

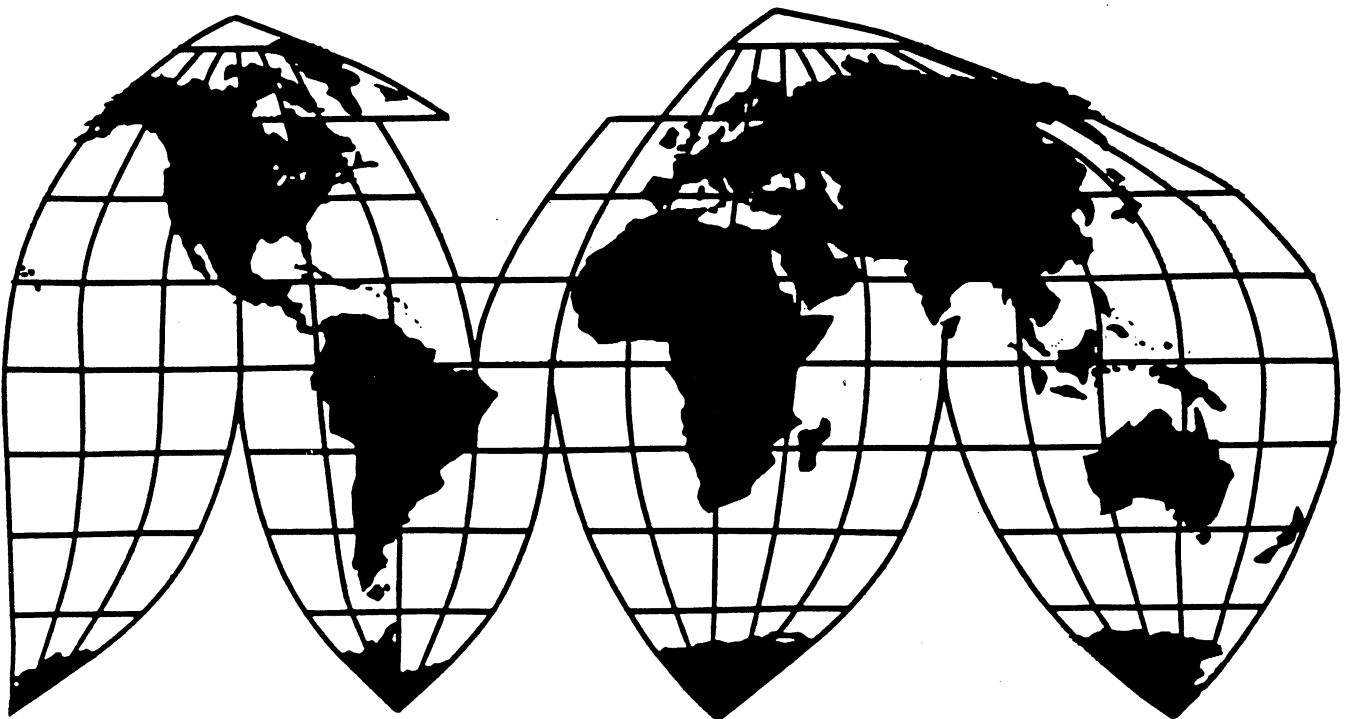
Certain Steel Wire Rod From Canada, Germany, Trinidad and Tobago, and Venezuela

Investigations Nos. 701-TA-368-371 (Preliminary) and
731-TA-763-766 (Preliminary)

Publication 3037

April 1997

U.S. International Trade Commission



Washington, DC 20436

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-368-371 and 731-TA-763-766 (Preliminary)

**Certain Steel Wire Rod
From Canada, Germany, Trinidad & Tobago, and Venezuela**

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a) and 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada, Germany, Trinidad & Tobago,² and Venezuela of certain steel wire rod, provided for in subheadings 7213.91.30, 7213.91.45, 7213.91.60, 7213.99.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Governments of Canada, Germany, Trinidad & Tobago, and Venezuela and/or sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, as amended in 61 FR 37818 (July 22, 1996), the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final

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 Commissioner Crawford found in the negative with respect to Trinidad & Tobago.

phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On February 26, 1997, a petition was filed with the Commission and the Department of Commerce by counsel for Connecticut Steel Corp., Wallingford, CT; Co-Steel Raritan, Perth Amboy, NJ; GS Industries, Inc., Georgetown, SC; Keystone Steel & Wire Co., Peoria, IL; North Star Steel Texas, Inc., Beaumont, TX; and Northwestern Steel & Wire, Sterling, IL, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized and LTFV imports of certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela. Accordingly, effective February 26, 1997, the Commission instituted countervailing duty investigations Nos. 701-TA-368-371 (Preliminary) and antidumping investigations No. 731-TA-763-766 (Preliminary).

Notice of the institution of the Commission's investigations and of a public 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 March 6, 1997 (62 FR 10292). The conference was held in Washington, DC, on March 19, 1997, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain steel wire rod from Canada, Germany, Trinidad and Tobago,¹ and Venezuela that are allegedly subsidized and sold in the United States at less than fair value (“LTFV”).

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, or threatened with material injury, by reason of the allegedly LTFV or subsidized imports.² In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”³

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the “domestic like product” and the “industry.”⁴ Section 771(4)(A) of the Tariff Act of 1930, as amended, (“the Act”) defines the relevant industry as the “producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁵ In turn, the Act defines “domestic 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.”⁶

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁷ No single factor is dispositive, and the Commission may consider other factors it

¹ Commissioner Crawford finds that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain steel wire rod from Trinidad and Tobago. She joins these views in all other respects. *See Dissenting Views of Commissioner Carol T. Crawford.*

² 19 U.S.C. §§ 1671b(a) and 1673b(a); *see also American Lamb Co. v. United States*, 785 F.2d 994 (Fed. Cir. 1986).

³ *American Lamb*, 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

⁴ 19 U.S.C. § 1677(4)(A).

⁵ *Id.*

⁶ 19 U.S.C. § 1677(10).

⁷ *See, e.g., Nippon Steel Corp. v. United States*, Slip Op. 95-57 at 11 (Ct. Int’l Trade Apr. 3, 1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2)

(continued...)

deems relevant based on the facts of a particular investigation.⁸ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.⁹ Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise that is subsidized and sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁰

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations, as:

certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.0 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for a) stainless steel; b) tool steel; c) high nickel steel; d) ball bearing steel; e) free machining steel that contains by weight 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; or f) concrete reinforcing bars and rods.¹¹

Commerce also excluded the following products from the scope of these investigations:

- Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorus plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as "Tire Cord Wire Rod."

⁷ (...continued)

interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. *See Nippon Steel* at 11 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

⁸ *See, e.g.*, S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

⁹ *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991).

¹⁰ *Hosiden Corp. v. Advanced Display Manufacturers*, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Torrington*, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

¹¹ 62 Fed. Reg. 13854 (March 24, 1997) (antidumping investigations); 62 Fed. Reg. 13858 (March 24, 1997) (countervailing duty investigations).

- Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth; containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as “Valve Spring Quality Wire Rod.”¹²

The imported products covered by these investigations may generally be described as semifinished steel products produced by casting and hot rolling steel billets into irregularly wound coils which are then drawn into wire or made into small parts by downstream processors.¹³ The numerous types of steel wire rod are differentiated by their chemistry, diameter, and mechanical properties. These variations are imparted by differences in the raw materials used to produce the steel and by variations in the production process. Specifications of chemical composition, physical properties and thermal treatments are published by the American Iron and Steel Institute (AISI), the American Society for Testing and Materials (ASTM), the Society of Automotive Engineers (SAE), and the Industrial Fasteners Institute (IFI).¹⁴

Most of the steel wire rod consumed in the United States is sold on the basis of its carbon content and certain industry-recognized “quality grades.” Most rod is produced from AISI 1000 series carbon steel, ranging from series 1006 to 1095, the last two digits of which represent the carbon content of the steel.¹⁵ The industry-recognized quality grades refer to the intended end use of the wire rod and include industrial quality, fine wire quality, cold heading quality, welding quality, chain quality, and others.¹⁶ There is some relationship between the quality grades and the carbon content series. For instance, most, but not all, industrial quality rod is produced from low- or medium- carbon content steel. Together, the industry-recognized quality designation and the AISI carbon content designation indicate a purchasing specification. Within these ranges, there are hundreds of different products, varying in their metallurgical, physical and mechanical properties. Moreover, end-users may request modifications of standard grade and quality specifications to achieve a specific performance.¹⁷

C. Domestic Like Product Issues in These Investigations

We base our domestic like product determination on the record in these investigations and are not bound by prior determinations concerning the same imported products.¹⁸ We note, however, that in the most recent prior investigations of steel wire rod, the Commission concluded that there were no clear dividing lines among the myriad steel wire rod products produced by the domestic industry and found a single like product corresponding to the imported products within the scope.¹⁹ Although petitioners argue

¹² Id.

¹³ Confidential Report (“CR”) at I-5, I-9-I-10, Public Report (“PR”) at I-4, I-7.

¹⁴ CR at I-5-I-7, PR at I-4-I-6.

¹⁵ CR at I-5, PR at I-4.

¹⁶ CR at I-5, I-7, PR at I-4, I-6.

¹⁷ CR at I-5-I-6, PR at I-4-I-5.

¹⁸ Nippon Steel, Slip Op. 95-57 at 11; Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (Ct. Int’l Trade 1988).

¹⁹ See Certain Steel Wire Rod from Brazil, Canada, Japan, and Trinidad and Tobago, Inv. Nos. 731-TA-646-649 (Preliminary), USITC Pub. 2647 at 7-9 (June 1993); Certain Steel Wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761 at I-6-I-9 (March 1994); Certain Steel Wire Rod from Belgium and Germany, Inv. Nos. 701-TA-359 and 731-TA-686-687 (Preliminary), USITC Pub. 2760 at 7 (March 1994).

that the Commission should again adopt a single domestic like product coextensive with the scope,²⁰ the scope of these investigations differs from that in the 1993-1994 investigations, because petitioners have excluded at least one product that was included in the scope and the like product in the previous investigations (regular-tensile tire cord wire rod), and are proposing to exclude another (class-3 pipe wrap quality steel wire rod). Moreover, various respondents and purchasers have proposed multiple domestic like products.

In the following sections, we consider four domestic like product issues: (1) whether industrial quality and standard quality wire rod are separate like products (including the related question whether cold heading quality ("CHQ") wire rod is a separate like product from all other steel wire rod); (2) whether coiled wire rod and coiled bar are separate like products; (3) whether the domestic like product includes tire cord wire rod; and (4) whether the domestic like product includes wire rod for the production of class-3 pipe wrap wire.

For the reasons discussed below, we find a single domestic like product, "certain steel wire rod," consisting of all products within the scope description (including coiled bar 19 mm or less in diameter, CHQ rod, and class-3 pipe wrap quality wire rod), plus tire cord wire rod.

1. **Whether "Industrial (Standard) Quality" and "Special (High) Quality" Steel Wire Rod Are Separate Like Products**

Respondents Brandenburger Elektrostahlwerke GmbH, Saarstahl AGiK, and Walzdraht Hochfeld GmbH ("the Brandenburger respondents"), three German producers of certain steel wire rod, argue that the Commission should find two domestic like products in these investigations: (1) industrial (standard) quality wire rod ("IQ") and (2) special (high) quality wire rod ("SQ").²¹ Similarly, MGF Industries, Inc. ("MGF"), a purchaser of CHQ steel wire rod, argues that CHQ is a separate domestic like product from other carbon and alloy steel wire rod.²² CHQ wire rod is a subset of the category of products the Brandenburger respondents have called "special quality."²³ Petitioners argue that steel wire rod consists of a continuum of products and that there are no clear dividing lines among the various kinds of steel wire rod.²⁴

²⁰ Transcript of Commission Staff Conference (March 19, 1997) ("Conf. Tr.") at 81-82; Petitioners' Postconference Brief (March 24, 1997) at 5. Petitioners in these investigations are Connecticut Steel Corp., Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc., and Northwestern Steel & Wire.

²¹ Postconference Brief on Behalf of Brandenburger Elektrostahlwerke GmbH, Saarstahl AGiK, and Walzdraht Hochfeld GmbH (March 24, 1997) ("Brandenburger Postconference Brief") at 3-16. The Brandenburger respondents' definition of the term "IQ" does not correspond to the definition of IQ adopted in our questionnaires and report.

²² Postconference Brief of MGF Industries, Inc. (March 24, 1997) at 3-4.

²³ Conf. Tr. at 242-243; Brandenburger Postconference Brief at 3 n.4.

²⁴ Petitioners' Postconference Brief, Annex C at 1-5, 11-14. With the exception of the Brandenburger respondents and Canadian producer Stelco (whose arguments are discussed below), respondents have indicated that they do not challenge petitioners' proposed domestic like product for purposes of these preliminary investigations. Conf. Tr. at 196; Postconference Brief on Behalf of Ivaco Rolling Mills and Sidbec-Dosco (Ispat), Inc. (March 24, 1997) ("Ivaco/Sidbec Postconference Brief") at B-29 n. 115.

a. Physical Characteristics and Uses

As noted above, the domestic industry produces hundreds of steel wire rod products by using varying combinations of quality grades, carbon content series, diameter, and other features.²⁵ There are low-end products, such as industrial grade or mesh grade wire rod, which are characterized by relatively high levels of impurities, more surface imperfections, and less precise mechanical qualities. There are also universally recognized high-end products like tire cord, tire bead and some grades of CHQ wire rod, which are characterized by extremely low levels of impurities, precise metallurgical and mechanical properties, and minimal surface imperfections. Low-end industrial quality wire rod is generally used in applications that do not require low impurities, strict control of surface imperfections, or other exacting specifications, such as undeformed concrete reinforcing rods, welded concrete wire mesh, and bulk nails. High-end wire rod is generally used in applications that require greater purity and uniformity, such as tire cord, prestressed concrete strand, and automotive fasteners.²⁶

While there are many individual uses of steel wire rod, each of which requires rod meeting particular specifications, the vast majority of steel wire rod from low-end to high-end must be drawn into wire before it can be used in any of these applications.²⁷ Specifications for various end-use applications overlap and tend to shift over time, resulting in a fairly even distribution of production along the quality spectrum, rather than a concentration of products at the high and low ends.²⁸

b. Interchangeability; Producer and Customer Perceptions

The lower quality products cannot be used in high-end applications because they do not satisfy the exacting specifications required by end users. The higher quality products could technically be used in some low-end applications, but are not so used because of their greater cost. In general, however, virtually all steel wire rod is produced to customer specifications for a particular end use, which limits interchangeability across the entire range of products. Such interchangeability as is evident, moreover, often occurs between products the Brandenburger respondents have characterized as IQ and SQ. For example, some customers purchase industrial quality rod rather than CHQ rod for less-demanding heading applications, reflecting the fact that the CHQ category is itself a fairly broad range of products suited to multiple applications.²⁹ Thus, both producers and purchasers appear to view certain steel wire rod as a continuum of products.³⁰

c. Channels of Distribution

The vast majority of steel wire rod is sold directly from the manufacturer to end users, both independent and captive, most of which draw the rod into wire and wire products. Wire producers

²⁵ CR at I-5-I-6, PR at I-4-I-5.

