on the industry "as a whole." See, e.g., United Eng'g & Forging v. United States, 779 F. Supp. 1375, 1391 (Ct. Int'l Trade 1991). However, we are not prevented from focusing on appropriate market segments. See Iwatsu Elec. Co. v. United States, 758 F. Supp. 1506, 1511 n.7 (Ct. Int'l Trade 1991); Gifford-Hill Cement Co. v. United States, 615 F. Supp. 577, 582-84 (Ct. Int'l Trade 1985); see also Copperweld Corp. v. United States, 682 F. Supp. 552, 566 (Ct. Int'l Trade 1988).

[124] INV-R-036, Table 2.

[125] INV-R-036, Table 2.

[126] INV-R-036, Table 2.

[127] INV-R-036, Table 3.

[128] INV-R-036, Table 3.

[129] INV-R-036, Table 3.

tons to 5.14 million short tons between 1990 and 1992, and from 3.91 million to 4.15 million between interim periods.[130] The domestic producers' share of consumption decreased only slightly: from 84.2 percent to 83.5 percent between 1990 and 1992, and then increased between interim periods from 83.1 percent in interim 1992 to 83.7 percent in interim 1993.[131]

In the latest period, it would appear that U.S. producers were not in a position to capture significantly greater market share. It is important to note that the domestic industry is currently operating at or near full capacity.[132] The domestic industry's high capacity utilization rate reflects the increase in demand, which rose from a total of 5.8 million short tons in 1990 to 6.0 million short tons in 1992, and continued between the interim periods (from 4.7 million short tons in interim 1992 to 4.9 million short tons in interim 1993).[133] This increased demand led to shortages of domestic supplies of steel wire rod and resulted in the domestic producers placing their customers on quantity allocations.[134] Despite the increased capacity utilization rate, the shortages and allocations continued at least through 1993.

Over 50 purchasers stated that they were on allocations in 1993, and a significant number appear to remain on allocations.[135] Two purchasers testified that they were told by domestic producers to obtain rod from foreign suppliers.[136] Virtually all domestic producers also reported increasing their lead times between the customers' order and the date of delivery because of a surge in demand during 1993.[137] Almost 30 percent of responding firms stated they found it necessary to change production levels, and reductions in these levels ranged from three to 20 percent.[138] Several purchasers were forced to refuse potential customers during the period of investigation because they did not have enough wire rod to manufacture their products.[139]

It appears that the domestic industry is operating at practical capacity and cannot significantly increase production. Under such circumstances it is expected that any significant effect on the domestic industry resulting from the LTFV imports would be manifested as a price, not volume, effect. Accordingly, we do not find that the volume of either group of cumulated subject imports, or any increase in those volumes, either in absolute or relative terms, is significant. Consistent with our finding, we also recognize that certain specialized types of rod are not available from U.S. sources. For example, some purchasers require high-quality tire quality rod that cannot be obtained from domestic sources, either because they cannot meet the stringent qualification requirements or because the quality is otherwise poor.[140] Purchasers of aluminum killed products and aircraft quality wire rod also reported the lack of a domestic source.[141]

Thus, it appears that the domestic producers' inability further to increase volume or to gain market share was primarily unrelated to the LTFV imports. While the domestic producers expanded their shipments and even their market share in the face of growing

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[130] CR at I-56, Table 7.
[131] CR at I-90, Table 23.
[132] See CR at I-51, Table 6. See discussion of domestic industry's practical capacity, supra at Section III.
[133] CR at I-25, Table 2.
[134] See CR at I-26 - I-27, I-104; PR at II-17, II-54.
[135] CR & PR at Appendix D.
[136] Hearing Tr. at 199-200.
[137] CR at I-27; PR at II-17.
[138] CR at I-104 - I-105; PR at II-17; see also INV-R-036.
[139] CR at I-104 - I-105; PR at I-54.
[140] CR at I-105 - I-106; PR at II-54. It appears that Georgetown Steel has begun to become qualified for tire cord quality rod with some purchasers, but others still claim they cannot use domestically-produced tire cord quality rod. CR at I-105 - I-106; PR at II-54.
[141] CR at I-106; PR at II-54.

demand in 1993, to the extent that subject imports supplied a portion of this demand in 1993, any displacement of domestic shipments by the LTFV imports was minimal and insignificant.

C. Price Effects of the LTFV Imports[142]

In evaluating the effect of LTFV imports on prices, the Commission considers whether there has been significant price underselling of imports and whether the imports depress prices to a significant degree, or prevent, to a significant degree, price increases that otherwise would have occurred.[143] Important to our determination of price effects in this case are the level of substitutability between both groups of cumulated imports and the domestic product, the price increases implemented by the domestic industry in the most recent period, and the quantity allocations placed on customers.

The more substitutable products are, the more likely that potential purchasers will make their decisions based upon price differences. Conversely, the higher the degree of product differentiation, the less substitutable the products are and the less likely it is that price will be a determining factor. Even though the price of steel wire rod is an important factor in making a purchasing decision, a number of firms reported paying more for a domestic product when a comparable imported product was available at a lower price.[144] Similarly, some firms reported buying a higher-priced import when a comparable domestic product was available for a lower price.[145]

As discussed above, the vast majority of responding purchasers ranked quality and other non-price factors as important considerations in making buying decisions.[146] Over two-thirds of the responding purchasers ranked quality as the most important factor they consider in making buying decisions.[147] Even though steel wire rod is often produced specifically for a given customer, reducing the degree of substitution between domestic and imported rod, the majority of purchasers reported maintaining multiple sources of supply for each rod product purchased.[148] Our investigation of lost sales and revenues allegations confirms the importance of non-price considerations, especially availability.[149]

We note that, with respect to the group of cumulated imports including Japan, a majority of purchasers reported that the Japanese product was superior to the domestic product for a number of reasons, and almost half viewed Japanese rod as being more plentiful.[150] The unavailability of the domestic rod was also a key reason for purchases of Brazilian, Canadian, Belgian, and German rod.[151] These factors support a low to moderate level of substitutability between U.S. and imported products.[152]

Domestic prices for steel wire rod generally declined from 1990 through most of 1992, but increased substantially in the first three quarters of 1993.[153] As evidenced by the increased prices in 1993 noted above, there was no price depression in that year. Petitioners

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[142] Commissioner Nuzum does not join in the discussion in the first four paragraphs of this section.

[143] 19 U.S.C. § 1677(7)(C)(ii).

[144] Economic Memorandum, EC-R-031, at 26 (Mar. 14, 1994).

[145] Economic Memorandum at 26.

[146] CR at I-126 - I-127; PR at II-61.

[147] CR at I-126 - I-127; PR at II-61.

[148] Economic Memorandum at 25-26.

[149] CR at I-103; I-129 - I-141; PR at II-61.

[150] CR at I-128; PR at II-61. The unavailability of the domestic rod encompasses increased lead times between the time the order is placed and date of delivery, as well as quantity allocations. See CR at I-27; PR at II-17.

[151] See CR at I-130 - I-134, I-137; PR at II-61.

[152] See Economic Memorandum at 24-25 (estimates of 3 to 5 for Brazil and Canada and 1 to 2 for Japan).

[153] CR at I-96; PR at II-51.

claimed, however, that domestic prices were suppressed by LTFV imports despite these price increases, and that their profit margins did not necessarily rise because of the large increases in purchase prices for scrap, which accounts for a substantial percentage of the total cost of wire rod.[154] Rod prices closely followed the trend in scrap prices during the period examined.[155] Yet, overall, it appears that domestic producers' five price increases for steel wire rod in 1993 exceeded overall cost increases and resulted in increased operating income for the interim 1993 period.[156] It appears that allocations continued while price increases were being implemented.[157] While domestic producers may have had valid business reasons to implement such quantity restrictions and forgo additional price increases, they cannot validly cite LTFV imports as a factor.[158]

The pricing data gathered in this investigation reflect a mixed pattern of overselling and underselling.[159] In the group including imports from Brazil, overselling was present in 47 of 100 instances in which price comparisons are available.[160] In the group including Japanese imports, overselling was present in 96 of 138 instances in which price comparisons could be made. Of particular note is the fact that there was evidence of overselling by Japanese products in 53 of 54 instances.[161] Canadian products, which accounted for more than half of subject imports in 1992 and are cumulated in both groups of imports, showed 34 instances of underselling and 35 of overselling.[162]

In both groups of cumulated imports, underselling was more prevalent at the end of the period, when domestic producers were implementing price increases.[163] The fact that the degree of underselling by the LTFV imports increased steadily, and in excess of cost increases during the same period when domestic prices rose, supports a conclusion that the LTFV imports did not cause price suppression or depression. It appears that the instances of underselling by the subject imports during the interim 1993 period reflect at least, in part, the delay in delivery of the imports.[164]

In light of the domestic industry's ability to implement steady price increases throughout 1993, and given the lack of evidence of significant price suppression or depression,[165] we find that the degree of underselling is not significant, and that neither group of cumulated subject imports significantly suppressed domestic prices.

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[154] CR at I-98 - I-99; PR at II-51 - 52.

[155] CR at I-99 & Figure 2; PR at II-51 - 52.

[156] See CR at I-68, Table 13.

[157] See CR at I-26 - I-27, I-96, I-104; PR at II-17, 51.

[158] Commissioner Nuzum does not join in this statement.

[159] Commissioner Crawford does not rely on underselling data in this case, and does not join any discussion based on these direct price comparisons. She notes that it is not clear that comparing the largest sale in each period gives an accurate account of overall price differences. See CR at I-91 - I-124; PR at II-47 - 60.

[160] CR at I-123, Table 30.

[161] See CR at I-123, Table 30.

[162] See CR at I-123, Table 30. The margins of overselling for the Canadian products were generally larger than the margins of underselling. See CR at I-123, Table 30.

[163] See CR at I-123, Table 30.

[164] There are longer lead times in delivery for imported rod as compared to domestic rod. See CR at I-100 - I-101; PR at II-52 - 53. In addition, prices are generally set with quarterly agreements, which are entered into four to six weeks before the end of a quarter and cover a firm's requirements for the following quarter. Economic Memorandum at 12; see also Hearing Tr. at 282 (noting long lag times between order and delivery).

[165] As discussed above, prices actually rose in 1993, which was the period of greatest import penetration.

D. Impact on the Domestic Industry

We do not find a present adverse impact on the domestic industry by either group of cumulated subject imports. In reaching their negative determinations, Vice Chairman Watson and Commissioner Crawford found that a number of factors attenuated the degree of competition between the LTFV imports and the domestic product during the period of investigation, and therefore, limited any impact those imports may have had on the domestic industry. Such factors, all of which are discussed more fully supra, include captive consumption, producer sales to affiliates, purchasers' Buy American policies, disruptions to domestic production, and producer allocations as well as the low to moderate degree of substitutability between the LTFV imports and the domestic product.

While the respective cumulated subject imports increased in volume over the period of investigation, and while their market shares also increased,[166] for the most part these increases did not displace the domestic product. The domestic industry was unable to supply its customers with the quantity of steel wire rod demanded in the most recent period for which data are available. Moreover, as discussed above, the domestic industry is operating at practical full capacity. Under these circumstances, any impact of the LTFV imports, therefore, would be expected to affect price and not volume. The pricing data obtained in these investigations, however, also fail to show current evidence of declining or suppressed prices in the most recent period, and do not indicate significant underselling by either group of cumulated subject imports.[167] [168]

The domestic industry is proceeding to increase capacity, including the capacity to produce such specialized products as high-end CHQ wire rod,[169] and is progressing in meeting the qualification requirements of purchasers in order to sell other specialized products such as tire cord quality rod.[170] Finally, the recent evidence obtained indicating the domestic industry's improved financial performance in 1993[171] supports our finding that neither group of cumulated subject imports has materially injured the domestic industry.[172]

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[166] See INV-R-036 at Tables 2 & 3.

[167] See CR at I-91 - I-124. Almost all producers shared in the increases in both unit sales values and profitability during the fourth quarter of 1993. CR at I-67; PR at II-36.

[168] Vice Chairman Watson has considered petitioners' argument that a comparison of the current condition of the domestic wire rod industry with previous wire rod business cycles makes obvious the extent of injury faced by the industry. See Petitioners' Prehearing Brief at 19 (Feb. 9, 1994). He notes that the evidence and analysis proffered by petitioners on this point is insufficient to support their conclusions. Even if it were true that the wire rod industry performed better in previous business cycles, such a comparison, if it were to be relevant in regard to causation, would have to carefully reconcile all of the macroeconomic factors affecting the industry's performance in each cycle. The statute does not require the Commission to make such an analysis in reaching its determination.

[169] Capacity for wire rod production is expected to increase between 1993 and 1995 with the entrance of two new rod mills. In January 1994, one company began production of high-end CHQ wire rod. In 1992, a joint venture including a Japanese firm announced plans for a rod mill originally due to begin production in 1994, but now delayed until 1995. Economic Memorandum at 22. The same joint venture is upgrading its bar bill at a cost of approximately $70 million. CR at I-51; PR at II-27. Further, another company is planning to build a 1 million ton rod and bar mill to supply CHQ and welding quality rod, at an estimated cost of $180-$200 million. Economic Memorandum at 22 & n.29.

[170] CR at I-105 - I-106; PR at II-54.

[171] See CR at I-68, Table 13.

[172] Commissioner Crawford does not join in any discussion that cites or suggests the improved performance of the domestic industry as a factor supporting negative determinations in these investigations. Based on the evidence in these investigations, she concludes that the

(continued...)

VI. NO THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS

In assessing whether a domestic industry is threatened with material injury by reason of LTFV imports from two or more countries, the Commission has the discretion to cumulate the volume and price effects of such imports if they compete with each other and with the like product of the domestic industry in the United States market.[173] We have determined not to cumulate imports from Brazil and Japan with other subject imports.[174]

Neither the volumes nor market shares of the subject imports from Brazil, Canada, Japan, Belgium, and Germany are increasing at the same rates in the marketplace.[175] The margins of underselling also vary.[176] As discussed above, the most recent data show no significant price depressing or suppressing effects from the subject imports, and there is no evidence in the record that there will be any such effects in the immediate future. These trends lead us to conclude that cumulation for the purposes of our threat analysis is inappropriate.[177]

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[172] (...continued)
domestic industry would not have been materially better off if the subject imports had been fairly traded.

[173] 19 U.S.C. § 1677(7)(F)(iv). In considering whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

> (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
> (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
> (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
> (4) whether the imports are simultaneously present in the market.

See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845, at 8 n.29 (May 1986). While no single factor is determinative and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for its analysis of this issue. See Wieland Werke, AG v. United States, 718 F. Supp. at 52; see also Granges Metallverken AB v. United States, 716 F. Supp. at 19; Florex v. United States, 705 F. Supp. 582, 592 (Ct. Int'l Trade 1989).

[174] We note that Congress has "recognize[d] the difficulty of applying the concept of cumulation to threat cases, and [did] not seek to require cumulation where it is impracticable to do so because such assessment would be conjectural or speculative." H.R. Rep. No. 40, at 131.

[175] The volume of imports from Brazil increased irregularly from 1990 to 1992, but decreased significantly between interim periods. Conversely, imports from Canada increased steadily from 1990 to 1992, but decreased slightly between interim periods. Rod imports from Japan declined from 1990 to 1992, but increased between interim periods. Imports from Belgium increased throughout the entire period, as did imports from Germany, and at rates much larger than the other subject imports. CR at I-89, Table 23. The imports' market shares followed similar trends. CR at I-90, Table 23.

[176] The margins of underselling varied from 13.8 percent below to less than 0.05 percent below the domestic product. See CR at I-121, I-124; PR at II-59 - 60.

[177] See Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for
(continued...)

We further determine that there is no threat of material injury by reason of LTFV imports from Brazil or Japan. Under the statute, the Commission is required to consider 10 factors in its threat analysis,[178] only seven of which are factually relevant to this investigation. In making our determination, we considered whether increases in production capacity or existing unused capacity in the exporting country are likely to result in a significant increase in imports of the merchandise to the United States; whether there were rapid increases in United States market penetration and the likelihood that the penetration will increase to an injurious level; the probability that subject imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices; whether there has been a substantial increase in inventories of the subject merchandise in the United States; whether there is underutilized capacity for producing the merchandise in the exporting country; whether there any other demonstrable adverse trends that indicate the probability that importation of the merchandise will be the cause of actual injury; and the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[179]

In applying these criteria, we do not make a finding of threat of material injury unless evidence of threat is real and actual injury is imminent. A finding of threat of material injury also cannot be based on "mere conjecture or supposition."[180]

We note that, as pertains to threat, evidence from the most recent portion of the period of investigation is the most probative for our analysis. It is the latest reflection of the condition of the industry and nature of market conditions which are essential to a meaningful analysis of threat. As discussed previously, the evidence from the interim period, along with the fourth-quarter 1993 financial data, showed a distinct upturn in the domestic industry's profitability.[181] Although consumption of certain steel wire rod increased throughout the period of investigation,[182] the domestic producers were unable to satisfy this increased demand, as explained above.

With respect to imports from Brazil, Brazilian capacity and production increased only slightly from 1990 to 1992, and remained fairly constant between the interim periods.[183] While capacity utilization rates fluctuated between 79.4 and 94.6 percent during the period of investigation, the excess capacity cannot be used because of the inability of Brazilian producers to obtain sufficient raw material.[184] The share of U.S. consumption held by imports from Brazil increased irregularly from 1990 to 1992, and decreased significantly between the interim periods,[185] in spite of evidence on the record that purchasers solicited

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[177] (...continued)
most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

[178] See 19 U.S.C. § 1677(7)(F)(i).

[179] 19 U.S.C. § 1677(7)(F)(II), (III), (IV), (V), (VI), (VII), and (X). Because these investigations do not involve a subsidy or agricultural product, Factors I and IX are inapplicable. Product shifting, Factor VII, is not an issue because there is no evidence that foreign manufacturers of certain steel wire rod produce any other products currently under investigation or subject to an order. In addition, we must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class or kind of merchandise suggest a threat of material injury to the domestic industry. See 19 U.S.C. § 1677(7)(F). There is no evidence of such dumping findings or remedies concerning certain steel wire rod from Brazil and Japan.

[180] See 19 U.S.C. § 1677(7)(F)(ii).

[181] See CR at I-63, Table 11; I-68, Table 13.

[182] See CR at I-25, Table 2.

[183] CR at I-78; PR at II-41.

[184] CR at I-78; PR at II-41.

[185] CR at I-90, Table 23.

Brazilian rod because of shortages in the United States.[186] Imports from Brazil of rimmed steel, which are substantial, declined significantly between 1990 and 1992, and declined further to a very small amount between interim periods.[187] In light of our findings that there have been no price suppressing or depressing effects of even cumulated subject imports, we likewise find no evidence that imports from Brazil alone will have any such price effects. Between 1990 and 1992, Brazilian end-of-period inventories decreased by half, and, although there was a slight increase between the interim periods, inventories are projected to decrease even further in 1993 and 1994.[188] Lastly, Brazil has a number of other export markets, which together far exceed the importance of U.S. markets.[189]

Based upon our analysis of the declining import penetration, generally stable Brazilian capacity, lack of significant excess capacity, declining inventories, and lack of evidence of any likely price suppressing or depressing effects, we find no threat of material injury by reason of subject imports from Brazil.

Japanese steel wire rod capacity decreased by 8.2 percent from 1990 to 1992.[190] The trend was reversed between interim periods, but smaller increases are projected through 1994.[191] Production also declined during 1990 to 1992, but increased by 24.3 percent between the interim periods. This growth in production is attributed to the growing demand for steel wire rod in China.[192] The recent increase in capacity and production does not support a finding of threat because of the extremely high rate of capacity utilization: from over 86 percent in the period from 1990 to 1992, to 97.5 percent in interim 1993.[193]

The share of U.S. consumption held by imports from Japan fell from 3.0 to 2.6 percent between 1990 and 1992, and declined to 2.5 percent in interim 1993 from 2.7 percent in interim 1992.[194] Given the large margins and many instances of overselling with respect to the Japanese products,[195] there is no indication that imports of Japanese products will have either a price suppressing or a price depressing effect on domestic prices, especially in view of the evidence that a substantial volume of imports from Japan fill needs that are unmet by domestic producers. Customers' strict qualification requirements, which can be met by Japanese producers and not domestic producers, further support this conclusion.[196] Inventories of Japanese rod decreased from 1990 to 1992, although they increased between interim periods. This increase is largely attributable to the fact that one Japanese producer sells all of its imported rod to one customer and warehouses it for that customer.[197]

In light of the declining import penetration, lack of significant excess capacity and lack of any evidence of likely price suppressing or depressing effects, we find no threat of material injury by reason of subject imports from Japan or Brazil. In addition, the strong financial position of the domestic industry does not indicate that there is any vulnerability to foreseeable adverse volume or price effects of imports from Brazil or Japan.[198]

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[186] See, e.g., CR at I-78; PR at II-41.
[187] CR at I-36, Table 4.
[188] CR at I-79, Table 18. We note that inventories are of limited significance in these investigations, because most rod is manufactured pursuant to customers' specifications. CR at I-57; PR at II-30; CR at I-92; PR at II-49.
[189] See CR at I-79, Table 18.
[190] CR at I-82; PR at II-44.
[191] CR at I-84, Table 21.
[192] CR at I-85; PR at II-44.
[193] CR at I-84, Table 21.
[194] CR at I-90, Table 23.
[195] See CR at I-123, Table 30.
[196] The lack of lost sales or revenues allegations with respect to rod imports from Japan further supports this conclusion. See CR at I-129; PR at II-60.
[197] CR at I-75; PR at II-39.
[198] CR at I-123, Table 30. Commissioner Crawford does not find it necessary to make a finding regarding the vulnerability of the domestic industry.

Conclusion

In view of the high operating levels and strong financial position of the domestic industry and the absence of significant adverse volume or price effects, among other reasons, we find that the domestic industry producing certain steel wire rod is not materially injured by reason of LTFV imports from Brazil or Japan. These same factors, along with evidence that future adverse effects are not likely to occur, also support our conclusion that the domestic industry is not threatened with material injury by reason of LTFV imports from Brazil or Japan.

VIEWS OF COMMISSIONER DAVID B. ROHR

I determine that the industry in the United States producing certain carbon and alloy steel wire rod is neither materially injured nor threatened with material injury by reason of imports of certain carbon and alloy steel wire rod from Brazil and Japan that have been found by the Department of Commerce (Commerce) to have been sold at less than fair value (LTFV).[1]

LIKE PRODUCT

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, I begin, as always, by defining the "like product" and the domestic "industry." Section 771(4)(A) of the Tariff Act of 1930 (the "Act") defines the domestic industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[2] In turn, the Act defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[3]

> Commerce has defined the article subject to these investigations as: hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter...

In its preliminary investigations, the Commission defined the like product to be a single like product consisting of certain carbon and alloy steel wire rod. In these final investigation, the principal issue raised by the parties in opposing this definition is whether there are sufficiently clear lines of distinctions between tire cord quality rod, cold heading quality (CHQ) rod, certain aluminum conductor steel reinforced (ACSR) quality steel wire rod, and all other steel wire rod to require these articles be considered separate like products.

I find, as the Commission did in the preliminary investigations, that steel wire rod represents a broad continuum of products, for which there are no sufficiently bright dividing lines to distinguish between tire quality rod, CHQ rod, ACSR rod, and all other rod. Common channels of distribution, producer perceptions, common manufacturing facilities and

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[1] Material retardation of the establishment of an industry is not an issue in this investigation and will not be discussed further.

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(10). The Commission's like product determinations are factual, and the Commission applies the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. See, e.g., Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

In analyzing like product issues, the Commission considers a number of factors, including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and (6) where appropriate, price. Calabrian Corp. v. U. S. Int'l Trade Comm., 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); Torrington Co. v. United States, 747 F. Supp. at 748-49.

production employees, and similar production processes, support a finding that these specific types of rod do not constitute separate like products, in light of the "continuum" of various rod products under investigation.

Although steel wire rod can be differentiated according to its chemistry, diameter and manufacturing process, the American Iron and Steel Institute, American Society for Testing and Materials (ASTM), and the Society of Automotive Engineers publish specifications of chemical composition limits, physical properties and thermal treatments. End users may request modification of these nominal specifications to achieve a specific performance on their machinery.[4] Steel wire rod is manufactured on the same equipment in the same facilities by the same employees. Special metallurgical properties are imparted by simply adjusting the chemistry and by varying rolling and cooling practices.[5] Even one purchaser of tire quality rod, which argued for a finding of separate like products, concedes that there is no clear dividing line on the basis of chemical properties.[6]

Steel wire rod is almost always sold in irregularly wound coils for subsequent redrawing.[7] There is some interchangeability between alloy and carbon grades, and at the margin between carbon grades.[8] Although there are hundreds of grades and size variations of steel wire rod, the variation may be one only of degree.[9] Virtually all sales of all steel wire rod are made to end users. Thus, the channels of distribution are the same for all types of rod.[10]

It is true that certain customers require rod that, besides meeting traditional chemical and metallurgical specification requirements, is certified to perform in that customer's plant.[11] Such certification requirements are common in many industries, and I do not view such requirements as a sufficient basis upon which to distinguish like products.[12]

These investigations continue to present a continuum of certain steel wire rod products reflecting a spectrum of qualities, grades, chemistries, sizes, and other features, which are reflected in the various industry specifications and a plethora of specifications for specific end uses. With respect to USAC's ACSR rod, for example, it appears that USAC simply requires that its extensive specifications be met to achieve a specific performance. Other specialized products, especially those related to public safety such as bridge cable, mining wire rope and the like, require complex qualification procedures,[13] and no party has argued that the Commission should determine that these products are separate like products. Accordingly, I continue to find that there is one like product, consisting of certain carbon and alloy steel wire rod.

DOMESTIC INDUSTRY AND RELATED PARTIES

I reaffirm my determination in the preliminary investigation that there is a single domestic industry comprising the producers of certain carbon and alloy steel wire rod.

In the preliminary determination, I determined that appropriate circumstances did not exist to exclude two domestic producers who are owned, in whole or in part, by a Canadian producer, who is also an importer of record.[14] The data on which I based my preliminary

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[4] CR at I-10; PR at I-9.
[5] See CR at I-11; PR at I-9.
[6] See Pre-Hearing Brief of Amercord, Inc. at 4-5; Amercord's Answers to Commissioners' Questions at 7-9.
[7] CR at I-19; PR at II-13.
[8] CR at I-19; PR at II-13.
[9] CR at I-19; PR at II-13.
[10] CR at I-49; PR at II-26.
[11] CR at I-92; PR at II-49.
[12] CR at I-93; PR at II-50.
[13] Report at I-93.
[14] CR at I-49; PR at II-26.

determination not to exclude these domestic producers as related parties have remained essentially unchanged. Thus, they do not indicate that these producers were shielded from the effects of unfairly traded imports. Inclusion of such data would not have a skewing effect on the industry's aggregate data.

CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether the domestic industry is materially injured by reason of LTFV imports, I consider all relevant factors which have a bearing on the state of the industry in the United States. These factors include production, capacity, shipments, inventories, market share, employment, wages, productivity, and financial performance. No single factor is determinative. I consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[15] In evaluating the condition of the domestic industry, I look at the domestic industry as a whole.[16]

Several factors affect my evaluation of the indicators of the condition of this industry. First, I note that there were a number of disruptions to domestic production during the period of investigation. For example, Bethlehem Steel ceased all production of steel wire rod in September 1992.[17] Further, four other firms reported disruptions to production of over 60,000 short tons due to such factors as unavailability of raw materials, equipment failures, building damage, the necessity of environmental cleanup, and delays in the startup of newly-installed equipment.[18]

Second, the demand for steel wire rod increased significantly during the period of investigation, particularly in 1992 and 1993. There is evidence that the number of wire drawers is increasing, which augments the need for more steel wire rod. During the past five years, U.S. wire production has replaced some imports of wire, which contributed to the increased demand for steel wire rod in the United States.[19] The increase in demand for wire rod is thus more than just a cyclical upturn.

As a result, while apparent U.S. consumption of certain steel wire rod decreased by quantity from 5.8 million short tons in 1990 to 5.6 million short tons in 1991, it increased to 6.0 million tons in 1992, surpassing the 1990 level.[20] The overall increase was 4.6 percent from 1990 to 1992, and apparent consumption continued to rise, by 5.1 percent, between the interim periods.[21] Domestic production of certain steel wire rod rose by 2.6 percent from 1990 to 1992, from 5.0 million short tons to 5.1 million short tons. This increase continued between the interim periods: from 3.9 million short tons in interim 1992 to 4.1 million short tons in interim 1993, a gain of 5.2 percent.[22] Average-of-period capacity remained essentially steady at 6.0 million short tons in 1990 and 1992, and decreased slightly from 4.6 million tons in the interim 1992 period to 4.5 million tons in the interim 1993 period.[23] Average-of-period capacity utilization rates decreased slightly from 83.8 percent in 1990 to 83.4 percent in 1992, but climbed to 84.9 percent in 1992. Between the interim periods, the level of average-of-period capacity utilization rose from 85.5 percent to 91.7 percent.[24]

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[15] 19 U.S.C. § 1677(7)(C)(iii).

[16] See, e.g., Welded Stainless Steel Pipe from Malaysia, Inv. No. 731-TA-644 (Final), USITC Pub. 2744, at I-9 n.29 (March 1994).

[17] CR at I-43; PR at II-24.

[18] CR at I-53 - I-54; PR at II-27 - II-28.

[19] CR at I-26 - I-27; PR at II-17.

[20] CR at I-25, Table 2.

[21] CR at I-24, I-26; PR at II-15.

[22] CR at I-52, I-51, Table 6; PR at II-27 - II-28.

[23] CR at I-51, Table 6.

[24] CR at I-51, Table 6.

The domestic industry's U.S. shipments of certain steel wire rod increased from 4.9 million short tons in 1990 to 5.0 million short tons in 1992. These shipments increased further between the interim periods: from 3.9 million short tons in interim 1992 to 4.1 million short tons in interim 1993.[25] Measured by value, domestic shipments remained essentially steady at $1.6 billion in 1990 through 1992.[26]

The domestic producers' end-of-period inventories declined by 8.8 percent from 175,304 short tons in 1990 to 159,883 short tons in 1992. They fell another 19.8 percent between interim periods: from 183,295 short tons in the 1992 interim period to 147,040 short tons in the interim 1993 period.[27] Inventories as a share of U.S. shipments remained steady at 3.6 percent from 1990 to 1991, but decreased to 3.2 percent in 1992. Between interim periods, inventories as a share of U.S. shipments declined from 3.6 percent in interim 1992 to 2.7 percent in interim 1993.[28]

The number of production and related workers producing certain steel wire rod decreased by 4.4 percent from 1990 to 1992 and continued to decline, by 8.4 percent, between the interim periods.[29] The number of hours they worked also decreased: by 6.3 percent from 1990 to 1992, and by 2.9 percent between interim 1992 and interim 1993.[30] Hourly compensation increased throughout the period, and the increase continued from interim 1992 to interim 1993.[31] Employee productivity increased substantially over the period, particularly in 1992 and in the interim period.[32]

The financial performance for the domestic steel wire rod industry is essentially positive. Net sales declined by 2.1 percent from 1990 to 1991, held steady in 1992, and increased by 9.1 percent in 1993.[33]

However, largely offsetting the decline in net sales from 1990 to 1992 was a similar decline in the cost of goods sold (COGS), largely due to declines in scrap prices, which are, by far, the largest cost factor for this industry.[34] COGS fell by 2.0 percent from 1990 to 1991, and increased by 1.1 percent in 1992, before substantially rising to 9.1 percent in 1993.[35] As a result of these changes, although gross profits decreased by 15.5 percent from 1990 to 1992, gross profits increased by 40.8 percent between 1992 and 1993.[36] Selling general and administrative expenses (SGA) increased by 8.4 percent from 1990 to 1992 and

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[25] CR at I-56, Table 7.

[26] CR at I-56, Table 7.

[27] CR at I-57; PR at II-30; CR at I-58, Table 8.

[28] CR at I-58, Table 8. The low inventory-to-shipment ratios reflect the fact that domestic producers usually manufacture steel wire rod according to the purchaser's specifications, i.e. by altering the production process slightly based on end use and customer requirements. CR at I-57; PR at II-30.

[29] CR at I-57; PR at II-30.

[30] CR at I-58; PR at II-30.

[31] CR at I-59, Table 9.

[32] CR. at I-59, Table 9.

[33] CR at I-68, Table 13. For purposes of discussing the financial performance, I have chosen to rely more heavily on Table 13 which contains full year 1993 data rather than Table 11 which contains one additional firm but only three quarters worth of 1993 data. Table 13 is confidential however because a comparison of Tables 11 and 13 could allow the discovery of the operations of the single company which did not provide the information for Table 13. I have therefore used only the percentage changes. I note, however, that I do not view the picture of the industry that is to be drawn from either table to be inconsistent with the other.

[34] CR at I-69. Steelmaking expenses accounted for 76 percent, 75 percent, and 74 percent of the unit cost of wire rod for the three years 1990 to 1992. For interim 1993, which is the last period for which the Commission has such data, steelmaking, and thus principally scrap prices accounted for 75 percent of the cost of rod.

[35] CR at I-68, Table 13.

[36] CR at I-68, Table 13.

increased further by 10.8 percent 1993.[37] As a result, operating income initially dropped by 28.6 percent from 1990 to 1992 but rose 65.8 percent from 1992 to 1993.

As a percentage of net sales, COGS rose by 1.1 percentage points from 1990 to 1992 before dropping back 1.9 percentage points in 1993. The operating income margin initially fell from more than 5 percent in 1990 to less than 4 percent in 1992, before rebounding to almost 6 percent in 1993.

Domestic producers were also requested to supply profit-and-loss data on their steel wire rod operations for the period October 1 to December 31, 1993. These data show a substantial increase in profitability in the fourth quarter of 1993 even when compared to the already profitable first three. The reason for the improvement was essentially a continuation of the conditions that prevailed during the first three quarters of the years. Although scrap prices were rising, negatively affecting the industry's COGS, producers were able to pass on these increases at a rate which improved their bottom line. While COGS rose by $14 per unit, and SG&A rose by $3 per unit, the revenue per unit increased by $31, resulting in virtually doubling the unit operating margin for the fourth quarter.

Further, almost all producers shared in the increases in both unit sales values and profitability.[38] Data from all nine of the producers providing fourth quarter information show increases in unit sales. All but one of the increases was in excess of five percent, and four were greater than 10 percent. Additionally, eight of the nine producers experienced increases in operating margins. The operating margins of two producers more than doubled, while for three the margins increased by over one-half and another increased by approximately one-quarter.[39]

From 1990 to 1991, capital expenditures declined from $41 million to $33 million, but rose to $35 million in 1992. Such expenditures declined from $22 million in interim 1992 to $21 million in interim 1993, but I do not find this to be significant in light of the significant ongoing level of expenditure and the plans for further expansion that have been made public for this industry.[40] Research and development expenses for the steel wire rod industry remained essentially steady at $5 million in 1990 and in 1991, then decreased to $4 million in 1992. The decline continued between interim periods: from $3 million in interim 1992 to $2 million in interim 1993.[41]

Under the bifurcated analysis that I employ, my first substantive finding is whether the industry is currently experiencing material injury. Material injury must be occurring at the time that I am required to make my determination. I cannot find on the record before me that the domestic industry is currently experiencing material injury. While there were some declines in the performance of the industry between 1990 and 1992, the improvement in virtually all indicators of the industry's performance, beginning an 1992 and extending through the present, are to such levels as to preclude me from finding that the industry is currently materially injured. Thus, I must make a negative present injury determination. Because the industry is not currently experiencing material injury, I do not consider the issues of causation, including cumulation, but rather proceed directly to a consideration of whether the unfairly traded imports threaten the domestic industry.

NO THREAT OF MATERIAL INJURY BY REASON OF LTFV IMPORTS

Over the last several years, I have refined and explained in detail the analysis which I use in making my determinations with regard to whether unfairly traded imports threaten

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[37] CR at I-63, Table 11.
[38] CR at I-67; PR at II-36.
[39] CR at I-67; PR at II-36.
[40] CR at I-72, Table 15.
[41] CR at I-72, Table 16.

domestic industries.[42] I begin by assessing the degree to which the domestic industry is vulnerable to the effects of unfair imports. This assessment is analogous to the explanation of the condition of the industry in a present injury determination in traditional Commission opinions. I then proceed to review the statutory factors listed in section 771(7) to assess what the effects of the imports are likely to be, and I reach my ultimate conclusions by evaluating those effects in light of the relative vulnerability of the industry. An industry whose condition is already weakened, though not yet at the level of material injury, may be threatened even if the effects of the unfair imports are relatively small. An industry that is performing at better levels would be threatened with material injury only if the effects of the imports are relatively greater.

Vulnerability

In this case, I cannot find that the domestic industry is seriously vulnerable to the effects of imports. Over the period of investigation, the only significant indicator of injury were the declines in a few specific indicators, particularly the financial indicators, between 1990 and 1992. These declines appear to be due to the fact that, in a period of declining scrap prices, the industry was forced to decrease its prices by a slightly larger amount. Over the last year, however, in a period of rising scrap prices, the industry was able to pass along the full amount of the increase along with an extra amount sufficient to dramatically improve its operating margin. Certainly increased competition from unfairly priced imports plays some role in the ability of the industry to continue to pass on scrap prices, but this is the only real vulnerability I detect for the industry. I note further that the most recent information on the record concerning this industry shows significant improvements in virtually all indicators also lessening the vulnerability of the industry.

The Statutory Factors

The second part of my analysis is to evaluate the statutory factors which the Congress has directed the Commission to consider in its threat analysis. Section 771(7)(F) of the Tariff Act of 1930 directs the Commission to determine whether a U.S. industry is threatened with material injury by reason of unfair imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."

The factors the Commission must consider in a threat analysis are:

(I) if a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

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[42] *See, eg.,* Brass Sheet and Strip from Japan and the Netherlands, Inv. Nos 731-TA-379 and 380, USITC Pub 2099 (July 1988), Separate Views of Commissioner David B. Rohr at 29; New Steel Rails from Canada, 701-TA-297 (F) and 731-TA-422 (F), USITC Pub. 2217 (September 1989), Views of Commissioners Eckes, Rohr and Newquist at 3; Gray Portland Cement and Cement Clinker from Japan, Inv. No 731-TA-461 (P), USITC Pub 2297 (July 1990), Views of Commissioner David B. Rohr at 45; Gray Portland Cement and Cement Clinker from Japan, Inv. No 731-TA-461 (F), USITC Pub.2376 (April 1991), Views of Commissioner David B. Rohr Finding Threat of Material Injury at 45; Tungsten Ore Concentrates from the People's Republic of China, 731-TA-497 (F), USITC Pub. 2447 (November 1991), Views of Commissioners David B. Rohr and Don Newquist at 11; Sulfanilic Acid from the People's Republic of China, 731-TA-538 (P), USITC Pub 2457 (November 1991), Additional Views of David B. Rohr and Don Newquist at 15.

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 1671 or 1673 of this title or to final orders under section 1671e or 1673e of this title, are also used to produce the merchandise under investigation,

(IX) in any investigation under this subtitle which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[43]

The determination of the Commission cannot be based on mere speculation. In addition, the Commission must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class of merchandise suggest a threat of material injury to the domestic industry. [44]

As I have explained in the past, I do not engage in formal cumulation in analyzing threat. While the statute requires a formal cumulation analysis in the context of the causation analysis of a present material injury case, the issue of whether imports have a collective impact is more difficult in the context of a threat analysis. A threat analysis involves the assessment by the Commission of the capabilities and intentions of foreign producers with regard to the domestic market and domestic industry. Formal cumulation, by ignoring differences in the trends in the various threat indicators, raises the possibility that the capabilities or intentions of one set of foreign producers will be "assigned" to another set of foreign producers.