²⁶ CR at I-7-I-8, PR at I-5-I-6.

²⁷ CR at I-6, PR at I-5.

²⁸ CR at I-6, I-7, I-14-I-15, PR at I-5-I-6, I-9-I-11.

²⁹ CR at I-6, I-8, I-14-I-15, PR at I-5, I-10-I-11; Petitioners' Postconference Brief, Annex C at 3; Conf. Tr. at 75, 88-89.

³⁰ Aside from MGF, none of the many customers who testified at the conference or submitted written materials indicated support for the Brandenburger respondents' description of a market divided into two distinct product groups.

purchase rod in a variety of specifications in order to produce multiple wire products.³¹ The vast majority of domestic steel wire rod is produced to customer order rather than for inventory, even in the lower grades.³²

d. Common Manufacturing Facilities, Employees and Methods

Each domestic producer manufactures all of its steel wire rod in the same facility, utilizing the same equipment and the same employees.³³ Essential differences among the various types of rod are imparted by varying the raw materials used to produce the steel and by modifying the rolling and cooling of the rod.

In recent years, a number of domestic producers have invested in mill modernizations which have enhanced their ability to produce rod at the high-end of the quality spectrum. Rather than creating a distinction between high-end and low-end products, however, the recently completed or ongoing process improvements within the domestic industry have resulted in improved product quality in all grades and end-use categories, such that even in low-end applications products previously considered acceptable would not be acceptable to purchasers today.³⁴

e. Price

Although the highest-quality niche products sell at considerably higher prices than the lowest-quality industrial grade products, the pricing data gathered in these preliminary investigations reflects a range of prices rather than two distinct groups. With respect to CHQ in particular, reported prices were higher on average than for IQ, welding quality or oil-tempered rod.³⁵ However, tire cord wire rod is more expensive than CHQ rod, proving that CHQ is not alone at the top of the price spectrum.³⁶

f. Conclusion

While there are many different specifications for particular wire rod products, in our view the record describes a broad continuum of products and does not establish a clear dividing line between separate high-end and low-end product groups such as “special quality” and “industrial quality” steel wire rod. We therefore find that certain steel wire rod is a single domestic like product.

2. Whether Coiled Rod and Coiled Bar Are Separate Like Products

The scope of these investigations includes all hot-rolled carbon and alloy steel products, in coils, that satisfy the other specified physical and metallurgical criteria and are not expressly excluded. Thus,

³¹ CR at I-10, II-1, PR at I-8, II-1.

³² CR at III-14, PR at III-6; Conf. Tr. at 59.

³³ CR at I-9-I-10, PR at I-7. Some domestic producers may specialize to some extent, but still produce a wide range of products at each facility. Conf. Tr. at 56-57.

³⁴ CR at I-6, PR at I-5; Conf. Tr. at 13-15, 18-20, 24-25, 25-26, 38-40, 49-53, 136-137; Postconference Brief on Behalf of the American Wire Producers’ Association (March 24, 1997) (“AWPA Postconference Brief”) at 27-29 and Exhibit 15.

³⁵ See Tables V-1-V-9, CR at V-10-V-18, PR at V-9-V-10.

³⁶ CR at I-15, PR at I-11; Conf. Tr. at 140.

the scope includes coiled bar 19 mm or less in diameter. Respondent Stelco, Inc., a Canadian producer and the only participating foreign producer that imports a coiled bar product within the scope, argues that the Commission should define two domestic like products corresponding to coiled rod products within the scope and coiled bar products within the scope.³⁷ Petitioners contend that coiled bar 19 mm or less in diameter is part of the same like product as wire rod.³⁸

a. Physical Characteristics and Uses

There is no single accepted definition of either steel wire rod or bar. In general, a product that comes off a rod mill is sold as rod and a product that comes off a bar mill is sold as bar. It is generally agreed that steel bar tends to be thicker than steel wire rod.³⁹ Steel wire rod is always produced in round cross sections, while steel bar may be round, hexagonal, square or other convex shapes.⁴⁰ In addition, ASTM and AISI specifications require steel bar to have fewer surface imperfections and tighter dimensional tolerances than steel wire rod.⁴¹

Recent developments in production methods and technology, discussed below, have increased the range of overlap between bar and rod diameters.⁴² In addition, improvements in process controls for rod mills have resulted in a number of high-end steel wire rod products, like some CHQ grades and tire bead quality rod, produced to specifications that meet or surpass the chemical and dimensional tolerances typically associated with steel bar.⁴³ Thus, domestic producers are making products on rod and bar mills that fall within the same ranges of diameter, chemistry, dimensional tolerance, and other characteristics.

b. Interchangeability

About 10 percent of U.S. demand for wire rod is for cold heading applications in which, instead of being drawn into wire, the rod is fabricated directly into small parts. Small-diameter bar is also used in cold-heading applications and is interchangeable with rod in at least some of those applications.⁴⁴ Moreover, there is evidence that some hybrid rod/bar products are being sold for drawing into wire.⁴⁵

³⁷ Postconference Brief on Behalf of Stelco, Inc. (March 24, 1997) ("Stelco Postconference Brief") at 1-19.

³⁸ Petitioners' Postconference Brief, Annex C at 6-11. None of the other respondents has taken a position on this issue, although Ivaco and Sidbec-Dosco have indicated that they "do not oppose" Stelco's request for a separate like product for coiled bar. Ivaco/Sidbec Postconference Brief at B-29 n.115.

³⁹ Rod mills have traditionally produced products up to about $\frac{3}{4}$ inch in diameter (19 mm), with the bulk of their production below $\frac{1}{2}$ inch (12.7 mm), while bar mills have produced products above 19 mm and can produce coiled products up to about 2 inches in diameter. Conf. Tr. at 82-83, 193-94; CR at I-5, I-11, PR at I-4, I-8.

⁴⁰ Conf. Tr. at 90.

⁴¹ CR at I-11, PR at I-8; Conf. Tr. at 190. "Dimensional tolerance" refers to the amount by which the bar or rod is permitted to deviate from its theoretical shape and diameter.

⁴² CR at I-12, PR at I-9; Table III-2, CR at III-4-III-5 nn. 4-8, PR at III-3.

⁴³ Petitioners' Postconference Brief, Annex C at 7.

⁴⁴ For example,***. Petitioners' Postconference Brief, Annex C at 7-8; Stelco Postconference Brief at 11; Conf. Tr. at 84.

⁴⁵ Table III-2, CR at III-4 nn. 4 & 6, PR at III-3.

c. Channels of Distribution; Producer and Customer Perceptions

Both bar and rod are sold directly by manufacturers to end users, and, in the portion of the market in which rod and bar are interchangeable for certain end uses, they are being sold to the same end users to make the same downstream products, and are perceived by those purchasers as interchangeable.

d. Common Manufacturing Facilities, Employees and Methods

Recent developments in technology and production methods have blurred the traditional distinctions between rod mills and bar mills. Several domestic bar producers, including Inland Steel and USS/KOBE, have equipped their bar mills with rod rolling stands and Stelmor cooling decks normally associated with rod mills, for the production of small diameter bar. In addition, some rod producers have added sizing blocks to their rod lines, so as to manufacture to dimensional tolerances associated with bar. Manufacturers with adjacent or hybrid bar/rod lines use the same employees to produce bar and rod.⁴⁶

e. Price

In general, coiled bar is priced considerably higher than wire rod.⁴⁷ However, high quality rod products are also sold at prices far exceeding those for more common wire rod qualities.⁴⁸ Thus, while the average unit value of domestically-produced coiled rod during the period of investigation ranged from *** to *** per ton, consistent with reported prices for the highest volume IQ products, unit values for coiled bar 19 mm or less ranged from *** to *** per ton, closer to the range of reported prices for smaller volume, higher quality rods like CHQ.⁴⁹

f. Conclusion

Based on the existence of bar and rod products that share the same physical characteristics, end uses, and channels of distribution, and are produced using equipment and processes that are becoming increasingly similar, we find that certain steel wire rod and coiled bar 19 mm and below are a single domestic like product.

⁴⁶ CR at I-12-I-13, PR at I-9; Table III-2, CR at III-5 n.8, PR at III-3; Conf. Tr. at 86; Petitioners' Postconference Brief, Annex C at 10.

⁴⁷ Petitioners' Postconference Brief, Annex C at 11; Stelco's Postconference Brief at 19; Conf. Tr. at 191; CR at I-13, PR at I-9.

⁴⁸ Conf. Tr. at 81, 140.

⁴⁹ Compare Tables C-2 and C-3, CR at C-5-C-8, PR at C-3, with Tables V-1-V-9, CR at V-10-V-18, PR at V-9-V-10.

3. Whether the Like Product Includes Tire Cord Wire Rod⁵⁰

Commerce has excluded tire cord wire rod from the scope of these investigations, and petitioners argue that it should also not be included in the like product.⁵¹ None of the respondents took a position on this issue.

Tire cord steel wire rod is a high-carbon product that the downstream purchaser bunches or cables together to form a cord that is used for tread reinforcement in steel reinforcement pneumatic tires. Although tire cord is produced to fairly exacting specifications for chemistry, surface imperfections, cleanliness, and other characteristics, purchaser specifications for tire bead wire rod, a product within the scope which is used to reinforce the sidewalls of tires, prescribe many of the same processing requirements.⁵² In addition, while tire cord wire rod is the only suitable input for the production of tire cord, at least one purchaser uses tire cord wire rod to produce both tire cord and tire bead.⁵³ Like all steel wire rod, tire cord wire rod is sold by the manufacturer directly to the wire producer. The two domestic producers that currently manufacture tire cord wire rod do so using the same equipment and employees that produce all other steel wire rod.⁵⁴ While producers and consumers view tire cord as a discrete product meeting certain specifications, the same is also true for multiple steel wire rod products that are produced to specifications for particular end uses.⁵⁵ Finally, a purchaser of tire cord wire rod testified that, while tire cord is priced higher than other high quality specialty wire rod products, prices for tire cord wire rod follow the same trend as prices for other steel wire rod products.⁵⁶ For all these reasons, we find that the domestic like product in these investigations includes both regular-tensile and high-tensile tire cord wire rod.⁵⁷

⁵⁰ Vice Chairman Bragg does not join this discussion. In making a like product determination, Vice Chairman Bragg first attempts to identify a domestic product that is “like” the merchandise subject to the scope of the investigation as identified by Commerce, and only in the absence of a product that is “like” the subject merchandise does she attempt to identify a product that is “most similar in characteristics and uses.” In these investigations, Vice Chairman Bragg finds a product that is “like” the product subject to Commerce’s scope and does not find it necessary to proceed to the question of whether tire cord wire rod should be included within the like product. Nonetheless, the majority’s inclusion of tire cord wire rod in the like product does not significantly affect the data used in these investigations, and she therefore joins the majority’s discussion of other issues in these investigations, except where noted.

⁵¹ Petitioners’ Postconference Brief, Annex C at 14-15.

⁵² CR at I-15-I-16, PR at I-11; Conf. Tr. at 73-78, 139-41.

⁵³ Conf. Tr. at 77-78.

⁵⁴ CR at I-16, PR at I-11; Conf. Tr. at 79-80.

⁵⁵ Conf. Tr. at 139-41.

⁵⁶ Conf. Tr. at 141.

⁵⁷ Chairman Miller invites parties in the final phase investigations to address the appropriateness of including in the Commission’s like product definition a product which has been excluded from the scope of the investigations because petitioners “do not seek import relief for products that we [petitioners] do not produce in significant amounts.” See, Petitioners’ Postconference Brief, Annex C at 14-15.

4. Whether the Like Product Includes Class-3 Pipe Wrap Quality Wire Rod

North American Wire Products, a purchaser of class-3 pipe wrap quality wire rod, argues that such rod is a separate domestic like product.⁵⁸ Petitioners plan to amend the petition to exclude class-3 pipe wrap quality wire rod from the scope of these investigations and argue that it should not be included in the domestic like product.⁵⁹ Because Commerce has not yet amended the scope, class-3 pipe wrap quality wire rod is still within the scope. Moreover, for the reasons discussed below, we would in any event include it in the domestic like product for purposes of these preliminary investigations.⁶⁰

Like many of the myriad products included within the scope, class-3 pipe wrap quality wire rod is a high-end specialty product. Pipe wrap quality wire rod is used to produce prestressed wire for strengthening concrete pipe and is similar in chemistry to rod used for making prestressed concrete strand, another product within the scope.⁶¹ Although other rod products, including rod for the production of prestressed concrete strand, cannot be used in the production of class-3 pipe wrap wire, class-3 pipe wrap quality wire rod can sometimes be used to make PC strand and in other high carbon rod applications.⁶² There is presently no known domestic production of class-3 pipe wrap quality wire, although petitioner GS Industries did produce the product through 1995 on the same equipment and with the same workers as other steel wire rod products, and is attempting to do so again.⁶³ Class-3 pipe wrap quality wire sells at the high end of the price spectrum for steel wire rod products, but the channels of distribution are the same.⁶⁴ We therefore find that the domestic like product includes class-3 pipe wrap quality wire rod.

D. Domestic Industry and Related Parties

The Commission is directed to consider the effect of the subject imports on the industry, defined as “the producers as a [w]hole of a domestic like product.”⁶⁵ In defining the domestic industry, the Commission’s general practice has been to include in the industry all producers of the domestic like product, including toll producers, whether the product is captively consumed, or sold in the domestic

⁵⁸ Conf. Tr. at 232-33; Telephone Notes of March 11, 1997, conversation between S. Aranoff, Office of the General Counsel, and S. Kreskoff, counsel to North American Wire Products (“March 11 Telephone Notes”).

⁵⁹ Conf. Tr. at 87-88.

⁶⁰ Vice Chairman Bragg concurs that class-3 pipe wrap quality wire rod should be included within the domestic like product for purposes of the preliminary phase of these investigations. However, she does not find it necessary to conclude that she would have included this product in the domestic like product if it were not within the scope as defined by Commerce.

⁶¹ CR at I-16, PR at I-11.

⁶² March 11 Telephone Notes.

⁶³ CR at I-16, PR at I-11; March 11 Telephone Notes; Conf. Tr. at 87-88, 232-33.

⁶⁴ March 11 Telephone Notes.