Nevertheless, under certain conditions, imports may have a collective impact on the domestic industry, and the courts have said that the Commission can exercise its discretion to cumulate imports in such circumstances. These conditions include the traditional factors that

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[43] 19 U.S.C. § 1677(7)(F)(i), as amended by 1988 Act sections 1326(b), 1329.
[44] See 19 U.S.C. § 1677(7)(F)(iii), as amended by 1988 Act, section 1329.

the Commission looks at to determine whether cumulation is appropriate, competition between the imports and between the imports and the like product, temporal and geographical overlap and that all the imports be subject to investigation. In addition other factors may be relevant, such as whether imports are increasing at similar rates in the same markets, and whether they exhibit similar pricing patterns.

I determine based upon my evaluation of these factors that the imports from the various countries subject to these investigation, which include Brazil and Japan and also Canada, Belgium, and Germany, should not be considered together. These imports show extremely diverse patterns in the market. Brazilian imports fell and then returned to essentially their early level. Japan declined throughout the period. Canada rose but, in 1993, remained steady, while Belgium and Germany both rose dramatically but were new entrants in the market in 1992 and 1993 and their imports were at small levels. The pricing patterns for the countries were also diverse, Brazil underselling the U.S. product in most instances, Japan overselling in most instances, and Canada split. While limited the pricing data seems to indicate more instances of overselling for the German and Belgian products. I have therefore concluded not to consider the presence of the other imports in making my determination on each of the countries for which I must make my threat determinations, specifically Brazil and Japan.

Brazil

With respect to imports from Brazil, Brazilian capacity and production increased only slightly from 1990 to 1992, and remained fairly constant between the interim periods.[45] While capacity utilization rates fluctuated between 79.4 and 94.6 percent during the period of investigation, there is evidence on the record that the excess capacity cannot be used because of the inability to obtain raw material.[46] The Brazilian imports' share of domestic consumption increased irregularly from 1990 to 1992, and decreased significantly during the interim periods,[47] in spite of evidence on the record that purchasers solicited Brazilian rod because of shortages in the United States.[48]

I further find that there is no evidence that Brazilian imports will have any price suppressing or depressing effects. While there is some evidence of underselling, this underselling occurred is associated with relatively small tonnages and does not appear to have any effect on the market. Between 1990 and 1992, Brazilian end-of-period inventories decreased by half, and, although there was a slight increase between the interim periods, inventories are projected to decrease even further in 1993 and 1994.[49]

In light of the declining import penetration, generally stable Brazilian capacity, lack of significant excess capacity, declining inventories, and lack of evidence of any likely price suppressing or depressing effects, I find no threat of material injury by reason of subject imports from Brazil.

Japan

Japanese capacity decreased by 8.2 percent from 1990 to 1992.[50] The trend was reversed between interim periods, but smaller increases are projected through 1994.[51]

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[45] CR at I-78; PR at II-41.
[46] CR at I-78; PR at II-41.
[47] CR at I-90, Table 23.
[48] See, e.g., CR at I-78; PR at II-41.
[49] CR at I-79, Table 18. I note that inventories are of limited significance in these investigations, because most rod is manufactured pursuant to customers' specifications. CR at I-57; PR at II-30; CR at I-92; PR at II-49.
[50] CR at I-82; PR at II-44.
[51] CR at I-84, Table 21.

Production also declined during 1990 to 1992, but increased by 24.3 percent between the interim periods. This growth in production is attributed to the growing demand for steel wire rod in China.[52] The recent increase in capacity and production also does not support a finding of threat because of the extremely high rate of capacity utilization: from over 86 percent in the period from 1990 to 1992, to 97.5 percent in interim 1993.[53] Japanese exports to the U.S. declined as a percentage of Japanese production and increased as a percentage of Japanese total exports by less than 1 percent.

Japanese imports' share of domestic consumption fell from 3.0 to 2.6 percent between 1990 and 1992, and declined to 2.5 percent in interim 1993 from 2.7 percent in interim 1992.[54] There is no indication that imports of Japanese products will have either a price suppressing or a price depressing effect on domestic prices. The data show consistent overselling and the record reflects that a substantial amount of the Japanese imports fill needs that are unmet by domestic producers. Inventories of Japanese rod decreased from 1990 to 1992, although they increased between interim periods. This increase is accounted for, at least in part, because one Japanese importer sells all of its imported rod to a specific customer and warehouses it for that customer.[55]

In light of the declining import penetration, lack of significant excess capacity and lack of any evidence of likely price suppressing or depressing effects, I find no threat of material injury by reason of subject imports from Japan.

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[52] CR at I-85; PR at II-44.
[53] CR at I-84, Table 21.
[54] CR at I-90, Table 23.
[55] CR at I-75; PR at II-39.

DISSENTING VIEWS OF CHAIRMAN NEWQUIST

Unlike my colleagues, I find that the domestic industry producing certain steel wire rod is threatened with material injury by reason of imports of this product from Brazil and Japan which the Department of Commerce has determined are sold in the United States at less-than-fair-value ("LTFV").

I concur with the majority's discussion of like product and domestic industry, and generally concur with its discussion of the condition of the domestic industry. It is, however, at this latter point that I begin these views.

I. CONDITION OF THE DOMESTIC INDUSTRY

While the majority has accurately recited the numerical indicia of the domestic industry's condition, in my view, they inadequately assess one significant element of the industry's ostensible "improvement": the effect of the Commission's affirmative preliminary determinations concerning imports from Brazil, Canada[1] and Japan.[2]

Imports from these three countries accounted for nearly 12% of U.S. consumption and more than 72% of all imports of the subject merchandise in 1992.[3] In June 1993, the Commission determined that there was a reasonable indication that these imports were a cause of material injury to the domestic industry. These determinations signalled to subject producers and importers that, in the event of affirmative determinations by the Department of Commerce, liquidation of imports from these three countries would soon be suspended and the posting of a bond equivalent to the respective preliminary dumping margins required for each subsequent importation.[4]

It is quite well-established that after a preliminary affirmative determination by the Commission, suspension of liquidation is typically anticipated and, consequently, the domestic industry often experiences some "improvement." This improvement results from a reduction in the absolute amount of the subject merchandise imported and/or the fact that subsequent entries are expected to be traded at a "fair value." In a threat of injury analysis, the effect of suspension of liquidation, or the anticipation thereof, requires a careful assessment.

While I agree with the majority that the industry has demonstrated some improvement, I conclude that this improvement is related to the Commission's affirmative preliminary determinations and the anticipation of suspension of liquidation. In my view, this "improvement" masks the fundamental elements of problems in the industry's performance.

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[1] The Commission's investigation of imports from Canada arose from the same petition as the investigations covering Brazil and Japan. The Commission made an affirmative preliminary determination with regard to Canadian imports. Certain Steel Wire Rod from Brazil, Canada, Japan, and Trinidad and Tobago, Invs. Nos. 731-TA-646 thru 649 (Preliminary), USITC Pub. 2647 (June 1993). The Department of Commerce granted a request for postponement of its final determination with regard to Canada.

[2] Commission practice is to exclude a Commissioner from reviewing those portions of the majority opinion with which that Commissioner dissents. While I am wholly supportive of this practice, in this instance, I only have access to the majority's discussion of like product, domestic industry, and condition of the domestic industry. Any such discussion of the effect of suspension of liquidation and the posting of bond would normally occur in the condition of the industry section. Therefore, I have assumed that the majority does not address this issue elsewhere in its opinion.

[3] Report at Table 23.

[4] Both suspension of liquidation and posting of bond will hereinafter be discussed as just "suspension of liquidation."

Finally, other elements of the industry's condition offset apparent improvement in other factors. The industry's declining capital improvement and research and development expenditures warrant particular assessment. Between 1990-92, the industry's investment in machinery, equipment and fixtures declined approximately 20%, from $39.4 million to $31.8 million.[5] This decline continued between the interim periods: $19.8 million in interim 1992 compared to $17.3 million in interim 1993.[6] Similarly, although the industry's research and development expenditures increased somewhat between 1990-91, they declined 15.5% between 1991-92, and were 28.3% lower in interim 1993 compared with interim 1992.[7]

Thus, while I find that the domestic industry is not presently experiencing material injury, the industry's improvement in interim 1993, due in part to the expected suspension of liquidation, as well as the industry's declining capital investment and research and development, leads me to conclude that the domestic industry producing certain steel wire rod remains extremely vulnerable to the adverse effects of continuing unfair imports from Brazil and Japan.

II. CUMULATION

In reaching my affirmative threat determinations, I have cumulated imports from Brazil and Japan with each other, as well as with imports from Canada,[8] Belgium and Germany,[9] all of which are subject to investigation.

In making my cumulation determinations I considered:
(i) whether there is competition between the subject imports themselves and the domestic like product; and (ii) whether the subject imports from each country are "negligible." The latter factor is more important in my analytical framework for determining whether subject imports are appropriate to cumulate. I discuss both factors for the imports from each country below.

The cumulation provision provides, in pertinent part, that for purposes of a threat of material injury analysis,

> the Commission may cumulatively assess the volume and price effects of imports from two or more countries if such imports -- compete with each other, and with the like products of the domestic industry, in the United States market.[10]

As I explained in the Flat-Rolled Carbon Steel investigations,[11] I view this language to require scrutiny of primarily geographic and temporal competition between the subject imports and the domestic like products; assessing competition on the basis of the substitutability of these products is a lesser consideration.[12] Nowhere does the cumulation

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[5] Report at Table 15.
[6] Id.
[7] Report at Table 16.
[8] See note 1, supra.
[9] Imports from Belgium and Germany are presently subject to preliminary investigations which have effectively been "consolidated" with these final investigations. See Dissenting Views of Chairman Newquist in Certain Steel Wire Rod from Belgium and Germany, Invs. Nos. 701-TA-359 (Preliminary), and 731-TA-686-687 (Preliminary), USITC Pub. 2760 (March 1994).
[10] 19 U.S.C. § 1677(7)(F)(iv)(I)(emphasis added).
[11] USITC Pub. 2616 (August 1993).
[12] My interpretation of this language also reflects my interpretation of the Commission's traditional four factor "competition for cumulation" test. This four factor test has generally been articulated as follows:

> (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer

(continued...)

provision state that competition is a function of interchangeability based upon the imported and domestic products' characteristics and uses. Such competition is appropriately addressed in the like product analysis.[13] In my view, once a like product determination is made, that determination establishes some inherent level of fungibility within that like product. Only in exceptional circumstances could I anticipate finding products to be "like," and then turn around and find that, for purposes of cumulation, there is no reasonable overlap of competition based upon some roving standard of fungibility. In my opinion, the record in these investigations does not support the exclusion of any of the subject imports from cumulation on the basis of no reasonable overlap of competition.

Rather, in my analytical framework, fungibility is more relevant to the assessment of whether imports are negligible. In that analysis, the fungibility within any like product can be pertinent in determining what level of imports may or may not have a discernible adverse effect on the industry producing the like product.[14] In this regard, I note that there is no magical bellwether to determine negligibility. What may be negligible and without discernible adverse impact will vary from industry to industry -- a function of both the characteristics of the industry and its particular vulnerability to unfair imports.[15]

A. Brazil

1. Reasonable overlap of competition

Contrary to the argument of the Brazilian respondent,[16] I find that there is a reasonable overlap of competition between imports from Brazil, the other subject imports, and the domestic like product. Twelve importers responded to the Commission's questionnaires and, collectively, they reported selling Brazilian wire rod in 42 of the 45 months of the period of investigation.[17] In 1992, Brazilian wire rod was sold in all four geographic regions.[18]

2. Negligibility

I find that imports from Brazil are not negligible. I note that Brazilian respondents did not make any assertions to the contrary. Imports from Brazil increased irregularly during

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[12] (...continued)
requirements and other quality related questions;

(2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product;

(3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and

(4) whether the imports are simultaneously present in the market.

See, e.g., Certain Cast Iron Pipe Fittings from Brazil, Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

[13] See 19 U.S.C. § 1677(10).

[14] 19 U.S.C. §§ 1677(7)(C)(v), 1677(7)(F)(iv).

[15] I further note that, in my assessment of whether cumulation is appropriate for purposes of a threat analysis, I place relatively little weight on whether imports from two or more countries are increasing at similar rates, have similar margins of underselling, or will enter the U.S. at prices that will have a depressing or suppressing effect.

[16] Brazilian respondent's post-hearing brief at 12.

[17] INV-R-036 (March 16, 1994).

[18] Id.

the period, from more than 70,000 short tons in 1990 to more than 90,000 in 1992.[19] In 1992, imports from Brazil were valued at more than $25 million.[20] Although imports declined between the interim periods, in interim 1993, imports from Brazil still totalled nearly 44,000 short tons.[21]

Based on the foregoing, I determine that it is appropriate to cumulate imports from Brazil.

B. Japan

1. Reasonable overlap of competition

Contrary to the arguments of the Japanese respondents,[22] I find that there is a reasonable overlap of competition between imports from Japan, the other subject imports, and the domestic like product. The Japanese respondents argue primarily that their imports do not compete with the domestic like product.[23] Sixteen importers responded to the Commission's questionnaires and, collectively, they reported selling Japanese wire rod in all 45 months of the period of investigation.[24] In 1992, Japanese wire rod was sold in all four geographic regions.[25]

2. Negligibility

As discussed above, in my analytical framework, lack of fungibility between subject imports and the domestic like product is more relevant to whether imports from any one country are negligible and without discernible adverse effect on the domestic industry. The Japanese respondents assert both that their imports are not fungible and that they are otherwise negligible.[26] I address each in turn and find that imports from Japan are not negligible.

The Japanese respondents argue that their imports are primarily of four specialized products either not produced or produced only in limited quantities by domestic producers.[27] The record, however, demonstrates otherwise. The Commission gathered data on production of eight specialty steel wire rod products.[28] Domestic producers produced all eight products.[29] For five of these products, U.S. producers produced more than was imported from Japan; for two of these products more was imported from Japan than was produced by domestic producers; for the remaining one product, U.S. production and imports from Japan were relatively equal.[30] Further, Japanese respondents concede that more than 15% of imports from Japan are of "non-specialty" steel wire rod which is completely fungible with the domestic like product.[31]

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[19] Report at Table 22.
[20] Id.
[21] Id.
[22] See, e.g., Japanese respondents' pre-hearing brief at 4-15; Japanese respondents' post-hearing brief at 20-25.
[23] Id.
[24] INV-R-036 (March 16, 1994).
[25] Id.
[26] See, e.g., Japanese respondents' pre-hearing brief at 4-15, 21-22, 31-33; Japanese respondents' post-hearing brief at 20-25.
[27] Japanese respondents' pre-hearing brief at 10-11.
[28] Report at Table 4.
[29] Id.
[30] Id.
[31] Japanese respondents' pre-hearing brief at 10-11.

In addition, although imports from Japan declined from nearly 110,000 short tons in 1990 to approximately 90,000 in 1992,[32] the 1992 level was roughly equal to that of imports from Brazil which, as discussed above, I find not to be negligible. In 1992, imports from Japan were valued at nearly $50 million.[33] Further, after declining between 1990-92, imports from Japan increased by approximately 8% between the interim periods.[34]

Based on the foregoing, I determine that it is appropriate to cumulate imports from Japan.

C. Canada[35]

1. Reasonable overlap of competition

I find that there is a reasonable overlap of competition between Canadian imports, other subject imports, and the domestic like product. I note that Canadian respondents did not argue to the contrary.[36] Six importers responded to the Commission's questionnaires and, collectively, they reported selling Canadian wire rod in all 45 months of the period of investigation.[37] In 1992, Canadian wire rod was sold primarily in two of the four geographic regions.[38]

2. Negligibility

I find that Canadian imports are not negligible and note that Canadian respondents did not argue to the contrary. Imports from Canada were the largest of any of the subject countries, increasing from more than 376,000 short tons in 1990 to nearly 540,000 in 1992.[39] In 1992, imports from Canada were valued at nearly $193 million.[40] Between the interim period, Canadian imports declined by 0.5%.[41]

Based on the foregoing, I determine that it is appropriate to cumulate imports from Canada.

D. Belgium[42]

Whether to cumulate imports from Belgium with those from the other countries is, in my view, the most difficult cumulation issue presented by these investigations. It is important to note, however, that the Belgian respondents did not provide testimony or other information concerning the industry in Belgium. As imports from Belgium are subject to a preliminary investigation, it would be appropriate to make an affirmative determination based upon American Lamb,[43] particularly in the context of threat of material injury. This lack of information notwithstanding, however, my determination to cumulate imports from Belgium is based upon the limited available data as discussed below.

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[32] Report at Table 22.
[33] Id.
[34] Id.
[35] See note 1, supra.
[36] Canadian respondents' post-hearing brief at 67.
[37] INV-R-036 (March 16, 1994).
[38] Id.
[39] Report at Table 22.
[40] Id.
[41] Id.
[42] It must be recalled that imports from Belgium and Germany are subject to a preliminary investigation and, therefore, are governed by a different causation standard than those imports subject to a final investigation.
[43] American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

1. Reasonable overlap of competition

I find that there is a reasonable overlap of competition between Belgian imports, other subject imports, and the domestic like product. Three importers responded to the Commission's questionnaires and, collectively, they reported selling Belgian wire rod during at least one month of each year of the period of investigation.[44] In 1992, Belgian wire rod was sold in two of the four geographic regions.[45]

2. Negligibility

Contrary to the arguments of respondents from Canada and Japan,[46] I find that imports from Belgium are not negligible. Although imports from Belgium totalled only slightly more than 100 short tons in 1990, by 1992 they had increased more than ten-fold to 1357 short tons.[47] And the increase between the interim periods (January to September) was even more dramatic: 1028 short tons in interim 1992 compared with 23,231 short tons in interim 1993.[48] Belgian imports in interim 1993 were valued at more than $7 million, compared to just $389,000 in interim 1992.[49]

Based on the foregoing, I find that it is appropriate to cumulate imports from Belgium.

E. Germany[50]

1. Reasonable overlap of competition

Contrary to the argument of one German respondent,[51] I find that there is a reasonable overlap of competition between imports from Germany, other subject imports, and the domestic like product. Seven importers responded to the Commission's questionnaires and, collectively, they reported selling German wire rod in all 45 months of the investigation.[52] In 1992, German wire rod was sold in all four geographic regions.[53]

2. Negligibility

Contrary to the argument of one German respondent as well as respondents from Canada and Japan,[54] I find that imports from Germany are not negligible. Imports from Germany more than tripled between 1990-92, from 9625 short tons to 32,360.[55] The increase was even greater between the interim periods, nearly 18,000 short tons in interim 1992 compared to almost 72,000 short tons in interim 1993.[56] German imports in interim 1993 were valued at more than $25 million, compared to $7.2 million in interim 1992.[57]

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[44] INV-R-036 (March 16, 1994). Belgian rod was sold during three months in 1992 and five months in interim 1993 (January-September). Id.

[45] Id.

[46] Canadian and Japanese respondents' joint post-hearing brief at III-3.

[47] Report at Table 22.

[48] Id.

[49] Id.

[50] See note 42, supra.

[51] Saarstahl AG post-conference brief at 13.

[52] INV-R-036 (March 16, 1994).

[53] Id.

[54] Saarstahl AG post-conference brief 16-17; Canadian and Japanese respondents' joint post-hearing brief at III-4.

[55] Report at Table 22.

[56] Id.

[57] Id.

Based on the foregoing, I determine that it is appropriate to cumulate imports from Germany.

III. THREAT OF MATERIAL INJURY

In determining whether the domestic industry is threatened with material injury, the statute directs that I consider several factors, none of which are necessarily dispositive.[58] In addition, the statute provides that an affirmative threat determination be made "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."[59] I have carefully scrutinized each relevant statutory factor and discuss each below.

As presented above, for purposes of threat analysis I have cumulated imports of certain steel wire rod from Brazil, Japan, Canada, Belgium and Germany. Of these imports,

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[58] These are:

(I) if a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate probability that importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 1671 or 1673 of this title or to final orders under section 1671e or 1673e of this title, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both raw agricultural product (within the meaning of paragraph (4)(E)(iv) and any product processed from such raw agricultural product, the likelihood there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.

19 U.S.C. § 1677(7)(F)(i).

The Commission must further consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class or kind of merchandise suggest a threat of material injury to the domestic industry. See 19 U.S.C. section 1677(7)(F)(iii).

[59] 19 U.S.C § 1677(7)(F)(ii).

only those from Germany are alleged to be subsidized.[60] It should be noted, however, that in interim 1993, imports from Germany accounted for more than 11.5% of the cumulated subject imports.[61] Thus, the impact of continuation of this alleged subsidization is not inconsequential. This is particularly true to the extent that these subsidies provide producers with capital they may not otherwise obtain. By affording such producers unworthy of equity the opportunity to modernize and advance the state of their operations, the unfair advantage bestowed will continue long past the time the funds were actually spent and will enable these producers to continue to compete in the U.S. market on an unfair basis.

The productive capacity of the cumulated countries[62] remained relatively stable between 1990-92, increasing less than 1%.[63] In contrast, the countries' production declined more than 7% during the same period.[64] Accordingly, the countries' aggregate capacity utilization declined from almost 90% in 1990 to less than 85% in 1992.[65] The four countries' existing unused capacity in 1992 was approximately 60% greater than the total amount of wire rod imported from all five countries during that year.[66] Viewed another way, the countries' unused capacity was 20% more than total U.S. consumption of wire rod in 1992.[67]

Imports from the cumulated countries, including Belgium, declined slightly between 1990-91, from 565,571 short tons to 534,118 short tons, then increased substantially to 753,499 short tons in 1992.[68] Thus, cumulated imports increased by more than 33% between 1990-92.[69] Imports from the five countries in interim 1993 were 615,648 short tons compared with 570,701 short tons for the same period 1992.[70] The cumulated imports demonstrated a similar trend with regard to share of U.S. consumption, increasing from 9.8% in 1990 to 12.5% in 1992, and 12.6% in interim 1993 compared with 12.3% in interim 1992.[71]

The Commission gathered pricing data for six different types of wire rod products. The cumulated imports showed mixed under and overselling.[72] Significantly, however, in most instances, the weighted average selling price of each of the subject imports declined more rapidly between 1990-92 than did the domestic selling price.[73] Similarly, the average unit value of the subject imports declined more rapidly between 1990-92 than the average unit value of the domestic like product.[74] The larger decrease in the weighted average selling prices and average unit values of the cumulated imports during 1992, at the same time that the imports increased market share, indicates that domestic prices must decline even further to remain competitive with the cumulated imports.

Even without underutilized capacity, the cumulated countries for which the Commission obtained data have enormous production which can be shifted to the United States from either their home markets or other export markets. In 1992, the four countries

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[60] These subsidies are allegedly in the form of debt-forgiveness and no- or low-interest loans. Confidential Report ("CR") at I-24; Public Report ("PR") at II-15.

[61] Report at Table 22.

[62] The one Belgian producer listed in the petition did not respond to the Commission's request for data. Although the U.S. Embassy in Brussels was able to provide the Commission with some limited information, this information is not included in the following discussion. CR at I-77; PR at II-40.

[63] Report at Tables 18-21.

[64] Id.

[65] Id.

[66] Report at Tables 18-22.

[67] Report at Tables 18-23.

[68] Report at Table 22.

[69] Id.

[70] Id.

[71] Report at Table 23.

[72] Report at Table 30.

[73] Report at Tables 24-29.

[74] Report at Tables 7 and 22.

produced approximately 8 million short tons of wire rod, however, less than 10% of this aggregate production was exported to the United States.[75] Had, for example, the countries exported 15% of their production to the U.S. in 1992, all other things being equal, the subject imports' share of domestic consumption would have been nearly 20%.[76]

Importers of the subject merchandise reported continuing importations after the end of the interim period 1993.[77] Importers from one subject country reported imports of approximately 70,000-100,000 short tons per quarter since September 1993.[78] Importers from another subject country reported scheduled imports of more than 93,000 short tons between October 1993 and May 1994.[79] Importers from two other of the subject countries reported scheduled imports of approximately 30,000-50,000 short tons since the end of the interim period.[80] This significant level of continuing imports, notwithstanding the suspension of liquidation of imports from Brazil, Canada and Japan, also demonstrates that the subject producers and importers are able to absorb the added cost of posting preliminary bonds. This conclusion is further evidenced by the fact that during the third quarter of 1993, after the Commission's affirmative determinations, selling prices of the subject imports from Brazil, Canada and Japan, did not exhibit a consistent upward trend; in fact, in some instances, prices continued to decline between the second and third quarters.[81]

The cumulated unfair imports pose an even more severe threat to the domestic industry's existing development and production efforts. It would be expected that during the industry's "improvement" in interim 1993, capital investment and research and development expenditures would have increased; instead, these expenditures declined substantially.[82] Several domestic producers reported foregoing capital improvements due to the instability caused by the presence of unfair imports in the market.[83] Thus, to the extent that there has been an increase in total wire rod consumption, the domestic industry's inability to invest in capital improvements means that it will be unable to garner much, if any, of this increase in consumption.

IV. CONCLUSION

Based on the foregoing, particularly the cumulated imports' increase in market share, their rapidly declining unit values, the large quantities of product available to be diverted from other export markets, and the domestic industry's inability to generate sufficient internal capital for investment in equipment and research and development, I find that the domestic industry producing certain steel wire rod is threatened with imminent injury by reason of the cumulated unfair imports from Belgium, Brazil, Canada, Germany, and Japan.

V. APPLICATION OF SECTIONS 1671d(b)(4)(B) and 1673d(b)(4)(B)

As I have made final affirmative threat of material injury determinations with regard to Brazil and Japan, the statute requires that I make an additional finding indicating whether I would have found present material injury "but for" the suspension of liquidation of the subject imports pursuant to the various preliminary affirmative determinations.[84] In these two antidumping investigations, suspension of liquidation occurred on November 29, 1993. I find that the domestic industry would not have been materially injured by imports from Brazil and Japan absent the suspensions of liquidation.

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[75] Report at Tables 18-22.
[76] Report at Tables 18-23.
[77] CR at I-76-77; PR at II-40.
[78] Id.
[79] Id.
[80] Id.
[81] Report at Tables 24-29.
[82] Report at Tables 15 and 16.
[83] CR at F-1-13; PR at F-1.
[84] 19 U.S.C. § 1671d(b)(4)(B) and 1673d(b)(4)(B).

PART II

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

Institution of Investigations Nos. 731-TA-646-648 (Final)

Following preliminary determinations by the U.S. Department of Commerce that imports of certain steel wire rod[1] from Brazil, Canada, and Japan are being, or are likely to be, sold in the United States at less than fair value (LTFV) (58 F.R. 62636), the U.S. International Trade Commission, effective November 26, 1993, instituted investigations Nos. 731-TA-646-648 (Final) under section 735(b) of the Tariff Act of 1930 ("the Act") (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the *Federal Register* on December 16, 1993 (58 F.R. 65732). Copies of the *Federal Register* notices are presented in appendix A. The hearing was held in Washington, DC, on February 15, 1994. A list of participants in the hearing is presented in appendix B.

In its final determinations published in the *Federal Register* on February 9, 1994 (59 F.R. 5984), Commerce determined that imports of certain steel wire rod from Brazil and Japan are being, or are likely to be, sold in the United States at LTFV. The applicable statute directs that the Commission make its final determination within 120 days after an affirmative preliminary determination by Commerce or 45 days after an affirmative final determination by Commerce (whichever is later), or in the cases of Brazil and Japan, by March 25, 1994. The vote in these investigations was held on March 17, 1994. Commerce postponed its final determination in the investigation involving Canada until April 11, 1994. The Commission will issue its final determination in that investigation on May 25, 1994.

These investigations result from a petition filed by Connecticut Steel Corp., Wallingford, CT; North Star Steel Texas, Inc., Beaumont, TX; Keystone Steel & Wire Corp., Peoria, IL; Co-Steel Raritan, Perth Amboy, NJ (except for the investigation concerning Brazil); and Georgetown Steel Corp., Georgetown, SC, on April 23, 1993, alleging that an industry in the United States was materially injured or threatened with material injury by reason of LTFV imports of certain steel wire rod from Brazil, Canada, Japan, and Trinidad and Tobago.[2] Subsequent to the filing of the petition,

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[1] For purposes of these investigations, certain steel wire rod is defined as hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter. The following products are excluded from the scope of these investigations:

- steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and having the following chemical content, by weight: carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorus plus sulfur less than or equal to 0.04 percent, and nitrogen less than or equal to 0.006 percent (termed "1080 tire cord" quality wire rod);
- free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium;
- stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and
- wire rod 7.9 to 18 mm in diameter, containing 0.48 to 0.73 percent carbon by weight, and having partial decarburization and seams no more than 0.075 mm in depth (termed valve spring quality wire rod).

[2] On Oct. 18, 1993, petitioners amended their petition to exclude steel wire rod for high-tensile tire cord applications (1080 tire cord). Commerce accepted the amendment and revised the scope of its investigations

(continued...)

Georgetown, North Star, and Keystone withdrew from the investigation concerning Japan on May 12, 1993, May 17, 1993, and January 18, 1994, respectively. In response to the petition, the Commission instituted investigations Nos. 731-TA-646-649 (Preliminary) under section 733 of the Act (19 U.S.C § 1671b(a)) and, on June 7, 1993, determined that there was a reasonable indication of such material injury for the investigations concerning Brazil, Canada, and Japan. With respect to the investigation concerning Trinidad and Tobago, the Commission determined that there was no reasonable indication of material injury or threat of material injury.

Institution of Investigations Nos. 701-TA-359 (Preliminary) and 731-TA-686-687 (Preliminary)

On February 14, 1994, petitions were filed with the Commission and Commerce by counsel on behalf of the same companies mentioned above,[3] alleging that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of certain steel wire rod from Belgium and Germany that are allegedly being subsidized by the Government of Germany and sold in the United States at LTFV. Accordingly, effective February 14, 1994, the Commission instituted investigations Nos. 701-TA-359 (Preliminary) and 731-TA-686-687 (Preliminary), under sections 703(a) and 733(a) of the Act (19 U.S.C.§§ 1671b(a) and 1673b(a)), respectively, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of the allegedly subsidized and LTFV imports of certain steel wire rod into the United States.

Notice of the institution of these investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of February 22, 1994 (59 F.R. 8483). Commerce published its notice of initiation in the *Federal Register* of March 14, 1994 (59 F.R. 11773). The conference was held on March 4, 1994, and the Commission's vote in these investigations was held on March 17, 1994. A list of the participants at the conference is presented in appendix B. The statute directs that the Commission make its determinations in these investigations within 45 days after receipt of the petition, or by March 31, 1994.

A summary of the data collected in all investigations covered by this report is presented in appendix C.

Previous Commission Investigations Concerning Steel Wire Rod

Certain steel wire rod products have been included in a number of investigations conducted by the Commission since 1921. A listing of those investigations is presented in table 1. During 1982, the investigations of carbon steel wire rod from Brazil, Belgium, and France were suspended or terminated before the Commission made its injury determinations. For the investigations

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[2] (...continued)
accordingly in its preliminary determinations. The Commission structured its final questionnaires to conform with the revised scope. On Dec. 13, 1993, the petitioners amended their petition again to exclude steel wire rod for valve spring applications. Because of a concern by Commerce that the scope exclusion would complicate the Customs Service's enforcement of any antidumping duty order and unduly burden foreign producers, petitioners submitted an alternative wording for the exclusion on Dec. 30, 1993. In its final determinations concerning Brazil and Japan, Commerce accepted the amendment and revised the scope of its investigations accordingly. Subsequent to these determinations, the Commission adjusted its data to reflect the revised scope.

[3] In addition, Northwestern Steel & Wire Co., Sterling, IL, which is not a petitioner in the final investigations concerning Brazil, Canada, and Japan, is a petitioner in the preliminary investigations concerning Belgium and Germany.

Table 1
Certain steel wire rod: Previous and related investigations since 1921

Item	Investigation number	Date of issue	Report No.
Steel billets and bars	N.A.	1921	C-7
Hot-rolled carbon steel wire rods:			
Belgium	AD-27	1963	TC 93
France	AD-30	1963	TC 99
Luxembourg	AD-28	1963	TC 94
West Germany	AD-29	1963	TC 95
Carbon steel wire rods and wire	TEA-W-100	1971	TC 418
Carbon steel wire rods and wire	TEA-W-181	1973	TC 566
Carbon steel wire rod:			
Brazil, Belgium, France, Venezuela	701-TA-148-150 (P) 731-TA-88 (P)	1982	USITC 1230
Venezuela	731-TA-88 (F)	1983	USITC 1338
Brazil, Trinidad and Tobago	731-TA-113-114 (P)	1982	USITC 1316
	731-TA-113-114 (F)	1983	USITC 1444
Argentina, Mexico, Poland, Spain	701-TA-209 (P) 731-TA-157-160 (P)	1984	USITC 1476
Spain	701-TA-209 (F)	1984	USITC 1544
Poland	731-TA-159 (F)	1984	USITC 1574
Argentina, Spain	731-TA-157, 160 (F)	1984	USITC 1598
German Democratic Republic	731-TA-205 (P)	1984	USITC 1607
Poland, Portugal, Venezuela	701-TA-243-244 (P) 731-TA-256-258 (P)	1985	USITC 1701
Stainless and alloy tool steel	TA-201-5	1976	USITC 756
(Alloy tool steel only)	TA-201-2	1977	USITC 805
	TA-203-3	1977	USITC 838
	TA-203-5	1979	USITC 968
	TA-201-48	1983	USITC 1377
	TA-203-16	1987	USITC 1975
Steel Industry Annual Reports	332-209 and 332-289	Various	
Lead and bismuth carbon steel products:			
Brazil, France, Germany, United Kingdom	701-TA-314-317 (P) 731-TA-552-555 (P)	1992	USITC 2512
Special quality hot-rolled and semifinished carbon and alloy steel products:			
Brazil	731-TA-572 (P)	1992	USITC 2537
Brazil	731-TA-572 (F)	1993	USITC 2662
Lead and bismuth carbon steel products:			
Brazil, France, Germany, United Kingdom	701-TA-314-317 (F) 731-TA-552-555 (F)	1993	USITC 2611

Source: Various Commission reports.

concerning Brazil[4] and Trinidad and Tobago, the Commission made affirmative determinations. In 1983, the Commission made a negative determination with respect to the antidumping investigation concerning Venezuela. The 1984 investigations of carbon steel wire rod resulted in an affirmative determination in the countervailing duty investigation concerning Spain, and affirmative determinations in the antidumping investigations involving Argentina and Spain.[5] The investigation concerning Poland received a negative determination from the Commission, while the investigation concerning Mexico was terminated. The 1985 investigations concerning imports of carbon steel wire rod from the German Democratic Republic, Poland, Portugal, and Venezuela were withdrawn as a result of the Voluntary Restraint Agreement (VRA) program. The more recent antidumping investigations concerning

THE PRODUCT

Description

The products covered by these investigations are "certain steel wire rods." For purposes of the investigations, rods are hot-rolled, semifinished steel mill products produced on a rod mill from carbon and certain alloy steel,[6] of solid circular (approximately round) cross section measuring between 5.08 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter, in irregularly wound coils, and intended for the production of wire and wire products. Excluded from these investigations are rods produced for concrete reinforcement (rebar);[7] rods comprised of free-machining steel,[8] stainless steel, and alloy tool steel; and rods of other chemistries that do not fall within the classification indicated earlier. Also excluded are high-tensile tire cord quality steel wire rod (1080 tire cord) and valve spring wire rod. Bar and wire or wire products are also excluded from the scope of the investigations.[9] The subject steel wire rods are provided for in subheadings 7213.31.30, 7213.31.60, 7213.39.00, 7213.41.30, 7213.41.60, 7213.49.00, 7213.50.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States (HTS).

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[4] Effective Sept. 20, 1985, Commerce determined to revoke the antidumping order.

[5] Effective Dec. 14, 1987, Commerce determined to revoke the antidumping order.

[6] These products are considered to be composed of nonalloy (i.e., carbon) steel when no minimum content is specified or required for aluminum (except for deoxidation and/or grain size control), chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, vanadium or zirconium, or any other element added to obtain a desired alloying effect (boron may be added to carbon steels to improve hardenability); or when the specified minimum for copper does not exceed 0.40 percent; or when the maximum content specified for any of the following elements does not exceed these percentages: manganese 1.65 percent; silicon 0.60 percent; and copper 0.60 percent. Nonalloy steel wire rods are designated by the American Iron and Steel Institute (AISI) and/or Society of Automotive Engineers (SAE) by the 1000 and 1500 numerical series. Subject alloy steel wire rods are those of steel grades other than stainless steel or alloy tool steel and are designated by the AISI or SAE numerical series 4000, 4100, 4300, 4600, 4700, 4800, 6100, 8100, 8600, 8700, 8800, and 9200.

[7] Concrete reinforcing bar (rebar) is typically produced as merchant bar (i.e., on a bar mill) in a range of commercial lengths. Some coiled small-diameter rebar is produced by domestic wire rod producers who modify the last set of rolls to produce the raised surface deformations; this product is sold as coiled rebar (in which case the contractor straightens and fabricates at the job site), or cut to short lengths and sold as a preformed column support. In any case, rebar would not be subjected to further cold drawing or cold-rolling.

[8] Free-machining steel contains, by weight, any of the following elements: 0.03 percent or more of lead; 0.05 percent or more of bismuth; 0.08 percent or more of sulfur; more than 0.4 percent of phosphorus; more than 0.05 percent of selenium; or more than 0.01 percent of tellurium. Small amounts of free-machining steel wire rods are rolled by several domestic rod producers from purchased billets. See *Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from Brazil, France, Germany, and the United Kingdom*, USITC Publication 2611, March 1993.

[9] Although steel bar may be produced by hot-rolling and subsequent cold finishing, rod is nearly always subjected to cold drawing or cold rolling and used to produce wire. The Commission distinguished bar from wire rod in *Certain Hot-rolled Lead and Bismuth Carbon Steel Products from Brazil, France, Germany, and the United Kingdom*, USITC Publication 2611, March 1993.

Steel wire rod can be differentiated by its chemistry, diameter, and the process by which it is manufactured. Specifications of chemical composition limits, physical properties, and thermal treatments are published by the AISI, American Society for Testing and Materials (ASTM), and the SAE. Maximum percentages of certain elements are specified in SAE and AISI grades. ASTM and SAE reference standards specify test procedures, physical properties, and thermal treatments to render the rod suitable for processing. End users may request modification of these nominal specifications to achieve a specific performance on the customer's machinery.

Wire rod products are differentiated by grade or chemical content. Most of the steel wire rod consumed in the United States is of 1000 series carbon steels. This series is usually further subdivided according to carbon content because carbon content is a primary factor determining ductility and tensile strength. Low-carbon rod, which encompasses grades 1006 through 1022, has a maximum carbon content of 0.23 percent by weight; medium-high carbon rod, which encompasses grades 1023 through 1040, has a carbon content of 0.24 to 0.44 percent; and high-carbon rod, which encompasses grades 1041 through 1095, has a carbon content which exceeds 0.44 percent. According to the petitioners, some alloy grades, particularly those containing boron (10B21 for cold-heading applications) are sold as carbon grades.[10]

Rod nomenclature includes a number of grades, termed "quality," which are end-use designations that indicate chemical, physical, or metallurgical requirements.[11] These end uses, or quality descriptions, often overlap in terms of the carbon designations described earlier. The quality designation is generally used together with an AISI series number to indicate a purchasing specification. For instance, "1008 IQ" would indicate a low-carbon industrial quality rod. Other qualities include "cold-heading," "welding quality," "tire," and "high carbon."

Manufacturing Process

The manufacturing process leading to the production of steel wire rod consists of three different stages: (1) steelmaking and casting the steel into a semifinished shape, (2) hot-rolling the semifinished shape into rod and coiling, and (3) cleaning (removing oxide or scale by mechanical or chemical means) and coating operations. Rod products are generally produced on dedicated rod mills that differ from bar mills; they operate at high speeds and usually have several sets of rolling strands, specialized finishing blocks, and sophisticated coiling and cooling facilities. Generally speaking, the chemical content of the wire rod is imparted by adjusting the chemistry of the molten steel; specific metallurgical properties may be imparted by adjusting the chemistry as well as by varying rolling and cooling practices. Rod mills often tailor their operating practices (i.e., adjust processing parameters) to meet a customer's needs for specific applications and quality requirements. Rods may be subjected to post-rolling thermal treatment, such as annealing, patenting, or controlled cooling to obtain desired mechanical properties and microstructure.

Melt Stage

There are two primary process routes by which steel for rod is made in the United States and the three subject countries: the integrated process, or ironmaking-steelmaking route utilizing blast furnaces and basic oxygen furnaces (BOFs), and the nonintegrated production process which utilizes an electric arc furnace (EAF) to produce raw steel.

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[10] Petition (Brazil, Canada, and Japan), p. 14.

[11] See American Iron and Steel Institute, *Wire and Rods, Carbon Steel: Steel Products Manual*, March 1984, pp. 36-39.

In both processes, pig iron, steel scrap, or direct reduced iron (DRI)[12] is charged into BOFs or EAFs. Most of the steel produced in the United States for rod production is melted from scrap in an EAF, although pig iron may be used as the EAF charge, and one company uses a DRI-scrap mix.[13] Additions of alloying agents are made to the liquid steel to impart specific properties to finished steel products. The molten steel is poured or tapped from the furnace to a ladle, which is an open-topped, refractory-lined vessel that has an off-center opening in its bottom, and is equipped with a nozzle. Meanwhile, the primary steelmaking vessel (EAF or BOF) may be charged with new materials to begin another refining cycle.

Molten steel is typically passed through a ladle metallurgy station, where its chemistry is refined to embody in the steel those properties required for specific applications.[14] At the ladle metallurgy, or secondary steelmaking, station the chemical content (particularly that of carbon and sulfur) is adjusted, and alloying agents may be added. The steel may be degassed (the elimination of oxygen and hydrogen) at low pressures.[15] Ladle metallurgy stations are equipped with burners to adjust the temperature of the molten steel for optimum casting and to allow it to serve as a holding reservoir for the tundish.

Casting Stage

Once molten steel with the correct properties has been produced, it is cast into a form that can enter the rolling process. In the traditional process, the ladle is moved by an overhead crane to a pouring platform where the molten steel is poured, or "teemed," into ingot molds (typically 3 or 4 feet square by 6 feet deep), either through the top of each mold or, in the preferred method, through a pipe system that fills each mold from the bottom. As the steel begins to solidify, the mold is stripped from the ingot and the ingot is transferred to a soaking pit, a specialized heating furnace that equalizes the temperature within the ingot. Following removal from the soaking pit, the ingots are hot-rolled on a primary breakdown mill to bloom and billet sizes.[16] During ingot casting, residual

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[12] Some newer processes utilize hot-briquetted iron (HBI) or iron carbide. The advantage of using DRI, HBI, iron carbide, or pig iron (BOF steel) is the low levels of residual elements (copper, chromium, nickel, molybdenum, and tin) and reduced gaseous content (particularly nitrogen) that they impart to the steel. Although residual elements and gas content can be reduced, EAF scrap-based steel contains higher levels of certain residuals than BOF steel which adversely affect yields and drawing efficiencies, and limit such scrap-based steel from being used in certain critical applications.

[13] Georgetown and Sidbec-Dosco (a Canadian producer) utilize a scrap-DRI mixture; Raritan has experimented with a scrap-DRI mix but scrap predominates; Stelco (Canadian) produces BOF steel, as do the mills in Japan. The Brazilian mills produce steel in BOFs and EAFs utilizing blast furnace feed. The other companies produce EAF steel from scrap.

[14] Ladle metallurgy stations differ in their sophistication and in their ability to refine the steel. Steels used to produce the lowest quality products and concrete reinforcing bar are not usually processed in a ladle metallurgy station.

[15] Liquid steel absorbs gases from the atmosphere and from the materials used in the steelmaking process. These gases, chiefly oxygen and hydrogen, cause embrittlement, voids, and nonmetallic inclusions. Low pressures, such as in a vacuum, aid the release of oxygen in gas form without the need for additions of "deoxidizers" such as silicon, aluminum, or titanium, which form nonmetallic inclusions. Additionally, carbon content may be reduced more easily at low pressure (because it combines with oxygen to form carbon monoxide and is released in gas form), resulting in a more ductile steel. Hydrogen gas causes embrittlement, low ductility, and blow holes in steel; vacuum treatment enhances the removal of hydrogen from the steel. Hence the use of deoxidizing processes results in a more efficient process and a cleaner steel. United States Steel, *The Making, Shaping, and Treating of Steel*, 1985 (10th Ed.), pp. 671-676.

[16] Billets are mostly square, semifinished steel shapes, of a solid cross section mostly measuring from 50 mm by 50 mm (2 inches by 2 inches) to 125 mm by 125 mm (5 inches by 5 inches). Although billets were distinguished from blooms (another semifinished shape) by size in the former Tariff Schedules of the United States, with the break between them occurring at approximately 36 square inches, these distinctions were not continued in the HTS. Currently, industry terminology suggests that billets are less than 165 mm square, and blooms measure from 165 mm to 300 mm square. Billets may be used to produce rods and bars, but are restricted to smaller bar sizes; blooms, which have a larger cross section, are generally used to produce larger size bars and other long products.

impurities migrate to the center and top of the ingot, which is cropped prior to rolling; rod produced from ingot is generally known as rimmed steel wire rod.[17]

Continuous (strand) casting is the newer method of converting raw steel into billets, and bypasses the need to form, reheat, and roll ingots. In strand casting, the ladle containing molten steel is transferred from the ladle metallurgy station to the caster, and the molten steel is poured at a controlled rate into a tundish, which in turn controls the rate of flow of the molten steel into the caster's mold. The tundish may have a special design or electromagnetic stirring for the purpose of ensuring homogeneity of the steel.[18] The strand caster is designed to produce billets in the desired cross-sectional dimensions, based on the dimensions of the rod and the design of the rolling mill.

Billets may be charged directly into the rolling mill ("hot-charged") or, depending upon the rolling mill's schedule, they may be sent to a storage yard. While in storage, they may be inspected and subjected to one or several conditioning operations (heating or annealing, grinding, or turning, for example) that ready them for hot rolling. This preparation is more commonly done with cold-heading quality rods intended to be made into fasteners.[19] Stored billets are channeled through a reheat furnace prior to rolling. This increases the malleability of the steel and reduces wear and energy consumption on the rolling mill; it also allows the mill to control decarburization and scale buildup more carefully.[20]

Depending on the requirements for chemistry, nonmetallic inclusions, and steel cleanliness, a rod producer may purchase billets. For example, certain petitioners have indicated that they purchase rimmed steel billets or certain alloy steel billets because their melt shops are not capable of producing certain types of steel, including ultra-low-nitrogen low-carbon steels for welding rod applications and 1080 high-carbon grades for tire bead and tire cord.

Rolling Stage

Modern rod rolling mills consist of five parts: a roughing mill, an intermediate mill, a prefinishing mill, a no-twist finishing mill, and a coiler combined with a conveyor cooling bed (usually a Stelmor deck, which is unique to the wire rod industry) along which the coiled rod travels prior to being collected, tied, compacted, and readied for shipment. Wire rod mills typically consist of 22 to 29 rolling stands and the specialized Stelmor conveyor deck (figure 1); the need for uniform metallurgical properties requires close temperature control accomplished by accelerating or retarding the rod's cooling as it is rolled and conveyed along the Stelmor deck. This is accomplished by water quench, forced air drafts, or by lowering removable hoods overtop the deck. Metallurgical quality, temperature, and dimensional tolerance are usually inspected on-line.

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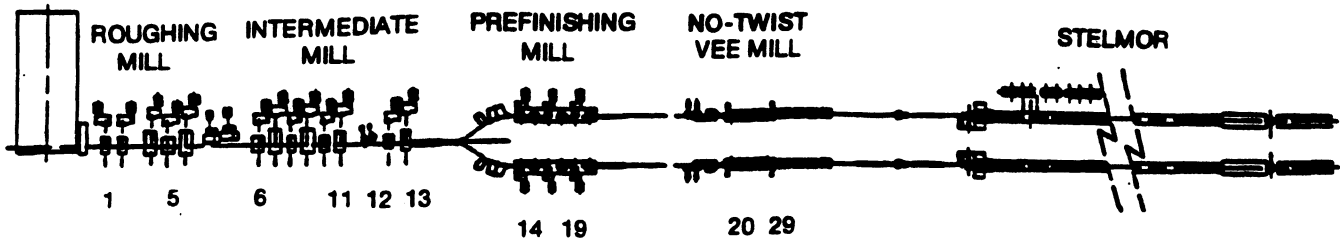
[17] Since the early 1980s, advances in ladle metallurgy and continuous casting have allowed electric furnace steelmakers to broaden their product mix into higher quality and critical use products. Such advances have allowed them to produce "rimmed substitutes" which have displaced approximately 80 percent of the products that formerly could only be made from rimmed steels, such as coat hangers and fine wire (florist wire and some poultry netting, for example). According to industry experts, the market remaining for rimmed steels is with customers which do not perform in-process annealing when making very fine wire (rimmed steels are softer than rimmed substitutes and work-harden less), and for welding wire or plating applications (where a BOF steel is preferred because it may be cleaner, chemically speaking).

[18] Strand-cast steels are "killed" with silicon or aluminum (deoxidizing agents which stop the evolution of gases during cooling and cause residual impurities to be more evenly distributed through the billet) to allow the molten steel to flow more evenly through the molds.

[19] The purpose of these surface treatments is to make the steel billet softer and more ductile (annealing); in the case of surface grinding, seams and folds are removed.

[20] As the billet is heated, there is a tendency for carbon, located on its surface, to oxidize. This imparts an uneven chemistry (and metallurgical properties) to the resultant rod. Newer reheat furnaces have sophisticated temperature controls that allow them to minimize decarburization; regulation of the furnace's atmosphere allows the mill to minimize scale buildup, resulting in lower yield losses.

Figure 1: Rod rolling mill



Source: *Brunel's Steel World Quarterly*

Exiting the reheat furnace, the billet is initially reduced on the roughing mill (which usually consists of approximately five stands). It is then passed through and successively reduced in size in several more stands, termed intermediate rolling. After the last intermediate rolling stand, the rolling mill usually splits into dual lines and the product is passed along to a prefinishing mill which reduces it further in diameter. Rod mills often employ a "twist" mill for primary and intermediate rolling, but final rolling is nearly always on a no-twist Morgan vee mill (the rolls in each of approximately five stands are set at 90-degree angles to one another to prevent the now-finished rod from twisting). This produces a nearly uniform nonoriented grain structure in the steel. After exiting the last finishing stand, the rod is coiled into concentric loops on a conveyor which moves the hot wire rod along while it cools. Several companies have installed sizing blocks at the end of the finishing line; these are typically two-stand rolls that improve dimensional tolerance and allow rod to be rolled down to 5 mm diameters.

During rolling, the rod is water-cooled to prevent loss of carbon from its surface (decarburization). It is also cooled as it travels along the Stelmor deck; cooling practices are varied depending on the designated end use of the rod and the customer's preferences. The speed at which the rod is cooled affects the consistency and formation of its metallurgical structure (grain structure and physical properties such as tensile strength). It also affects scale buildup, which determines yield losses at the wire drawer. The cooling rate may be varied through the use of removable covers (insulating hoods which may be independently raised or lowered) over the deck or blown-air cooling, or a combination of the two, or through varying the speed of the roller table. The end user often specifies the cooling practice for the rod he purchases.

At the end of the cooling deck, workmen crop the ends of each rod to remove that part of the rod which may be of lower quality due to uneven temperature control; the cropped ends are also used for testing and inspection. The rod is then collected onto a carrier, transferred to a "c" hook, compacted, tied, and readied for shipment, or for further finishing or in-house fabrication.

Finishing Stage

Rod may be stored in climate-controlled conditions to prevent quality deterioration or may be subjected to post-finishing cleaning and coating or thermal treatment to improve its metallurgical structure, physical properties, and surface condition. Finishing takes place at either the rod mill or the end user. Pickling (immersion in an acid or chemical bath) or cleaning with shot blast removes mill scale from the rod's surface. This improves the surface quality and allows the rod to be drawn. Following these procedures, the rod may be coated with a metal such as copper, lime, borax, or phosphate to neutralize any residual acid and to provide a lubricant to the wire-drawing operation.

End Uses

The primary consumers of steel wire rod are wire drawers (termed "redrawers"), as independent companies or as in-house captive drawing operations. The companies that purchase steel wire rod first identify the necessary mechanical properties (e.g., ductility, strength, hardness) and

then select a grade of steel that meets those criteria. As indicated earlier, these customers order a specific grade and have often modified the specification to meet their end-use needs and to achieve a specific level of performance on their equipment. A critical element is the level of carbon contained in the steel or the alloying agents used. However, there is some interchangeability between alloy and carbon grades (both alloy and carbon grades are used to produce chain and certain cold-heading products, for example); and at the margin between carbon grades.[21]

Although there are literally hundreds of grades and size variations of steel wire rod, petitioners and respondents indicated that certain grades and sizes account for the bulk of production and shipments. As is evident, differences in end uses and specific applications dictate variations in chemistry; the variation may be one of degree, however. Most wire rod is produced in nominal fractional diameters from 7/32 inch (5.5 mm) to 47/64 inch (18.5 mm), with the bulk of production and shipment below 1/2 inch (12.7 mm). Most of the industrial quality (IQ) rod is produced and sold in 7/32 inch (5.5 mm) diameter, which is also the smallest cross-sectional diameter that is hot-rolled in significant commercial quantities.

Steel wire rod is almost always sold in irregularly wound coils for subsequent redrawing. This form allows redrawers to process the rod efficiently in one continuous-feed operation. The preference of most wire drawers is for larger size coils because this improves the efficiency of drawing operations. This preference has led to increased sizes of the billets processed by rod manufacturers (and resulted in changes in reheat furnaces and rolling mills); as an interim measure, some of the domestic mills weld coils together, which is not always satisfactory to the wire drawer.

Low-carbon steel wire rod is used where malleability is required. The low-carbon steel wire rod is typically drawn into wire for fine wire (diameter not exceeding 0.035 inch), coat hangers, wire mesh, home appliance shelving, shopping carts, nails, paper clips, staples, screws and bolts, baling wire, and chain link fence. Standard IQ rod and fine wire quality rod are low-carbon rod (IQ rod reportedly accounts for the majority of rod consumed in the United States); IQ is used primarily in the production of wire mesh, coat hangers, and chain link fence. Some cold-heading quality, welding quality, and cold-finishing quality rod may also be low-carbon rod. Alloys compete in these uses as well, particularly where such elements as boron (grade 10B21, for example) are added for post-forming heat treatment.

Medium-carbon steel wire rod is used in applications where greater strength and hardness are desired. Major end uses include bolts and screws, tie wire, bicycle spokes, and high-tensile bale wire; most cold-heading quality rod (grades 1036 and 1038, for example, for nuts) also is in this category. Alloys compete in these uses as well, particularly where elements are added for post-forming heat treatment. Alloys tend to compete in the medium-carbon grades where chemical element additives impart specific performance characteristics to the steel; examples are grades 4027, 4037, 15B27, and 1541 cold-heading quality rods used in the production of fasteners (trimmed hex head, recessed head, and scrapless nut fasteners), which may compete with 1022 and 1038 grades.

High-carbon steel wire rod is used where even greater strength and hardness are desired. Typical uses include musical instrument string, piston ring retainer springs, hose clamps, mechanical springs, upholstery springs, tire bead and tire cord, wire rope and strand, prestressed concrete (PC) strand, and bridge cables. Alloys also compete in these uses, particularly springs, where specific performance or forming characteristics may be enhanced.

Substitute Products

With respect to the uses indicated earlier, there are few, if any, practical substitutes for steel wire rod in the manufacture of finished wire. There is some overlap in end uses between coiled wire rod and coiled bar products. The greatest uses for bar and coiled bar are in cold finishing and hot- and warm-forging applications, and for general fabrication applications; rod products find their primary uses in wire drawing and cold-heading applications, which are less common uses for bar. Because most wire drawing facilities are designed for continuous running of coiled, 1/4-inch feed

[21] Petitioners argue that there are no abrupt distinctions that exist across the carbon steel wire rod continuum.

stock, and because coiled bar lacks the metallurgical uniformity of rod, bar is seldom substituted in the drawing process. There is some overlap in cold-heading uses where bar and rod are provided in coil form for the convenience of the cold-header. In these applications, however, the lower-cost production economics of rod limit the commercial application of bar.

U.S. Tariff Treatment

Imports of the steel wire rod subject to these investigations are provided for in subheadings 7213.31.30, 7213.31.60, 7213.39.00, 7213.41.30, 7213.41.60, 7213.49.00, 7213.50.00, 7227.20.00, and 7227.90.60 of the HTS. These subheadings have statistical reporting numbers differentiating the nonalloy steel product according to its carbon content (containing less than 0.25 percent, from 0.25 percent to 0.60 percent, and exceeding 0.60 percent) and diameter (less than 14 mm, and from 14 mm to 19 mm); and the alloy steel product according to whether it is of silico-manganese steel, high-speed steel, or tool steel.

The column 1-general (most-favored-nation) rates of duty for these products, applicable to imports from Belgium, Brazil, Germany, and Japan, range from 1.9 to 4.5 percent ad valorem. Rates of duty for eligible imports from Canada under the North American Free Trade Agreement (following five staged reductions under the suspended U.S.-Canada Free Trade Agreement) range from 0.7 to 1.8 percent ad valorem.

Imports of steel wire rod from Belgium, Brazil, Germany, and Japan were restricted during October 1984 through March 1992 pursuant to the VRA program. During the last three-year period of the VRAs, the quotas were not "binding," i.e., they were not filled.[22]

THE NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Investigations Nos. 731-TA-646-648 (Final)

Because respondents failed to respond to Commerce's questionnaires, Commerce based its determinations on best information available and used the higher margins alleged in the petitions for the investigations concerning Brazil and Japan. The determinations for the respective investigations are as follows (in percent ad valorem):

Country	Margin
Brazil	36.02
Japan	47.71

With respect to Canada, Commerce investigated two Canadian producers of certain steel wire rod, Ivaco Rolling Mills and Stelco, Inc. To determine whether these companies' sales from Canada to the United States were made at LTFV, Commerce compared the U.S. price (USP) to the foreign market value (FMV). For both companies, USP was based on purchase price when subject merchandise was sold to unrelated purchasers prior to importation and exporter's sales price (ESP) when certain sales to the first unrelated purchaser took place after importation. Based on petitioners' allegations, Commerce initiated investigations to determine whether both companies had home market sales that were made at less than their respective costs of production (COP). Commerce found that for certain products more than 90 percent of home market sales were below COP prices over an extended period of time and therefore based FMV on a constructed value (CV). For those products for which there were adequate numbers of sales at prices above COP, Commerce based FMV on home market prices. Comparing the USP to FMV, Commerce preliminarily determined that certain

[22] However, "short supply" requests, or exemptions from quota limits, were granted in the case of imports from Brazil in 1988 and 1989.

steel wire rod from Canada is being, or is likely to be, sold in the United States at LTFV and estimated margins to be as follows (in percent ad valorem):

Manufacturer/exporter	Margin
Ivaco	9.62
Stelco	13.09
All other	10.93

Commerce is scheduled to make its final determination by April 11, 1994.

Investigations Nos. 701-TA-359 (Preliminary) and 731-TA-686-687 (Preliminary)

In assessing the LTFV margins for Belgium and Germany, the petitioners calculated FMV based on constructed value because of the allegations that the Belgian and German producers are selling below the cost of production in their domestic markets. The constructed value LTFV calculations for certain steel wire rod resulted in estimated dumping margins as follows:

Manufacturer/exporter	Average margin
Thy-Marcinelle (Belgium)	46.53
Brandenburg (Germany)	68.41
Saarstahl (Germany)	51.64
Thyssen (Germany)	72.62

In addition to the LTFV sales, petitioners allege that Saarstahl, a German producer of certain steel wire rod, receives subsidies from the federal and local Saarland governments, which have resulted in an estimated net subsidy of at least 27.60 percent ad valorem. The petitioners allege that Saarstahl received countervailable benefits from at least four programs during 1993: interest free loans granted between 1978 and 1989, which the Saarland and German governments forgave in 1989; government assumption of Saarstahl's outstanding government guaranteed debt in 1989; debt forgiveness by private banks in 1989; and federal government contributions to the European Coal and Steel Community worker assistance programs. Commerce is scheduled to make its preliminary determination with respect to Belgium by July 25, 1994.

THE U.S. MARKET

Apparent U.S. Consumption

The demand for certain steel wire rod varies on both a long-term and a shorter-term yearly cycle. Over the long-term, wire rod demand fluctuates with the construction, automobile, and agricultural industries. Over a yearly cycle, wire rod shipments are traditionally highest in the second and third quarters and slower in the first and fourth quarters, primarily as a result of the peak construction activity during the summer months.

Data on apparent consumption of certain steel wire rod are presented in table 2. Total U.S. consumption, by quantity, increased by 4.6 percent from 1990 to 1992, and continued to rise, by 5.1 percent, between the interim periods. In terms of value, total reported U.S. consumption fell irregularly by 2.3 percent from 1990 to 1992, but rose by 17.9 percent between the interim periods. Noting increases in apparent consumption, Bill Neathery of Connecticut Steel and William Lundberg of North Star assert that the recession had very little impact on the steel wire rod industry.[23] The

[23] Conference transcript, May 14, 1993, p. 73.

Table 2
Certain steel wire rod: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption,[1] 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Quantity (*short tons*)				
Producers' U.S. shipments	4,858,253	4,889,334	5,038,893	3,862,976	4,088,742
U.S. imports from--					
Brazil[2]	70,502	19,825	90,073	78,605	43,857
Canada	376,005	403,788	539,735	406,611	404,727
Japan	109,328	91,112	89,974	66,466	72,014
Subtotal	555,835	514,725	719,782	551,682	520,598
Belgium[2]	111	171	1,357	1,028	23,231
Germany[2]	9,625	19,222	32,360	17,992	71,819
Subtotal	565,571	534,118	753,499	570,701	615,648
Other sources	347,497	206,458	245,116	216,716	183,334
Total	913,068	740,576	998,615	787,417	798,982
Apparent consumption	5,771,321	5,629,910	6,037,508	4,650,393	4,887,724
	Value (*1,000 dollars*)				
Producers' U.S. shipments	1,611,517	1,550,775	1,563,255	1,096,602	1,310,887
U.S. imports from--					
Brazil[2]	21,108	6,039	25,103	21,980	13,896
Canada	149,120	148,392	192,896	145,480	157,645
Japan	59,443	51,982	49,785	36,972	41,162
Subtotal	229,671	206,413	267,784	204,432	212,703
Belgium[2]	43	62	551	389	7,065
Germany[2]	5,105	7,016	11,114	7,192	25,226
Subtotal	234,819	213,491	279,449	212,013	244,995
Other sources	125,153	73,760	83,374	71,819	71,019
Total	359,972	287,250	362,823	283,832	316,014
Apparent consumption	1,971,489	1,838,025	1,926,078	1,380,434	1,626,901

[1] The data in the table are for 13 producers and 38 importers, accounting for about *** percent of total U.S. shipments of certain steel wire rod.

[2] Official statistics of the U.S. Department of Commerce were used for imports from Belgium, Brazil, and Germany because imports as reported in the Commission's questionnaires did not account for all imports from the respective countries. However, it should be noted that the Commission's questionnaire data reflect the same trends as do the official statistics.

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

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

American Wire Producers' Association (AWPA) noted that improvements in the automotive and construction markets contributed to the growing demand for steel wire rod in the United States. However, some purchasers testified at the preliminary conference that their individual wire production was down partly due to the recession. They noted that the increase in apparent consumption of steel wire rod could be attributed to the growing number of wire drawers in the United States. They testified that during the past five years, U.S. wire production has replaced some imports of wire, thus contributing to the increased demand for steel wire rod in the United States.[24] [25]

Regarding the current market conditions, shortages of certain steel wire rod appeared in the domestic wire rod market during the first three quarters of 1993.[26] All reporting U.S. producers noted that in some instances they were unable to supply certain steel wire rod to customers in a timely manner and/or in the quantities desired during 1993. ***. Virtually all U.S. producers reported increasing their lead times between the customer's order and the date of delivery because of a surge in demand during 1993. U.S. producers generally agree that market conditions returned to traditional levels during the fourth quarter of 1993, and they are now able to meet their customers' requirements with shorter lead times. More than two-thirds of the responding purchasers of certain steel wire rod reported that they were put on allocation by U.S. producers during the period for which data were collected. A list of those purchasers, their suppliers, and the time period of allocation are presented in appendix D. The shortage did not seem to be concentrated in any product category or market region.[27]

The petitioners argue that even though demand for certain steel wire rod rose unexpectedly in 1993, U.S. producers were still able to supply most of their customers with more steel wire rod in 1993 than in 1992. In response to purchasers' allegations about allocations, petitioners argue that not every limitation on supply was an allocation. Producers reportedly limited supply to customers they considered bad credit risks or suspected had overbooked orders. Petitioners argue that purchasers built up their all-time low inventories to beat price increases during 1993. Because of the soft conditions in the 1992 market, wire drawers allegedly could maintain low inventories. As prices declined, customers allegedly reduced their inventories so that lower-priced rod could be purchased at the last minute to cover their drawing requirements. As prices began to increase during 1993, customers allegedly began building up inventories to beat future price increases.[28] Petitioners also argue that in some instances, purchasers cancelled orders and/or rejected price increases during 1993, suggesting that the supply bottleneck had eased toward the end of 1993.[29]

Respondents assert that the shortage was not limited to the first three quarters of 1993 but has affected customers' ability to purchase wire rod well into 1994.[30] Respondents argue that purchasers faced with the prospect of production interruptions, plant closings, and their own lost sales, purchased subject imports in order to alleviate the domestic rod shortage.[31] Respondents even allege that petitioners recommended that some purchasers seek wire rod from offshore suppliers because of their inability to satisfy domestic demand.[32] Respondents also argue that an underlying factor in this case was that the majority of U.S. producers own or are affiliated with downstream wire drawing facilities that compete with their wire rod customers. The shortage allegedly enabled the U.S. producers to put their "competition" on allocation while they continued to feed wire rod to

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[24] Conference transcript, May 14, 1993, p. 130.

[25] AWPA cannot confirm that there was an increase in the number of wire drawers in the United States (conference transcript, May 14, 1993, p. 240).

[26] The Commission's questionnaires requested information through the third quarter of 1993, but some purchasers noted shortages extending to the fourth quarter of 1993 and to the first quarter of 1994.

[27] Conference transcript, May 14, 1993, p. 54.

[28] Most purchasers reported that inventories remained fairly stable throughout the period for which data were collected. In addition, nearly 30 percent of the responding purchasers reported that they had to alter production levels in order to compensate for late deliveries and/or reduced shipments of certain steel wire rod.

[29] Petitioners' posthearing brief, exhibit 1-A.

[30] Respondents' joint prehearing brief, pp. II-7 - II-8; AWPA's posthearing brief, p. 9.

[31] Respondents' joint prehearing brief, pp. II-8 - II-9.

[32] AWPA's posthearing brief, p. 7.

their affiliated wire drawers.[33] Petitioners note, however, that a comparison of shipments to affiliated versus non-affiliated customers shows similar increases during 1993.

Apparent U.S. Consumption by Products

The U.S. producers' and importers' shipments of certain steel wire rod by product categories are presented in table 3. For purposes of these investigations, shipments of certain steel wire rod were divided into five product categories: industrial quality (IQ), high-carbon quality, welding quality, cold-heading quality, and tire quality.[34]

Accounting for the largest category, IQ rods are manufactured from low-or medium-low-carbon steel and are primarily intended for drawing into industrial or standard quality wire. For purposes of these investigations, chain and fine wire qualities are included in the IQ category. Wire products manufactured from IQ rod include reinforcing mesh, fencing wire, nails, chains, florist wire, etc. Accounting for 63.3 percent of U.S. producers' total shipments, all the responding U.S. producers reported some shipments of IQ rod. The majority of imports from Brazil are IQ rod, but no imports from Japan were reported for this category.

High-carbon rods are used for drawing into wire for such products as strand, screens, springs, and wire rope. Of the 12 responding U.S. producers, 7 reported some shipments of high-carbon rods, with 2 companies *** being the most predominant producers. These two companies accounted for a total of *** percent of U.S. producers' shipments of high-carbon rod. Canada and Japan accounted for 8.6 percent and 4.2 percent of U.S. shipments of high-carbon wire rod, respectively. Brazil reported no shipments.

Welding quality rods provide wire that serves as the core of electrodes for gas welding, electric arc welding, and submerged arc welding. The most important physical characteristic for welding quality is controlled microstructure (i.e., minimal detrimental segregation and uniform chemical composition), which prevents brittleness when the rod is drawn into fine wire.Welding quality rods are generally supplied from low- or medium-carbon steel. Six U.S. producers reported some shipments of welding quality wire rod; however, three producers, ***, account for virtually all (99.4 percent) of U.S. producers' shipments of welding quality rod. Brazil and Canada accounted for 6.3 and 44.8 percent of U.S. shipments of welding quality, respectively. Japan reported no shipments.

Cold-heading quality wire rods are used for the manufacture of heading, forging, or cold-extrusion quality wire. They are produced by closely controlled manufacturing practices and are subject to mill testing and inspection to provide internal soundness and freedom from detrimental surface imperfections. Cold-heading quality rods can be made from low-, medium-, or high-carbon steel. Four U.S. producers reported some shipments of cold- heading quality, with *** accounting for the vast majority, *** percent. ***. Brazil, Canada, and Japan accounted for 1.4, 14.6, and 8.5 percent of U.S. shipments of cold-heading quality, respectively.

Tire quality rod is used in the construction of steel reinforcement in pneumatic tires. Uniformity in mechanical properties and acceptance of a bronze-plated finish or other appropriate surface finish are essential. Tire quality rods are high-carbon rods with restrictive requirements for cleanliness, segregation, decarburization, chemical analysis, and surface imperfections. For purposes of these investigations, rods for both tire bead and tire cord[35] are included in this category. Tire bead is used for rim reinforcement, while tire cord is used for tread reinforcement. With respect to tire cord, the rods must be able to be drawn to very fine wire sizes (0.006 to 0.015 inch) without

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[33] Postconference brief for Ivaco, May 19, 1993, p. 3.

[34] Since the majority of imports from Belgium and Germany were during 1993, few shipments of the subject merchandise were reported for 1992. The record shows, however, that there were shipments of Belgian and German certain steel wire rod in the IQ, high-carbon quality, and cold-heading quality categories during 1993. Germany also reported some shipments of tire quality steel wire rod during 1993.

[35] The respondents argue that U.S. producers do not produce sufficient quantities of regular-tensile tire cord quality wire rod (1070 tire cord) to meet customer demand. In addition, purchasers report that in many cases, the quality of the U.S. product is unacceptable. High-tensile tire cord quality wire rod (1080 tire cord) is excluded from these investigations.

Table 3
Certain steel wire rod: U.S. shipments by product categories,[1] [2] 1992

Product category	U.S. shipments in 1992	Share of U.S. shipments	Share of each category
	Short tons	*Percent*	*Percent*
Industrial quality:			
Producers' U.S. shipments	***	58.3	92.1
Importers' U.S. shipments from--			
Brazil	***	0.8	1.2
Canada	***	4.2	6.6
Japan	***	0	0
Subtotal	***	5.0	7.8
Belgium	***	0	0
Germany	***	(3)	(3)
Subtotal	***	5.0	7.9
Total	***	63.3	100.0
High-carbon quality:			
Producers' U.S. shipments	***	17.6	87.2
Importers' U.S. shipments from--			
Brazil	***	0	0
Canada	***	1.7	8.6
Japan	***	0.8	4.2
Subtotal	***	2.6	12.7
Belgium	***	0	0
Germany	***	(3)	(3)
Subtotal	***	2.6	12.8
Total	***	20.2	100.0
Welding quality:			
Producers' U.S. shipments	***	2.4	48.9
Importers' U.S. shipments from--			
Brazil	***	0.3	6.3
Canada	***	2.2	44.8
Japan	***	0	0
Subtotal	***	2.5	51.1
Belgium	***	0	0
Germany	***	0	0
Subtotal	***	2.5	51.1
Total	***	5.0	100.0
Cold-heading quality:			
Producers' U.S. shipments	***	6.0	75.1
Importers' U.S. shipments from--			
Brazil	***	0.1	1.4
Canada	***	1.2	14.6
Japan	***	0.7	8.5
Subtotal	***	2.0	24.4
Belgium	***	0	0
Germany	***	(3)	0.5
Subtotal	***	2.0	24.9
Total	***	8.0	100.0

Footnotes appear at end of table.

Table 3--Continued
Certain steel wire rod: U.S. shipments by product categories,[1] [2] 1992

Product category	U.S. shipments in 1992	Share of U.S. shipments	Share of each category
	Short tons	*Percent*	*Percent*
Tire quality:			
Producers' U.S. shipments	***	2.6	74.8
Importers' U.S. shipments from--			
Brazil	***	(3)	(3)
Canada	***	0.4	11.7
Japan	***	0.5	13.5
Subtotal	***	0.9	25.2
Belgium	***	0	0
Germany	***	0	0
Subtotal	***	0.9	25.2
Total	***	3.5	100.0

[1] Of the responding U.S. producers, 12 did not provide shipment data based on product categories. The data in the table are for *** producers, accounting for about *** percent of production of certain steel wire rod during 1992.
[2] Total shipments do not reflect U.S. importers' shipments of nonsubject imports.
[3] Less than 0.05 percent.

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

failure. Multiple fine wires are subsequently bunched or cabled together into cord used for reinforcement of steel belted radial automotive tires. Seven U.S. producers reported shipments of tire quality rod, accounting for 74.8 percent of this market. Four U.S. producers reported shipments of rod for tire cord, ***. Canada's shipments of *** short tons accounted for 11.7 percent of the tire quality market during 1992, of which *** percent were *** shipments of tire cord quality rods. Japan's shipments represented 13.5 percent of the tire quality rod market during 1992, of which all were tire cord quality rods.

Apparent U.S. Consumption of Specialized Products

The Commission requested U.S. producers to provide data on their company transfers and domestic shipments of eight specialized products.[36] U.S. importers were also requested to provide shipment data regarding these products. Respondents argue that many of these products are not produced by the domestic industry or, if they are produced, are not produced in sufficient quantity to meet customer demand. U.S. producers' shipments, U.S. importers' shipments by country, and apparent U.S. consumption are shown in table 4.

Table 4
Specialized steel wire rod products: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, by products, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

* * * * * * *

[36] Definitions of the eight specialized products are presented in appendix E.

For aluminum cable steel reinforced (ACSR) quality, low-residual welding quality, cold-heading quality for high-quality fasteners, and rimmed steel wire rod, petitioners argue that U.S. producers sold more of the products than did importers. Noting that these four products accounted for over 80 percent of U.S. shipments of specialized products during 1992, petitioners argue that U.S. producers clearly compete in the vast majority of all the specialized products. With respect to tire cord quality wire rod, petitioners note that U.S. shipments accounted for almost half of apparent consumption during 1992 and one-quarter in interim 1993. Petitioners argue that shipments of suspension spring, grade 1005 aluminum killed, and needle bearing wire rod accounted for such an insignificant share of apparent consumption that there was no basis to find that they constitute "niches" within which imports do not affect U.S. production.[37]

Counsel for Japan argue that imports of certain steel wire rod from Japan were limited to the specialized products. Even when the U.S. producers made the same general quality rod, the Japanese shipments were allegedly limited to the critical-use products within the category that the U.S. mills could not supply. Counsel argue that in the few cases where U.S. producers had begun to manufacture the products previously supplied by Japan, the rod from Japan had been rapidly replaced by U.S.-produced certain steel wire rod.[38]

Counsel for Japan argue that a significant share of Japan's U.S. shipments were suspension spring wire rod, accounting for 14 percent of their total U.S. shipments during 1992. Noting that U.S. production totaled only *** tons during 1992 and *** tons in 1993, counsel assert that U.S. producers do not manufacture suspension spring wire rod in commercial quantities.[39]

In terms of ACSR quality wire rod, petitioners argue that the Commission's definition is too restrictive and inconsistent with standard U.S. wire products terminology.[40] Noting that U.S. producers sell large quantities of ACSR wire rod that meet standard ASTM specifications, petitioners included all their shipments of ACSR wire rod in response to the Commission's questionnaire. Counsel for Japan argue that all of the ACSR rod imported from Japan was purchased by a single customer, United States Alumoweld Co. (Alumoweld).[41] Alumoweld reportedly requires wire rod with tolerances, tensile strength, and ovality that can only be met with rod manufactured by a patented in-line salt bath process.[42] The patented in-line salt bath process is a unique process that no U.S. wire rod producer uses. Nippon Steel holds the patents on this process, and it has no U.S. licensees.[43] Jerry Kerns of Alumoweld asserted that no U.S. producer is interested in producing its material because of the small quantities it requires.[44]

Counsel for Japan argue that the Japanese tire cord quality wire rod is used in the United States only for specific high-critical uses (small filament diameter tire cord) for which domestically produced wire rod cannot be used. Although Amercord and Michelin are currently attempting to qualify Georgetown for small filament diameter tire cord applications, no U.S. producer has yet been approved.[45] Richard Toth of Amercord testified at the hearing that Japanese rod is used exclusively for small filament diameter tire cord applications. Mr. Irwin Hall of Michelin noted that for 20 years and at substantial cost, Michelin has aggressively sought U.S. suppliers, but has not been able to

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[37] Petitioners' posthearing brief, exhibit 1-E.

[38] Japan's posthearing brief, p. 5.

[39] Japan's prehearing brief, p. 11.

[40] Petitioners argue that the questionnaire definition relies principally on a manufacturing process (salt bath patenting) and appears targeted at a particular manufacturer's unique specification, referencing only tensile strength requirements for grades 1045 and 1050 rod at 7.5 mm or 9.5 mm in diameter. The ASTM specification reportedly includes rod with carbon content ranging from 0.50 to 0.95 percent within a broad range of diameters (Submission by Wiley, Rein, and Fielding, Feb. 2, 1994).

[41] Alumoweld is arguing that ACSR quality steel wire rod constitutes a separate like product.

[42] Alumoweld acknowledges that it can substitute lead patented drawn wire (not wire rod) manufactured by *** for one of its seven aluminum cable products; however, Alumoweld has sourced only *** (Alumoweld's prehearing brief, pp. 12-16).

[43] Alumoweld's prehearing brief, p. 12.

[44] Hearing transcript, p. 237.

[45] Amercord and Michelin are arguing that tire cord quality steel wire rod is a separate like product.

obtain a U.S. supplier of tire quality rod in commercial quantities. ***.[46] The petitioners respond to allegations that tire cord producers cannot use domestic tire cord quality wire rod by noting that ***.[47] [48] Petitioners argue that U.S. producers can make small filament diameter tire cord in commercial quantities.[49] They assert that Georgetown recently became the sole supplier of all 1070 tire cord products to ***. They note that *** does not differentiate between small and large filament applications, so Georgetown cannot determine how much of its wire rod *** used in fine filament applications.[50] [51] [52]

In terms of cold-heading quality wire rod, counsel for Japan also argue that the market is divided into critical and non-critical uses. Counsel argue that purchasers buy Japanese product either when their customers require rod from a specific Japanese mill or when the rod has to meet high quality requirements that domestic sources cannot provide. Counsel point to the two cold-heading products where the Commission made price comparisons and note that the Japanese products were obtaining prices of between 21 and 60 percent more than the domestic products. They argue that this price differential is so large that the products being compared could not be fungible.[53] Petitioners argue that even if a Japanese product is superior to a U.S. product, that does not necessarily mean that the two products don't compete. Arguing that quality is not the most important factor in determining whether competition exists, petitioners claim that almost all Japanese producers compete with domestic wire rod on nearly all sales of products subject to investigation and that nearly all purchasers of Japanese steel wire rod also use the domestic product and are generally satisfied with both products.[54] [55]

U.S. Producers

There are 15 firms known to have produced certain steel wire rod during 1990-92. The Commission sent producer questionnaires to these firms and received usable responses from 13, accounting for about *** percent of total U.S. production. The names of the producers, the locations of their manufacturing facilities, each firm's share of reported production in 1992, and the position each firm has taken with respect to the petitions are presented in table 5.