⁶⁵ 19 U.S.C. §1677(4)(A).

merchant market.⁶⁶ In these investigations, we find that the domestic industry consists of all domestic producers of certain steel wire rod.⁶⁷

Two domestic producers of certain steel wire rod, Atlantic Steel Industries, Inc. ("Atlantic") and Laclede Steel Company ("Laclede") are wholly or partially owned by Ivaco, Inc., a Canadian company that also owns Canadian producer Ivaco Rolling Mills. Atlantic and Laclede ***. Atlantic, Laclede, and *** are therefore related parties,⁶⁸ and we may exclude them from the domestic industry if "appropriate circumstances" exist.⁶⁹

In 1996, Atlantic accounted for *** percent of domestic production of certain steel wire rod.⁷⁰ The record indicates that *** even though Atlantic itself is not a user of steel wire rod.⁷¹ The financial data obtained in these preliminary investigations indicate that Atlantic Steel had ***, suggesting that it has not received any significant financial benefit from either its relationship with a subject producer or ***.⁷²

In 1996, Laclede accounted for *** percent of domestic production of certain steel wire rod, although that percentage was greater in earlier years. Laclede ceased production of certain steel wire rod in April 1996, citing ***.⁷³ Laclede's direct imports and purchases of subject merchandise were equal to *** percent of its domestic production in 1994, *** percent of its domestic production in 1995, and *** percent of its domestic production in 1996 when it ceased production of certain steel wire rod ***.⁷⁴ Financial data show that Laclede performed ***, suggesting that it received no significant financial benefit from its relationship with a subject producer or its subject imports.⁷⁵

Petitioner *** imported *** short tons of subject rod from *** in 1994 and *** short tons from *** in 1996. The amount imported was equivalent to significantly less than *** percent of the company's

⁶⁶ See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996); Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Inv. Nos. 731-TA-736 and 737 (Final), USITC Pub. 2988 (Aug. 1996) at 7-8.

⁶⁷ Vice Chairman Bragg does not include producers of tire cord wire rod in the domestic industry.

⁶⁸ Table III-1, CR at III-2, PR at III-2. While Atlantic is *** by Ivaco, Ivaco *** Laclede. In cases of partial ownership, a producer is a related party if the partial owner directly or indirectly controls its operations. Neither the statute nor the legislative history establishes a numerical percentage requirement for determining control. The evidence of record supports the inference that it is Ivaco that made the decision to close Laclede's rod mill. See, e.g., CR at III-3, PR at III-1. We view this as sufficient evidence of control to treat Laclede as a related party.

⁶⁹ Factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the percentage of domestic production attributable to the importing producer; the reason the U.S. producer has decided to import the product subject to investigation; whether inclusion or exclusion of the related party will skew the data for the rest of the industry; the ratio of import shipments to U.S. production for related producers; and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). See also Open-End Spun Rayon Singles Yarn from Austria, Inv. No. 731-TA-751 (Preliminary), USITC Pub. 2999 at 7 n.39 (Oct. 1996).

⁷⁰ Table III-2, CR at III-4, PR at III-3.

⁷¹ Tables III-1 and III-3, CR at III-2 and III-6, PR at III-2 and III-3.

⁷² Table VI-3, CR at VI-4-VI-5, PR at VI-2.

⁷³ CR at III-3, PR at III-1.

⁷⁴ CR at III-3, PR at III-1; Table III-3, CR at III-6, PR at III-3.

⁷⁵ Table VI-3, CR at VI-4-VI-5, PR at VI-2.

domestic production in those years.⁷⁶ *** share of U.S. production of certain steel wire rod in 1996 was over *** percent.⁷⁷ While the financial data show that ***, the small volume of its imports relative to its total production suggest that its financial performance was not affected by its imports of the subject merchandise.⁷⁸

Because none of the related parties appears to have derived a significant benefit vis-a-vis the rest of the domestic industry from its relationship with a foreign producer or its importation, we have determined not to exclude any producers from the domestic industry in the preliminary phase of these investigations.⁷⁹

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV and subsidized imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁸⁰ 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 dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."⁸¹

A. Captive Consumption

During the period of investigation, petitioners internally consumed approximately 13 percent of their total shipments of certain steel wire rod in the production of downstream products. Conversely, an average of 80 percent of domestic production of certain steel wire rod was sold to the merchant market over the period of investigation. The remaining 7 percent was sold by domestic producers to related wire and wire products producers.⁸²

We have considered whether the captive production provision requires us to focus our analysis on the merchant market in assessing market share and the factors affecting the financial performance of the domestic industry.⁸³ Although we find that the domestic industry sold a significant amount of its

⁷⁶ Table III-3, CR at III-6, PR at III-3.

⁷⁷ Table III-1, CR at III-2, PR at III-2.

⁷⁸ Table VI-3, CR at VI-4-VI-5, PR at VI-2.

⁷⁹ In any final phase investigations, we intend to seek data segregating domestic producers' imports for their own use and imports by or for the account of related, non-captive wire producers, and to reconsider whether appropriate circumstances may exist to exclude any domestic producers from the industry.

⁸⁰ 19 U.S.C. § 1677(7)(C)(iii).

⁸¹ Id.

⁸² Table III-5, CR at III-13, PR at III-5; CR at I-10, II-1, III-5, PR at I-8, II-1, III-3.

⁸³ The captive production provision, 19 U.S.C. § 1677(7)(C)(iv), provides:

(iv) CAPTIVE PRODUCTION -- If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that --

(continued...)

production of the domestic like product on the merchant market, we need not reach the question whether the domestic industry also internally transferred a significant amount of that production because, regardless of how that issue is resolved, the captive production provision does not apply.⁸⁴

Specifically, we find that the third statutory criterion, that the domestic like product sold in the merchant market is not generally used in the production of the same downstream articles for which it is internally consumed, is not satisfied in these investigations. Petitioners testified that the grades and qualities of certain steel wire rod that they internally transfer for the captive production of wire and wire products are the same products they sell on the merchant market to independent wire and wire products producers.⁸⁵ Numerous members of the American Wire Producers Association confirmed that they compete with their steel wire rod suppliers for sales in the downstream market for wire and wire products.⁸⁶ Because certain steel wire rod that is internally transferred and certain steel wire rod that is sold on the merchant market are being used to produce the same downstream products, we find that the third criterion is not satisfied and, accordingly, that the captive production provision does not apply in these investigations.

B. Conditions of Competition

Two conditions of competition are pertinent to our analysis of the domestic industry. First, as petitioners acknowledge, domestic demand for certain steel wire rod exceeded domestic supply throughout the period of investigation. Thus, purchasers have to rely on imports to some degree to satisfy demand.⁸⁷ Second, the U.S. market for certain steel wire rod has experienced numerous supply disruptions during the period of investigation. These disruptions included planned production outages as domestic producers modernized their facilities as well as unplanned outages due to equipment failure, adverse weather conditions, and other causes. Such interruptions to manufacturing operations and related supply disruptions are common in this industry and are not unique to the period under investigation.⁸⁸ In any final investigations, however, we will attempt to quantify such outages and to obtain further information with respect to whether the outages experienced during the period were unusually extensive.

⁸³ (...continued)

(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,

(II) the domestic like product is the predominant material input in the production of that downstream article, and

(III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,

then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

⁸⁴ Commissioner Newquist takes no position on whether each of the provision's "factors" or "tests" are satisfied. He concurs, however, that in these investigations it is appropriate to assess the domestic industry as a whole.

⁸⁵ CR at III-13, PR at III-5-III-6; Conf. Tr. at 91.

⁸⁶ AWPA Postconference Brief at 23-26 and Exhibit 14; Conf. Tr. at 117, 162-63.

⁸⁷ Petitioners' Postconference Brief at 3; Conf. Tr. at 260-62.

⁸⁸ CR at III-9-III-10, PR at III-4.