American Steel & Wire

Specializing in cold-heading, cold-finishing, and alloy qualities, American Steel & Wire operates two rod mills in Cuyahoga Heights, OH, and Joliet, IL. During 1992, the company accounted for *** percent of U.S. production of certain steel wire rod. ***.[56] In November 1993, Birmingham Steel Corp. purchased American for an estimated $52 million. This transaction made

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[46] Japan's postconference brief, May 19, 1993, pp. 6-7.

[47] Petitioners' prehearing brief, p. 47.

[48] Counsel for Amercord argue that Amercord did not purchase any small filament diameter tire cord from U.S. producers because no U.S. producers are approved suppliers of the product (Amercord's postconference brief, Mar. 9, 1994, pp. 1-3).

[49] The petitioners did not respond to a request for shipment data concerning small filament tire cord quality wire rod at the preliminary conference, Mar. 4, 1994.

[50] Petitioners' postconference brief, Mar. 9, 1994, pp. 10-11.

[51] ***.

[52] In response to a statement by petitioners that tire cord producers do not know the intended application and filament size of the rod they supply, counsel for Amercord argue that while Co-Steel Raritan has not attempted to supply small filament diameter tire cord, Georgetown is very aware of the intended applications and filament size of its products and that is evidenced by Georgetown's documentation of its qualification of the small filament tire cord product with Amercord (Amercord's postconference brief, Mar. 9, 1994, pp. 1-3).

[53] Japan's posthearing brief, pp. 7-12.

[54] Petitioners' posthearing brief, exhibit 1-E.

[55] Staff notes that since purchasers often use a variety of steel wire rod products, the products purchased from Japanese and U.S. suppliers are not necessarily of the same product type/quality. Furthermore, no U.S. producers claimed that they lost sales due to competition from Japanese imports.

[56] ***, telephone conversation, May 17, 1993.

Table 5
Certain steel wire rod: U.S. producers, locations of producing facilities, position on petitions,[1] and share of production in 1992

Firm	Location	Position on petition	Share of U.S. production
			Percent
American Steel & Wire	Cuyahoga Heights, OH Joliet, IL	***	***
Atlantic Steel Co	Atlanta, GA	***	***
Bethlehem Steel Bar, Rod & Wire Div.	Johnstown, PA Sparrows Point, MD	***	***
CF&I Steel Corp.	Pueblo, CO	***	***
Charter Rolling	Saukville, WI	***	***
Connecticut Steel	Wallingford, CT	Supports	***
Co-Steel Raritan	Perth Amboy, NJ	Supports[2]	***
Florida Steel Corp.	Jacksonville, FL	***	***
Georgetown Steel Corp.	Georgetown, SC	Supports[3]	***
GST Inc.	Kansas City, MO	***	***
Keystone Steel & Wire	Peoria, IL	Supports[3]	***
Laclede Steel	Alton, IL	***	***
North Star Steel Texas, Inc.	Beaumont, TX	Supports[3]	***
Northwestern Steel & Wire.	Sterling, IL	***[4]	***
Nucor	Norfolk, NE	***[5]	***

[1] The petitioners' share of U.S. production for the investigation concerning Canada is *** percent, the share for the investigation concerning Brazil is *** percent, the share for the investigation concerning Japan is *** percent, and the share for the investigations concerning Belgium and Germany is *** percent.
[2] Co-Steel Raritan takes no position in the investigation concerning Brazil.
[3] Georgetown Industries, Keystone, and North Star take no position in the investigation concerning Japan.
[4] Northwestern is a petitioner in the investigations concerning Belgium and Germany.
[5] ***.

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

American a wholly owned subsidiary of Birmingham Steel. Birmingham Steel had been seeking to get into higher quality markets instead of relying totally on reinforcing bar and merchant products while American, which had been highly leveraged since its buyout from U.S. Steel Group, had been seeking a cash infusion.[57]

Atlantic Steel

***, Atlantic Steel of Atlanta, GA, *** the petition. Accounting for *** percent of U.S. production of steel wire rod during 1992, Atlantic Steel produces low- and high-carbon steel wire

[57] "Birmingham Finishes American Buy," *American Metal Market*, Dec. 2, 1993.

rod. During 1992, *** percent of Atlantic Steel's production was internally consumed for its production of galvanized and annealed wire, and *** percent was sold to other wholly owned subsidiaries of Ivaco.

Bethlehem Steel, Bar, Rod & Wire Division

Bethlehem Steel produced cold-heading quality rod and rimmed steel at its Sparrows Point, MD, facility until September 1992, when it ceased all production of rod. Its partial-year production accounted for *** percent of U.S. production of certain steel wire rod during 1992. On January 29, 1992, Bethlehem announced its decision to exit the bar, rod, and wire industry, offering its Bar, Rod, & Wire Division for sale. Unable to complete a transaction for the entire division, Bethlehem announced, on May 15, 1992, that it was initiating "an orderly phasing down" of the division, exiting the business "as quickly as possible."[58] That phasing down was completed in September 1992. In December 1993, Bethlehem announced that it had signed an agreement of sale with an affiliate of Veritas Capital, Inc., for Bethlehem's former Bar, Rod & Wire Division in Johnstown, PA, and Lackawanna, NY. The sale is contingent upon completion of certain sale-related items, and closing is expected in 1994. Veritas indicated that it intends to implement a substantial modernization program in the Bar, Rod & Wire Division, including installation of a continuous bloom caster in Johnstown.[59] [60]

CF&I

Primarily a steel rails producer, CF&I produces steel wire rod, wire products (e.g., welded fence, barbed wire, and nails), and reinforcing bar at its plant in Pueblo, CO. On November 7, 1990, CF&I filed for protection under Chapter 11 of the Bankruptcy Code. The principal reasons for the Chapter 11 filing were the company's pension plan obligation, which was underfunded by an estimated $145 million, and health insurance costs. A federal bankruptcy court approved the purchase of CF&I by Oregon Steel Mills, Inc. (a Portland-based producer) in March 1993, whereby Oregon Steel would purchase CF&I for $100 million to upgrade the Pueblo facility.[61] CF&I accounted for *** percent of U.S. production of certain steel wire rod during 1992.

Charter Rolling

Charter Rolling of Saukville, WI, produces hot-rolled carbon and certain alloy steel wire rod in sizes ranging from 4 mm (0.157 inch) to nearly 22 mm (0.89 inch) and cold-heading wire in size diameters from 0.062 inch up to 0.859 inch, which is drawn in-house. ***.[62]

Connecticut Steel

Accounting for *** percent of total U.S. production of certain steel wire rod, Connecticut Steel produces low-carbon wire rod at its rolling facility in Wallingford, CT. ***. During 1992, *** percent of Connecticut Steel's production of certain steel wire rod was consumed internally to produce wire mesh.

Co-Steel Raritan

Accounting for *** percent of U.S. production of certain steel wire rod, Co-Steel Raritan produces a wide range of high- and low-carbon and alloy rod products at its facility in Perth Amboy,

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[58] *Press Release*, Bethlehem Steel Corp, May 15, 1992.
[59] *Press Release*, Bethlehem Steel Corp, Dec. 22, 1993.
[60] ***.
[61] "CF&I Gets Nod on Reorganization," *Metal Producing*, Mar. 1993, p. 6.
[62] *Directory of Wire Companies of North America*: 1991, p. 45.

NJ. Co-Steel Raritan is a wholly owned subsidiary of Co-Steel, Inc., of Toronto, Canada. A petitioner in all investigations except the investigation concerning Brazil, ***.[63]

Florida Steel

Accounting for *** percent of U.S. production of certain steel wire rod during 1992, Florida Steel produces low-carbon steel rod at its plant in Jacksonville, FL. Florida Steel is partly owned by ***, a Japanese minimill that does not produce wire rod.

Georgetown Steel

Georgetown produces a wide range of carbon rod products at its Georgetown, SC, plant. During 1992, Georgetown accounted for *** percent of U.S. production of certain steel wire rod. Its customers are generally located in the eastern half of the United States. Georgetown has upgraded its production facility during the past three years, in part from technical assistance provided by Unimetal (France), ***. This technical assistance has allowed Georgetown to upgrade its product mix. Georgetown has also sought to expand downstream into wire products' production. For example, Georgetown bought Florida Wire and Cable, a producer of PC strand and welded mesh, from Ivaco in 1992; Georgetown also bought Tree Island, Vancouver, Canada, in 1990.

GST

On November 12, 1993, Armco was sold to GS Technologies and subsequently renamed GST Steel. Armco's management continued to operate the company. In a press release, Robert Cushman, President, stated that with the infusion of capital together with the ongoing reductions at Kansas City, GST is expected to become the low-cost domestic producer of high-carbon wire rod products. As a producer of carbon and micro-alloyed steel wire rod, GST accounted for *** percent of U.S. production during 1992. ***.

Keystone

Accounting for ***-percent of U.S. production of certain steel wire rod, Keystone primarily produces low-carbon steel rod at its plant in Peoria, IL. *** percent of its production is used to produce wire products captively at four company-owned facilities around the country. Wire products produced at these facilities include welding wire, weaving wire, nails, welded wire fabric, poultry netting and other agricultural fence, and barbed wire. These products are marketed under the "Red Brand" name to the wire and fence consumer markets.

Laclede Steel

Laclede Steel is *** percent owned by *** and ***. Accounting for *** percent of U.S. production of certain steel wire rod during 1992, Laclede is primarily a producer of high-carbon steel rod for use in its own production of wire products. During 1992, Laclede used *** percent of its steel wire rod to produce wire for such applications as mechanical springs, bedding, furniture, and screen cloth.

North Star

A wholly owned subsidiary of Cargill, Inc., North Star of Beaumont, TX, is a producer of low- and high-carbon steel wire rod. Accounting for *** percent of U.S. production of certain steel

[63] Conversation with ***, Apr. 29, 1993.

wire rod, North Star sells primarily on the West Coast, in the Midwest, and in the south central and southern United States.[64]

Northwestern

Primarily a low-carbon steel rod producer, Northwestern, of Sterling, IL, accounted for *** percent of U.S. production during 1992. *** percent of that production was used to manufacture wire products at two plants in Sterling and Rock Falls, IL. The wire operations produce nails, baling wire, bale ties, poultry netting, wire reinforcing mesh, welded fabric, and garden fence, which are sold mainly in the midwestern states through building material wholesalers, hardware distributors, and farm supply wholesalers.

Nucor

Accounting for *** percent of U.S. production of steel wire rod, Nucor produces reinforcement bar, alloy and carbon steel wire rod, and wire rod made from free-machining steel at its facility in Norfolk, NE. *** percent of its production of steel wire rod is captively consumed at Nucor's wire-drawing facility.

U.S. Importers

Questionnaires were sent to 46 firms named in the petition and in the Customs Net Import File (CNIF) as importing certain steel wire rod from the subject countries. Of the 46 firms, 38 responded to the Commission's request for information, accounting for over 95 percent of U.S. imports from the subject countries.

***. *** accounted for *** percent of U.S. imports from Canada during 1992. The remaining importers are trading companies and U.S. wire drawers.

The U.S. importers of certain steel wire rod from Japan are generally large trading companies that import a broad range of steel products. Of the 16 responding importers of Japanese certain steel wire rod, *** are among the largest.

Of the 12 responding importers of Brazilian certain steel wire rod, 10 are trading companies and 2 are wire drawers. The two wire drawers accounted for *** percent of imports from Brazil during 1992.

Two importers of Belgian certain steel wire rod responded to the Commission's request for information. Bekaert, which accounted for *** percent of imports from Belgium during interim 1993, imported certain steel wire rod solely for its own internal use, while the other importer, Mannesmann, acted as a distributor for all of its imports of steel wire rod. Both companies also reported imports of certain steel wire rod from Germany. In addition to these companies, the Commission received import data from four other importers of product from Germany. Two are U.S. subsidiaries of German producers of steel wire rod: Thyssen and Saarstahl.

Channels of Distribution

In the U.S. market, sales of certain steel wire rod were made almost exclusively to end users. Only 1.8 percent of the U.S. producers' U.S. shipments and 0.04 percent of imports from Canada were sold to distributors. Virtually all imports from Belgium, Brazil, Germany, and Japan were sold directly to end users. Twenty-nine percent of the U.S. producers' shipments were sales to related end users. Eleven of the 13 responding producers have some shipments to wholly or partially owned wire drawers. Fifteen percent of the imports from Canada were sales to related parties. ***.

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[64] Conference transcript, May 14, 1993, p. 40.

CONSIDERATION OF ALLEGED MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The information provided in this section of the report is based on responses to Commission questionnaires. *** firms, accounting for about *** percent of U.S. production of certain steel wire rod during 1990-92, provided responses to the Commission's request for data.

U.S. Producers' Capacity, Production, and Capacity Utilization

As indicated in table 6, the U.S. producers' average-of-period capacity to produce certain steel wire rod remained fairly constant between 1990 and 1992 and between the interim periods. The decrease in capacity from Bethlehem's exit in September 1992 was partially offset by slight increases in capacity at ***. During 1993-95, capacity is expected to increase with the entrance of two new rod mills. In January 1994, Inland Steel Bar Company started production of high-end cold-heading quality rod products at its newly installed rod mill in Chicago, IL.[65] USS/Kobe Steel Company, a joint venture between Kobe Steel (Japan) and USX Corp., announced plans in 1992 for a rod mill that was originally scheduled for a 1994 opening; it has recently delayed opening until 1995. In an upgrade costing about $70 million, USS/Kobe is installing a wire rod mill with one of the world's fastest rolling speeds, called a "no twist mill," at its bar mill in Lorain, OH. ***.[66]

American Metal Market reported in December 1993 that Co-Steel, Inc., Co-Steel Raritan's parent company, is planning to build a 1 million ton rod and bar mill in the Midwest to supply cold-heading and welding quality products for manufacturing and automotive customers in that region. The estimated cost of the mill is reportedly between $180 and $200 million. Co-Steel Raritan would continue to manufacture the industrial and fine wire quality rods at its mill in Perth Amboy, NJ.[67] The article also reports that North Star is intending to build a rod and bar mill in Kingman, AZ.[68] [69]

U.S. production increased by 2.6 percent from 1990 to 1992 and continued to increase, by 5.2 percent, between the interim periods. Accounting for this additional production, 6 of the 13 responding companies reported slight increases in their production from 1990 to 1992. Of the seven responding firms that reported declining production, ***'s decrease of *** percent during 1990-92 was by far the largest, ***.

Four other firms reported some disruptions of their production of certain steel wire rod since January 1, 1990. ***.

Average-of-period capacity utilization increased irregularly from 83.8 percent in 1990 to 84.9 percent in 1992 and continued to rise from 85.5 percent during January-September 1992 to 91.7 percent during January-September 1993. Capacity reported reflects full employment levels, although some producers have noted that the strong market conditions that currently exist have not been sustained long enough to warrant the hiring of new employees, and that they therefore cannot produce at reported capacity. For example, ***, which reported a capacity utilization rate of ***

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[65] Petitioners' postconference brief, May 13, 1993, p. Q-1.

[66] Postconference brief for Japanese respondents, May 19, 1993, app. 10.

[67] Petitioners note that Co-Steel's proposed Midwest mill is only in the very initial stages of planning. Co-Steel announced its intent to conduct a thorough study of the project in December 1993. Its three-part feasibility study to evaluate the market conditions, engineering requirements, and financial impact will be completed by September 1994. At that time, Co-Steel will decide whether to proceed with the mill (Petitioner's posthearing brief, exhibit 1-B).

[68] North Star notes that if it is unable to negotiate an electricity agreement that will satisfy the mill's power requirements, the project will not move forward. The *American Metal Market* reported on Feb. 21, 1994, that the "Western Area Power Association, a U.S. government agency that controls all the hydroelectric power in the southwestern United States, has agreed to build a $20 million line to carry power from Lake Mead in Nevada to the vicinity of Kingman, AZ, where Minneapolis-based North Star plans a $140 million minimill that will produce 500,000 tons per year, North Star president Robert Garvey said last week." However, in an affidavit to the Commission, William Lundberg of North Star notes that *** (Petitioners' posthearing brief, exhibit 2).

[69] *American Metal Market*, Dec. 27, 1993.

Table 6
Certain steel wire rod: U.S. capacity, production, and capacity utilization, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993[1]

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
End-of-period capacity (*short tons*)	6,028,983	6,059,572	5,898,132	4,438,763	4,492,333
Average-of-period capacity (*short tons*)	5,962,061	6,030,777	6,040,294	4,593,248	4,508,165
Production (*short tons*)	4,998,764	5,031,734	5,127,114	3,929,239	4,135,313
End-of-period capacity utilization (*percent*)	82.9	83.0	85.6	86.7	92.1
Average-of-period capacity utilization (*percent*)	83.8	83.4	84.9	85.5	91.7

[1] The data in the table are for 13 producers, accounting for about *** percent of production of certain steel wire rod during 1992.

Note.--Capacity utilization is calculated using data of firms providing both capacity and production information.

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

percent during 1992, ***. If operating at full capacity, ***. Because of its "no lay off" policy, *** is reluctant to hire additional employees until it is certain that increases in demand are more permanent.[70] ***, which reported a capacity utilization rate of *** percent during 1992, noted that because of a limited supply of cast blooms from its melt shop it is not able to produce at full capacity. *** relies solely on internally produced billets because the market prices and availability have reportedly made purchased billets an unprofitable alternative to internally produced billets.[71] [72]

U.S. Producers' Shipments

The U.S. producers' total U.S. shipments of certain steel wire rod increased by 3.7 percent from 1990 to 1992 (table 7), and continued to increase, by 5.8 percent, between the interim periods. In terms of value, U.S. shipments decreased irregularly by 3.0 percent from 1990 to 1992, but increased 19.5 percent from January-September 1992 to January-September 1993. During 1990-92, the ratio of internal consumption and company transfers to U.S. shipments averaged 20 percent. Seven U.S. producers internally consumed some of their production of certain steel wire rod. Accounting for *** percent and *** percent of their shipments, respectively, *** consume especially large portions of their rod production in their own wire drawing facilities. Seven U.S. producers sell their rod production to related wire products manufacturers. The company with the most sales to related parties, ***, sells *** percent of its total shipments to related wire products manufacturers.

[70] Telephone conversation, ***, Jan. 18, 1994.
[71] *** letter to the Commission, Jan. 12, 1994.
[72] At the Commission's hearing, Philip Braxdale noted that GST had never operated at full capacity since the opening of its two melt shops in 1987. However, in the last few months, GST began purchasing between 3,000 and 4,000 billets a month and is now operating its rod mill at full capacity (hearing transcript, pp. 140-141).

Table 7
Certain steel wire rod: Shipments by U.S. producers,[1] by types, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Quantity (*short tons*)				
Internal consumption	564,455	537,984	562,597	445,730	469,508
Other company transfers	461,962	416,608	469,293	364,788	434,731
All company transfers	1,026,417	954,592	1,031,890	810,518	904,239
Domestic shipments	3,831,836	3,934,742	4,007,003	3,052,458	3,184,503
U.S. shipments	4,858,253	4,889,334	5,038,893	3,862,976	4,088,742
Exports	97,834	134,098	100,116	49,864	60,303
Total	4,956,087	5,023,432	5,139,009	3,912,840	4,149,045
	Value (*1,000 dollars*)				
Internal consumption	166,339	158,107	159,775	127,712	138,286
Other company transfers	138,287	122,522	126,598	99,475	127,455
All company transfers	304,626	280,629	286,373	227,187	265,741
Domestic shipments	1,306,891	1,270,146	1,276,882	869,415	1,045,146
U.S. shipments	1,611,517	1,550,775	1,563,255	1,096,602	1,310,887
Exports	25,730	34,967	27,166	13,816	16,736
Total	1,637,247	1,585,742	1,590,421	1,110,418	1,327,623
	Unit value (*per short ton*)				
Internal consumption	$295	$294	$284	$287	$295
Other company transfers	299	294	270	273	293
All company transfers	297	294	278	280	294
Domestic shipments	341	323	319	285	328
U.S. shipments	332	317	310	284	321
Exports	263	261	271	277	278
Average	330	316	309	284	320

[1] The data in the table are for 13 producers accounting for about *** percent of U.S. shipments of certain steel wire rod during 1992.

Note.--Unit values are calculated using data of firms supplying both quantity and value information.

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

The quantity and value of U.S. producers' exports increased from 1990 to 1991 but declined to 1990 levels in 1992. U.S. exports increased between the interim periods. Exports account for only a small share of U.S. producers' total shipments. U.S. producers' export markets include Canada, China, Malaysia, Mexico, Japan, and Thailand. Connecticut Steel and North Star claimed that they had to resort to selling steel wire rod to China and Japan at very low prices during the fourth quarter of 1992 in order to keep the rolling mill operating and to cover direct operating expenses.[73]

U.S. Producers' Inventories

The U.S. producers' end-of-period inventories of certain steel wire rod are presented in table 8. These inventories decreased 8.8 percent from 1990 to 1992, and continued to fall between the interim periods, by 19.8 percent. The ratio of U.S. producers' inventories to their U.S. shipments decreased from 3.6 percent in 1990 to 3.2 percent in 1992 and from 3.6 percent during January-September 1992 to 2.7 percent during January-September 1993. The low inventory-to-shipment ratios reflect the fact that U.S. producers usually manufacture steel wire rod to meet customer requirements. In any given product series, U.S. producers will alter the production process slightly based on end use and customer requirements.

Employment, Wages, and Productivity

The U.S. producers' employment and productivity data are presented in table 9. The number of production and related workers (PRWs) producing certain steel wire rod decreased by 4.4 percent during 1990-92 and continued to decline, by 8.4 percent, between the interim periods. Of the 11 responding companies,[74] 6 reported reductions in the number of workers producing certain steel wire rod. ***. Nine firms responded that their employees are represented by unions. All but one are represented by the United Steelworkers of America.

The number of hours worked by PRWs producing certain steel wire rod declined by 6.3 percent from 1990 to 1992 and continued to decrease, by 2.9 percent, in the interim periods. Total compensation paid to PRWs by U.S. producers increased by 1.8 percent from 1990 to 1992, and remained fairly constant between the interim periods. Hourly total compensation paid to U.S. producers' PRWs increased from $25.52 in 1990 to $27.73 in 1992, and from $26.39 in January-September 1992 to $27.19 in January-September 1993. Productivity of PRWs increased by 9.4 percent from 1990 to 1992 and continued to rise, by 6.7 percent, between the interim periods.

Financial Experience of U.S. Producers

Eleven U.S. producers[75] of steel wire rod, accounting for about *** percent of U.S. production during 1992, reported profit-and-loss information on their U.S. operations. Intercompany transfers are significant. They accounted for about 19 to 22 percent of net sales volume and 18 to 20 percent of sales value from 1990 through the first nine months of 1993. The unit sales values of these transfers (approximately $281 per ton in 1992) were within 10 percent of the trade sales unit values ($312). The staff verified North Star's questionnaire data. As a result, there were only minor changes to some of the company's financial data.

Overall Establishment Operations

Profit-and-loss data for the overall establishment operations of the producers are shown in table 10. All financial indicators--net sales, gross profits, operating and net income, and cash flow--declined from 1990 to 1991. The reverse was true in 1992, as all of the above indicators except for

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[73] Conference transcript, May 14, 1993, p. 44.

[74] *** did not respond to the Commission's request for employment data.

[75] The producers (and their respective fiscal yearends if other than Dec. 31) are ***.

Table 8
Certain steel wire rod: End-of-period inventories of U.S. producers,[1] 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
Inventories (*short tons*)	175,304	174,506	159,883	183,295	147,040
Ratio of inventories to--					
Production (*percent*)	3.5	3.5	3.1	3.5	2.7
U.S. shipments (*percent*)	3.6	3.6	3.2	3.6	2.7
Total shipments (*percent*)	3.5	3.5	3.1	3.5	2.7

[1] The data in the table are for 13 producers accounting for about *** percent of U.S. shipments of certain steel wire rod during 1992.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

net income returned to their 1990 levels. The reasons for the steep decline in net income were large ($73 million) nonoperating charges taken by two producers relating to post-retirement benefits.

Despite the loss of one producer (Bethlehem), net sales were up significantly in interim 1993 as compared to interim 1992. However, the gross profit margin decreased from 8.6 percent of sales to only 6.6 percent. As a result, despite a $218 million (12 percent) increase in net sales, gross profits were down by about $23 million (15 percent). These decreased profits flowed through to succeeding profit levels. Net income levels in both interim periods were adversely affected because of large ($26 to $46 million) charges for post-retirement benefits. In 1992, steel wire rod sales accounted for about 59 percent of overall establishment net sales.

Steel Wire Rod Operations

U.S. producers' profit-and-loss data for their steel wire rod operations are presented in table 11. Net sales values declined slightly from 1990 to 1991 as the increase in sales quantities could not keep up with the decrease in unit sales values from $327 to $311. While unit cost of goods sold also decreased, the decline (about $13, from $301 to $288) was less than the $15 decrease in unit sales value. Therefore, gross profits and the gross profit margin also decreased. These decreased profits combined with increased (selling, general, and adminstration) SG&A expenses resulted in decreased operating income, net income, and cash flow.

In 1992, marginal increases in sales quantities offset marginal decreases in unit sales values, resulting in flat net sales value. Unit cost of goods sold decreased again, but the decrease was again

Table 9
Average number of total employees and PRWs in U.S. establishments wherein certain steel wire rod is produced, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] by products, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993[3]

Item	1990	1991	1992	Jan.-Sept.-- 1992	Jan.-Sept.-- 1993
	Number of PRWs				
All products	6,097	5,823	5,681	5,677	5,301
Certain steel wire rod	3,771	3,643	3,606	3,613	3,310
	Hours worked by PRWs (*1,000 hours*)				
All products	12,327	11,731	11,549	9,005	8,660
Certain steel wire rod	7,572	7,435	7,097	5,668	5,505
	Wages paid to PRWs (*1,000 dollars*)				
All products	226,793	218,855	225,463	171,092	169,035
Certain steel wire rod	138,560	137,802	137,767	106,642	105,561
	Total compensation paid to PRWs (*1,000 dollars*)				
All products	318,392	310,394	325,311	244,655	244,898
Certain steel wire rod	193,251	195,105	196,790	149,578	149,691
	Hourly wages paid to PRWs				
All products	$18.40	$18.66	$19.52	$19.00	$19.52
Certain steel wire rod	18.30	18.53	19.41	18.81	19.18
	Hourly total compensation paid to PRWs				
All products	$25.83	$26.46	$28.17	$27.17	$28.28
Certain steel wire rod	25.52	26.24	27.73	26.39	27.19
	Productivity (*short tons per hour*)				
Certain steel wire rod	0.619	0.634	0.678	0.650	0.693
	Unit labor costs (*per short ton*)				
Certain steel wire rod	$41.21	$41.42	$40.92	$40.60	$39.22

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Firms providing employment data accounted for *** percent of reported total U.S. shipments (based on quantity) in 1992.

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

Table 10
Income-and-loss experience of U.S. producers[1] on the overall operations of their establishments wherein certain steel wire rod is produced, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Value (*1,000 dollars*)				
Net sales	2,514,350	2,425,843	2,518,752	1,847,615	2,065,560
Cost of goods sold	2,314,701	2,253,008	2,316,406	1,688,458	1,929,830
Gross profit	199,649	172,835	202,346	159,157	135,730
Selling, general, and administrative expenses	73,371	76,854	77,212	59,438	59,137
Operating income	126,278	95,981	125,134	99,719	76,593
Startup or shutdown expense	6,037	0	2,275	2,275	0
Interest expense	67,028	64,422	51,838	41,547	40,693
Other expense, net	5,093	4,723	85,442	32,074	56,910
Net income or (loss) before income taxes	48,120	26,836	(14,421)	23,823	(21,010)
Depreciation, amortization, and non-cash items	75,113	79,840	154,143	87,933	108,214
Cash flow[2]	123,233	106,676	139,722	111,756	87,204
	Ratio to net sales (*percent*)				
Cost of goods sold	92.1	92.9	92.0	91.4	93.4
Gross profit	7.9	7.1	8.0	8.6	6.6
Selling, general, and administrative expenses	2.9	3.2	3.1	3.2	2.9
Operating income	5.0	4.0	5.0	5.4	3.7
Net income or (loss) before income taxes	1.9	1.1	(0.6)	1.3	(1.0)
	Number of firms reporting				
Operating losses	1	3	2	2	2
Net losses	4	5	4	5	3
Data	11	11	11	11	10

[1] The producers and their respective fiscal yearends (if other than Dec. 31) are ***.
[2] Cash flow is defined as net income plus depreciation and amortization and non-cash items.

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

Table 11
Income-and-loss experience of U.S. producers on their operations producing certain steel wire rod,[1] fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Quantity (*short tons*)				
Net sales:					
Trade	3,733,830	3,862,218	3,895,743	2,909,145	3,048,633
Company transfers	935,150	917,641	971,101	764,493	846,326
Total	4,668,980	4,779,859	4,866,844	3,673,638	3,894,959
	Value (*1,000 dollars*)				
Net sales:					
Trade	1,245,811	1,219,748	1,216,063	902,960	977,374
Company transfers	278,740	268,103	272,591	215,084	249,247
Total	1,524,551	1,487,851	1,488,654	1,118,043	1,226,621
Cost of goods sold	1,404,712	1,376,946	1,387,536	1,035,275	1,135,277
Gross profit	119,839	110,905	101,118	82,768	91,344
SG&A expenses	42,974	45,245	46,318	32,811	35,598
Operating income	76,865	65,660	54,800	49,957	55,746
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other expense, net	***	***	***	***	***
Net income or (loss) before income taxes	37,909	33,369	(12,823)	(184)	26,108
Depreciation, amortization, and noncash items	44,166	44,654	81,666	61,266	44,394
Cash flow	82,075	78,023	68,843	61,082	70,502
	Value (*per short ton*)				
Net sales	$326.53	$311.28	$305.88	$304.34	$314.93
Cost of goods sold	300.86	288.07	285.10	281.81	291.47
Gross profit	25.67	23.20	20.78	22.53	23.45
SG&A expenses	9.20	9.47	9.52	8.93	9.14
Operating income	16.46	13.74	11.26	13.60	14.31
	Ratio to net sales (*percent*)				
Cost of goods sold	92.1	92.5	93.2	92.6	92.6
Gross profit	7.9	7.5	6.8	7.4	7.4
SG&A expenses	2.8	3.0	3.1	2.9	2.9
Operating income	5.0	4.4	3.7	4.5	4.5
Net income or (loss) before income taxes	2.5	2.2	(0.9)	(2)	2.1
	Number of firms reporting				
Operating losses	3	4	4	4	4
Net losses	6	5	6	7	5
Data	11	11	11	11	10

[1] The data in the table are for 11 producers accounting for about *** percent of U.S. production of certain steel wire rod during 1992.
[2] Negative figure, but less than significant digits displayed.

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

less than the decrease in unit sales value. The result was a continued decrease in all levels of profitability. As with overall establishment operations, net income decreased in particular because of large charges for postretirement benefits.[76]

All results were improved when comparing interim 1993 data to interim 1992 data. Net sales value increased about 10 percent to over $1.2 billion as sales quantities and unit sales values both increased. Although unit cost of goods sold increased about $9 from $282 to $291, the increase was a bit less than the increase in unit sales value. This resulted in improvements in all levels of profitability. The increase in net income was particularly striking as the charges for post-retirement benefits decreased by about $17 million.

Table 12 contains selected financial data for the individual U.S. producers. ***.

Table 12
Income-and-loss experience of U.S. producers on their steel wire rod operations, by firms, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

* * * * * * *

After the hearing, producers were requested to supply profit-and-loss data on their wire rod operations for the period October 1 to December 31, 1993. Since the Commission already had data for the first nine months of 1993, these new data are useful not only to review fourth quarter 1993 results, but also to construct full-year 1993 results. *** was able to supply data, which are presented in table 13.

Table 13
Income-and-loss experience of U.S. producers[1] on their operations producing certain steel wire rod, fiscal years 1990-92, Jan.-Sept. 1993, Oct.-Dec. 1993, and Jan.-Dec. 1993

* * * * * * *

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[76] Statement of Financial Accounting Standards (SFAS) No. 106, entitled *Employers' Accounting for Postretirement Benefits Other than Pensions*, requires companies to begin accruing the cost of providing benefits, most notably health care and life insurance, to retired employees. The projected cost of providing these benefits should be actuarially determined in a manner similar to one used to determine pension benefits.

For many companies, the single largest cost component of the overall projected cost is the transition obligation. The transition obligation is a current estimate of the unfunded obligation as of the date SFAS 106 is adopted (a one-time catch-up). Once the cost is determined, the company can either immediately recognize the entire amount, or amortize it over a period up to 20 years. Prior to the adoption of SFAS 106, many companies recognized the cost of providing these benefits as claims were paid. In other words, they had "pay-as-you-go" systems, with little or no funds set aside to cover the costs.

SFAS 106 can have a very serious negative effect on a company's net earnings and balance sheet. However, recognition of the transition obligation has no effect on operating income, since companies are explicitly told to treat the amount in question as an accounting change. For most companies, this means the amount should be presented as a separate item between operating income and net income. Recognition of the transition obligation also has no effect on cash flow, since it deals with accruing anticipated expenses.

In addition to the one-time catch-up cost, once the new standard is adopted companies must begin accruing current and anticipated costs. These costs do affect operating income, since they are charged to either cost of goods sold or SG&A expense. However, these costs are probably close to the costs companies had prior to the adoption of SFAS 106 under the "pay-as-you go" system. Therefore, SFAS 106 should not have an undue effect on operating income in these investigations.

The data show a decided increase in profitability in the fourth quarter of 1993 when compared to the first three. The increased profits are due to a 10-percent increase in unit sales values, from about $314 per ton to about $345 per ton. This $31 increase surpassed unit increases in cost of goods sold ($14) and SG&A expenses ($3), and resulted in the unit operating margin virtually doubling. Further, almost all producers shared in the increases in both unit sales values and profitability.

All nine of the producers providing data had increases in unit sales values. All but one of the increases were in excess of 5 percent, and four were in excess of 10 percent. Additionally, eight of the nine producers had increases in operating margins (operating income as a percent of net sales). Two producers had their margins more than double, three had their margins increase by over one-half, and another increased by about one-quarter.

Full-year 1993 data showed marked improvement over 1992 data. Net sales value was up over 10 percent, gross profits were up over 40 percent, and operating profits were up by about two-thirds. In fact, 1993 results even surpassed 1990 results.

The tabulation below shows the changes in the components of the unit cost of production for steel wire rod from 1990 through the first nine months of 1993 (in dollars per short ton). These questionnaire data differ from unit cost of goods sold data contained in table 11 primarily because high-cost producers *** did not provide data. Although the values below are considerably less than those in table 11, they are useful for purposes of illustrating period-to-period changes.

				Jan.-Sept.--	
	1990	1991	1992	1992	1993
Steelmaking	$204.79	$193.27	$187.76	$188.58	$199.59
Casting	13.71	13.56	14.14	14.07	13.22
Billet prep	0.33	0.35	0.37	0.36	0.36
Rod rolling	34.84	34.48	35.25	35.46	35.15
Finishing cost	2.55	2.15	2.45	3.05	2.50
All other costs	11.83	13.87	13.19	11.95	14.39
Total cost	268.06	257.68	253.16	253.48	265.21

The only real change of note from period to period is that relating to steelmaking. The cost decreased steadily from 1990 to 1992 before abruptly increasing in the first nine months of 1993. According to producers, the reason for this increase is the spike in scrap prices. Most if not all producers utilize electric arc furnaces, which mostly use scrap as their source of iron.

Investment in Productive Facilities and Return on Assets

Data on investment in productive facilities and return on assets are shown in table 14.

Table 14
Value of assets and return on assets of U.S. producers' operations producing certain steel wire rod, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

* * * * * * *

Capital Expenditures

Data on U.S. producers' capital expenditures are shown in table 15. The companies that expended the most, together with the range of their yearly expenditures (in millions of dollars) from 1990 to 1992, are as follows: ***.

Table 15
Capital expenditures by U.S. producers of certain steel wire rod, by products, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

(1,000 dollars)

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
All products:					
Land and land improvements	3,657	1,044	2,218	1,046	2,729
Building and leasehold improvements	10,800	1,447	1,500	724	845
Machinery, equipment, and fixtures	60,503	49,417	50,485	31,613	32,451
Total	74,960	51,908	54,203	33,383	36,025
Certain steel wire rod:					
Land and land improvements	33	884	2,218	1,046	2,729
Building and leasehold improvements	1,142	1,320	1,246	626	618
Machinery, equipment, and fixtures	39,426	30,336	31,804	19,842	17,328
Total	40,601	32,540	35,268	21,514	20,675

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

Table 16
Research and development expenses of U.S. producers of certain steel wire rod, by products, fiscal years 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

(1,000 dollars)

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
All products	5,471	5,978	4,815	3,988	2,827
Certain steel wire rod	4,524	4,828	4,081	3,323	2,384

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

Research and Development Expenses

Data on U.S. producers' research and development expenses are shown in table 16. *** accounted for virtually all of the expenditures.

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of steel wire rod from the five countries on their firms' growth, investment, ability to raise capital, and/or development and production efforts. Their responses are shown in appendix F.[77]

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the merchandise, the Commission shall consider, among other relevant economic factors[78]--
>
> > (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
> >
> > (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
> >
> > (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
> >
> > (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
> >
> > (V) any substantial increase in inventories of the merchandise in the United States,
> >
> > (VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

---

[77] Respondents argue that the domestic wire rod industry has made significant new investments during the period of investigation, noting the two new rod mills, Inland and USS-Kobe Steel. Respondents also cite journal articles and press releases that report Oregon Steel (CF&I), Birmingham (American), GST, Veritas (Bethlehem), Co-Steel, Charter, and North Star as having plans to expand their existing facilities.

[78] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 706 or 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[79]

The available information on the nature of the alleged subsidies (item (I) above) is presented in the section of this report entitled "The Nature and Extent of Subsidies and Sales at LTFV;" information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury," and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in appendix F. Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows. Other threat indicators have not been alleged or are otherwise not applicable.

U.S. Importers' Inventories

End-of period inventories of U.S. importers of certain steel wire rod are presented in table 17. Inventories of Brazilian rod increased sharply from 1990 to 1992, but then returned to very low levels in interim 1993. Because the Canadian producers, which maintain virtually no inventories in the United States, are the importers of record for 98 percent of U.S. imports of Canadian certain steel wire rod, almost no end-of-period inventories were reported. Only one of the six responding German importers reported any inventories, and they were all in one period, totaling *** short tons in 1990, while the two Belgian importers reported no inventories throughout the period of investigation. End-of-period inventories from Japan, which were significant relative to imports, decreased by 66.9 percent from 1990 to 1992 but increased by 23.9 percent between the interim periods. ***.[80]

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[79] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[80] Letter to the Commission dated May 19, 1993, from ***.

Table 17
Certain steel wire rod: End-of-period inventories of U.S. importers, by sources,[1] 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

(In short tons)

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
Brazil	***	***	***	***	***
Canada	***	***	***	***	***
Japan	10,963	5,793	3,629	5,628	6,972
Subtotal	***	***	***	***	***
Belgium	0	0	0	0	0
Germany	***	0	0	0	0
Total	***	***	***	***	***

[1] The data in the table are for 38 importers accounting for approximately 95 percent of total U.S. imports from the subject countries during 1992.

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

U.S. Importers' Current Orders

*** have reported ongoing orders of Canadian certain steel wire rod of *** short tons and *** short tons per quarter, respectively, since September 30, 1993. ***. Thirteen of the 16 U.S. importers of Japanese certain steel wire rod reported orders for delivery after September 30, 1993. A total of 25,827 short tons of certain steel wire rod was scheduled to enter the United States between October 1993 and December 1994. One U.S. importer reported unspecified deliveries of certain steel wire rod from Brazil after September 30, 1993. All but one of the responding German importers reported deliveries of certain steel wire rod, totalling 93,403 short tons between October 1993 and May 1994. One Belgian importer reported deliveries of *** short tons of certain steel wire rod between October 1993 and April 1994.

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets Other Than the United States

The Commission requested certain information from counsel for producers in Belgium, Brazil, Canada, Germany, and Japan. The Commission also requested information from the U.S. embassies in Bonn, Brasilia, and Brussels. The information discussed below was supplied by petitioners, by counsel for the foreign producers, and the U.S. embassies.

The Industry in Belgium

The petition lists one Belgian company as producing certain steel wire rod: Forges de Thy-Marcinelle (Thy-Marcinelle). Thy Marcinelle did not respond to the Commission's request for data, but the embassy in Brussels did provide the following information. Thy Marcinelle was formed in May 1989 after the Italian Riva Group bought 80 percent of a steel production unit from Cockerill-Sambre in Marcinelle. Cockerill-Sambre still maintains 20 percent ownership of the company. After an initial BF 4 billion investment, the plant became operational on August 1, 1992. The company has 240 employees, all of whom work exclusively on night shifts and weekends to enable Thy-Marcinelle to benefit from reduced electricity tariffs. The raw steel input is supplied from Cockerill-Sambre. Thy-Marcinelle reportedly operated below capacity during 1992 due to low steel prices, but

[redacted] rod in [redacted] Guanabara (Cosigua), [redacted] table 18, Brazilian capacity and [redacted] fairly constant between the interim [redacted] 79.4 and 94.6 percent during the period for [redacted] argue that the Brazilian mills have consciously planned [redacted] capacity, aiming to export 60 percent of their total production.[82] [redacted] argue that despite a weak domestic market, the Brazilian mills have [redacted] their shipments to the United States during the period of investigation. As [redacted] table, the three Brazilian mills reported a 25-percent increase in exports to the United [redacted] from 1990 to 1992. However, counsel argue that the increase is partially explained by U.S. manufacturers soliciting business from Brazil because of a shortage of wire rod in the United States.[83]

The Industry in Canada

The three Canadian producers, Ivaco, Sidbec-Dosco, and Stelco, provided the Commission with complete responses regarding their capacity, production, and shipments data. As indicated in table 19, capacity increased by 20,000 short tons in 1992 because ***.[84] Production remained fairly stable between the interim periods. ***.[85] For the three companies, capacity utilization decreased from 84.1 percent in 1990 to 74.3 percent in 1991 but increased to 87.5 percent in 1992. Between the interim periods, capacity utilization remained fairly constant, increasing only one percentage point.

The Industry in Germany

Of the three known German producers of certain steel wire rod, two, Saarstahl AG and Thyssen Stahl AG, responded to the Commission's request for information. Stahl-und Walzwerk Brandenburg GmbH, accounting for about *** percent of exports to the United States during 1992, did not provide the Commission with information. As indicated in table 20, reported capacity ***. Thyssen reported that it shut down its rod mill *** and its rod and bar mill *** to eliminate obsolete and excess capacity. Thyssen also modernized its rod mill No. 4 in Duisberg-Hochfeld, thereby allowing it to tighten production and concentrate all rolling activities in one mill.[86] Reported exports to the United States ***.[87] Counsel for Thyssen and Saarstahl argue that the increase in U.S. orders for German steel wire rod during 1993 was attributable to the very high consumer demand in the United States and the incapacity of U.S. producers to satisfy this demand on time.[88] Noting that exports to the United States are small compared to other markets, Thyssen reported that its major export markets are India, Belgium, Italy, and Turkey.[89]

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[81] Telgram from Amembassy Brussels, Mar. 4, 1994.
[82] Petition, p. 42.
[83] Postconference brief for Brazilian producers, May 19, 1993, pp. 15-16.
[84] Postconference brief of Sidbec-Dosco, May 19, 1993, pp. 18-20.
[85] Postconference brief for Stelco, May, 19, 1993, p. 2.
[86] Thyssen's postconference brief, Mar. 9, 1994, p. 1.
[87] Counsel for Thyssen note that included in the export data are *** short tons of 1080 tire cord quality wire rod, which is excluded from the scope of investigation.
[88] Saarstahl's postconference brief, Mar. 9, 1994, p. 30.
[89] Saarstahl's postconference brief, May 9, 1994, p. 5.

Table 18
Certain steel wire rod: Brazil's capacity, production, inventories, capacity utilization, and shipments, 1990-92, Jan.-Sept. 1992, Jan.-Sept. 1993, and projected 1993-94

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993	1993	1994
	Quantity (*1,000 short tons*)						
Capacity	1,928	2,304	2,315	1,753	1,743	2,343	2,328
Production	1,823	1,829	2,047	1,570	1,573	2,114	2,162
End-of-period inventories	120	82	60	77	83	64	56
Shipments:							
Home market	1,076	1,166	1,045	804	967	1,241	1,264
Exports to--							
The United States	59	46	74	55	35	35	20
All other markets	646	655	950	715	548	835	851
Total exports	705	701	1,023	770	583	870	871
Total shipments	1,781	1,867	2,068	1,574	1,550	2,110	2,135
	Ratios and shares (*percent*)						
Capacity utilization	94.6	79.4	88.4	89.5	90.3	90.3	92.9
Inventories to production	6.6	4.5	2.9	3.7	4.0	3.0	2.6
Inventories to total shipments	6.7	4.4	2.9	3.7	4.0	3.0	2.6
Share of total quantity of shipments:							
Home market	60.4	62.5	50.5	51.1	62.4	58.8	59.2
Exports to--							
The United States	3.3	2.5	3.6	3.5	2.2	1.6	.9
All other markets	36.3	35.1	45.9	45.4	35.4	39.6	39.9

Note.--Because of rounding, figures may not add to the totals shown. Capacity utilization and inventory ratios are calculated from the unrounded data of firms providing both numerator and denominator information.

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

Table 19
Certain steel wire rod: Canada's capacity, production, inventories, capacity utilization, and shipments, 1990-92, Jan.-Sept. 1992, Jan.-Sept. 1993, and projected 1993-94

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993	1993	1994
	Quantity (*1,000 short tons*)						
Capacity	1,260	1,360	1,480	1,120	1,120	1,480	1,480
Production	1,060	1,010	1,295	983	996	1,331	1,346
End-of-period inventories	31	35	30	33	19	21	21
Shipments:							
Home market	714	593	739	571	584	792	848
Exports to--							
The United States	363	401	537	405	415	537	493
All other markets	21	13	23	8	9	10	5
Total exports	384	414	560	413	424	548	498
Total shipments	1,098	1,007	1,299	985	1,008	1,340	1,346
	Ratios and shares (*percent*)						
Capacity utilization	84.1	74.3	87.5	87.8	88.9	89.9	90.9
Inventories to production	2.9	3.4	2.3	2.5	1.4	1.6	1.6
Inventories to total shipments	2.8	3.4	2.3	2.5	1.4	1.6	1.5
Share of total quantity of shipments:							
Home market	65.0	58.9	56.9	58.0	58.0	59.1	63.0
Exports to--							
The United States	33.1	39.8	41.3	41.2	41.1	40.1	36.6
All other markets	1.9	1.3	1.8	.8	.9	.8	.4

Note.--Because of rounding, figures may not add to the totals shown. Capacity utilization and inventory ratios are calculated from the unrounded data of firms providing both numerator and denominator information.

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

Table 20
Certain steel wire rod: Germany's capacity, production, inventories, capacity utilization, and shipments, 1990-92, Jan.-Sept. 1992, Jan.-Sept. 1993, and projected 1993-94

* * * * * * *

The Industry in Japan

The following three firms account for virtually all production of certain steel wire rod in Japan: Kobe Steel, Ltd. (Kobe), Nippon Steel Corp. (Nippon), and Sumitomo Metal Industry, Ltd. (Sumitomo). As indicated in table 21, capacity decreased by 8.2 percent from 1990 to 1992. ***. Production also decreased during 1990-92, but increased by 24.3 percent between the interim periods. The Japanese producers have increased production to supply the growing demand for steel wire rod in China. Operating at over 89 percent of capacity in each year during 1990-92, counsel for Japanese producers refute arguments from petitioners that Japan is experiencing underutilization of capacity.[90]

Accounting for 3.1 percent of total shipments in 1992, exports to the United States decreased 19.3 percent from 1990 to 1992, but increased 1.6 percent between the interim periods. Exports to all other markets were projected to increase by 126.7 percent from 1992 to 1993. This increase is attributed to a surge of demand for steel wire rod in China. For example, ***.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

In the course of the Commission's investigations, questionnaires were received from 38 U.S. importers of certain steel wire rod from the subject countries. The data received from the responding firms are believed to account for virtually all of the imports of certain steel wire rod from Canada and Japan (table 22). In terms of Belgium, Brazil, and Germany, the Commission received responses from importers representing between 70 and 75 percent of imports. Consequently, official import statistics from the U.S. Department of Commerce were used for imports from Belgium, Brazil, Germany, and other sources.[91]

Belgium

Accounting for less than 0.05 percent of apparent consumption during 1990-92, imports of certain steel wire rod from Belgium rose to 23,231 short tons (0.5 percent of apparent consumption) during interim 1993.

Brazil

Imports of Brazilian certain steel wire rod decreased 71.9 percent from 1990 to 1991 but increased by 354.3 percent from 1991 to 1992, accounting for a 27.8-percent increase during 1990-92. Imports from Brazil accounted for 9.0 percent of total imports during 1992.

Canada

Canada was the largest import source of certain steel wire rod, accounting for 54.0 percent of total imports during 1992. Imports of certain steel wire rod from Canada increased 43.5 percent from 1990 to 1992, but remained fairly constant between the interim periods, declining slightly by 0.5 percent.

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[90] Postconference brief for Japanese producers, May 19, 1993, p. 29.

[91] Imports from Brazil as reported to the Commission in the importer questionnaires show similar trends as do the official import statistics. According to the data received in the questionnaires, imports from Brazil declined from 35,731 short tons in 1990 to 21,503 short tons in 1991 and increased to 71,976 short tons in 1992.

Table 21
Certain steel wire rod: Japan's capacity, production, inventories, capacity utilization, and shipments, 1990-92, Jan.-Sept. 1992, Jan.-Sept. 1993, and projected 1993-94

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993	1993	1994
	Quantity (*1,000 short tons*)						
Capacity	3,463	3,377	3,178	2,357	2,610	3,379	3,392
Production	3,327	3,056	2,822	2,047	2,545	3,305	3,302
End-of-period inventories	146	130	142	118	191	143	143
Shipments:							
Home market	2,656	2,583	2,310	1,709	1,715	2,288	2,388
Exports to--							
The United States	109	86	88	63	64	83	80
All other markets	541	403	412	288	718	934	834
Total exports	650	490	500	351	782	1,017	914
Total shipments	3,306	3,072	2,810	2,060	2,497	3,305	3,302
	Ratios and shares (*percent*)						
Capacity utilization	96.1	90.5	88.8	86.9	97.5	97.8	97.3
Inventories to production	4.4	4.3	5.0	4.3	5.6	4.3	4.3
Inventories to total shipments	4.4	4.2	5.1	4.3	5.7	4.3	4.3
Share of total quantity of shipments:							
Home market	80.3	84.1	82.2	83.0	68.7	69.2	72.3
Exports to--							
The United States	3.3	2.8	3.1	3.0	2.6	2.5	2.4
All other markets	16.4	13.1	14.7	14.0	28.8	28.3	25.3

Note.--Because of rounding, figures may not add to the totals shown. Capacity utilization and inventory ratios are calculated from the unrounded data of firms providing both numerator and denominator information.

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

Table 22
Certain steel wire rod: U.S. imports, by sources, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Quantity (*short tons*)				
Brazil[1]	70,502	19,825	90,073	78,605	43,857
Canada	376,005	403,788	539,735	406,611	404,727
Japan	109,328	91,112	89,974	66,466	72,014
Subtotal	555,835	514,725	719,782	551,682	520,598
Belgium[1]	111	171	1,357	1,028	23,231
Germany[1]	9,625	19,222	32,360	17,992	71,819
Subtotal	565,571	534,118	753,499	570,701	615,648
Other sources	347,497	206,458	245,116	216,716	183,334
Total	913,068	740,576	998,615	787,417	798,982
	Value (*1,000 dollars*)				
Brazil[1]	21,108	6,039	25,103	21,980	13,896
Canada	149,120	148,392	192,896	145,480	157,645
Japan	59,443	51,982	49,785	36,972	41,162
Subtotal	229,671	206,413	267,784	204,432	212,703
Belgium[1]	43	62	551	389	7,065
Germany[1]	5,105	7,016	11,114	7,192	25,226
Subtotal	234,819	213,491	279,449	212,013	244,995
Other sources	125,153	73,760	83,374	71,819	71,019
Total	359,972	287,250	362,823	283,832	316,014
	Unit value (*per short ton*)				
Brazil[1]	$299	$305	$279	$280	$317
Canada	397	367	357	358	390
Japan	544	571	553	556	572
Average	413	401	372	371	409
Belgium[1]	387	361	406	378	304
Germany[1]	530	365	343	400	351
Average	415	400	371	371	398
Other sources	360	357	340	331	387
Average	394	388	363	360	396

[1] Official statistics of the U.S. Department of Commerce were used for imports from Belgium, Brazil, and Germany because imports as reported in the Commission's questionnaires did not account for all imports from the respective countries. However, it should be noted that the Commission's questionnaire data reflect the same trends as do the official statistics.

Note.--Because of rounding, figures may not add to the totals shown; unit values are calculated from unrounded figures.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Germany

Accounting for 0.2 percent of apparent consumption during 1990, imports of certain steel wire rod from Germany increased 236.2 percent from 1990 to 1992, and continued to rise, by 299.2 percent, between the interim periods.

Japan

Reflecting Japan's concentration in the high end of the market, the unit values for imports from Japan were over $540 in every year during 1990-92. In terms of quantity, imports of certain steel wire rod from Japan decreased by 17.7 percent during 1990-92, but increased between the interim periods by 8.3 percent.

Total Subject Imports

Cumulative imports of certain steel wire rod from the subject sources increased irregularly by 33.2 percent during 1990-92, and continued to increase, by 7.9 percent, between the interim periods.

Market Penetration by the Subject Imports

U.S. producers' and importers' market shares based on U.S. producers' shipments and U.S. importers' imports are presented in table 23. Over the 3-year period, U.S. producers' share of the quantity of total apparent consumption decreased irregularly from 84.2 percent to 83.5 percent. Between the interim periods, U.S. producers' share remained fairly constant, increasing 0.6 percentage point between January-September 1992 and January-September 1993. As a group, Belgium, Brazil, Canada, Germany, and Japan supplied 9.8 percent of the quantity of U.S. consumption in 1990, 9.5 percent in 1991, and 12.5 percent in 1992. The subject imports' market share also increased between the interim periods, rising 0.3 percentage point between interim 1992 and interim 1993.

Prices

Marketing Characteristics

The majority of steel wire rod is sold to wire drawers or end users;[92] these firms draw the steel wire rod into wire that is used in a large variety of products. Therefore, the demand for steel wire rod depends on the demand for these many different products. Since a relatively large portion of steel wire rod sold in the U.S. market is ultimately used for construction and automobile applications,[93] the demand for steel wire rod tends to be cyclical and follow trends in these industries.[94] Sales of steel wire rod also tend to be seasonal, with larger amounts being sold when construction activity is strong, i.e., during the second and third quarters of a year. Overall, the demand for steel wire rod has increased during the period for which data were collected; this is especially true for the first three quarters of 1993.[95] Several suppliers reported that the demand for wire rod for use in particular end uses has increased; for example, several importers reported that sales of tire cord steel wire rod have increased as tire companies have increased their usage of this type of steel wire rod. Finally, several firms stated that steel wire rod consumers are increasingly demanding higher quality and higher tensile strength products.

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[92] Many of the firms that sell steel wire rod in the United States (both U.S. and foreign) also draw the rod into wire or they have related companies that perform this function. Therefore, many suppliers of steel wire rod compete against the firms to which they sell wire rod.

[93] Construction uses include mesh for concrete reinforcement, screws, bolts, etc. Automobile applications include tire cord and tire bead, bolts for engines, truck suspensions, etc.

[94] One importer of Canadian material, Ivaco, reported that ***.

[95] Many purchasers reported that there was a shortage of material in 1993 and that it is extending into 1994 (see sections of this report entitled "Apparent U.S. Consumption" and "Product Comparisons").

Table 23
Certain steel wire rod: U.S. shipments of domestic product,[1] U.S. imports, and apparent U.S. consumption, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Quantity (*short tons*)				
Producers' U.S. shipments	4,858,253	4,889,334	5,038,893	3,862,976	4,088,742
U.S. imports from--					
Brazil[2]	70,502	19,825	90,073	78,605	43,857
Canada	376,005	403,788	539,735	406,611	404,727
Japan	109,328	91,112	89,974	66,466	72,014
Subtotal	555,835	514,725	719,782	551,682	520,598
Belgium[2]	111	171	1,357	1,028	23,231
Germany[2]	9,625	19,222	32,360	17,992	71,819
Subtotal	565,571	534,118	753,499	570,701	615,648
Other sources	347,497	206,458	245,116	216,716	183,334
Total	913,068	740,576	998,615	787,417	798,982
Apparent consumption	5,771,321	5,629,910	6,037,508	4,650,393	4,887,724
	Value (*1,000 dollars*)				
Producers' U.S. shipments	1,611,517	1,550,775	1,563,255	1,096,602	1,310,887
U.S. imports from--					
Brazil[2]	21,108	6,039	25,103	21,980	13,896
Canada	149,120	148,392	192,896	145,480	157,645
Japan	59,443	51,982	49,785	36,972	41,162
Subtotal	229,671	206,413	267,784	204,432	212,703
Belgium[2]	43	62	551	389	7,065
Germany[2]	5,105	7,016	11,114	7,192	25,226
Subtotal	234,819	213,491	279,449	212,013	244,995
Other sources	125,153	73,760	83,374	71,819	71,019
Total	359,972	287,250	362,823	283,832	316,014
Apparent consumption	1,971,489	1,838,025	1,926,078	1,380,434	1,626,901
	Share of the quantity of U.S. consumption (*percent*)				
Producers' U.S. shipments	84.2	86.8	83.5	83.1	83.7
U.S. imports from--					
Brazil[2]	1.2	.4	1.5	1.7	.9
Canada	6.5	7.2	8.9	8.7	8.3
Japan	1.9	1.6	1.5	1.4	1.5
Subtotal	9.6	9.1	11.9	11.9	10.7
Belgium[2]	(3)	(3)	(3)	(3)	.5
Germany[2]	.2	.3	.5	.4	1.5
Subtotal	9.8	9.5	12.5	12.3	12.6
Other sources	6.0	3.7	4.1	4.7	3.8
Total	15.8	13.2	16.5	16.9	16.3

Footnotes appear at end of table.

Table 23--Continued
Certain steel wire rod: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption,[1] 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

Item	1990	1991	1992	Jan.-Sept.-- 1992	1993
	Share of the value of U.S. consumption (*percent*)				
Producers' U.S. shipments	81.7	84.4	81.2	79.4	80.6
U.S. imports from--					
Brazil[2]	1.1	.3	1.3	1.6	.9
Canada	7.6	8.1	10.0	10.5	9.7
Japan	3.0	2.8	2.6	2.7	2.5
Subtotal	11.6	11.2	13.9	14.8	13.1
Belgium[2]	(3)	(3)	(3)	(3)	.4
Germany[2]	.3	.4	.6	.5	1.6
Subtotal	11.9	11.6	14.5	15.4	15.1
Other sources	6.3	4.0	4.3	5.2	4.4
Total	18.3	15.6	18.8	20.6	19.4

[1] The data in the table are for 13 producers, accounting for about *** percent of total U.S. shipments of certain steel wire rod during 1992.
[2] Official statistics of the U.S. Department of Commerce were used for imports from Belgium, Brazil, and Germany because imports as reported in the Commission's questionnaires accounted for between 70 and 75 percent of imports from Belgium, Brazil, and Germany. However, it should be noted that the Commission's questionnaire data reflect the same trends as do the official statistics.
[3] Positive figure, but less than significant digits displayed.

Note.--Because of rounding, figures may not add to the totals shown; shares are computed from the unrounded figures.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

While the general applications for a particular grade/type of steel wire rod are similar, the product may vary slightly from customer to customer.[96] Suppliers often produce steel wire rod for a specific customer, depending on that customer's specific requirements.[97] Therefore, steel wire rod of the same grade can look, feel, and weigh the same, but it may not be the same for different customers;[98] this is due to the fact that steel wire rod from different suppliers can work differently in a given purchaser's application. *** reported that over the last 3 to 5 years, the character of the wire rod market has changed significantly. Prior to this time, rod was sold essentially on a chemistry specification basis; i.e., producers would make it to a specified chemistry, roll it to a specified diameter with agreed upon tolerances, and ship it to the customer. According to ***, the steel wire rod market has become more sophisticated, and customers now require that, in addition to meeting traditional specification requirements, producers must certify that the product will perform in the customer's plant.[99]

[96] ***.
[97] ***.
[98] Conference transcript, May, 14, 1993, p. 134.
[99] ***.

As a result of these increasing demands, some purchasers qualify suppliers prior to purchasing product from them. Qualification procedures and time required to qualify vary from purchaser to purchaser. In general, most purchasers of the more basic products (e.g., low-carbon wire rod for mesh applications) have few, if any, qualification requirements.[100] For purchasers of the more specialized products, such as high-tensile tire cord, products related to public safety (bridge cable, mining rope wire, etc.), or cold-heading products, the qualification procedure is much more complex and often takes up to one year or even longer.[101] Qualification of a steel wire rod producer usually involves inspection of the supplier's plant, audits of the supplier's financial condition, and basic metallurgical testing to determine the compatibility of the product in the purchaser's production process.[102] Generally, customers require trial or sample shipments to determine how the wire rod performs in the exact end-use application; this evaluation may involve, among other things, determination of descalability, measurement of failure, measurement of wire drawing break frequency, and evaluation of surface defect severity. A few importers reported that if a problem does occur at any point in the qualification process or a customer changes its production process, the entire qualification process must be repeated.

The majority of responding purchasers reported that they do have qualification procedures that must be followed before a supplier will be accepted. Information obtained from purchasers indicates some variations in the complexity of qualification procedures depending on the type of rod purchased and the end use of that rod. Many purchasers of lower carbon products for use in applications such as mesh, certain types of fasteners, etc., reported that qualification procedures generally require that the product meet the chemical specifications of the end use.[103] Some of these purchasers may not even require trial shipments. One purchaser, ***, reported that once a supplier qualifies standard certification on the chemistry of the rod, it is accepted.[104] Purchasers of more demanding products, particularly high-carbon products such as tire cord, suspension spring, etc., reported extensive testing procedures that can take up to two or more years to complete. These purchasers reported that the costs for qualifying suppliers can be as high as $100,000.[105]

Although steel wire rod is used in many different applications, suppliers agreed that, for a given application, there are no substitute products. Suppliers were specifically requested to discuss the substitutability between free-machining and non-free-machining wire rod. Again, virtually all of the responding firms reported that there is no substitution between these products. One firm reported that while free-machining rod could conceivably be substituted for low-carbon steel wire rod, the performance characteristics would be 25 to 30 percent below where they should be; moreover, the price would be 65 to 70 percent higher when free-machining rod is used. Producers and importers also discussed the degree of substitution between low-, medium-, and high-carbon steel wire rod. These firms reported there is very little, if any, substitution between these products because the different carbon levels are used to achieve different physical and mechanical properties.[106]

Steel wire rod is generally sold on the basis of quarterly agreements. Prices and target quantities are set four to six weeks prior to the end of a calendar quarter to cover requirements for the following quarter. Prices are generally negotiated based on current market conditions and are

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[100] ***.

[101] Most of the U.S. producers reported that the majority of their sales are to customers who do not require extensive qualification. On the other hand, virtually all of the responding importers reported that most of their sales are to purchasers that do require qualification.

[102] ***.

[103] ***. Therefore, even in some of the less demanding products, meeting product specifications is very important.

[104] Purchasers with these types of qualification procedures reported that the time required for qualification ranges from one to several months and costs can be up to $5,000.

[105] ***.

[106] Petitioners argue that from a production standpoint there is little difference between the different grades of steel wire rod and that even if a firm produces only one of these grades, it is affected by competition in the markets for other grades. These firms state that when one of the domestic competitors loses in one market (e.g., high carbon), they make up the lost tonnage by soliciting orders for low- or medium-carbon products. ***.

usually fixed for the entire quarter; these agreements also tend to fix the quantity purchased. In recent months, however, there have been some deviations from this practice.[107] Many purchasers reported difficulty in obtaining product, particularly in the first three quarters of 1993; suppliers reportedly could not fulfill the requested quantities and some even reduced the amount of steel wire rod that they had previously stated they could ship. Similarly, in some instances, prices that had been agreed upon for sales in the second quarter of 1993 were increased pursuant to announcements of price increases effective April 1, 1993; previously, price change announcements did not affect prices that were already set by a prior agreement.[108]

While prices for steel wire rod generally declined from 1990 through most of 1992, they increased substantially in the first three quarters of 1993. Suppliers reported that they announced five separate price increases in 1993, totaling between $60 and $75 per ton.[109] These price changes are often announced to customers either via a letter from the supplier or publication in journals such as the *American Metal Market*. In most cases, price changes are announced and then become effective at a later date (usually 4 to 6 weeks later). The tabulation on the following page presents price increase announcements that were made in 1993; as the tabulation indicates, there is no consistent pattern of a single supplier who was the first or last to initiate price increases. Suppliers disagree as to the success of maintaining these price increases. While U.S. producers reported that they were unable to pass through all of the price increases to their customers, importers of the Canadian product stated that all of their announced price increases were paid by their customers.[110]

* * * * * * *

Petitioners allege that despite these 1993 prices increases, profit margins did not necessarily rise because of large increases in purchase prices for scrap.[111] As the following tabulation shows, purchase prices paid by U.S. steel wire rod producers for scrap (per ton) decreased from mid-1990 to the end of 1992 and then increased significantly in 1993.[112]

* * * * * * *

Scrap is a significant component in the production of steel wire rod for many U.S. producers, accounting for between *** percent of the total cost of the wire rod.[113] As figure 2 shows, prices of steel wire rod have followed a trend similar to that of scrap.[114]

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[107] ***.

[108] ***.

[109] In most instances, the 1993 price increases were effective Mar. 1, Apr. 1, July 1, Aug. 1, and Nov. 1.

[110] One U.S. producer, ***, submitted letters that it had received from two of its customers. In these letters (dated February 1993), these purchasers, ***, stated that they could not accept the price increase that was to be effective on Mar. 1, 1993.

AWPA submitted a list of 19 different purchasers and the price increases that they paid to U.S. suppliers during 1993. Price increases ranged from a low of $*** to a high of $***. At least 75 percent of the number of reported price increases were for $*** or more and the overall average increase was $*** (AWPA posthearing brief, exhibit C, pp. 1-4).

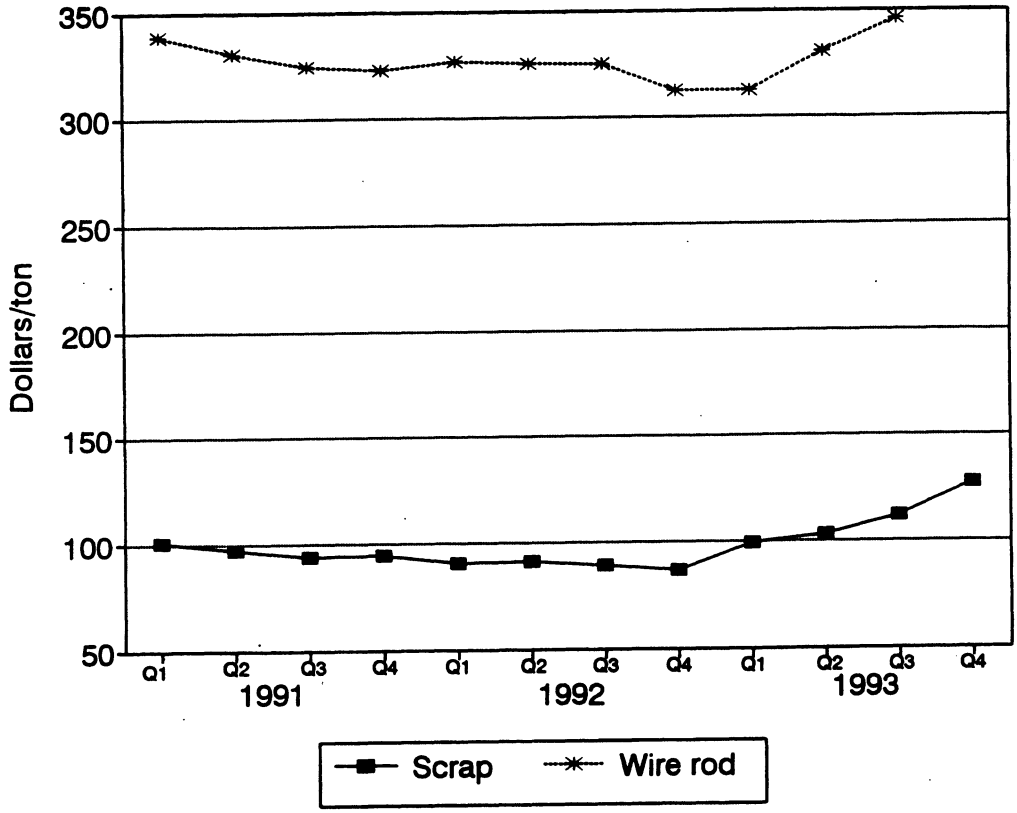
[111] However, as table 13 of this staff report indicates, both gross profit and operating income margins (as a percent of sales) were higher in 1993 than they were in 1992.

[112] Scrap price increases affect producers differently because the amount of scrap necessary to produce one ton of wire rod varies from producer to producer. For example, while it takes ***, on average, *** tons of scrap to make one ton of wire rod, it takes *** tons.

[113] ***.

[114] Prices for steel wire rod shown in the graph are a weighted-average price of all six products for which pricing data were collected. This series includes only prices reported by U.S. producers.

Figure 2
Delivered sales prices for steel wire rod and purchase prices for scrap, by quarters, Jan. 1991-Dec. 1993



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

None of the responding suppliers reported using published price lists for their sales of steel wire rod.[115] Since suppliers do not have price lists for their sales of steel wire rod, there are no formal discount policies;[116] rather, price decreases arise during quarterly price negotiations. U.S. producers reported, however, that they generally give prompt payment discounts. *** of the responding U.S. producers reported giving discounts ranging from *** percent for full payment within 10 days of shipment of product. The majority of U.S. importers of steel wire rod from the subject countries reported that they ***.

Steel wire rod is priced per-hundred-weight and is generally sold on a delivered basis, with the supplier arranging and paying the transportation costs.[117] Approximately half of the responding producers and importers reported that transportation costs are an important factor in their customers' sourcing decisions for steel wire rod. Suppliers estimated that transportation costs generally account for between 4 and 6 percent of the total delivered price of the steel wire rod.[118] While a few

[115] One producer, ***, reported that it has internal price lists that are used as a starting point for quotations; however, ***.

[116] Prices for steel wire rod do vary, however, according to the quantity of rod purchased.

[117] Five U.S. producers reported that some of their sales of wire rod are done on a pick-up basis where the customer brings its own truck to the mill to transport the material. The percentage of total sales accounted for by these sales ranged from a low of *** to a high of ***.

[118] Estimates of the percentage of the total delivered cost of steel wire rod accounted for by inland transportation costs ranged from 2 to 11 percent, with the average falling in the range of 4 to 6 percent.

producers and importers reported that they ship product nationwide, many stated that shipments are made within specific geographic regions.[119] During the period for which data were requested, lead times for delivery for domestic steel wire rod ranged from 1 to 8 weeks, with the average around 4 weeks. Average lead times for delivery for imported steel wire rod were considerably longer than those for domestic wire rod; importers reported that lead times ranged from 1 to 8 months, with most firms reporting a range of 1 to 6 months. As stated earlier, shortages of wire rod occurred in 1993. As a result, many suppliers reported increases in lead times during the first 6 to 9 months of 1993.[120] While many U.S. producers reported that lead times had returned to normal by the third quarter of 1993, *** reported that lead times had become shorter in 1993 but were still longer than they were in 1990-92.

Product Comparisons

Producers, importers, and purchasers were requested to discuss any differences between domestic and imported steel wire rod that would explain price differences and purchasing patterns. Both product and marketing considerations were considered in responding. Comments by these firms are discussed below.

Available information indicates that there is disagreement as to whether domestic and imported steel wire rod are comparable in quality. Most of the responding U.S. producers reported that differences in quality between the U.S. and imported products were not a significant factor in their sales of steel wire rod. Most suppliers reported no differences between their products and those imported from Brazil and Canada. With regard to the Japanese product, Co-Steel Raritan stated that *** and Georgetown reported that ***.[121] The vast majority of importers of the subject steel wire rod reported that there are quality differences between the domestic and imported products.[122] Importers of the Brazilian product stated that rimmed steel rod from Brazil is available in sufficient quantities in the U.S. market, while U.S. producers mainly supply rim steel substitutes.[123] Similarly, importers of the Canadian product stated that the products that they import have superior qualities vis-a-vis the domestic product.[124] Two importers of German product reported that the quality of the German product was superior to that of the domestic product, particularly with regard to consistency of chemical and mechanical properties. All of the importers of the Japanese product reported that the quality of the products they supply, mainly high-carbon rod used for tire cord, cold-heading-quality applications, and certain springs, is superior to the domestic product. Many of these importers of Japanese product reported that the product that they supply to the U.S. market is not available from U.S. producers.[125]

Purchasers also discussed the quality of the imported products vis-a-vis the domestic product.[126] Most responding purchasers reported that the quality of the Brazilian and Canadian products is comparable to that of the domestic firms; in the case of Canada, however, about 18 percent of responding purchasers reported that the quality of the Canadian product was superior to

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[119] Petitioners state that all producers are capable of competing throughout the entire United States. However, freight costs are a critical factor in determining a producer's natural sales territory. According to petitioners, producers prefer not to ship to distant markets because they must quote prices on a delivered basis (petitioners' postconference brief, "Responses to Questions from the Commission Staff," p. 11).

[120] Most of the suppliers of the imported product, particularly those selling the Japanese product, reported that there was no change in the average lead time since Jan. 1, 1990.

Purchasers reported that lead times have been longer in 1993; several of these firms reported that the lead times of domestic firms were longer but those for imports were not. ***.

[121] ***.

[122] However, with regard to imports from Belgium and Germany, four of six responding importers reported that differences in quality (between the U.S. and Belgian or German) products were not a significant factor in their sales of steel wire rod.

[123] ***.

[124] ***.

[125] These wire rod products include aircraft quality and certain grades of cold-heading product.

[126] Purchaser questionnaires were sent in conjunction with the final investigations concerning Brazil, Canada, and Japan; therefore, comments are from purchasers are limited to those countries.

that of the domestic. In the case of Japan, however, virtually all purchasers reported that the quality of the Japanese product was superior to that of the domestic product.

Another factor that can affect prices and purchasing patterns is the availability of product. Many purchasers reported that availability is an important factor in their purchasing decisions. Availability of product is important to purchasers in two manners. For some purchasers the issue of availability relates to the ability to receive an adequate supply of product in a timely fashion. As stated earlier, there have been supply problems in the steel wire rod industry, particularly in 1993. Many purchasers appeared at the hearing and still others provided information through the Commission's purchaser questionnaires concerning the shortage of steel wire rod.[127] Over two-thirds of responding purchasers reported that they have had difficulty receiving adequate supplies of product, have been receiving reduced shipments, have experienced longer lead times, or have been placed on allocation.[128] A few firms commented that they have trouble receiving product from U.S. firms because these purchasers are located on the West Coast. According to one of these firms, ***. Finally, several purchasers reported that they have difficulty obtaining steel wire rod because rod producers tend to satisfy their related wire drawers before they sell to their competitors (i.e., independent wire drawers).

The shortage has caused some purchasers to alter production levels in order to compensate for the late deliveries and/or reduced shipments of product. Almost 30 percent of responding firms reported that they had to change production levels. In general, these firms reported reductions in production levels ranging from 3 to 20 percent. In addition, several firms reported that they had to turn down potential customers because they did not have enough raw material (i.e., wire rod). One purchaser, ***, provided actual weekly production reports documenting the downtime experienced because of the shortage of wire rod.[129] According to these reports, *** production was reduced by as much as *** percent in some weeks due to the shortage of product and allocation programs by suppliers.

Availability is also important in that some purchasers are unable to obtain certain products from certain sources. In the case of steel wire rod, purchasers have reported that they must purchase certain grades from specific suppliers because others are unable to manufacture the product. For example, firms that purchase steel wire rod for use in tire cord have reported that they have had difficulty obtaining grade 1070 tire cord from U.S. sources. Recently, however, Georgetown has begun to become qualified as a supplier of 1070 tire cord with some purchasers. Two purchasers, ***, reported that Georgetown has qualified as a supplier of 1070 tire cord. Other tire cord producers, however, reported that they are still unable to use domestically produced 1070 tire cord because of poor quality.[130] In addition, purchasers have reported the lack of a domestic source for aluminum killed products and aircraft quality wire rod.

Prices and purchasing patterns can also be affected by policies such as "Buy American" requirements. In some applications, such as Federal and/or State construction projects, it is required that U.S.-produced products be used. These sales, however, do not account for a large portion of total sales of U.S.-produced steel wire rod. U.S. producers estimated that sales pursuant to "Buy American" requirements accounted for between 0 and 15 percent of their total sales in 1992. Virtually all of the responding producers reported that there had not been any changes in the amount

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[127] See app. D for information regarding purchasers who have been placed on allocation by wire rod suppliers.

[128] Many purchasers noted that the domestic industry does not have sufficient quantities to supply the market without imports, and without that source of product, they would be forced to shut down their wire operations.

Several purchasers also reported that the inability to obtain adequate supplies of wire rod was the reason that imports from Belgium and Germany were purchased (transcript of the conference (Mar. 4, 1994), p. 50; conversations with ***.)

[129] ***.

[130] *** all reported that the quality of U.S.-produced tire cord is unacceptable. These firms all pay premiums to obtain the higher quality product from Japan and Canada.

Both *** provided extensive documentation concerning the quality problems that they have had with U.S. suppliers. ***.

of these sales since 1990.[131] Finally, most purchasers reported that they do not purchase product under Buy American programs; firms with Buy American programs reported that these purchases have not increased since January 1990. Moreover, prices for "Buy American" sales are not significantly different from prices for all other sales.[132]

Purchasers also reported other factors that influence their purchasing behaviors, such as reliability of supply, more favorable credit and sales terms, better packaging, and better technical support.[133]

Price Trends

The Commission requested price and quantity information from U.S. producers and importers for their quarterly sales and total sales of steel wire rod during the period January 1990-September 1993. Product specifications for which pricing data were requested are as follows:

Product 1: **Industrial quality, grade 1006 steel wire rod, 5.5 mm in diameter**

Product 2: **Industrial quality, grade 1008 steel wire rod, 5.5 mm in diameter**

Product 3: **High-carbon quality, grade 1069-1073 steel wire rod, 5.5 mm in diameter, for use in tire cord**

Product 4: **Prestressed concrete (PC) strand quality, 1080 steel wire rod, 11.0-13.0 mm in diameter**

Product 5: **Standard cold-heading quality, grade 1022 steel wire rod, 7/32 inch to 1/2 inch in diameter (excluding rod for trimmed hex fastener, recessed head fastener, scrapless nut fastener, and highly-engineered fastener quality products)**

Product 6: **Alloy cold-heading quality, grade 4037 steel wire rod, 7/32 inch to 1/2 inch in diameter (excluding rod for trimmed hex fastener, recessed head fastener, scrapless nut fastener, and highly-engineered fastener quality products)**

Usable pricing data were received from 12 U.S. producers and 19 importers of steel wire rod.[134] Reported pricing data accounted for approximately 24.0 percent of U.S. producers' domestic shipments during 1992. Pricing for the imported products accounted for approximately 25.9, 36.6, 10.7, 9.0, and 30.7 percent of shipments of imports from Belgium, Brazil, Canada, Germany, and Japan, respectively, during 1992.[135]

Prices were reported by U.S. producers for all six of the products for which data were requested. Price data from Belgium and Brazil were limited. In the case of Belgium, the level of imports was low throughout the period for which data were collected. With respect to Brazil, many of the low-carbon products imported (i.e., 1006 and 1008) are rimmed steel products, which are sold

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[131] Petitioner's postconference brief estimates that "Buy American" sales accounted for approximately *** percent of total domestic producers' shipments in 1992 (petitioners' postconference brief, "Responses to questions of the Commission Staff," p. 4).