C. Condition of the Industry ⁸⁹

We consider the condition of the industry against the background of rising consumption. The quantity of apparent U.S. consumption of certain steel wire rod rose from 7,612,451 short tons in 1994 to 7,763,083 short tons in 1995 and 7,799,181 short tons in 1996, for a total increase of 2.5 percent.⁹⁰ During the same period, U.S. producers' share of consumption fell from 76.7 percent in 1994 to 73.7 percent in 1995, and 73.6 percent in 1996.^{91 92}

The domestic industry's capacity to produce certain steel wire rod fell from 6,568,196 short tons in 1994 to 6,469,272 short tons in 1995, then rose to 6,489,912 short tons in 1996, a net decline of 1.2 percent. The industry's production volume fell from 5,866,132 short tons in 1994 to 5,834,222 short tons in 1995 and 5,780,556 short tons in 1996, a total decline of 1.5 percent. Capacity utilization rose from 87.4 percent in 1994 to 88.2 percent in 1995, then fell to 87.1 percent in 1996.⁹³ We view these capacity and capacity utilization data with caution, because domestic producers reported capacity on different bases, with some reporting rated capacity and others reporting actual capacity.⁹⁴

The domestic industry's total U.S. shipments of certain steel wire rod, by volume, fell from 5,842,493 short tons in 1994 to 5,719,060 short tons in 1995, then rose to 5,737,161 short tons in 1996, for an overall decline of 1.8 percent. The industry's total U.S. shipments by value rose from \$2,042,710,000 in 1994 to \$2,081,782,000 in 1995, then fell to \$1,967,42,000 in 1996, for a total decline of 3.7 percent.⁹⁵ The quantity of domestic producers' end-of-period inventories rose from 162,722 short tons in 1994 to 212,130 short tons in 1995, then fell to 193,313 short tons in 1996. Although this represents an overall increase of over 18 percent, we note that domestic producers' inventories were small relative to domestic shipments throughout the period, reflecting the fact that most steel wire rod is produced to customer order, and that most of the reported inventories were completed customer orders that had not yet been shipped.⁹⁶

The average number of production and related workers employed by the domestic industry producing certain steel wire rod fell from 3,065 in 1994 to 3,026 in 1995 and 3,017 in 1996, an overall decline of 1.6 percent. Hours worked declined from 6,683 in 1994 to 6,439 in 1995, then rose to 6,775 in 1996. Wages paid rose from \$128.5 million in 1994 to \$133.3 million in 1995 and \$134.0 million in 1996.

⁸⁹ Although Vice Chairman Bragg does not include tire cord wire rod producers in the domestic industry, she still joins in this discussion regarding the condition of the domestic industry in light of the fact that the trends and analysis are very similar. In joining this discussion she relies on the data contained in Summary Table C-1 in Appendix C of the Report.

⁹⁰ Table C-4, CR at C-9, PR at C-4.

⁹¹ Table C-4, CR at C-9, PR at C-4.

⁹² Commissioner Crawford joins her colleagues in this investigation in a discussion of the "condition of the industry" even though she does not make her determination based on industry trends. Rather, she views the discussion as a factual recitation of the data collected concerning the statutory impact factors.

⁹³ Table C-4, CR at C-10, PR at C-5.

⁹⁴ CR at III-7, PR at III-4. As indicated above, in any final phase investigations, we intend to seek data on rated capacity from all domestic producers, then quantify the effects on capacity of any production outages.

⁹⁵ Table C-4, CR at C-10, PR at C-5.

⁹⁶ Table C-4, CR at C-10, PR at C-5; CR at III-14, PR at III-6.

Productivity rose from 0.73 tons per hour in 1994 to 0.74 tons per hour in 1995, then fell to 0.70 tons per hour in 1996. Unit labor costs rose from \$26.49 in 1994 to \$28.04 in 1995 and \$28.44 in 1996.⁹⁷

The domestic industry's net sales of certain steel wire rod by volume fell from 5,792,759 short tons in 1994 to 5,788,257 short tons in 1995 and to 5,719,964 short tons in 1996, an overall decline of 1.3 percent. Net sales value rose from \$2,069,229,000 in 1994 to \$2,158,561,000 in 1995, then fell to \$2,007,140,000 in 1996, for an overall decline of 3.0 percent. The domestic industry's profitability declined over the period of investigation. Gross profits rose from \$201.3 million in 1994 to \$222.7 million in 1995, then fell sharply to \$90.7 million in 1996, a total decline of nearly 55 percent. Operating income followed the same pattern, rising from \$123.5 million in 1994 to \$146.1 million in 1995, then falling to \$14.5 million in 1996, for an overall decline of over 88 percent. The industry's operating income margin rose from 6.0 percent in 1994 to 6.8 percent in 1995, then fell to 0.7 percent in 1996. Unit COGS rose by 3.9 percent overall, from \$322.46 in 1994 to \$334.44 in 1995 and \$335.04 in 1996. Unit SG&A expenses fell from \$13.43 in 1994 to \$13.24 in 1995, then rose to \$13.33 in 1996, for an overall decline of 0.8 percent.⁹⁸

The value of U.S. producers' fixed assets increased from 1994 to 1996, both in terms of original cost and book value, reflecting new or upgraded facilities brought on line or under construction during the period. The industry's capital expenditures declined over the period, however, falling from \$171 million in 1994 to \$141 million in 1995 and to \$94 million in 1996. Domestic producers reported minimal research and development expenses, and those remained relatively constant over the period.^{99 100}

IV. CUMULATION

A. In General

Section 771(7)(G)(i) requires the Commission to cumulate imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.¹⁰¹ In assessing whether imports compete with each other and with the domestic like product,¹⁰² the Commission has generally considered four factors, including:

⁹⁷ Table C-4, CR at C-10, PR at C-5.

⁹⁸ Table C-4, CR at C-10, PR at C-5.

⁹⁹ Table VI-5, CR at VI-9, PR at VI-3. Our data on the value of fixed assets, capital expenditures, and R&D do not include data for tire cord quality wire rod. However, due to the small total volume of domestic production of tire cord wire rod, we would not expect the data to change significantly.

¹⁰⁰ Based on the foregoing, Commissioner Newquist determines that there is a reasonable indication that the domestic industry producing certain steel wire rod is experiencing material injury.

¹⁰¹ 19 U.S.C. § 1677(7)(G)(i).

¹⁰² The Statement of Administrative Action ("SAA") (H. Doc. No. 316, 103d Cong., 2d Sess., vol. 1 (1994)) to the Uruguay Round Agreements Act ("URAA") (P.L. 103-465, approved Dec. 8, 1994) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848 *citing 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).

- (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;^{103 104}
- (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.¹⁰⁵

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 determining whether the imports compete with each other and with the domestic like product.¹⁰⁶ Only a "reasonable overlap" of competition is required.¹⁰⁷

The statute contains four exceptions to cumulation, three of which do not apply in these investigations.¹⁰⁸ The fourth exception, which does apply in two of these investigations, provides that imports from a beneficiary country under the Caribbean Basin Economic Recovery Act ("CBERA") may only be cumulated with imports from another CBERA-beneficiary country for purposes of determining material injury by reason of imports from the CBERA-beneficiary country or countries.¹⁰⁹ However, for purposes of determining whether the domestic industry is materially injured by reason of imports from

¹⁰³ Commissioner Newquist notes that, in his view, once a like product determination is made, that determination establishes an inherent level of fungibility within that like product. Only in exceptional circumstances could Commissioner Newquist find products to be "like" and then turn around and find that, for purposes of cumulation, there is no "reasonable overlap of competition" based on some roving standard of substitutability. In his analytical framework, cumulation is appropriate if there is a reasonable overlap of geographic and temporal competition. See Additional and Dissenting Views of Chairman Newquist in Flat-Rolled Carbon Steel Products, USITC Pub. 2664 (August 1993). Here, Commissioner Newquist joins only the discussion in sections B.2 and B.4.