[132] Conference transcript, May 14, 1993, p. 253, and staff interview with ***.

[133] See the section of this report entitled "Purchaser Responses" for further information.

[134] Several firms did not report pricing information because all of the steel wire rod produced and/or imported by the firm(s) is internally consumed.

[135] Since there were little, if any, imports from Belgium during 1992, this percentage refers to imports in 1993. While the pricing data for Germany accounted for only 9.0 percent of imports in 1992, they accounted for 34.3 percent of imports in January-September 1993.

at a premium over regular IQ steel wire rod.[136] Similarly, data for imports from Japan were limited to the high-carbon products (tire cord and PC strand) and cold-heading quality steel wire rod; there were no imports of low-carbon (i.e., IQ) products from Japan during the period for which data were collected. Data for pricing for imports from Germany were reported for four of the six products; however, the number of observations is relatively low. Finally, data for imports from Canada were reported for five of the six products.

In general, delivered prices for both domestic and imported steel wire rod showed similar trends.[137] Prices for almost all products generally declined during the period January 1990 through December 1992 and then rose steadily in 1993. At the prehearing stage, staff computed and presented weighted-average prices based on both the largest sale data, and on average prices calculated from total value data.[138] While the trends in the largest sale prices and average prices (based on all sales) were similar, differences in the margins of underselling and overselling existed. Following the hearing, staff has been able to resolve problems with the data and comparisons based on largest quarterly sale data are more similar to those made based on average prices. Discounts in the steel wire rod industry are given based on the quantity of the sale; therefore, prices for wire rod vary with the quantity sold. Because of this, staff has analyzed prices based on the largest quarterly sale data collected from U.S. producers and importers in order to examine sales at similar levels.

Petitioners and respondents both commented on the price analysis presented in the prehearing report. Petitioners reported that price comparisons should be based on largest quarterly sales (not average sales) because average prices will be distorted by quantity/discount and delivery cost differences.[139] Respondents argue that the "Commission's traditional methodology, which is based on weighted-average prices is not probative of underselling" due to significant variations in both domestic and imported prices.[140] Staff notes that there are some variations due to product differences; however, product categories are defined in such a way that these differences are minimized. Furthermore, staff has compared purchase prices for those firms that bought the same product from both a domestic and a foreign source during the same quarter.[141] These comparisons yield results that are fairly similar to those seen when comparing weighted-average prices for U.S. producers and importers.[142]

Sales of product 1

Weighted-average delivered prices for product 1 sold by U.S. producers *** percent from January 1990 to March 1993, but then *** percent by the third quarter of 1993, reaching a level that was *** the level of January-March 1990 (table 24 and figure 3). Prices reported for product 1

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[136] Moreover, many of the importers of Brazilian material consume the material internally; therefore, there are no sales prices for these importers.

[137] Prices are presented on a delivered basis because the majority of sales are made on that basis.

[138] Average prices are calculated from the total delivered value and the total quantity shipped.

[139] Specifically, petitioners argue that a method based on total average sales aggregates sales with different volumes and thus, producers with mostly large volume sales will appear to have lower overall prices than producers with more small volume sales, even if the two have identical pricing policies (petitioners' posthearing brief, exhibit 1-H, pp. 5-6).

[140] Respondents present an alternative method of analyzing prices (app. X of respondents' posthearing brief). Respondents argue that prices for each supplier should be examined individually and the supplier with the lowest price should determine whether there is underselling or overselling. Staff, however, has calculated weighted-average prices based on largest quarterly sales data. This method looks at U.S. prices in an aggregate form which weights each supplier based on their size in the market.

[141] Making comparisons on this basis would reduce or eliminate any bias in the data that may result from product variations (within a given product definition) because it is likely that the purchaser would be using a particular grade of wire rod (from either domestic or foreign sources) in the same production process.

[142] Purchaser price comparisons (for only those purchasers that bought a given wire rod product from both a domestic and a foreign supplier during the same quarter) result in instances of underselling in 61 percent of the number of observations for the Brazilian product, 31 percent for Canada, and 11 percent for Japan. Using the producer and importer data, underselling was found in 75 percent of the number of observations for Brazil, 49 percent for Canada, and 2 percent for Japan.

imported from Brazil were only reported for *** during the period. Delivered prices for this product imported from Canada *** from January-March 1990 to July-September 1992, *** percent during that time. These prices then *** percent from the third quarter of 1992 to the same period of 1993, reaching a level *** percent *** that of the first quarter of 1990. Prices for product 1 imported from Germany were ***.

Table 24
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 1 (industrial quality 1006 steel wire rod, 5.5 mm in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Figure 3
Steel wire rod: Weighted-average delivered selling prices of U.S.-produced and imported products 1 and 2, by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Sales of product 2

Weighted-average delivered prices for U.S.-produced product 2 *** percent from January-March 1990 to October-December 1992, but then *** percent by the third quarter of 1993 (table 25 and figure 3). Overall, U.S. prices were *** percent *** in the third quarter of 1993 compared to the first quarter of 1990. Weighted-average prices for product 2 imported from Belgium were reported for ***. Prices for product 2 imported from Brazil *** from the second quarter of 1990 to the first quarter of 1993, *** percent during that time. Prices for the Canadian product *** from January-March 1990 to the same period of 1993, *** percent during that time. Canadian prices *** percent from the first quarter of 1993 to the third quarter of that year, for an overall *** of *** percent. Weighted-average prices for product 2 imported from Germany *** from the first quarter of 1990 to the second quarter of 1993, *** percent in that time. These prices then *** by *** percent in the third quarter of 1993 to a level *** than the first quarter of 1990.

Table 25
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 2 (industrial quality 1008 steel
wire rod, 5.5 mm in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Sales of product 3

U.S. producers' prices for product 3 *** from January-March 1990 to July-September 1993, *** percent in that time (table 26 and figure 4). Prices for the Canadian product *** by *** percent from the first quarter of 1990 to the second quarter of 1992 and then *** through the third quarter of 1993. Prices for the German product were *** during the period for which data were collected. Japanese prices *** by *** percent from January-March 1990 to July-September 1993.

Table 26
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 3 (high carbon 1069-1073 steel wire rod for use in tire cord, 5.5 mm in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Figure 4
Steel wire rod: Weighted-average delivered selling prices of U.S.-produced and imported products 3 and 4, by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Sales of product 4

Weighted-average delivered prices for U.S.-produced product 4 *** percent from January-March 1990 to October-December 1992 (table 27 and figure 4). These prices then *** percent by the third quarter of 1993 but still remained *** percent *** their level in January-March 1990. Prices for the Japanese product *** percent from the first quarter of 1990 to the second quarter of 1992 and then *** through the second quarter of 1993.

Table 27
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 4 (PC strand quality 1080 steel wire rod, 11.0-13.0 mm in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Sales of product 5

U.S. producers' delivered prices for product 5 *** percent from the first quarter of 1990 to the second quarter of 1993 (table 28 and figure 5). These prices then *** percent in the third quarter of 1993 but they were still *** percent *** than they were in the first quarter of 1990. Prices for this product imported from Brazil were ***. These prices *** percent from April-June 1992 to October-December 1992, but then *** percent by July-September 1993 to a level *** percent *** their starting level. Prices for product 5 imported from Canada *** percent from the first quarter of 1990 to the second quarter of 1992. These prices were *** for the remainder of 1992 but then *** percent by July-September 1993 to a level *** percent *** that of the first quarter of 1990. Prices for the German product were only reported for *** during the period for which data were reported. Delivered prices for the Japanese product *** from January-March 1990 through October-December 1992 and were *** percent *** at the end of the period than they were in the beginning.

Table 28
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 5 (cold-heading quality 1022 steel wire rod, 7/32 inch to 1/2 inch in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Figure 5
Steel wire rod: Weighted-average delivered selling prices of U.S.-produced and imported products 5 and 6, by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Sales of product 6

Weighted-average prices for U.S.-produced product 6 *** from January-March 1990 to July-September 1993, *** percent during that time (table 29 and figure 5). Prices for the Canadian product *** during January-March 1990 to July-September 1993 and were *** percent *** at the end of that period. Prices for the Japanese product also *** during the period for which data were reported; they, however, displayed a *** trend, *** percent from January-March 1990 to July-September 1993.

Table 29
Steel wire rod: Weighted-average net delivered selling prices and quantities of U.S.-produced and imported product 6 (alloy cold-heading quality grade 4037 steel wire rod, 7/32 inch to 1/2 inch in diameter), by quarters, Jan. 1990-Sept. 1993

* * * * * * *

Price Comparisons

There were only two instances where comparisons between the Belgian and U.S. products were possible (table 30). In one of these instances, the Belgian product was priced 0.5 percent below the U.S. product; in the other, the Belgian product was priced 5.8 percent higher than the comparable domestic product.

Table 30
Steel wire rod: Margins of under/(over)selling for sales of products 1-6, by quarters, Jan. 1990-Sept. 1993

* * * * * * *

There were 16 instances in which comparisons between the Brazilian and domestic products were possible. In 12 of these instances, the Brazilian product was priced between 0.1 and 13.8 percent below the domestic product. In the remaining four instances, the Brazilian product was priced higher than the domestic product by between 0.2 and 5.0 percent.

In 34 of the 69 instances where comparisons between the Canadian and domestic products were possible, the Canadian product undersold the domestic product; margins ranged from less than 0.05 to 7.0 percent. In the remaining 35 instances, the Canadian product was priced higher than the domestic product, with margins ranging from 0.4 to 26.6 percent.

Price comparisons between the German and domestic products were possible in 14 instances. In 7 of these instances, the German product was priced between 0.3 and 7.2 percent lower than the comparable domestic product. In the remaining 7 instances, the German product was priced higher than the domestic product, with margins ranging from 1.0 to 9.3 percent.

There were 54 instances where U.S. and Japanese prices could be compared. In one of these instances, the Japanese product was priced 0.1 percent lower than the domestic product. In the other

53 instances, the Japanese product was priced between 0.2 and 59.5 percent above the domestic product.

Purchaser Responses

The Commission sent questionnaires to approximately 140 firms believed to be purchasers of steel wire rod.[143] Responses were received from 104 firms, of which 90 provided usable data.[144] During January 1990-September 1993, these firms purchased steel wire rod for use in a wide variety of products, including tire cord for steel belted radial tires, concrete reinforcement mesh, horseshoe nails, screws, bolts, fasteners, wire rope, chain link fence, plated display racks, shopping carts, etc. These firms accounted for approximately 53.1 percent of U.S. shipments and 89.6, 80.8, and 62.5 percent of shipments of imports from Brazil, Canada, and Japan, respectively, during 1992. Information obtained from these purchasers is summarized below.

The purchasers reported buying steel wire rod from a large number of suppliers, both domestic and foreign; in addition to all of the U.S. firms and suppliers from countries subject to the final investigations, these purchasers also reported buying wire rod from suppliers in Australia, Belgium, France, Germany, the Netherlands, Trinidad and Tobago, Turkey, the United Kingdom, and Venezuela. While purchasers reported that they like to maintain several unrelated sources of supply, they also stated that they rarely change suppliers. Firms choose to have multiple sources for many reasons, including guaranteed security of supply, creation of a competitive environment to control costs, flexibility, and exposure to different technologies and/or qualities. Although purchasers reported that suppliers are rarely changed, more than half of the responding purchasers stated that they did in fact drop or add suppliers since January 1990. Purchasers reported dropping and adding both U.S. and foreign suppliers. Reasons for dropping suppliers include quality problems, non-competitive prices, large minimum order quantities, changes in sales terms, and delivery problems. Several purchasers reported adding suppliers because the demand for their product had increased and because the overall shortage in the market was causing supply problems.[145] Other reasons for adding suppliers include shorter lead times of some firms, competitive pricing, desire for additional domestic suppliers, quality, and better service.

Purchasers also discussed their purchasing patterns since the beginning of 1990. Slightly more than half of the responding purchasers reported that the frequency and/or amount of their purchases of steel wire rod have not changed in that time. The remaining firms generally stated that they had increased purchases, both in terms of frequency and amount. Several firms mentioned that the frequency of their purchases changed due to the shortage. They stated that orders had to be placed earlier in order to ensure that they would have adequate supplies.[146] In addition, about half of the responding purchasers reported that inventory levels have changed since January 1990. Most of these purchasers reported that inventory levels have decreased, particularly in 1993. These decreases were due to the overall shortage of wire rod, better inventory control, just-in-time delivery, and decreased demand.[147] On the other hand, several firms reported that inventory levels had increased due to the need to compensate for longer lead times and the unreliability of supply.[148] Finally, many firms reported that their purchases of imports from non-subject countries have increased, with firms

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[143] Purchaser questionnaires were sent in conjunction with the investigations concerning Brazil, Canada, and Japan; therefore, while many of the purchasers also bought steel wire rod from Belgium and Germany, some deal exclusively with the countries under final investigation.

[144] Fourteen firms reported that they did not purchase steel wire rod during the period January 1990-September 1993.

[145] Many firms cited the closure of Bethlehem's plant as a reason for needing additional sources of supply.

[146] One purchaser, ***, reported that instead of ordering 6 weeks before shipment, it was necessary to order 3 to 4 months in advance in order to be able to consistently meet its customers' demands.

[147] One purchaser, ***, reported that the demand for its product decreased due to increases in prices of steel wire rod which in turn increased the price of its wire products; *** submitted a letter from one of its customers that stated that it could not buy from *** at the higher prices that *** was asking.

[148] One purchaser, ***, reported that its inventory level at the end of 1993 was *** times higher than it was at the end of 1992; demand for its product, however, was only *** percent higher.

citing the shortage and the unavailability of certain products from domestic sources as reasons for the increase.

Purchasers were asked to rank, in order of importance, the major factors considered in deciding from whom to purchase steel wire rod. Quality was mentioned most frequently as the most important factor considered, with over two-thirds of responding purchasers ranking it number one.[149] Overall, price was mentioned most frequently as one of the top three factors; although only 14 percent of purchasers ranked it as the most important factor, approximately 36 percent of purchasers ranked it second while 32 percent ranked it third. Availability was also frequently mentioned as an important factor, with about 7 percent ranking it first, 29 percent ranking it second, and 17 percent ranking it third. Other factors listed as being important considerations include service, freight costs/delivery, existing contracts, credit/payment terms, reliability, product range, and packaging.

Purchasers were also asked to rate certain factors as to the degree of importance in their sourcing decisions.[150] Factors that were reported to be very important by at least 50 percent of the responding purchasers include quality, price, speed of delivery, and processability.[151] At least one third of responding purchasers reported that speed of delivery, packaging, service, credit terms, and multiple sources of supply were important factors in their sourcing decisions.

Purchasers were also asked to directly compare domestic and foreign steel wire rod with respect to nine different factors.[152] With respect to Brazil, at least two-thirds of the responding purchasers reported that the domestic and imported products were similar with respect to packaging, product consistency, and product quality. A majority of purchasers (i.e., over 50 percent) stated that the domestic product was superior with regard to availability, delivery time, and technical support; in addition, these firms found the domestic product to be priced higher than the Brazilian. In the case of Canada, over 55 percent of responding purchasers reported that the domestic and imported products were similar with regard to all of the nine factors. Finally, the majority of purchasers reported that the Japanese product was superior to the domestic with regard to packaging, product consistency, product quality, and technical support; these firms also reported that the Japanese product was priced higher than the domestic product. Almost half of the purchasers found the Japanese suppliers to be more reliable and the product to be more available. Finally, most purchasers found the domestic suppliers to be superior with regard to delivery time.

Lost Sales and Lost Revenues

Four U.S. producers (***) reported losing sales and/or revenues during the period January 1990-September 1993 due to competition from imports from Belgium, Brazil, Canada, and Germany. The following tabulation presents information on the lost sales and lost revenue allegations submitted by these producers.[153]

* * * * * * *

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[149] Thirteen percent of responding purchasers reported that it was the second most important factor in their purchasing decision.

[150] The question asked the firm to rate each factor in terms of its importance if the firm purchased U.S.-produced wire rod instead of wire rod imported from Brazil, Canada, or Japan and vice versa (i.e., bought imported instead of domestic). The overall results of these two questions indicated that the importance of the factors were similar in both cases.

[151] Other factors that were listed as being very important by at least one third of responding purchasers include service, customer requirements, and multiple sources of supply.

[152] These factors are availability, delivery time, delivery terms, packaging, price, product consistency, product quality, reliability of supply, and technical support.

[153] As the tabulation indicates, no allegations were reported that concerned imports from Japan. In addition, the allegations concerning imports from Belgium and Germany all ***.

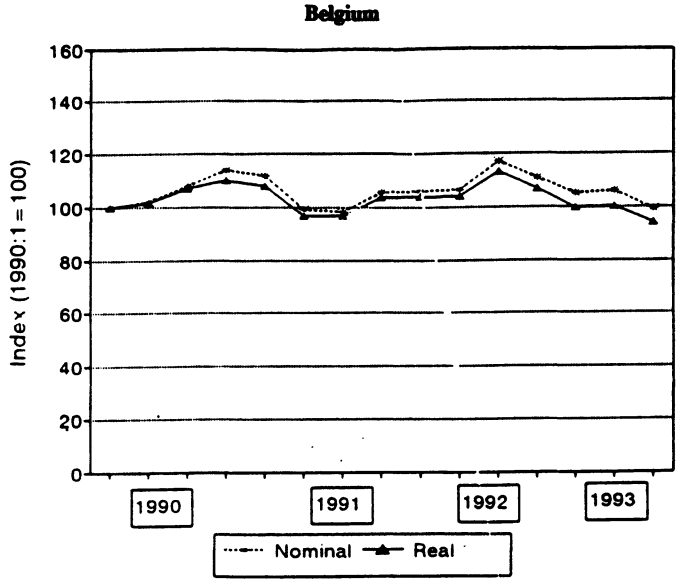
Staff contacted 16 purchasers that were involved in 40 of the 61 allegations; a summary of the information obtained follows.[154]

* * * * * * *

Exchange Rates[155]

Quarterly data reported by the International Monetary Fund indicate that from January-March 1990 through July-September 1993, the nominal values of the Belgian franc, Brazilian cruzeiro, and the Canadian dollar depreciated by 0.8, nearly 100, and 9.3 percent, respectively, relative to the U.S. dollar (figure 6). The nominal value of the German deutsche mark and the Japanese yen appreciated 0.8 and 40.1 percent vis-a-vis the U.S. dollar during January 1990-September 1993. Adjusted for movements in producer price indexes in the United States and the specified countries, the real values of Belgian, Brazilian, and Canadian currencies depreciated (relative to the U.S. dollar) by 5.8, 24.8, and 10.0 percent during the period for which data were reported. The real value of the German and Japanese currencies appreciated (vis-a-vis the U.S. dollar) by 1.5 and 28.0 percent from January 1990 to September 1993. Figure 6: Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of Belgium, Brazil, Canada, Germany, and Japan, by quarters, Jan. 1990-Sept. 1993

Figure 6
Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of Belgium, Brazil, Canada, Germany, and Japan, by quarters, Jan. 1990-Sept. 1993

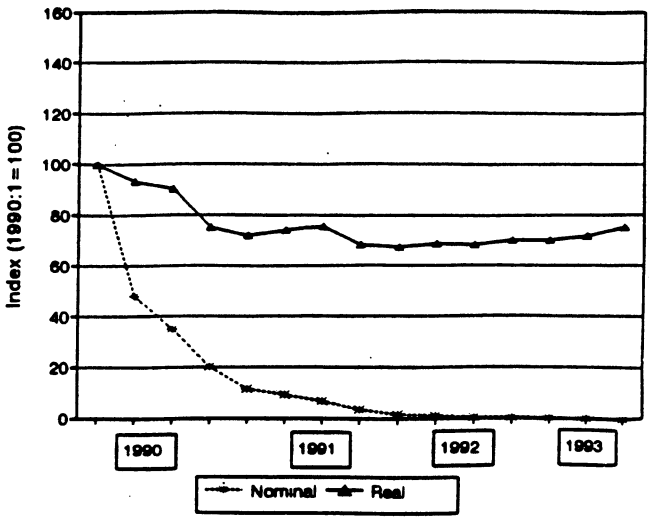


[154] The allegations submitted in the final investigations concerning Brazil, Canada, and Japan were the same as those submitted in the preliminary investigations concerning those countries. Therefore, this section includes allegations from the preliminary and from the final investigations. In addition, information concerning allegations submitted for the investigations concerning Belgium and Germany are discussed in this section.

[155] Exchange rates are expressed in U.S. dollars per unit of foreign currency. The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and the specified countries.

Figure 6--Continued
Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of Belgium, Brazil, Canada, Germany, and Japan, by quarters, Jan. 1990-Sept. 1993

Brazil



Canada

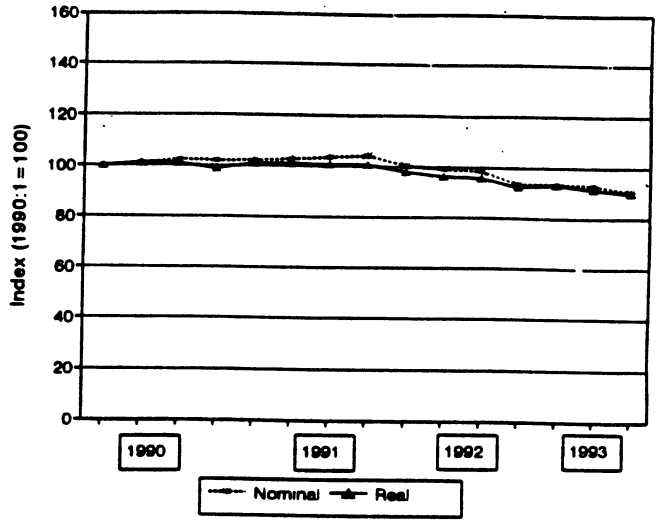
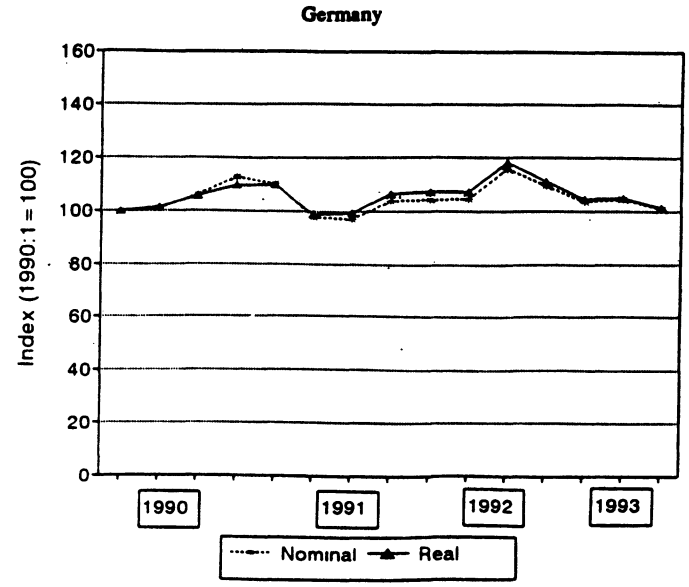
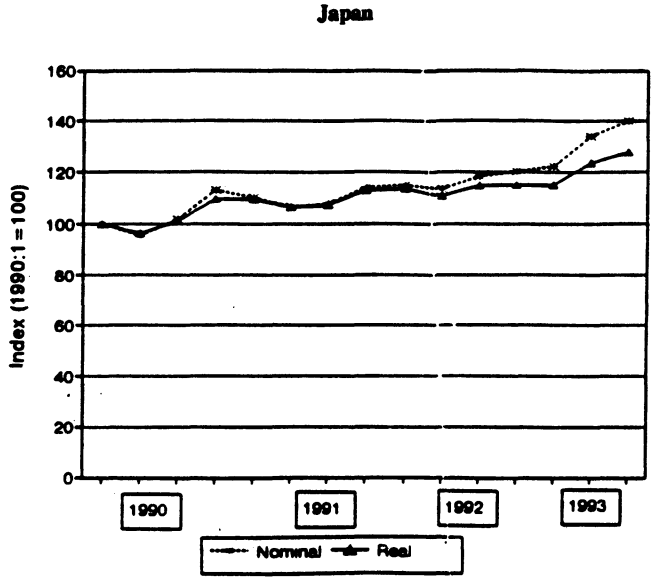


Figure 6--Continued
Indexes of the nominal and real exchange rates between the U.S. dollar and the currencies of Belgium, Brazil, Canada, Germany, and Japan, by quarters, Jan. 1990-Sept. 1993





Source: International Monetary Fund, *International Financial Statistics*, December 1993.

APPENDIX A

FEDERAL REGISTER NOTICES

International Trade Administration

[A-351-821]

Preliminary Determination of Sales at Less Than Fair Value: Certain Carbon and Alloy Steel Wire Rod From Brazil

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: November 29, 1993.

FOR FURTHER INFORMATION CONTACT: Ellen Grebasch or Erik Warga, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-3773 or 482-0922.

PRELIMINARY DETERMINATION: We preliminarily determine that imports of certain carbon and alloy steel wire rod (SWR) from Brazil are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as

amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the initiation of this investigation on May 13, 1993 (58 FR 29195, May 19, 1993), the following events have occurred:

On June 7, 1993, the U.S. International Trade Commission (ITC) issued an affirmative preliminary injury determination in this case.

On July 2, 1993, petitioners in this investigation, Connecticut Steel Corporation, Co-Steel Raritan, and Keystone Steel & Wire Company, requested that the Department of Commerce (the Department) postpone the preliminary determination in accordance with section 733(c)(1) of the Act. We granted this request and postponed the date of the preliminary determination until not later than November 19, 1993 (58 FR 40112, July 27, 1993).

In July, the Department presented antidumping duty questionnaires to Siderurgica Mendes Junior (SMJ), Cia Siderurgica de Guanabara (COSIGUA) (the two mandatory respondents) and Siderurgica Belgo-Mineira (Belgo-Mineira), a voluntary respondent. SMJ and COSIGUA accounted for at least 60 percent of the exports of the subject merchandise to the United States during the period of investigation (POI).

During July and August, COSIGUA and SMJ submitted partial responses to the Department's questionnaire.

On August 16, 1993, Belgo-Mineira notified the Department that it would not be participating as a voluntary respondent in this investigation. On September 7, 1993, SMJ notified the Department that it too would not be participating in this investigation.

On the basis of an allegation filed by petitioners, the Department, on September 15, 1993, initiated an investigation of whether COSIGUA sold SWR in the home market at prices below the cost of production (COP) during the POI and subsequently requested additional information regarding COSIGUA's COP. On September 27, 1993, COSIGUA notified the Department that it would not be participating in this investigation.

On October 18, 1993, petitioners amended the petition to exclude from the scope of this investigation steel wire rod 5.5 mm in diameter, with tensile strength greater than or equal to 1040 Mega-Pascals (MPa), and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorous plus sulphur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. On November 8, 1993, petitioners clarified their amended scope of investigation to exclude steel wire rod 5.5 mm or less in diameter. We have revised the scope of this investigation to reflect petitioners' amendment (see the "Scope of Investigation" section of this notice, below).

During November, the Rubber Manufacturers Association, Bridgestone/Firestone, Inc., Cooper Tire and Rubber Company, General Tire, Inc., Michelin Tire Corporation, Amercord Inc., National-Standard, Stelco, Inc., and petitioners submitted comments regarding the scope of this investigation. Time constraints precluded full consideration of these comments for the preliminary determination; however, we will consider these comments in the final determination.

Scope of Investigation

After incorporating petitioners' October 18, 1993, scope amendment, the products covered by this investigation are now as follows: Hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. Excluded from the scope of this investigation are steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorous plus sulfur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. Also excluded are free-matching steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium. Excluded as well are stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.90.6000, and7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation is October 1, 1992, through March 31, 1993.

Such or Similar Comparisons

We have determined that the merchandise covered by this investigation constitutes a single category of "such or similar" merchandise.

Best Information Available

Because both mandatory respondents failed to respond to our questionnaire, we based our determination on best information available (BIA) pursuant to section 776(c) of the Act which states that the Department may use BIA when a party refuses to provide requested information.

In determining what rate to use as BIA, the Department follows a two-tiered methodology, whereby the Department normally assigns lower margins to those respondents who cooperated in an investigation and margins based on more adverse assumptions for those respondents who did not cooperate in an investigation. According to the Department's two-tiered BIA methodology outlined in the Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From Belgium, 58 FR 37083, (July 9, 1993), when a company refuses to provide the information requested in the form required, or otherwise significantly impedes the Department's investigation, it is appropriate for the Department to assign to that company the higher of (1) the highest margin alleged in the petition, or (2) the highest calculated rate of any respondent in the investigation. Because there were no cooperative respondents in this investigation, we are assigning to all exporters, as BIA, a margin of 28.36 percent, the only margin calculated in the petition (adjusted for calculation errors).

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to suspend liquidation of all entries of SWR from Brazil that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a

bond equal to the estimated preliminary dumping margins, as shown below. The suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Margin percentage
All companies	28.36

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry before the later of 120 days after the date of this preliminary determination or 45 days after our final determination.

Public Comment

In accordance with 19 CFR 353.38, case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary for Import Administration no later than January 5, 1994, and rebuttal briefs, no later than January 10, 1994. In accordance with 19 CFR 353.38(b), we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held on January 12, 1994, at 10 a.m. at the U.S. Department of Commerce, room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, room B-099, within ten days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. In accordance with 19 CFR 353.38(b), oral presentations will be limited to issues raised in the briefs. If this investigation proceeds normally, we will make our final determination by February 2, 1994.

This determination is published pursuant to section 733(f) of the Act and 19 CFR 353.15(a)(4).

Dated: November 19, 1993.

Barbara R. Stafford,

Acting Assistant Secretary for Import Administration.

[FR Doc. 93-29159 Filed 11-26-93; 8:45 am]

BILLING CODE 3510-DS-P

[A-588-830]

Preliminary Determination of Sales at Less Than Fair Value: Certain Carbon and Alloy Steel Wire Rod From Japan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: November 29, 1993.

FOR FURTHER INFORMATION CONTACT: Ellen Grebasch or Erik Warga, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 482-3773 or 482-0922.

PRELIMINARY DETERMINATION: We preliminarily determine that imports of certain carbon and alloy steel wire rod (SWR) from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the initiation of this investigation on May 13, 1993, (58 FR 29195, May 19, 1993), the following events have occurred:

On June 7, 1993, the U.S. International Trade Commission (ITC) issued an affirmative preliminary injury determination in this case.

On July 2, 1993, petitioners in this investigation, Connecticut Steel Corporation, Co-Steel Raritan, and Keystone Steel & Wire Company, requested that the Department of Commerce (the Department) postpone the preliminary determination in accordance with section 733(c)(1) of the Act. We granted this request and postponed the date of the preliminary determination until not later than November 19, 1993.(58 FR 40112, July 27, 1993).

On July 14, 1993, the Department presented antidumping duty questionnaires to Nippon Steel Corporation (NSC) and Kobe Steel, Ltd. (Kobe). These firms accounted for at least 60 percent of the exports of the subject merchandise to the United States during the period of investigation (POI). On July 27, 1993, both NCS and Kobe notified the Department that they would not participate in this investigation. No questionnaire responses were filed.

On October 6, 1993, petitioners amended the petition to provide additional pricing information.

On October 18, 1993, petitioners amended the petition to exclude from the scope of this investigation steel wire rod 5.5 mm in diameter, with tensile strength greater than or equal to 1040 Mega-Pascals (MPa), and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005, phosphorous plus sulphur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. On November 8, 1993, petitioners clarified their amended scope of investigation to exclude steel wire rod 5.5 mm or less in diameter. We have revised the scope of this investigation to reflect petitioners' amendment (see the "Scope of Investigation" section of this notice, below).

During November, the Rubber Manufacturers Association, Bridgestone/Firestone, Inc., Cooper Tire and Rubber Company, General Tire, Inc., Michelin Tire Corporation, Amercord Inc., National-Standard, Stelco, Inc., the Goodyear Tire and Rubber Company, and petitioners submitted comments regarding the scope of this investigation. Time constraints precluded full consideration of these comments for the preliminary determination; however, we will consider these comments in the final determination.

Scope of Investigation

After incorporating petitioners' October 18, 1993, scope amendment, the products covered by this investigation are now as follows: Hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross-section, between 0.20 and 0.75 inches in solid cross-sectional diameter. Excluded from the scope of this investigation are steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorous plus sulphur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. Also excluded are free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium. Excluded as well are stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickle steel rods, and concrete reinforcing bars and rods.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090,

7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.90.6000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation is October 1, 1992, through March 31, 1993.

Such or Similar Comparisons

We have determined that the merchandise covered by this investigation constitutes a single category of "such or similar" merchandise.

Best Information Available

Because both mandatory respondents failed to respond to our questionnaire, we based our determination on best information available (BIA) pursuant to section 776(c) of the Act.

In determining what rate to use as BIA, the Department follows a two-tiered methodology, whereby the Department normally assigns lower margins to those respondents who cooperated in an investigation and margins based on more adverse assumptions for those respondents who did not cooperate in an investigation. According to the Department's two-tiered BIA methodology outlined in the Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From Belgium, 58 FR 37083, (July 9, 1993), when a company refuses to provide the information requested in the form required, or otherwise significantly impedes the Department's investigation; it is appropriate for the Department to assign to that company the higher of (1) the margin alleged in the petition; or (2) the highest calculated rate of any respondent in the investigation. Because there were no cooperative respondents in this investigation, we are assigning to all exporters, as BIA, a margin of 47.71 percent, the highest margin calculated in the petition on merchandise that is within the scope of this investigation (as amended).

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to suspend liquidation of all entries of SWR from Japan that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated preliminary dumping margins, as shown below. The suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Margin percentage
All companies	47.71

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry before the later of 120 days after the date of this preliminary determination or 45 days after our final determination.

Public Comment

In accordance with 19 CFR 353.38, case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary for Import Administration no later than January 5, 1994, and rebuttal briefs, no later than January 10, 1994. In accordance with 19 CFR 353.38(b), we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held on January 12, 1994, at 1 p.m. at the U.S. Department of Commerce, room 3708, 14th Street and Constitution Avenue NW., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, room B-099, within ten days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. In accordance with 19 CFR 353.38(b), oral presentations will be limited to issues raised in the briefs. If this investigation proceeds normally, we will make our final determination by February 2, 1994.

This determination is published pursuant to section 733(f) of the Act and 19 CFR 353.15(a)(4).

Dated: November 15, 1993.

Barbara R. Stafford,

Acting Assistant Secretary for Import Administration.

[FR Doc. 93-29162 Filed 11-26-93; 8:45 am]

BILLING CODE 3510-DS-P

[A-122-826]

Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Carbon and Alloy Steel Wire Rod From Canada

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: November 29, 1993.

FOR FURTHER INFORMATION CONTACT: David J. Goldberger or Michelle A. Frederick, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 482-4136 or 482-0186, respectively.

PRELIMINARY DETERMINATION: We preliminarily determine that certain carbon and alloy steel wire rod (SWR) from Canada is being, or is likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the initiation of this investigation on May 13, 1993, (58 FR 29195, May 19, 1993), the following events have occurred:

On June 7, 1993, the U.S. International Trade Commission (ITC) issued an affirmative preliminary injury determination in this case.

On July 2, 1993, petitioners in this investigation, Connecticut Steel Corporation, Co-Steel Raritan, and Keystone Steel & Wire Company, requested that the Department of Commerce (the Department) postpone the preliminary determination in accordance with section 733(c)(1) of the Act. We granted this request and postponed the date of the preliminary determination until not later than November 19, 1993 (58 FR 40112, July 27, 1993).

In July 1993, the Department of Commerce (the Department) presented an antidumping duty questionnaire to Ivaco Inc. (Ivaco) and Stelco Inc. (Stelco). These firms accounted for at least 60 percent of the exports of the subject merchandise to the United States during the period of investigation

(POI). The Department also presented a cost of production/constructed value (section D) questionnaire to both Ivaco and Stelco as the Department had reasonable grounds to believe or suspect that both companies had sold SWR in Canada at prices which were below their respective costs of production.

In addition, the Department presented to Ivaco and Stelco, section E of the antidumping questionnaire, regarding information on further manufacturing performed in the United States.

On July 22 and August 4, 1993, Ivaco and Stelco, respectively, requested that the Department not require reporting of certain sales. On July 30, 1993, we allowed Ivaco not to report certain sales through an unrelated party and certain further manufactured sales by a related party of non-subject merchandise and of secondary merchandise. On August 18, 1993, we allowed Stelco not to report certain secondary sales made in the U.S. market, tolled sales in the home market, and U.S. further manufactured sales through a related party (See Memorandum for Barbara R. Stafford from Richard Moreland (July 30, 1993) and Memorandum for Susan H. Kuhbach from Gary Taverman (August 18, 1993)).

Ivaco and Stelco submitted questionnaire responses in July and September 1993. Supplemental questionnaires were issued in September 1993; responses were received in October 1993.

On October 18, 1993, petitioners amended the petition to exclude from the scope of this investigation steel wire rod 5.5 mm. in diameter, with tensile strength greater than or equal to 1040 Mega-Pascals (MPa), and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorous plus sulphur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. On November 8, 1993, petitioners clarified their amended scope of investigation to exclude steel wire rod 5.5 mm or less in diameter. We have revised the scope of this investigation to reflect petitioners' amendment (see the "Scope of Investigation" section of this notice, below).

On October 27, 1993, the Department requested that Ivaco submit a revised sales listing in order to correct its reporting of freight and credit expenses; it did so on November 3, 1993.

During November, the Rubber Manufacturers Association (RMA), Bridgestone/Firestone, Inc., Cooper Tire and Rubber Company, General Tire, Inc., Michelin Tire Corporation, Amercord Inc., National-Standard, Stelco, and petitioners submitted comments regarding the scope of this investigation. Time constraints precluded full consideration of these requests for the preliminary determination; however, we will consider this issue for the final determination.

Postponement of Final Determination

Pursuant to section 735(a)(2)(A) of the Act, on November 1, 1993, Ivaco requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone the final determination to 135 days after the date of publication of the affirmative preliminary determination. Pursuant to 19 CFR 353.20(b), if exporters who account for a significant proportion of exports of the merchandise under investigation request an extension in the event of an affirmative preliminary determination, we are required, absent compelling reasons to the contrary, to grant the request.

Given that the requirement of 19 CFR 353.20(b) has been met, we are postponing the final determination for this investigation until the 135th day after the publication of this notice in the Federal Register.

Scope of the Investigation

After incorporating petitioners' October 18, 1993, scope amendment, the product covered by this investigation is now as follows: Hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. Excluded from the scope of this investigation are steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorous plus sulfur less than or equal to 0.040 percent, and nitrogen less than or equal to 0.006 percent. Also excluded are free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium. Excluded as well are stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods.

The product under investigation is currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.90.6000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation (POI) is October 1, 1992, through March 31, 1993.

Such or Similar Comparisons

We have determined that the product covered by this investigation constitutes a single category of such or similar merchandise.

Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we made similar merchandise comparisons on the basis of the criteria defined in Appendix V to the antidumping duty questionnaire, and the Appendix V amendment of August 12, 1993, both of which are on file in Room B-099 of the main building of the Department of Commerce.

Ivaco claimed that the Department should make its product comparisons first by considering level of trade and then the physical characteristics of the products. We rejected this argument because the Department consistently treats physical characteristics of the merchandise as the most important criteria in making model matches. Where we were not able to make an equally similar match at the same level of trade, we made comparisons at an alternative level of trade. (See Import Administration Policy Bulletin: Matching at Levels of Trade, (Number 92/1, July 29, 1992.))

Fair Value Comparisons

To determine whether sales of Ivaco and Stelco from Canada to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

United States Price

For Ivaco and Stelco, we based USP on purchase price (PP), in accordance with section 772(b) of the Act, when the subject merchandise was sold to unrelated purchasers in the United States prior to importation. In addition, for Ivaco and Stelco, where certain sales to the first unrelated purchaser took

place after importation into the United States, we based USP on ESP, in accordance with section 772(c) of the Act. For Ivaco's consignment sales, where the terms of sale were not fixed until after importation, we also based USP on ESP in accordance with section 772(c) of the Act.

On March 19, 1993, the United States Court of Appeals for the Federal Circuit, in affirming the decision of the Court of International Trade in Zenith Electronics Corporation v. United States, Slip Op. 92–1043, –1044, –1045, –1046, ruled that section 772(d)(1)(C) of the Act provides for an addition to USP to account for taxes which the exporting country would have assessed on the merchandise had it been sold in the home market, and that section 773(a)(4)(B) of the Act does not allow circumstance-of-sale adjustments to FMV for differences in taxes. Accordingly, we have changed our practice and will no longer make a circumstance-of-sale adjustment. We will no longer calculate a hypothetical tax on the U.S. product, but will, for the time being, add to USP the absolute amount of tax assessed on the comparison merchandise sold in the country of exportation. By adding the amount of home market tax to USP, absolute dumping margins are not inflated or deflated by differences between taxes included in FMV and those added to USP.

We made additional, company-specific adjustments as follows:

A. Ivaco

For Ivaco, we calculated purchase price based on packed, delivered or freight prepaid prices to unrelated customers in the United States. We made deductions, where appropriate, for discounts, rebates, post-sale price adjustments, freight, U.S. brokerage and handling, and U.S. duty and customs fees, in accordance with section 772(d)(2) of the Act.

We calculated ESP based on packed, ex-U.S. warehouse prices to unrelated customers in the United States. We made the same deductions described above. We also made deductions, where appropriate, for direct selling expenses including credit and warranty expenses, and indirect selling expenses, including inventory carrying expenses.

For both PP and ESP, in accordance with section 772(d)(1)(B) of the Act, we increased U.S. price by the amount of import duties imposed by Canada on inputs for the subject merchandise which have not been collected by reason of the exportation of the subject merchandise to the United States.

Ivaco claimed a level of trade adjustment, based on the differences between the average prices at each level of trade, when merchandise sold at different levels of trade are compared. We did not allow this adjustment because Ivaco provided insufficient support for the claimed adjustment.

Ivaco reported corrections to its warranty expense claim in a November 3, 1993, submission. These corrections were received too late for inclusion in the preliminary determination, but we may take them into consideration for the final determination.

In addition, we made further deductions, where appropriate, for all value added to the ESP sales of SWR in the United States, pursuant to section 772(e)(3) of the Act. The value added consists of the costs associated with the production of the further manufactured products, other than the costs associated with the imported SWR, and a proportional amount of any profit related to the further manufacture. Profit was calculated by deducting from the sales price of the finished product the total cost of production of the imported product, as well as all applicable movement charges, discounts, rebates, and commissions. The total profit was then allocated proportionately to all components of cost. Only the profit or loss attributable to the value added was deducted.

In determining the costs incurred to produce the SWR, we included (1) the costs of manufacture; (2) movement and packing expenses; and (3) general expenses, including selling, general, and administrative expenses, and interest expenses.

On November 8, 1993, Ivaco reported corrections to labor costs associated with its further manufacturing expenses. These corrections were received too late for inclusion in this preliminary determination, but we may take them into consideration for the final determination.

Ivaco reported certain further manufacturing sales as PP transactions. We intend to examine the appropriate treatment of these transactions for the final determination, including whether they should be analyzed as imported, or as sold, and the adjustments to be made. We have, for this preliminary determination, excluded these transactions from our analysis because of their limited number. We also excluded from our preliminary determination analysis a small quantity of further manufactured sales, for which we lacked sufficiently specific data to appropriately match to the value added expenses. The two types of sales excluded from our analysis account for less than two percent of the total U.S. sales of SWR during the POI.

B. Stelco

For Stelco, we calculated purchase price based on packed, freight pre-paid or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for post-sale price adjustments, U.S. brokerage and handling, U.S. duty and customs fees, and freight expenses in accordance with section 772(d)(2) of the Act.

We calculated ESP based on packed, freight pre-paid or delivered prices to unrelated customers in the United States. We made deductions, where appropriate, for U.S. brokerage and handling, U.S. duty and customs fees, freight expenses and direct selling expenses including: credit, technical services, and warranty expenses. In addition, we deducted indirect selling expenses and inventory carrying expenses.

Indirect selling expenses for both markets were recalculated because Stelco did not consolidate its reporting of indirect selling expenses incurred by Stelco Inc. and its related processors, Stelwire and McMaster. Stelco also did not allocate its indirect selling expenses between the U.S. and Canadian markets. Therefore, we recalculated the indirect selling expenses for each market based on information provided in the questionnaire responses.

We did not allow Stelco's post-sale warehousing expense claim for the preliminary determination because Stelco did not sufficiently provide support for its claim that these expenses were required as a condition of sale.

In addition, we made further deductions, where appropriate, for all value added to the SWR in the United States, pursuant to section 772(e)(3) of the Act, as described above (see discussion of Ivaco's USP).

Foreign Market Value

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating foreign market value ("FMV"), for each respondent we compared the volume of home market sales of the subject merchandise to the volume of third country sales of subject merchandise, in accordance with section 773(a)(1)(B) of the Act. We found that the home market was viable for sales of SWR by both Ivaco and Stelco.

Cost of Production

Based on petitioners' allegations, and in accordance with section 773(b) of the

Act, the Department initiated investigations to determine whether Ivaco and Stelco had home market sales that were made at less than their respective costs of production (COP).

A. Calculation of COP

We calculated COP based on the sum of the individual respondent's reported cost of materials, fabrication, labor, factory overhead, selling expenses, general & administrative (G&A) expenses, and home market packing. For each company, we derived selling expenses from its respective home market sales listing. We added home market packing expenses derived from the sales listing.

Except for one adjustment to the further manufacturing costs, Ivaco's submitted data was used for the preliminary determination. The Department recalculated the G&A expense rate of the further manufacturer, Sivaco New York, using its financial statements. The Sivaco New York's G&A was divided by Sivaco New York's cost of sales, and the rate was applied to the entire cost of manufacturing in order to fully allocate G&A.

Stelco's submitted cost of production and constructed value data was not adjusted for this determination.

B. Test of Home Market Sale Prices

After calculating COP, we tested whether home market sales of SWR were at prices below COP.

We compared model-specific COP to reported prices that were net of movement charges, discounts, and rebates. If over 90 percent of a respondent's sales of a given product were at prices above the COP, we did not disregard any below-cost sales because we determined that the respondent's below-cost sales were not made in substantial quantities. If between 10 and 90 percent of a respondent's sales of a given product were at prices above the COP, we discarded only the below-cost sales if made over an extended period of time. Where we found that more than 90 percent of respondent's sales of a given product were at prices below the COP over an extended period of time, we disregarded all sales for that model and calculated FMV based on constructed value (CV). In order to determine that below-cost sales were made over an extended period of time, we performed the following analysis on a product-specific basis: (1) If a respondent sold a product in only one month of the POI and there were sales in that month below the COP, or (2) if a respondent sold a product during two months or more of the POI and there were sales below the COP during two or more of those months, then below-cost sales were considered to have been made over an extended period of time.

C. Results of COP Test

For both Ivaco and Stelco, we found that for certain models more than 90 percent of home market sales were at below-COP prices over an extended period of time. No information has been provided regarding whether the below cost sales were at prices that would permit recovery of all costs within a reasonable period of time in the normal course of trade. For U.S. sales left without a match as a result of disregarding these below COP sales, we based FMV on CV.

D. Calculation of CV

In accordance with section 773(e)(1)(B) (i) and (ii) of the Act, we included in CV the greater of (1) respondent's reported SG&A, adjusted as detailed above; or (2) the statutory minimum of ten percent of cost of manufacture (COM). For profit, we used the statutory minimum of eight percent of the sum of COM and general expenses (because actual profit on home market sales was less than eight percent). Selling expenses (direct and, where appropriate, indirect) were derived from the individual respondent's home market sales database.

In instances where we compared Ivaco's U.S. prices to CV, we made circumstance of sale adjustments, where appropriate, for credit and warranty expenses. In instances where we compared Stelco's U.S. prices to CV, we made circumstance of sale adjustments, where appropriate, for credit, technical services, and warranty expenses.

Price-to-Price Comparisons

For those products for which there were an adequate number of sales at prices above the COP, we based FMV on home market prices. For Ivaco, we calculated FMV based on ex-factory prices, inclusive of packing, to unrelated customers. For Stelco, we calculated FMV based on ex-factory prices, inclusive of packing, to unrelated customers and/or to related customers whose sales were determined to be at arm's length.

For Ivaco, in accordance with 19 CFR 353.58, we compared U.S. sales to home market sales made at the same level of trade, where possible. Where we were not able to match at the same level of trade, we made comparisons at an alternative level of trade. Stelco did not report sales at differing levels of trade in the home market.

For all comparisons to purchase price sales, pursuant to section 773(a)(4)(B) and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments, where appropriate, for differences in credit expenses. We also made adjustments, where appropriate, for physical differences in the merchandise, in accordance with 19 CFR 353.57.

We deducted home market packing costs and added U.S. packing costs.

A. Ivaco—Purchase Price Comparisons

For home market to purchase price comparisons, we made deductions, where appropriate, for discounts, rebates, post-sale price adjustments, and foreign inland freight, in accordance with section 773(a)(4) of the Act. We determined, for the preliminary determination, that early payment rebates should be treated as discounts because they were granted prior to payment.

Pursuant to section 773(a)(4)(B) and 19 CFR 353.56(a)(2), we made circumstance of sale adjustments, where appropriate, for warranty expenses.

Because no commissions were paid on home market sales, we deducted the lesser of either (1) the amount of the commission paid on the U.S. sale; or (2) the sum of the weighted average of indirect selling expenses paid on the home market sales, in accordance with 19 CFR 353.56(b)(1). Home market indirect selling expenses included inventory carrying expenses. Finally, the amount of the commission paid on the U.S. sale was added to FMV.

B. Ivaco—ESP Comparisons

For home market to ESP comparisons, we made deductions, where appropriate, for discounts, rebates, inland freight, and warranty expenses. We also deducted from FMV the weighted-average home market indirect selling expenses, including inventory carrying costs. The deduction for home market indirect selling expenses was capped by the sum of U.S. commissions paid (if any) and U.S. indirect selling expenses, in accordance with 19 CFR 353.56(b) (1) and (2).

For home market to ESP comparisons that involved further manufacturing in the United States, the cap to the deduction for home market indirect selling expenses was the portion of U.S. indirect selling expenses and the portion of commissions (if any) attributable to the foreign-produced input product.

C. Stelco—Purchase Price Comparisons

For home market to purchase price comparisons, we made deductions, where appropriate, for foreign inland freight and insurance in accordance with section 773(a)(4) of the Act.

Pursuant to section 773(a)(4)(B) and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments, where appropriate, for technical and warranty expenses, and commissions.

Because no commissions were paid on home market sales, we deducted the lesser of either (1) the amount of the commission paid on the U.S. sale; or (2) the sum of the weighted average of indirect selling expenses paid on the home market sales, in accordance with 19 CFR 353.56(b)(1). Home market indirect selling expenses included inventory carrying expenses. Finally, the amount of the commission paid on the U.S. sale was added to FMV.

In addition, Stelco reported the Canadian Goods and Services Tax (GST) amount on home market sales based on the full invoice price, which, in some cases, included an additional amount charged to the customer for freight. Therefore, the Department recalculated the GST amount based on a sales price net of this freight revenue.

We recalculated indirect selling expenses for both markets, as discussed above under "United States Price".

D. Stelco—ESP Comparisons

For home market to ESP comparisons, we made deductions, where appropriate, for foreign inland freight and insurance, warranty, and the direct portion of technical service expenses. We also deducted from FMV the weighted-average home market indirect selling expenses, including, where appropriate, inventory carrying costs. The deduction for home market indirect selling expenses was capped by the sum of U.S. commissions paid (if any) and U.S. indirect selling expenses, in accordance with 19 CFR 353.56(b)(1) and (2).

We recalculated the reported indirect selling expenses and GST as described above.

For home market to ESP comparisons that involved further manufacturing in the United States, the cap to the deduction for home market indirect selling expenses was the portion of U.S. indirect selling expenses and the portion of commissions (if any) attributable to the foreign-produced input product.

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Verification

As provided in section 776(b) of the Act, we will verify all information that we determine is acceptable for use in making our final determination.

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to suspend liquidation of all entries of SWR from Canada that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated preliminary dumping margins, as shown below. This suspension of liquidation will remain in effect until further notice. The less than fair value margins are as follows:

Producer/manufacturer exporter	Weighted-average margin percentage
Ivaco Inc	9.62
Stelco Inc	13.09
All others	10.93

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry before the later of 120 days after the date of this preliminary determination or 45 days after our final determination.

Public Comment

Interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room B-099, within ten days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed.

In accordance with 19 CFR 353.38, case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary no later than February 23, 1994, and rebuttal briefs no later than March 2, 1994. A hearing, if requested, will be held on March 4, 1994, at 9:30 a.m. at the U.S. Department of Commerce in room 3708. Parties should confirm by telephone the time, date, and place of the hearing 48 hours prior to the scheduled time. In accordance with 19 CFR 353.38(b), oral presentations will be limited to issues raised in the briefs.

If this investigation proceeds normally, we will make our final determination not later than 135 days after the publication of this notice.

This determination is published pursuant to section 733(f) of the Act and 19 CFR 353.15(a)(4).

Dated: November 19, 1993.

Barbara R. Stafford,

Acting Assistant Secretary for Import Administration.

[FR Doc. 93-29158 Filed 11-26-93; 8:45 am]

BILLING CODE 3510-DS-P

[Investigations Nos. 731-TA-646-648 (Final)]

Certain Steel Wire Rod From Brazil, Canada, and Japan

AGENCY: International Trade Commission.

ACTION: Institution and scheduling of final antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-646-648 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil, Canada, and Japan of certain steel wire rod,[1] provided for in subheadings 7213.31.30, 7213.31.60, 7213.39.00, 7213.41.30, 7213.41.60, 7213.49.00, 7213.50.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States.

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

EFFECTIVE DATE: November 26, 1993.

[1] For purposes of these investigations, certain steel wire rod is defined as hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.0 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter. Excluded from the scope of these investigations is steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and having the following chemical content, by weight: Carbon greater than or equal to 0.79 percent, aluminum less than or equal to 0.005 percent, phosphorus plus sulfur less than or equal to 0.04 percent, and nitrogen less than or equal to 0.006 percent (termed "1080 tire cord" quality wire rod). Also excluded are wire rods of free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium. Excluded as well are stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods.

FOR FURTHER INFORMATION CONTACT: Brad Hudgens (202–205–3189), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of certain steel wire rod from Brazil, Canada, and Japan are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigations were requested in a petition filed on April 23, 1993, by Connecticut Steel Corp., Wallingford, CT; North Star Steel Texas, Inc., Beaumont, TX (except for the investigation concerning Japan); Keystone Steel & Wire Corp., Peoria, IL; Co-Steel Raritan, Perth Amboy, NJ (except for the investigation concerning Brazil); and Georgetown Steel Corp., Georgetown, SC (except for the investigation concerning Japan).

Participation in the Investigations and Public Service List

Persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, not later than twenty-one (21) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these final investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than twenty-one (21) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in these investigations will be placed in the nonpublic record on February 2, 1994, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on February 15, 1994, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before February 3, 1994. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on February 8, 1994, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigations as possible any requests to present a portion of their hearing testimony *in camera*.

Written Submissions

Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is February 9, 1994. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is February 24, 1994; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before February 24, 1994. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are 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.

By order of the Commission.

Issued: December 7, 1993.

Donna R. Koehnke,

Secretary.

[FR Doc. 93–30642 Filed 12–15–93; 8:45 am]

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Notices

Federal Register

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Wednesday, February 9, 1994

DEPARTMENT OF COMMERCE

International Trade Administration

[A-351-821]

Final Determination of Sales at Less Than Fair Value: Certain Carbon and Alloy Steel Wire Rod from Brazil

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

FOR FURTHER INFORMATION CONTACT: Ellen Grebasch or Erik Warga, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-3773 or 482-0922, respectively.

FINAL DETERMINATION: We determine that imports of certain carbon and alloy steel wire rod ("steel wire rod") from Brazil are being, or are likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since our November 19, 1993, preliminary determination (58 FR 62836, November 29, 1993), the following events have occurred:

On December 8, 1993, interested party Michelin Tire Corporation requested a public hearing.

Petitioners (Connecticut Steel Corporation, Georgetown Steel Corporation, Keystone Steel & Wire Company, and North Star Steel Texas, Inc.), respondent Siderurgica Mendes Junior ("SMJ"), and other interested parties ("the Barnes Group"—comprised of Barnes Group Inc., Associated Spring, and NHK-Associated Spring Suspension Components Inc.—and Amercord Inc.) filed case briefs on January 5, and rebuttal briefs on January 10, 1994. The other mandatory respondent, Cia Siderurgica de Guanabara ("Cosigua"), did not file a brief or a rebuttal.

A public hearing took place on January 12, 1994. At our request, interested parties in the companion investigation of wire rod from Canada also submitted case and rebuttal briefs and attended the hearing to discuss the scope of the three ongoing investigations of certain carbon and alloy steel wire rod.

Scope of Investigation

The products covered by this investigation are hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. The following products are excluded from the scope of this investigation:

- Steel; wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: carbon greater than or equal to 0.79%, aluminum less than or equal to 0.005%, phosphorous plus sulfur less than or equal to 0.040%, and nitrogen less than or equal to 0.006%;
- Free-machining steel containing 0.03% or more of lead, 0.05% or more of bismuth, 0.08% or more of sulfur, more than 0.4% of phosphorus, more than 0.05% of selenium, and/or more than 0.01% of tellurium;
- Stainless steel rods, tool steel rods, free-cutting steel rods, sulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and
- Wire rod 7.9 to 18 mm in diameter, containing 0.43 to 0.73% carbon by weight,

and having partial decarburization and seams no more than 0.75 mm in depth.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0040, 7213.50.0060, 7227.20.0000, 7227.90.6000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation is October 1, 1992, through March 31, 1993.

Such or Similar Comparisons

We have determined that the merchandise covered by this investigation constitutes a single category of "such or similar" merchandise.

Best Information Available

Because both mandatory respondents failed to respond to our questionnaire, we based our determination on best information available (BIA) pursuant to section 776(c) of the Act.

In determining what rate to use as BIA, the Department of Commerce ("the Department") follows a two-tiered methodology, whereby the Department normally assigns lower margins to those respondents who cooperated in an investigation and margins based on more adverse assumptions for those respondents who did not cooperate in an investigation. According to the Department's two-tiered BIA methodology outlined in the Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From Belgium, 58 FR 37083, (July 9, 1993), when a company refuses to provide the information requested in the form required, or otherwise significantly impedes the Department's investigation, it is appropriate for the Department to assign to that company the higher of (1) the margin alleged in the petition, or (2) the highest calculated rate of any respondent in the investigation. Because there were no cooperative respondents in this investigation, we are assigning to all exporters, as BIA, a margin of 36.02 percent, the highest margin calculated based on information in the petition on merchandise that is within the scope of this investigation (as amended).

Fair Value Comparisons

To determine whether respondents made sales of steel wire rod from Brazil in the United States at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

United States Price

We calculated USP using the methodology described in the preliminary determination, except that we calculated taxes on U.S. sales in accordance with our revised tax methodology. Our revised methodology consisted of applying the home market tax rate to USP. See, *e.g.*, Stainless Steel Wire Rod from France (58 FR 68865, December 29, 1993) (Final Determination) ("French Wire Rod").

Foreign Market Value

We calculated FMV using the methodology described in the preliminary determination, except that the ICMs value-added tax was not deducted from FMV. In addition, we calculated a readjustment of the amount of tax on the U.S. credit expenses added to FMV by applying the tax rate to those expenses. This readjustment amount was also added to FMV (See French Wire Rod).

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Interested Party Comments

Comment 1. Michelin contends that the Department must exclude from the scope of the investigation tire cord quality 1070 steel wire rod ("TCQ 1070"), which Michelin imports, because Michelin has been unable to obtain that product in commercial quantities from any U.S. manufacturer. Additionally, Michelin suggests that the *Flat Panel Displays* case [1] ("*FPDs*") established that the Department is required to determine, within a class or kind of merchandise, whether "there are any distinct products for which U.S. manufactures do not manufacture a like product." Michelin contends that TCQ 1070 is a distinct product, and that the portion of the petition pertaining to TCQ 1070 should be dismissed for lack of standing on the part of petitioners. If TCQ 1070 is not found to be a distinct product Michelin suggests that TCQ 1070 is essentially the same as tire cord quality 1080 steel wire rod ("TCQ 1080"), which is already excluded from the scope of the investigation pursuant to petitioners' October 19, 1993, petition amendment. Accordingly, Michelin argues, TCQ 1070 and TCQ 1080 should be evaluated jointly. Based on this premise, Michelin contends that the Department should determine that the two subsets of all steel wire rod—tire cord quality and non-tire cord quality—constitute two distinct classes or kinds of merchandise based on the *Diversified Products* criteria,[2] and class-or-kind-specific dumping margins should be calculated.

Stelco Inc., commenting on scope in the context of the companion investigation of wire rod from Canada,[3] argues that the antidumping law does not permit the Department to accept without explanation or analysis petitioners' October 18, 1993, amendment to the petition (excluding TCQ 1080) over the objection of an interested party. To grant a contested exclusion request, Stelco suggests, requires an explicit finding that the product in question be "* * * co-extensive with a rational class or kind of wire rod product subcategory." A reasonable analysis, according to Stelco, can lead only to the joint consideration and disposition of petitioners' amendment (excluding TCQ 1080) and Michelin's request (to exclude TCQ 1070).

Petitioners object to the request to exclude TCQ 1070 because the precedent of other antidumping investigations of wire rod, as well as the *Diversified Products* criteria and the criteria used to determine like products, demonstrate no "bright line" upon which to base a decision to treat TCQ 1070 as a distinct product or to find that wire rod products comprise multiple classes or kinds. Petitioners also contend that the request is untimely.

Petitioners claim that there is substitutability between the products that Michelin would exclude on the one hand and products that would remain within the scope on the other hand (*e.g.*, tire bead quality wire rod). Petitioners

[1] Final Determination and Partial Rescission: Flat Panel Displays from Japan (56 FR 32376, July 16, 1991).

[2] The *Diversified Products Corp. v. United States* (572 F. Supp. 883 (CIT 1983)) case upheld a class-or-kind decision which considered the following criteria: (1) The product's general physical characteristics; (2) its ultimate use; (3) the expectations of the ultimate purchaser; (4) the channels of trade; and (5) cost.

[3] Stelco, a Canadian wire rod producer, is not an interested party in this proceeding. However, the scope issues in the three concurrent wire rod investigations are essentially the same and thus best disposed of together. Therefore, we have placed Stelco's scope comments on the record in this proceeding.

further claim that the description of the product that Michelin proposes to exclude encompasses products that petitioners produce. Finally, petitioners suggest that, even if the Department determines tire cord quality wire rod to be a distinct product or a separate class or kind, petitioners' standing must be accepted unless challenged by a domestic producer.

With respect to Stelco's argument that the Department's acceptance of petitioners' amendment was unlawful, petitioners contend that Department precedent requires only that scope amendments "be timely and consistent with the intent of the petitioner."

DOC Position. We agree with petitioners. Accordingly, we have not excluded TCQ 1070 from the scope of this investigation but will continue to exclude TCQ 1080.

The Act and our regulations do not provide for consideration of domestic availability in determining whether a product should or should not fall within the scope of an investigation. See, *e.g.*, Appendix to Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products from Argentina (58 FR 37062, July 9, 1993) ("*Flat-Rolled Steel*"). Additionally, our acceptance of petitioners' amendment excluding TCQ 1080 from the scope of the petition was lawful and appropriate. Under our regulations, section 353.12(b)(4) requires a petitioner to describe the scope in filing a petition and section 353.12(e) provides that a petitioner may amend the petition.

We agree that we must evaluate scope amendments. Generally, when a petitioner asks to amend the scope of a petition, our chief concern is the administrative feasibility of granting the request (*see, e.g., Flat-Rolled Steel* cases, where petitioners' late plate scope amendment was rejected)—including such factors as whether time permits soliciting any required new information and practicality for customs purposes. In addition, we will evaluate on its merits any opposition to an exclusion request. However, the act on the part of a petitioner of making such a request is generally sufficient justification for granting such an exclusion, because it is a statement by petitioner that it does not need relief from a product's competition. Further, this view of a petitioner's important role in determining the scope is supported by Department practice in past cases (*e.g., Flat-Rolled Steel* cases).

In this case, Stelco opposes the exclusion of TCQ 1080 on the grounds that this product should not be considered separately from TCQ 1070. While we agree that TCQ 1070 and TCQ 1080 are similar in many respects, these similarities do not require that the two products' fates be inextricably intertwined. The two products have different minimum carbon contents, and the matching criteria in the three companion wire rod cases (upon which all interested parties were afforded an opportunity to comment) rank grade/carbon content highest among relevant characteristics of wire rod. Thus, the two are meaningfully distinct products, only one of which (TCQ 1070) petitioners have chosen to include in the scope of their petition.

Notwithstanding Stelco's unsupported allegations concerning petitioners' exclusion request, neither the statute nor the regulations requires the Department to determine that products whose exclusion is contested represent a distinct class or kind of merchandise or a distinct like product, nor did the *FPDs* case establish a requirement for a like product analysis. In *FPDs*, a like product analysis was conducted in order to evaluate the petitioner's standing with respect to one class or kind of merchandise.

With respect to whether TCQ 1070 can be excluded over petitioners' opposition, such exclusions are possible only if the product is determined to be part of a separate class or kind of merchandise which petitioners do not produce. TCQ and non-TCQ wire rod do not constitute separate classes or kinds of merchandise—even applying the *Diversified Products* criteria (which, we note, are guidelines, not mandatory criteria for defining class or kind).[4] In short, there is no bright line among the product groups at issue in this case. Further, there is no precedent for separate classes or kind in other investigations or wire rod, and no party broached this issue when asked to comment on matching criteria. In any case, since petitioners claim that they produce TCQ 1070, a separate class or kind finding would not result in a finding that petitioners lack standing.

In conclusion, petitioners have requested a scope amendment that can be administered. Petitioners oppose the exclusion of TCQ 1070, and TCQ 1070 is neither a distinct product for which petitioners lack standing nor part of a separate tire cord quality class or kind of merchandise. While similar to TCQ 1080, TCQ 1070 differs in terms of a characteristic recognized as significant: Carbon content. Challenges to like product or class-or-kind determinations are subject to very high standards and are difficult for the Department to sustain. Petitioners' scope definition is afforded great weight because petitioners can best determine from what products they require relief. Moreover, in administering the law the Department may not take into account potential shortages in domestic supply.

Comment 2. Petitioners and the Barnes Group request the exclusion of valve spring quality wire rod from the scope of this investigation, in accordance with petitioners' November 1993 petition amendment.

DOC Position. We agree that valve spring quality wire rod should, in accordance with petitioners' amendment, be excluded from the scope. This amendment has not been contested, and nothing on the record in this proceeding gives rise to concern over feasibility.

Comment 3. SMJ alleges that, in the petition margin calculations on which the preliminary LTFV margin calculations were based, the adjustment to USP for foreign inland freight charges was overstated as a result of an erroneous inflation adjustment. SMJ also alleges that the margin calculations do not properly account for the 12-percent ICMS tax that is assessed on home market sales of the subject merchandise.

Petitioners counter that SMJ has misinterpreted information on the record and arrived at an unsubstantiated conclusion. The only appropriate change to the preliminary LTFV margin calculations is that, in calculating the LTFV margin, the Department should revise its treatment of Brazilian indirect taxes to be consistent with the Court of International Trade's holding in *Federal-Mogul Corporation* v. *United States*, Court Nos. 91-07-00530 and 91-08-00569, Slip. Op 93-194 (CIT October 7, 1993). (The Court ordered that, to calculate the addition to United States price, the home market tax rate be applied to United States price at the same point in the stream of commerce where the tax is applied to home market sales.)

DOC Position. We agree with petitioners. The information upon which the petition margin calculations were based was accepted for purposes of initiating this investigation. When a

[4] Wire rod has in past cases been broadly defined in terms of the same general physical characteristics and range of ultimate users. Customers expect to draw or stamp the product into various other downstream products. While different technical specifications and uses exist, it would be prohibitively difficult to identify each unique combination as defining a separate class or kind of merchandise. No differences in channels of trade, such as sale to end users versus sales to resellers, distinguish groups of wire rod. Although tire cord quality wire rod has a relatively high cost, it is not the only type of wire rod included in the scope that has a high cost.

respondent has chosen not to cooperate with our investigation, the BIA margins calculated are not open to cross-examination unless a plain clerical error or methodological inconsistency is involved. SMJ has drawn conclusions based on their own speculation, but not explicitly supported by the information on the record. With respect to taxes, petitioners have pointed out a methodological inconsistency (inasmuch as the Department's treatment of taxes changed after the preliminary determination). Therefore, we have adjusted USP and FMV according to the *Federal-Mogul* CIT decision in order to be consistent with current practice (see "United States Price" section of this notice, above).

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of steel wire rod from Brazil that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated dumping margins, as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Margin percentage
All companies	36.02

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. The ITC will now determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry within 45 days. If the ITC determines that material injury, or threat of material injury, does not exist with respect to the subject merchandise, the proceeding will be terminated and all securities posted will be refunded or cancelled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise from Brazil entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

Notice to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility, pursuant to 19 CFR 353.34(d), concerning the return or destruction of proprietary information disclosed under APO. Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)) and 19 CFR 353.20(a)(4).

Dated: February 2, 1994.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 94-2995 Filed 2-8-94; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-830]

Final Determination of Sales at Less Than Fair Value: Certain Carbon and Alloy Steel Wire Rod From Japan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: February 9, 1994.

FOR FURTHER INFORMATION CONTACT: Ellen Grebasch or Erik Warga, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-3773 or 482-0922, respectively.

FINAL DETERMINATION: We determine that imports of certain carbon and alloy steel wire rod ("steel wire rod") from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since our November 19, 1993, preliminary determination (58 FR 62638, November 29, 1993), the following events have occurred.

On December 8, 1993, interested party Michelin Tire Corporation requested a public hearing.

Petitioners (Connecticut Steel Corporation, Co-Steel Raritan, and Keystone Steel & Wire Co.), and interested parties ("the Barnes Group"—comprised of Barnes Group Inc., Associated Spring, and NHK-Associated Spring Suspension Components Inc.—and Amercord Inc.) filed case briefs on January 5, and rebuttal briefs on January 10, 1994. Another interested party Goodyear Tire & Rubber Company, also filed a rebuttal brief on January 10.

A public hearing took place on January 12, 1994. At our request, interested parties in the companion investigation of wire rod from Canada also submitted case and rebuttal briefs and attended the hearing to discuss the scope of the three ongoing investigations of certain carbon and alloy steel wire rod.

On January 18, 1994, Keystone Steel & Wire Co. withdrew as a petitioner. On January 24, 1994, respondents, Nippon Steel Corporation and Kobe Steel Inc., and Sumitomo Metal Industries (another Japanese wire rod exporter) requested termination of the investigation.

Scope of Investigation

The products covered by this investigation are hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. The following products are excluded from the scope of this investigation:

- Steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: carbon greater than or equal to 0.79%, aluminum less than or equal to 0.005%, phosphorous plus sulfur less than or equal to 0.040%, and nitrogen less than or equal to 0.006%;
- Free-machining steel containing 0.03% or more of lead, 0.05% or more of bismuth, 0.08% or more of sulfur, more than 0.4% of phosphorus, more than 0.05% of selenium, and/or more than 0.01% of tellurium;
- Stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and
- Wire rod 7.9 to 18 mm in diameter, containing 0.43 to 0.73% carbon by weight, and having partial decarburization and seams no more than 0.75 mm in depth.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.600, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.20.0000, 7227.90.6000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation is October 1, 1992, through March 31, 1993.

Such or Similar Comparisons

We have determined that the merchandise covered by this investigation constitutes a single category of "such or similar" merchandise.

Best Information Available

Because both mandatory respondents failed to respond to our questionnaire, we based our determination on best information available (BIA) pursuant to section 776(c) of the Act.

In determining what rate to use as BIA, the Department of Commerce ("the Department") follows a two-tiered methodology, whereby the Department normally assigns lower margins to those respondents who cooperated in an investigation and margins based on more adverse assumptions for those respondents who did not cooperate in an investigation. According to the Department's two-tiered BIA methodology outlined in the Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From Belgium, (58 FR 37083, July 9, 1993), when a company refuses to provide the information requested in the form required, or otherwise significantly impedes the Department's investigation, it is appropriate for the Department to assign to that company the higher of (1) the margin alleged in the petition, or (2) the highest calculated rate of any respondent in the investigation. Because there were no cooperative respondents in this investigation, we are assigning to all exporters, as BIA, a margin of 47.71 percent, the highest margin calculated based on information in the petition on merchandise that is within the scope of this investigation (as amended).

Fair Value Comparisons

To determine whether respondents made sales of steel wire rod from Japan in the United States at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

United States Price

We calculated USP using the methodology described in the preliminary determination.

Foreign Market Value

We calculated FMV using the methodology described in the preliminary determination

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Interested Party Comments

Comment 1. Michelin contends that the Department must exclude from the scope of the investigation tire cord quality 1070 steel wire rod ("TCQ 1070"), which Michelin imports, because Michelin has been unable to obtain that product in commercial quantities from any U.S. manufacturer. Additionally, Michelin suggests that the Flat Panel Displays case [1] ("FPDs") established that the Department is required to determine, within a class or kind of merchandise, whether "there are any distinct products for which U.S. manufacturers do not manufacture a like product." Michelin contends that TCQ 1070 is a distinct product, and that the portion of the petition pertaining to TCQ 1070 should be dismissed for lack of standing on the part of petitioners. If TCQ 1070 is not found to be a distinct product Michelin suggests that TCQ 1070 is essentially the same as tire cord quality 1080 steel wire rod ("TCQ 1080"), which is already excluded from the scope of the investigation pursuant to petitioners' October 19, 1993, petition amendment. Accordingly, Michelin argues, TCQ 1070 and TCQ 1080 should be evaluated jointly. Based on this premise, Michelin contends that the Department should determine that the two subsets of all steel wire rod—tire cord quality and non-tire cord quality—constitute two distinct classes or kinds of merchandise based on the *Diversified Products* criteria,[2] and class-or-kind-specific dumping margins should be calculated.

Stelco Inc., commenting on scope in the context of the companion investigation of wire rod from Canada,[3] argues that the antidumping law does not permit the Department to accept without explanation or analysis petitioners' October 18, 1993, amendment to the petition (excluding TCQ 1080) over the objection of an interested party. To grant a contested exclusion request, Stelco suggests, requires an explicit finding that the product in question be "* * * co-extensive with a rational class or kind of wire rod product subcategory." A reasonable analysis, according to Stelco, can lead only to the joint consideration and disposition of petitioners' amendment (excluding TCQ 1080) and Michelin's request (to exclude TCQ 1070).

Petitioners object to the request to exclude TCQ 1070 because the precedent of other antidumping investigations of wire rod, as well as the *Diversified Products* criteria and the criteria used to determine like products, demonstrate no "bright line" upon which to base a decision to treat TCQ 1070 as a distinct product or to find that wire rod products comprise multiple classes or kinds. Petitioners also contend that the request is untimely.

Petitioners claim that there is substitutability between the products that Michelin would exclude on the one hand and products that would remain within the scope on the other hand (*e.g.*, tire bead quality wire rod). Petitioners further claim that the description of the product that Michelin proposes to exclude encompasses products that petitioners produce. Finally, petitioners suggest that, even if the Department determines tire cord quality wire rod to be a distinct product or a separate class or kind, petitioners' standing must be accepted unless challenged by a domestic producer.

With respect to Stelco's argument that the Department's acceptance of petitioners' amendment was unlawful, petitioners contend that Department precedent requires only that scope amendments "be timely and consistent with the intent of the petitioner."

DOC Position. We agree with petitioners. Accordingly, we have not excluded TCQ 1070 from the scope of this investigation but will continue to exclude TCQ 1080.

The Act and our regulations do not provide for consideration of domestic availability in determining whether a product should or should not fall within the scope of an investigation. *See, e.g.*, Appendix to Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products from Argentina (58 FR 37062, July 9, 1993) ("Flat-Rolled Steel"). Additionally, our acceptance of petitioners' amendment excluding TCQ 1080 from the scope of the petition was lawful and appropriate. Under our regulations, section 353.12(b)(4)

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[1] Final Determination and Partial Rescission: Flat Panel Displays from Japan (56 FR 32376, July 16, 1991)

[2] The *Diversified Products Corp.* v. *United States* (572 F. Supp. 883 (CIT 1983)) case upheld a class-or-kind decision which considered the following criteria: (1) The product's general physical characteristics; (2) its ultimate use; (3) the expectations of the ultimate purchaser; (4) the channels of trade; and (5) cost.

[3] Stelco, a Canadian wire rod producer, is not an interested party in this proceeding. However, the scope issues in the three concurrent wire rod investigations are essentially the same and thus best disposed of together. Therefore, we have placed Stelco's scope comments on the record in this proceeding.

requires a petitioner to describe the scope in filing a petition and section 353.12(e) provides that a petitioner may amend the petition.

We agree that we must evaluate scope amendments. Generally, when a petitioner asks to amend the scope of a petition, our chief concern is the administrative feasibility of granting the request (see, e.g., Flat-Rolled Steel cases, where petitioners' late plate scope amendment was rejected)—including such factors as whether time permits soliciting any required new information and practicality for customs purposes. In addition, we will evaluate on its merits any opposition to an exclusion request. However, the act on the part of a petitioner of making such a request is generally sufficient justification for granting such an exclusion, because it is a statement by petitioner that it does not need relief from a product's competition. Further, this view of a petitioner's important role in determining the scope is supported by Department practice in past cases (e.g., Flat-Rolled Steel cases).

In this case, Stelco opposes the exclusion of TCQ 1080 on the grounds that this product should not be considered separately from TCQ 1070. While we agree that TCQ 1070 and TCQ 1080 are similar in many respects, these similarities do not require that the two products' fates be inextricably intertwined. The two products have different minimum carbon contents, and the matching criteria in the three companion wire rod cases (upon which all interested parties were afforded an opportunity to comment) rank grade/carbon content highest among relevant characteristics of wire rod. Thus, the two are meaningfully distinct products, only one of which (TCQ 1070) petitioners have chosen to include in the scope of their petition.

Notwithstanding Stelco's unsupported allegations concerning petitioners' exclusion request, neither the statute nor the regulations requires the Department to determine that products whose exclusion is contested represent a distinct class or kind of merchandise or a distinct like product, nor did the *FPDs* case establish a requirement for a like product analysis. In *FPDs*, a like product analysis was conducted in order to evaluate the petitioner's standing with respect to one class or kind of merchandise.