¹⁰⁴ Commissioner Crawford finds that substitutability, not fungibility, is a more accurate reflection of the statute. In these investigations, she finds there is sufficient substitutability to conclude that subject imports compete with each other and that subject imports compete with the domestic like product. Therefore, she concurs with her colleagues that subject imports from Canada, Germany, Trinidad and Tobago, and Venezuela should be cumulatively assessed. See Dissenting Views of Commissioner Carol T. Crawford in Stainless Steel Bar from Brazil, India, Japan and Spain, Inv. Nos. 731-TA-678, 679, 681, and 682 (Final), for a description of her views on cumulation.

¹⁰⁵ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

¹⁰⁶ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

¹⁰⁷ See Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685-86 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996).

¹⁰⁸ These exceptions concern imports from Israel, countries as to which investigations have been terminated, and countries as to which Commerce has made preliminary negative determinations. 19 U.S.C. § 1677(7)(G)(ii).

¹⁰⁹ 19 U.S.C. § 1677(7)(G)(ii)(III).

other countries subject to investigation, the imports from the CBERA-beneficiary country or countries must be cumulated with other subject imports if the statutory prerequisites for cumulation are satisfied.¹¹⁰

B. Discussion

The petitions in these investigations were all filed on the same day. Accordingly, the only issue involves whether there is a reasonable overlap of competition among the subject imports and between the subject imports and the domestic like product.

Petitioners concede that, because Trinidad and Tobago is a CBERA-beneficiary country, imports from Trinidad and Tobago may not be cumulated with subject imports from any other country for purposes of the Commission's injury determination with respect to Trinidad and Tobago. For purposes of its injury determinations with respect to Canada, Germany, and Venezuela, however, petitioners argue that the Commission should cumulate subject imports from all four countries.¹¹¹ In accordance with 19 U.S.C. § 1677(7)(G)(ii)(III), we have not cumulated the subject imports from Trinidad and Tobago with those of any other subject country for purposes of making our injury determination with respect to Trinidad and Tobago.

Canadian respondents Ivaco Rolling Mills ("Ivaco"), Sidbec-Dosco (Ispat) Inc. ("Sidbec"), Stelco, and the Government of Quebec ("Quebec") argue that subject imports from Canada should not be cumulated with imports from Germany, Trinidad and Tobago or Venezuela because they are not fungible with or sold in the same geographic markets or through the same channels of distribution as the other subject imports.¹¹² Venezuelan respondent CVG-Siderurgica del Orinoco C.A. ("Sidor") argues that none of the four factors considered by the Commission in assessing cumulation is satisfied with respect to subject imports from Venezuela.¹¹³ The German respondents did not address the issue of cumulation, but appear to concede that cumulation is appropriate, since they made their material injury arguments on a cumulated basis.¹¹⁴

For the reasons discussed below, we find that there is a reasonable overlap of competition among imports from Canada, Germany, Trinidad and Tobago and Venezuela and between those imports and the domestic like product. We therefore cumulate imports from all four subject countries for purposes of our present injury determinations with respect to Canada, Germany, and Venezuela.

1. Fungibility

The majority of all certain steel wire rod produced and sold in the United States is industrial quality rod used in lower-end applications. In 1996, industrial quality rod made up *** percent of domestic producers' U.S. shipments, *** percent of U.S. shipments of subject imports from Canada, *** percent of U.S. shipments of subject imports from Germany, *** percent of U.S. shipments of subject

¹¹⁰ H.R. Conf. Rep. No. 650, 101st Cong., 2d Sess. (1990), *reprinted in* 1990 U.S.C.C.A.N. 928, 1025.

¹¹¹ Petition at 18-19; Petitioners' Postconference Brief, Annex H; Conf. Tr. at 91-92.

¹¹² Ivaco/Sidbec Postconference Brief at A-13-A-16; Stelco Postconference Brief at 1; Postconference Brief on Behalf of the Government of Quebec (March 24, 1997) at 16-22; Conf. Tr. at 197, 202-03, 204-05.

¹¹³ Postconference Brief on Behalf of CVG-Siderurgica del Orinoco C.A. (March 24, 1997) ("Sidor Postconference Brief") at 17-21.

¹¹⁴ *See generally*, Postconference Brief on Behalf of Ispat Hamburger Stahlwerke, GmbH (March 24, 1997); Brandenburger Postconference Brief.

imports from Trinidad and Tobago, and *** percent of U.S. shipments of imports from Venezuela.¹¹⁵ None of the parties has argued that industrial quality rod from all four subject countries and the domestic industry is not fungible. In fact, purchasers' testimony that their inability to buy enough industrial quality rod from domestic producers requires them to purchase subject imports to supplement their supply, as well as their claim that domestic producers have encouraged them to import subject industrial quality rod, supports a finding that subject imports of IQ rod are fungible with each other and with the domestic like product.¹¹⁶

In addition, shipments of wire rod from Canada and Germany occurred in all three of the other end-use categories for which data were sought (high and medium-high carbon, welding quality, and cold heading quality) as well as in the "all other" category, and there were shipments of both high and medium-carbon and welding quality rod from Trinidad and Tobago.¹¹⁷ Similarly, turning to the narrower product categories for which the Commission sought pricing information, sales were reported for all nine products from Canada, 7 products in all 12 quarters, one in all but two quarters, and the last in 3 quarters. For Germany, sales were reported for a total of six products: products 2 (2 quarters), 3 (12 quarters), 4 (2 quarters), 5 (4 quarters), 6 (8 quarters), and 8 (12 quarters). For Trinidad, sales were reported for a total of seven products: products 1 (4 quarters), 2 (12 quarters), 3 (1 quarter), 4 (11 quarters), 7 (8 quarters), 8 (12 quarters), and 9 (1 quarter). For Venezuela, sales were reported for a total of five products: products 1 (7 quarters), 2 (12 quarters), 3 (12 quarters), 4 (9 quarters), and 8 (10 quarters).¹¹⁸

Among questionnaire recipients, all 12 responding domestic producers reported that domestic and Canadian steel wire rod are interchangeable; 10 out of 12 responded that domestic and Trinidadian rod are interchangeable; 11 out of 11 responded that domestic and German rod are interchangeable; and 10 of 12 responded that domestic and Venezuelan rod are interchangeable. Similarly, 13 of 15 responding importers reported that domestic and Canadian steel wire rod are interchangeable; 11 of 13 responded that domestic and Trinidadian rod are interchangeable; 10 of 16 responded that domestic and German rod are interchangeable; and 12 of 13 responded that domestic and Venezuelan rod are interchangeable.¹¹⁹ Importers were divided on whether subject imports were interchangeable with each other, with 13 reporting that they are not interchangeable (in general), 6 reporting that they are interchangeable (in general), and 7 reporting that products from specific subject countries are interchangeable with products from other specific subject countries.¹²⁰

Although respondents and purchasers claimed that several products are not available from any domestic source, they concede that these are niche products sold in very small volumes.¹²¹ This is consistent with petitioners' representation that they have excluded or plan to exclude from the scope steel

¹¹⁵ Table IV-3, CR at IV-8, PR at IV-4. The domestic shipment data from which these percentages are derived do not include shipments of domestically-produced tire cord wire rod. However, due to the small total volume of domestic production of tire cord wire rod, we would not expect the data to change significantly.

¹¹⁶ CR at IV-7, PR at IV-4; Conf. Tr. at 111, 116-18, 124-25, 132.

¹¹⁷ Table IV-3, CR at IV-8, PR at IV-4.

¹¹⁸ Tables V-1-V-9, CR at V-10-V-18, PR at V-8-V-9.

¹¹⁹ CR at II-4-II-5, PR at II-3-II-4; *see generally* Producer Questionnaires at 14 and Importer Questionnaires at 10.