With respect to whether TCQ 1070 can be excluded over petitioners' opposition, such exclusions are possible only if the product is determined to be part of a separate class or kind of merchandise which petitioners do not produce. TCQ and non-TCQ wire rod do not constitute separate classes or kinds of merchandise—even applying the *Diversified Products* criteria (which, we note, are guidelines, not mandatory criteria for defining class or kind).[4] In short, there is no bright line among the product groups at issue in this case. Further, there is no precedent for separate classes or kind in other investigations of wire rod, and no party broached this issue when asked to comment on matching criteria. In any case, since petitioners claim that they produce TCQ 1070, a separate class or kind finding would not result in a finding that petitioners lack standing.

In conclusion, petitioners have requested a scope amendment that can be administered. Petitioners oppose the exclusion of TCQ 1070, and TCQ 1070 is neither a distinct product for which petitioners lack standing nor part of a separate tire cord quality class or kind of merchandise. While similar to TCQ 1080, TCQ 1070 differs in terms of a characteristic recognized as significant: carbon content. Challenges to like product or class-or-kind determinations are subject to very high standards and are difficult for the Department to sustain. Petitioners' scope definition is afforded great weight because petitioners can best determine from what products they require relief. Moreover, in administering the law the Department may not take into account potential shortages in domestic supply.

Comment 2. Petitioners and the Barnes Group request the exclusion of valve spring quality wire rod from the scope of this investigation, in accordance with petitioners' November 1993 petition amendment.

DOC Position. We agree that valve spring quality wire rod should, in accordance with petitioners' amendment, be excluded from the scope. This amendment has not been contested, and nothing on the record in this proceeding gives rise to concern over feasibility.

Comment 3 Respondents contend that the Department should terminate this investigation because of the January 18, 1994, withdrawal by three of the five original petitioners. Respondents reason that these three companies' withdrawal as petitioners constitutes a withdrawal of support, which, in turn, should be considered opposition to the petition. Alternatively, respondents request that the domestic industry be polled to determine whether a majority supports the petition.

DOC Position. We disagree. The Department's policy has been to accept the representation of petitioners that the petition has been filed on behalf of the domestic industry. In this case, the withdrawal of certain producers as petitioners was not accompanied by a statement that they oppose the petition. Because there has been no showing of opposition by domestic producers, we conclude that the petition was filed on behalf of the U.S. industry. See *Suramerica de Aleaciones Laminadas* v. *United States*, 966 F.2d 660 (Fed. Cir. 1992). In addition, neither the statute nor our regulations require a petitioner to establish affirmatively that it had or continues to have the support of a majority of domestic producers. See *Trent Tube* v. *Avesta Sandvik Tube*, 975 F.2d 807, 812–813 (Fed. Cir. 1992). Finally, the Department only considers polling the domestic industry when members of that industry have submitted for the record statements of opposition to the petition. See Final Determination of Sales at Less Than Fair Value: Polyethylene Terephthalate Film, Sheet, and Strip from Japan (56 FR 16300, April 22, 1991).

[4] Wire rod has in past cases been broadly defined in terms of the same general physical characteristics and range of alternate uses. Customers expect to draw or stamp the product into various other downstream products. While different technical specifications and uses exist, it would be prohibitively difficult to identify each unique combination as defining a separate class or kind of merchandise. No differences in channels of trade, such as sale to end users versus sales to resellers, distinguish groups of wire rod. Although tire cord quality wire rod has a relatively high cost, it is not the only type of wire rod included in the scope that has a high cost.

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of the subject merchandise from Japan that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated dumping margins, as shown below. The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Margin percentage
All companies	47.71

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. The ITC will now determine whether these imports are materially injuring, or threaten material

injury to, the U.S. industry within 45 days. If the ITC determines that material injury, or threat of material injury, does not exist with respect to the subject merchandise, the proceeding will be terminated and all securities posted will be refunded or cancelled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise from Japan entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

Notice to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility, pursuant to 19 CFR 353.34(d), concerning the return or destruction of proprietary information disclosed under APO. Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)) and 19 CFR 353.20(a)(4).

Dated: February 2, 1994.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 94-2996 Filed 2-8-94; 8:45 am]

BILLING CODE 3510-DS-M

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–359 (Preliminary) and 731–TA–684–685 (Preliminary)]

Certain Steel Wire Rod From Belgium and Germany

AGENCY: International Trade Commission.

ACTION: Institution and scheduling of preliminary countervailing duty and antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigation No. 701–TA–359 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) and of preliminary antidumping investigations Nos. 731–TA–684–685 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Belgium and Germany of certain steel wire rod,[1] provided for in subheadings 7213.31.30, 7213.31.60, 7213.39.00, 7213.41.30, 7213.41.60, 7213.49.00, 7213.50.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States that are alleged to be subsidized by the Government of Germany and to be sold in the United States at less than fair value. The Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in this case by March 31, 1994.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: February 14, 1994.

FOR FURTHER INFORMATION CONTACT: Brad Hudgens (202–205–3189), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on February 14, 1994, by Connecticut Steel Corp., Wallingford, CT; Georgetown Steel Corp., Georgetown, SC; North Star Steel Texas, Inc., Beaumont, TX; Co-Steel Raritan River Steel Co., Perth Amboy, NJ; Keystone Steel & Wire Corp., Peoria, IL; and Northwestern Steel & Wire Co., Sterling, IL.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these preliminary investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) days after the publication of this

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[1] For purposes of these investigations, certain steel wire rod is defined as hot-rolled carbon steel and alloy steel wire rod, in irregularly wound coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch) in diameter. The following products are excluded from the scope of these investigations:

—steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and having the following chemical content, by weight: carbon greater than or equal to 0.29 percent, aluminum less than or equal to 0.005 percent, phosphorus plus sulfur less than or equal to 0.04 percent, and nitrogen less than or equal to 0.006 percent (termed "1080 tire cord" quality wire rod);

—free-machining steel containing 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium;

—stainless steel rods, tool steel rods, free-cutting steel rods, resulfurized steel rods, ball bearing steel rods, high-nickel steel rods, and concrete reinforcing bars and rods; and

—wire rod 7.9 to 18 mm in diameter, containing 0.43 to 0.73 percent carbon by weight, and having partial decarburization and seams no more than 0.75 mm in depth.

notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on March 4, 1994, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Brad Hudgens (202–205–3189) not later than March 1, 1994, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before March 9, 1994, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to section 207.12 of the Commission's rules.

Issued: February 16, 1994.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 94–3987 Filed 2–18–94; 8:45 am]

BILLING CODE 7020-02-P

[A-423-807, A-428-818]

Initiation of Antidumping Duty Investigations: Steel Wire Rod From Belgium and Germany

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: March 14, 1994.

FOR FURTHER INFORMATION CONTACT: Ellen Grebesch or Erik Warga, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-3773 or (202) 482-0922, respectively.

Initiation of Investigations:

The Petitions

On February 14, 1994, we received petitions filed in proper form by the Connecticut Steel Corp., Georgetown Steel Corp., Keystone Steel & Wire Co., North Star Steel Texas, Inc., Co-Raritan River Steel Co., and Northwestern Steel & Wire Co. (petitioners). At the request of the Department of Commerce (the Department), petitioners filed a supplement to the petitions to correct methodological errors and support the data presented. In accordance with 19 CFR 353.12, petitioners allege that imports of steel wire rod (SWR) from Belgium and Germany are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

Petitioners have stated that they have standing to file the petitions because they are interested parties, as defined under section 771(9)(C) of the Act, and because the petitions are filed on behalf of the U.S. industry producing the product subject to these investigations. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, these petitions, it should file a written notification with the Acting Assistant Secretary for Import Administration.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements are contained in 19 CFR 353.14.

Scope of Investigations

The products covered by these investigations are hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. The following products are excluded from the scope of this investigation:

- Steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1940 MPa, and the following chemical content, by weight: carbon greater than or equal to 0.79%, aluminum less than or equal to 0.005%, phosphorous plus sulfur less than or equal to 0.040%, and nitrogen less than or equal to 0.006%;
- Free-machining steel containing, by weight, 0.03% or more of lead, 0.05% or more of bismuth, 0.08% or more of sulfur, more than 0.4% of phosphorus, more than 0.05% of selenium, and/or more than 0.01% of tellurium;
- Stainless steel rods, tool steel rods, ball bearing steel rods, and deformed concrete reinforcing bars; and
- Wire rod 7.9 to 18 mm in diameter, containing 0.48 to 0.73% carbon by weight, and having partial decarburization and seams no more than 0.075 mm in depth.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213.41.3000, 7213.41.6000, 7213.49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.20.0000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

United States Price and Foreign Market Value

Belgium

Petitioners based United States Price (USP) on competitive pricing information obtained through their own business activity and supported with affidavits. This information included delivered prices of SWR to unrelated U.S. customers. Petitioners calculated USP by subtracting movement charges (including U.S. customs duties), and adjusting for Belgian taxes.

FMV was based on home market price quotes for identical merchandise, exclusive of value-added tax (VAT). Petitioners calculated FMV by subtracting movement charges, and converted the prices to U.S. dollars using contemporaneous exchange rates found in the U.S. Customs Bulletin. Petitioners made a circumstance of sale adjustment for differences in credit expenses. Petitioners also calculated the amount of VAT in accordance with the Department's methodology as discussed in Stainless Steel Wire Rod from France (58 FR 68865, December 29, 1993) (Final Determination) and added the resulting amount to both USP and FMV.

Germany

Petitioners based USP on competitive pricing information obtained through their own business activity and supported with affidavits. This information included delivered prices of SWR to unrelated U.S. customers. Petitioners calculated USP by subtracting movement charges (including U.S. customs duties), and adjusting for German taxes.

FMV was based on home market price quotes for identical merchandise or, if non-identical, merchandise which would presumably have a lower cost of production (COP) than the U.S. merchandise, exclusive of value-added

tax (VAT). Petitioners calculated FMV by subtracting movement charges, and converted the prices to U.S. dollars using contemporaneous exchange rates found in the U.S. Customs Bulletin. Petitioners made a circumstance of sale adjustment for differences in credit expenses. Petitioners also calculated the amount of VAT in accordance with the Department's methodology as discussed in Stainless Steel Wire Rod from France (58 FR 68865, December 29, 1993)(Final Determination) and added the resulting amount to both USP and FMV.

Allegations of Sales Below Cost of Production

Petitioners allege that Forges de Thy-Marcinelle, a potential respondent in the Belgium investigation, is selling the subject merchandise in the home market at prices below its COP. This allegation is based on a comparison of company-specific home market prices with the COP. COP was based on the costs of a comparable U.S. producer adjusted for known differences in the country of production.

Based on the information presented, we have reasonable grounds to believe or suspect that the home market sales of Forges de Thy-Marcinelle are being made at less than COP. See Memorandum to Marie E. Parker from C.M. Miller dated March 4, 1994, which is on file in the Import Administration Central Records Unit. Accordingly, pursuant to section 773(b) of the Act and 19 CFR 353.51, we will initiate a COP investigation with respect to this company if it is named as a respondent in the investigation.

Petitioners also allege that specific potential respondents in the German investigation are selling the subject merchandise in the home market at prices below their COP. These allegations are based on a comparison of company-specific home market prices with the COP. COP was based on the costs of a comparable U.S. producer adjusted for known differences in the country of production, and/or company-specific information, and on the company's financial statements, when applicable.

Based on the information presented, we have reasonable grounds to believe or suspect that the home market sales of the following German producers are being made at less than COP: Stahl-und Walzwerk Brandenburg GmbH, Saarstahl AG, and Thyssen Stahl AG. See Memorandum to Marie E. Parker from C.M. Miller dated March 4, 1994, which is on file in the Import Administration Central Records Unit. Accordingly, pursuant to Section 773(b) of the Act and 19 CFR 353.51, we will initiate COP investigations with respect to each of these companies if they are named as a respondent in the investigation.

Alleged Dumping Margins

The range of positive dumping margins of SWR from Belgium based on price-to-price and price-to-CV comparisons of USP to FMV alleged by petitioners, corrected for minor errors, is 5.69% to 52.34%.

The range of positive dumping margins of SWR from Germany based on price-to-price and price-to-CV comparisons of USP to FMV alleged by petitioners, corrected for minor errors, is 2.77% to 72.09%.

Initiation of Investigations

We have examined the petitions for SWR from Belgium and Germany, as amended, and have found that the petitions meet the requirements of section 732(b) of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of SWR from Belgium and Germany are being, or are likely to be, sold in the United States at less than fair value. If these investigations proceed normally, we will make our preliminary determinations by July 25, 1994.

ITC Notification

Section 732(d) of the Act requires us to notify the International Trade Commission (ITC) of these actions and we have done so.

Preliminary Determinations by the ITC

The ITC will determine by March 31, 1994, whether there is a reasonable indication that imports of SWR from Belgium and Germany are materially injuring, or threaten material injury to, a U.S. industry. A negative ITC determination in any of these investigations will result in its termination; otherwise, the investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: March 7, 1994.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 94-5881 Filed 3-11-94; 8:45 am]

BILLING CODE 3510-DS-P

[C-428-819]

Initiation of Countervailing Duty Investigation: Steel Wire Rod From Germany

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: March 14, 1994.

FOR FURTHER INFORMATION CONTACT: Gary Bettger (202) 482-2239 or Jennifer Yeske (202) 482-0189, Office of Countervailing Investigations, Import Administration, room 3099, U.S. Department of Commerce, Washington, DC 20230.

The Petition

On February 14, 1994, we received a petition from by Connecticut Steel Corp., Georgetown Steel Corp., North Star Steel Texas, Inc., Co-Steel Raritan Co., Keystone Consolidated Industries and Northwestern Steel & Wire Co. ("Petitioners") on behalf of the United States steel wire rod industry. In accordance with 19 CFR 355.12, petitioners allege that manufacturers, producers, or exporters of steel wire rod in Germany receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Injury Test

Because Germany is a "country under the Agreement" within the meaning of section 701(b) of the Act, title VII of the Act applies to this investigation. Accordingly, the U.S. International Trade Commission (ITC) must determine whether imports of the subject merchandise from Germany are materially injuring, or threatening material injury to, a U.S. industry.

Standing

Petitioners have stated that they are interested parties, as defined in section 771(9)(C) of the Act, and that they have filed the petition on behalf of the U.S. industry producing steel wire rod. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, such party should file a written notification with the Assistant Secretary for Import Administration, in accordance with 19 CFR 355.31.

Exclusion Requests

Under the Department's regulations, any producer or reseller seeking exclusion from a potential countervailing duty order must submit its request for exclusion within 30 days of the date of publication of this notice. The procedures and requirements regarding the filing of such requests are contained in 19 CFR 355.14.

Scope of Investigation

The products covered by this investigation are hot-rolled carbon steel and alloy steel wire rod, in coils, of approximately round cross section, between 0.20 and 0.75 inches in solid cross-sectional diameter. The following products are excluded from the scope of this investigation:

- Steel wire rod 5.5 mm or less in diameter, with tensile strength greater than or equal to 1040 MPa, and the following chemical content, by weight: carbon greater than or equal to 0.79%, aluminum less than or equal to 0.005%, phosphorus plus sulfur less than or equal to 0.040%, and nitrogen less than or equal to 0.006%;
- Free-machining steel containing, by weight, 0.03% or more of lead, 0.05% or more of bismuth, 0.08% or more of sulfur, more than 0.4% of phosphorus, more than 0.05% of selenium, and/or more than 0.01% of tellurium;
- Stainless steel rods, tool steel rods, ball bearing steel rods, and deformed reinforcing bars; and
- Wire rod 7.9 to 18 mm in diameter, containing 0.48 to 0.73% carbon by weight, and having partial decarbonization and seams no more than 0.75 mm in depth.

The products under investigation are currently classifiable under subheadings 7213.31.3000, 7213.31.6000, 7213.39.0030, 7213.39.0090, 7213 41.3000, 7213.41.6000, 7213 49.0030, 7213.49.0090, 7213.50.0020, 7213.50.0040, 7213.50.0080, 7227.20.0000, and 7227 90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation remains dispositive.

Allegations of Subsidies

Section 702(b) of the Act requires the Department to initiate a countervailing duty proceeding whenever an interested party files a petition, on behalf of an industry, that (1) alleges the elements necessary for the imposition of a duty under section 701(a), and (2) is accompanied by information reasonably available to the petitioner supporting the allegations.

Initiation of Investigation

The Department has examined the petition on steel wire rod from Germany and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702 of the Act, we are initiating a countervailing duty investigation to determine whether manufacturers, producers or exporters of steel wire rod receive countervailable subsidies. The following programs are included in our investigation.

1. "Rückzahlungsverpflichten" (RZVs)
2. Government Assumption of Debt
3. Debt Forgiveness by Private Banks
4. Worker Assistance under the European Coal and Steel Community's Article 56(2)(b).

We are not including the following program which was alleged to be benefiting producers of the subject merchandise in Germany.

The Government of Saarland's Capital Contribution to DHS of DM 145.1 Million

Petitioners alleged that a DM 145.1 million payment by the Government of Saarland (GOS) constitutes a countervailable equity infusion. Petitioners base this allegation on their claim that the shares which the GOS received in exchange for this payment had a value of only DM 82.5 million, DM 62.5 million less than what the GOS paid.

The question of whether this transaction constitutes a countervailable equity infusion was addressed in Certain Hot Rolled Lead and Bismuth Carbon Steel Products From Germany (58 FR 6233, January 27, 1993). The Department determined that the funds were provided on terms consistent with commercial considerations because at the same time that the GOS invested, two private investors also invested in DHS on the same terms. Petitioners have provided no new information in this petition indicating that this determination was incorrect. Therefore, the Department does not intend to re-investigate whether the investment was consistent with commercial considerations.

ITC Notification

Pursuant to section 702(d) of the Act, we have notified the ITC of this initiation.

Preliminary Determinations By the ITC

The ITC will determine by March 31, 1994, whether there is a reasonable indication that a United States industry is being materially injured, or threatened with material injury, by reason of steel wire rod imports from Germany. If the ITC makes a negative determination, we will terminate this proceeding; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to 702(c)(2) of the Act and 19 CFR 355.13(b).

Dated: March 4, 1994.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 94-5883 Filed 3-11-94; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

LIST OF PARTICIPANTS IN THE HEARING AND THE CONFERENCE

CALENDAR OF PUBLIC HEARING

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

Subject	:	CERTAIN STEEL WIRE ROD FROM BRAZIL, CANADA AND JAPAN
Inv. No.	:	731-TA-646 THRU 648 (Final)
Date and Time	:	February 15, 1994 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room 101 of the United States International Trade Commission, 500 E St., S.W., Washington, D.C.

Opening Remarks:

Petitioners

Respondents

In support of Imposition of
Antidumping Duties:

Wiley, Rein & Fielding
Washington, D.C.
On behalf of

Connecticut Steel Corp.
Co-Steel River Raritan
Georgetown Steel Corp.
Keystone Steel & Wire Co.
North Star Steel Texas

Philip Braxdale, Manager of Sales,
Armco Inc.

Ed M. Calanog, President, Co-Steel Raritan

Rick Cloyd, Corporate Marketing Manager,
Keystone Steel & Wire Corporation

Richard C. Holzworth, Vice-President - Marketing
Georgetown Steel Corporation

In support of Imposition of
Antidumping Duties:

William E. Lundberg, General Sales Manager,
North Star Steel Texas, Inc.

William A. Neathery, Vice President - Sales
Connecticut Steel Corporation

William Jaroe, Superintendent, Quality Assurance,
Georgetown Steel Corp.

Andrew R. Wechsler, Principal, Law and Economics
Consulting Group

Jeffrey C. Anspacher, Senior Economist,
Law and Economics Consulting Group

Charles Owen Verrill, Jr.)
Alan H. Price)
Willis S. Martyn III)--OF COUNSEL
Brian E. Rosen)
Beth Kurowski)

In Opposition to the Imposition of
Antidumping Duties:

(Respondents will make presentations in the following panels
not to exceed 90 Minutes Total Time.)

ECONOMISTS PANEL

Robert A. Leone, Professor, Operations Management,
Boston University

Scott M. Harvey, Managing Director,
Putnam, Hayes & Bartlett

CUSTOMER PANELS

Ackerson & Bishop
Washington, D.C.
On behalf of

American Wire Producers Association

John S. Mueller, Chairman and CEO, Laidlaw Corp. and President, AWPA

Doug King, President, Walker Wire & Steel Co., and Vice President, AWPA

Cheryl Coelho, Materials Manager, ECD, Inc.

H. Woltz, President and CEO, Insteel Industries, Inc., and Member of the Board, AWPA

Max Moore, President, Oklahoma Steel & Wire; and Treasurer, AWPA

Kent Taubensee, Executive Vice President, Taubensee Steel & Wire Company

William Fraser, Director of Purchasing, Lincoln Electric

Kimberly Korbel, Executive Director, AWPA

William Kringel, Vice President, MGF Industries

Ron Breece, Lincoln Electric

Robert Moffitt, Vice President, Davis Wire Corp.

Frederick P. Waite)
M. Roy Goldberg)--OF COUNSEL
and
Ann E. Feely)--International Trade Specialist

TIRE QUALITY ROD PANEL

Womble, Carlyle, Sandridge & Rice
Winston-Salem, NC
On behalf of

Michelin Tire Corporation

Erwin F. Wall, Vice President, Raw Materials Purchasing, Michelin Tire Corporation

Roy Chamlee, Legal Counsel, Michelin Tire Corp.

Scott Denley, Quality Assurance Manager, Michelin Tire Corp.

Bill Wilson, Quality Assurance Manager, Michelin Tire Corp.

Ashley O. Thrift)
Gary Jackson)--OF COUNSEL
Jim Thelen)

Rogers & Wells
Washington, D.C.
On behalf of

Amercord, Inc.

Richard Toth, President & CEO, Amercord, Inc.

Douglas J. Heffner)--OF COUNSEL

ACSR QUALITY ROD PANEL

O'Melveny & Myers
Washington, D.C.
On behalf of

United States Alumoweld Co., Inc.

Jerry Kerns, Marketing/Sales Manager United States Alumoweld Co., Inc.

F. Amanda DeBusk)--OF COUNSEL
Tersa Dawson)

CANADIAN PANEL

Roger & Wells
Washington, D.C.
On behalf of

IVACO, Inc.

John Metrakos, Director of Marketing and Raw Materials, IVACO, Inc.

David Goldsmith, Manager of Planning & Development, IVACO Rolling Mills

William Silverman)
)--OF COUNSEL
Douglas J. Heffner)

Cameron & Hornbostel
Washington, D.C.
On behalf of

Stelco, Inc.

Donald K. Belch, Director of Government Relations

William G. Missen, General Sales Manager, Wire Rods

Michael J. Moulden, Sales Manager, Wire Rods

Paul Brancanccio, Vice President of Operations, Windsor Machine & Stamping

William Fraser, Director of PUrchasing, Lincoln Electric

Alexander W. Sierck)
)--OF COUNSEL
David W. Phillips)

CANADIAN PANEL--Cont.

Cameron & Hornbostel
Washington, D.C.
On behalf of

Sidbec-Dosco, Inc.

J.-Pierre Picard, Vice President, Marketing & Sales
Sidbec-Dosco, Inc.

Larbi Belarbi, Director, Marketing & Administration
Sidbec-Dosco, Inc.

John A. Dixon, General Manager, Wire Rod,
Sidbec-Dosco, Inc.

John Ireland, Senior Metallurgist, Sidbec-Dosco, Inc.

William K. Ince)
)--OF COUNSEL
Michele C. Sherman)

JAPANESE PANEL

Willkie Farr & Gallagher
Washington, D.C.
On behalf of

Kobe Steel, Ltd.

Robert Kaminski, Continental/Midland, Inc.

Christopher Dunn)--OF COUNSEL

BRAZILIAN PANEL

Baker & McKenzie
Washington, D.C.
On behalf of

Siderurgica Mendes Junior SA

Brian Kelly, President, Brian Kelly, Inc.

B. Thomas Peele III)--OF COUNSEL

CALENDAR OF THE PUBLIC CONFERENCE

Subject: CERTAIN STEEL WIRE ROD FROM BELGIUM AND GERMANY
701-TA-359 (Preliminary) and 731-TA-686-687 (Preliminary)

Time and Date: March 4, 1993 - 9:30 a.m.

Sessions were held in connection with the investigations in the Main Hearing Room 101 of the United State International Trade Commission, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Wiley, Rein & Fielding
Washington, DC
On behalf of

William A. Neathery, Vice President for Sales
Connecticut Steel Co.

Charles Owen Verrill, Jr.)
)--OF COUNSEL
Willis S. Martyn)

In Opposition to the Imposition of Antidumping Duties:

Sharretts, Paley, Carter, & Blauvelt
Washington, DC
On behalf of

Thyssen Steel Group

Ned H. Marshak)--OF COUNSEL

Grunfeld, Desiderio, Lebowitz & Silverman
Washington, DC
On behalf of

Saarstahl AG

David L. Simon)
)--OF COUNSEL
Jeffrey Grimson)

Additional Parties

Ackerson & Bishop
Washington, DC
On behalf of

American Wire Producers Association
Kimberly A. Korbel, Executive Director

Roy Goldberg)--OF COUNSEL

Hogan & Hartson
Washington, DC
Womble, Carlyle, Sandridge & Rice
Winston-Salem, NC
On behalf of

Michelin Tire Corporation
Roy Chamblee, Senior Attorney
Irwin Wall, Vice President, Raw Materials Purchasing

Ashley Thrift)
)--OF COUNSEL
T. Clark Weymouth)

Pettit & Martin
Washington, DC
On behalf of

MGF Industries, Inc.
William Kringel, Vice President

John H. Korns)--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Certain steel wire rod: Summary data concerning the U.S. market, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit COGS are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1990	1991	1992	1992	1993	1990-92	1990-91	1991-92	Jan.-Sept. 1992-93
U.S. consumption quantity:									
Amount	5,771,321	5,629,910	6,037,508	4,650,393	4,887,724	+4.6	-2.5	+7.2	+5.1
Producers' share 1/	84.2	86.8	83.5	83.1	83.7	-0.7	+2.7	-3.4	+0.6
Importers' share: 1/									
Brazil	1.2	0.4	1.5	1.7	0.9	+0.3	-0.9	+1.1	-0.8
Canada	6.5	7.2	8.9	8.7	8.3	+2.4	+0.7	+1.8	-0.5
Japan	1.9	1.6	1.5	1.4	1.5	-0.4	-0.3	-0.1	2/
Subtotal	9.6	9.1	11.9	11.9	10.7	+2.3	-0.5	+2.8	-1.2
Belgium	3/	3/	3/	3/	.5	2/	2/	2/	+0.5
Germany	.2	.3	.5	.4	1.5	+0.4	+0.2	+0.2	+1.1
Subtotal	9.8	9.5	12.5	12.3	12.6	+2.7	-0.3	+3.0	+0.3
Other sources	6.0	3.7	4.1	4.7	3.8	-2.0	-2.4	+0.4	-0.9
Total	15.8	13.2	16.5	16.9	16.3	+0.7	-2.7	+3.4	-0.6
U.S. consumption value:									
Amount	1,971,489	1,838,025	1,926,078	1,380,434	1,626,901	-2.3	-6.8	+4.8	+17.9
Producers' share 1/	81.7	84.4	81.2	79.4	80.6	-0.6	+2.6	-3.2	+1.1
Importers' share: 1/									
Brazil	1.1	0.3	1.3	1.6	0.9	+0.2	-0.7	+1.0	-0.7
Canada	7.6	8.1	10.0	10.5	9.7	+2.5	+0.5	+1.9	-0.8
Japan	3.0	2.8	2.6	2.7	2.5	-0.4	-0.2	-0.2	-0.1
Subtotal	11.6	11.2	13.9	14.8	13.1	+2.3	-0.4	+2.7	-1.7
Belgium	3/	3/	3/	3/	.4	2/	2/	2/	+0.4
Germany	.3	.4	.6	.5	1.6	+0.3	+0.1	+0.2	+1.0
Subtotal	11.9	11.6	14.5	15.4	15.1	+2.6	-0.3	+2.9	-0.3
Other sources	6.3	4.0	4.3	5.2	4.4	-2.0	-2.3	+0.3	-0.8
Total	18.3	15.6	18.8	20.6	19.4	+0.6	-2.6	+3.2	-1.1
U.S. importers' imports from--									
Brazil:									
Imports quantity	70,502	19,825	90,073	78,605	43,857	+27.8	-71.9	+354.3	-44.2
Imports value	21,108	6,039	25,103	21,980	13,896	+18.9	-71.4	+315.7	-36.8
Unit value	$299	$305	$279	$280	$317	-6.9	+1.7	-8.5	+13.3
Ending inventory qty	***	***	***	***	***	***	***	***	***
Canada:									
Imports quantity	376,005	403,788	539,735	406,611	404,727	+43.5	+7.4	+33.7	-0.5
Imports value	149,120	148,392	192,896	145,480	157,645	+29.4	-0.5	+30.0	+8.4
Unit value	$397	$367	$357	$358	$390	-9.9	-7.3	-2.8	+8.9
Ending inventory qty	2	151	***	***	***	***	***	***	***
Japan:									
Imports quantity	109,328	91,112	89,974	66,466	72,014	-17.7	-16.7	-1.2	+8.3
Imports value	59,443	51,982	49,785	36,972	41,162	-16.3	-12.6	-4.3	+11.3
Unit value	$544	$571	$553	$556	$572	+1.7	+4.9	-3.1	+2.8
Ending inventory qty	10,963	5,793	3,629	5,628	6,972	-66.9	-47.2	-37.4	+23.9
Brazil, Canada, and Japan:									
Imports quantity	555,835	514,725	719,782	551,682	520,598	+29.5	-7.4	+39.8	-5.6
Imports value	229,671	206,413	267,784	204,432	212,703	+16.6	-10.1	+29.7	+4.0
Unit value	$413	$401	$372	$371	$409	-10.0	-2.9	-7.2	+10.3
Ending inventory qty	10,965	7,100	5,956	9,545	7,455	-45.7	-35.2	-16.1	-21.9
Belgium:									
Imports quantity	111	171	1,357	1,028	23,231	5/	+54.1	+693.6	5/
Imports value	43	62	551	389	7,065	5/	+44.2	+788.7	5/
Unit value	$387	$361	$406	$378	$304	+4.9	-6.7	+12.4	-19.6
Ending inventory qty	-	-	-	-	-	-	-	-	-
Germany:									
Imports quantity	9,625	19,222	32,360	17,992	71,819	+236.2	+99.7	+68.3	+299.2
Imports value	5,105	7,016	11,114	7,192	25,226	+117.7	+37.4	+58.4	+250.8
Unit value	$530	$365	$343	$400	$351	-35.2	-31.2	-5.9	-12.1
Ending inventory qty	***	-	-	-	-	***	***	-	-
Subject sources:									
Imports quantity	565,571	534,118	753,499	570,701	615,648	+33.2	-5.6	+41.1	+7.9
Imports value	234,819	213,491	279,449	212,013	244,995	+19.0	-9.1	+30.9	+15.6
Unit value	$415	$400	$371	$371	$398	-10.7	-3.7	-7.2	+7.1
Ending inventory qty	***	***	***	***	***	***	***	***	***
Other sources:									
Imports quantity	347,497	206,458	245,116	216,716	183,334	-29.5	-40.6	+18.7	-15.4
Imports value	125,153	73,760	83,374	71,819	71,019	-33.4	-41.1	+13.0	-1.1
Unit value	$360	$357	$340	$331	$387	-5.6	-0.8	-4.8	+16.9
Ending inventory qty	-	-	-	-	-	-	-	-	-
All sources:									
Imports quantity	913,068	740,576	998,615	787,417	798,982	+9.4	-18.9	+34.8	+1.5
Imports value	359,972	287,250	362,823	283,832	316,014	+0.8	-20.2	+26.3	+11.3
Unit value	$394	$388	$363	$360	$396	-7.8	-1.6	-6.3	+9.7

Continued.

Table C-1--Continued
Certain steel wire rod: Summary data concerning the U.S. market, 1990-92, Jan.-Sept. 1992, and Jan.-Sept. 1993

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit COGS are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1990	1991	1992	1992	1993	1990-92	1990-91	1991-92	Jan.-Sept. 1992-93
U.S. producers'--									
Average capacity quantity..	5,962,061	6,030,777	6,040,294	4,593,248	4,508,165	+1.3	+1.2	+0.2	-1.9
Production quantity.....	4,998,764	5,031,734	5,127,114	3,929,239	4,135,313	+2.6	+0.7	+1.9	+5.2
Capacity utilization 1/....	83.8	83.4	84.9	85.5	91.7	+1.0	-0.4	+1.4	+6.2
U.S. shipments:									
Quantity.....	4,858,253	4,889,334	5,038,893	3,862,976	4,088,742	+3.7	+0.6	+3.1	+5.8
Value.....	1,611,517	1,550,775	1,563,255	1,096,602	1,310,977	-3.0	-3.8	+0.8	+19.5
Unit value.....	$332	$317	$310	$284	$321	-6.5	-4.4	-2.2	+12.9
Export shipments:									
Quantity.....	97,834	134,098	100,116	49,864	60,303	+2.3	+37.1	-25.3	+20.9
Exports/shipments 1/.....	2.0	2.7	1.9	1.3	1.5	7/	+0.7	-0.7	+0.2
Value.....	25,730	34,967	27,166	13,816	16,736	+5.6	+35.9	-22.3	+21.1
Unit value.....	$263	$261	$271	$277	$278	+3.2	-0.9	+4.1	+0.2
Ending inventory quantity..	175,304	174,506	159,883	183,295	147,040	-8.8	-0.5	-8.4	-19.8
Inventory/shipments 1/.....	3.5	3.5	3.1	3.5	2.7	-0.4	-0.1	-0.4	-0.9
Production workers.....	3,771	3,643	3,606	3,613	3,310	-4.4	-3.4	-1.0	-8.4
Hours worked (1,000s).....	7,572	7,435	7,097	5,668	5,505	-6.3	-1.8	-4.5	-2.9
Total comp. ($1,000).....	193,251	195,105	196,790	149,578	149,691	+1.8	+1.0	+0.9	+0.1
Hourly total compensation..	$25.52	$26.24	$27.73	$26.39	$27.19	+8.6	+2.8	+5.7	+3.0
Productivity (tons/hour)...	0.619	0.634	0.678	0.650	0.693	+9.4	+2.3	+6.9	+6.7
Unit labor costs.....	$41.21	$41.42	$40.92	$40.60	$39.22	-0.7	+0.5	-1.2	-3.4
Net sales--									
Quantity.....	4,668,980	4,779,859	4,866,844	3,673,638	3,894,959	+4.2	+2.4	+1.8	+6.0
Value.....	1,524,551	1,487,851	1,488,654	1,118,043	1,226,621	-2.4	-2.4	+0.1	+9.7
Cost of goods sold (COGS)..	1,404,712	1,376,946	1,387,536	1,035,275	1,135,277	-1.2	-2.0	+0.8	+9.7
Gross profit (loss).....	119,839	110,905	101,118	82,768	91,344	-15.6	-7.5	-8.8	+10.4
SG&A expenses.....	42,974	45,245	46,318	32,811	35,598	+7.8	+5.3	+2.4	+8.5
Operating income (loss)....	76,865	65,660	54,800	49,957	55,746	-28.7	-14.6	-16.5	+11.6
Capital expenditures.....	40,601	32,540	35,268	21,514	20,675	-13.1	-19.9	+8.4	-3.9
Unit COGS.....	$301	$288	$285	$282	$291	-5.2	-4.3	-1.0	+3.4
COGS/sales 1/.....	92.1	92.5	93.2	92.6	92.6	+1.1	+0.4	+0.7	7/
Op.income (loss)/sales 1/..	5.0	4.4	3.7	4.5	4.5	-1.4	-0.6	-0.7	+0.1

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.
2/ An increase of less than 0.05 percentage points.
3/ Positive figure, but less than significant digits displayed.
4/ Not applicable.
5/ An increase of 1,000 percent or more.
6/ Not available.
7/ A decrease of less than 0.05 percentage points.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded figures, using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce (as revised by the ITC staff).

APPENDIX D

PURCHASERS' RESPONSES REGARDING ALLOCATIONS

Table D-1
List of purchasers on allocations, their suppliers, and time period of allocations

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APPENDIX E

DEFINITIONS OF SPECIALIZED PRODUCTS

PRODUCT DESCRIPTIONS

Suspension spring quality wire rod.--Steel wire rod measuring 7.9 mm to 18.0 mm in diameter with carbon content of 0.48 percent to 0.73 percent and silicon content of no less than 1.0 percent, and certified as having seams and partial
decarburization of no more than 0.125 mm in depth.

Aluminum cable steel reinforced ("ACSR") quality wire rod.--Steel wire rod processed by heat treating on an in-line fused salt bath patenting ("DLP") process at the wire rod producer, within a tensile strength tolerance range of plus or minus 5 kgf/mm from tensile specifications consisting of (1) 95 kgf/mm for AISI grade 1045 wire rod, 7.5 mm in diameter; (2) 92 kgf/mm for AISI grade 1045 wire rod, 9.5 mm in diameter; (3) 100 kgf/mm for AISI grade 1050, 7.5 mm in diameter; (4) 98 kgf/mm for AISI grade 1050 wire rod, 9.5 mm in diameter; having a size tolerance of plus or minus 0.30 mm and ovality no more than 0.30 mm.

Wire rod for needle bearing applications.--High carbon steel wire rod 5.5 mm to 18.0 mm in diameter, meeting the requirements of ASTM standard A295, with the following additional requirements: carbon content between 0.80 percent and 0.93 percent, manganese content between 0.70 percent and 1.00 percent, and maximum oxygen content of 15 ppm.

Low residual welding quality wire rod.--Welding quality steel wire rod with low residual levels, i.e. a maximum of 0.05 percent of copper, 0.010 percent phosphorus, 0.010 percent sulfur, and 0.05 percent nickel, drawable from 5.5 mm rod to less than 0.9 mm (0.035 inch) and as low as 0.6 mm (0.025 inch) without heat treatment, and with reduction of area at tensile break in excess of 80 percent.

Wire rod of tire cord quality.--Steel wire rod qualified by customers for use in tire cord applications that is 5.5 mm in diameter or less, with a tensile strength greater than or equal to 1040 MPa with the following additional chemical requirements, by weight: between 0.68 percent and 0.79 percent carbon, less than 0.0055 percent aluminum, less than 0.040 percent phosphorus plus sulfur, and nitrogen less than 0.006 percent.

1005 modified aluminum killed wire rod for flux-cored electrodes.--Steel wire rod measuring 5.5 mm in diameter with a specified carbon content of between 0.03 percent and 0.06 percent. A minimum of 30 percent of all heats received must be 0.03 percent carbon, 60 percent between 0.03 percent and 0.05 percent carbon, and a maximum of 10 percent of the heats 0.05 percent to 0.06 percent carbon. The specified aluminum content is 0.03 percent to 0.06 percent.

Cold-heading quality wire rod for high-quality fasteners.--Steel wire rod meeting the following specifications: AISI grades 1022, 1541, and 4037, measuring 7/32 inch to 9/16 inch in diameter for the production of trimmed hex head, hex flange or hex washer head fasteners, recessed head fasteners, and highly engineered fastener quality products including critical safety related parts.

Wire rod produced from rimmed steel.--Low-carbon, nonkilled, ingot cast steel wire rod.

APPENDIX F

COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE IMPACT OF IMPORTS OF CERTAIN STEEL WIRE ROD FROM BELGIUM, BRAZIL, CANADA, GERMANY, AND/OR JAPAN ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND/OR EXISTING DEVELOPMENT AND PRODUCTION EFFORTS

In the final investigations concerning imports from Brazil, Canada, and Japan, the Commission requested U.S. producers to describe any actual or anticipated negative effects of certain steel wire rod from those countries on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. *** replied "no" to all questions. The responses of the eight other producers are as follows:

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In the preliminary investigations concerning imports from Belgium and Germany, the Commission requested U.S. producers to describe any actual or anticipated negative effects of certain steel wire rod from those countries on their growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product. *** replied "no" to all questions. The responses of the seven other producers are as follows:

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