¹²⁰ CR at II-5, PR at II-3-II-4. Most responding importers did not specify what countries they were comparing. Most importers do not handle imports from all the subject countries, and many import from only one subject country. Table IV-1, CR at IV-2-IV-3, PR at IVV-1. Accordingly, we have given relatively less weight to these data.

¹²¹ AWPB Postconference Brief at 30 (but note that at least 3 of the 6 products listed are excluded from, or are proposed to be excluded from, the scope); Conf. Tr. at 107, 114-15, 120-24, 131-32, 206.

wire rod products for which there is significant domestic demand but little or no domestic production, such as tire cord quality rod, valve spring quality rod, and class-3 pipe wrap quality wire rod.¹²²

Overall, we find ample evidence that the subject imports are fungible with each other and with the domestic like product over a range of steel wire rod products accounting for a significant majority of domestic consumption.

2. Geographic Overlap

All parties agree that the domestic industry sells certain steel wire rod nationwide.¹²³ In 1996, 55.8 percent of imports from Canada, 15.1 percent of imports from Germany, 9 percent of imports from Trinidad, and 32.8 percent of imports from Venezuela entered through Customs districts in the Northeast.¹²⁴ Customs districts in the Midwest received 44.1 percent of imports from Canada, 8.8 percent of imports from Germany, 9.1 percent of imports from Trinidad, and no imports from Venezuela.¹²⁵ Customs districts in the Southeast/Gulf region received no imports from Canada, 69.1 percent of imports from Germany, 67.8 percent of imports from Trinidad, and 65.9 percent of imports from Venezuela.¹²⁶ Finally, Customs districts in the West Coast region received no imports from Canada, 6.9 percent of imports from Germany, 9.3 percent of imports from Trinidad, and no imports from Venezuela.¹²⁷ Since certain steel wire rod, particularly in the lower qualities, has a relatively low value to weight ratio, shipment distances from plant or port of entry to customers tend to be relatively low, making the entry points for subject imports a good indicator of the regions in which they are generally sold.¹²⁸

Contrary to the claims of Canadian and Venezuelan respondents that their imports are geographically isolated from each other (and, in the case of Canada, also from Trinidadian imports), we find that the combined Northeast/Midwest region, which accounted for 100 percent of Canadian entries in 1996, also received 23.9 percent of imports from Germany, 18.1 percent of imports from Trinidad, and 32.8 percent of imports from Venezuela. Moreover, four of 21 importers responding to the Commission's questionnaire stated that they sell certain steel wire rod nationwide, including ***.¹²⁹ Accordingly, we find sufficient geographic overlap among the subject imports and the domestic like product to warrant cumulation.

¹²² Conf. Tr. at 87-88; Petitioners' Postconference Brief, Annex C at 15.

¹²³ CR at V-7 n.8, IV-9, PR at V-6, IV-5.

¹²⁴ Table IV-4, CR at IV-10, PR at IV-5. We have defined the Northeast region as Baltimore, Boston, Buffalo, New York, Ogdensburg, Philadelphia, Providence, and St. Albans.

¹²⁵ Table IV-4, CR at IV-10, PR at IV-5. We have defined the Midwest region as Chicago, Cleveland, Detroit, and Milwaukee.

¹²⁶ Table IV-4, CR at IV-10, PR at IV-5. We have defined the Southeast/Gulf region as Charleston, Houston-Galveston, Mobile, New Orleans, Port Arthur, Savannah, Tampa, and Wilmington.

¹²⁷ Table IV-4, CR at IV-10, PR at IV-5. We have defined the West Coast region as Los Angeles, San Francisco, and Seattle. The remaining Trinidadian and Venezuelan imports entered in Puerto Rico.

¹²⁸ CR at V-1, PR at V-1; Conf. Tr. at 28-29, 197. Forty-eight percent of reported subject imports were sold within 100 miles of the port of entry, another 33 percent were sold within 100 to 500 miles of the port of entry, and only 18 percent were sold more than 500 miles from the port of entry. By contrast, about 20 percent of domestic sales were within 100 miles of the plant, 53 percent were between 100 and 500 miles of the plant, and the remaining 27 percent were more than 500 miles from the plant. CR at V-1, PR at V-1.

¹²⁹ CR at V-7 n.8, IV-9, PR at V-6, IV-5.

3. Channels of Distribution

Most steel wire rod, both domestically-produced and subject imports, is sold directly by the manufacturer or importer to end users. Distributors, aside from importers, do not play a role in this market.¹³⁰ As noted above in the discussion of fungibility and in the like product analysis, purchasers buy many of the same kinds of steel wire rod from all relevant sources and use them in the production of the same downstream wire and wire products. Thus, although the selling practices vary somewhat from country to country and mill to mill, the record supports the conclusion that the domestic product and the subject imports from each of the four countries are sold in the same channels of distribution.¹³¹

4. Simultaneous Presence

Only Sidor, the Venezuelan respondent, claimed that its imports were not simultaneously present in the U.S. market.¹³² As noted in the fungibility discussion above, imports from Venezuela of two of the nine products for which pricing data were collected were reported in all 12 possible quarters during the three-year POI. Imports of three other products were reported in 10, 9, and 7 of 12 quarters, respectively. Moreover, imports from Venezuela entered the United States in 28 out of 36 months between January 1994 and December 1996. Imports from Canada, Germany, and Trinidad and Tobago each entered the United States in either 35 or 36 of the 36 months.¹³³ Accordingly, we find that imports from all four subject countries were simultaneously present in the U.S. market during the period of investigation.

Based on the foregoing, we find that there is a reasonable overlap of competition among subject imports from Canada, Germany, Trinidad and Tobago, and Venezuela and between such imports and the domestic like product. We have therefore cumulated subject imports from all four countries in making our injury determinations with respect to Canada, Germany, and Venezuela.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS¹³⁴

In preliminary antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason

¹³⁰ CR at II-1, PR at II-1.

¹³¹ Purchasers specifically testified that dealing with Canadian and Trinidadian producers is the same as dealing with a domestic producer. Conf. Tr. at 168, 219. In addition, a portion of domestic, Canadian, German, and Trinidadian steel wire rod is consumed by captive or related U.S. wire and wire products producers. CR at I-10-I-11, PR at I-8.

¹³² We disagree with Sidor's argument that what it characterizes as the small volume of its imports should control our consideration of simultaneous presence. Sidor concedes that Venezuelan imports are not negligible under present law. By making the negligibility determination a separate inquiry conducted prior to consideration of cumulation, we believe that Congress intended the Commission not to consider the volume of non-negligible imports as a factor relevant to its cumulation analysis.

¹³³ CR at IV-9, PR at IV-6.

¹³⁴ Vice Chairman Bragg joins this discussion, which reflects equally her finding concerning material injury to the domestic industry that she previously defined not to include producers of tire cord wire rod.

of the allegedly subsidized and LTFV imports under investigation.¹³⁵ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.¹³⁶ Although the Commission may consider causes of injury to the industry other than the allegedly subsidized and LTFV imports,¹³⁷ it is not to weigh causes.^{138 139 140}

¹³⁵ 19 U.S.C. §§ 1671b(a) and 1673b(a). The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.” 19 U.S.C. § 1677(7)(A).

¹³⁶ 19 U.S.C. § 1677(7)(B)(i). The Commission “may consider such other economic factors as are relevant to the determination,” but shall “identify each [such] factor . . . and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

¹³⁷ Alternative causes may include the following:

[T]he 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, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

¹³⁸ See, e.g., Gerald Metals, Inc. v. United States, Slip Op. 96-142 at 12 (Ct. Int’l Trade, Aug. 21, 1996); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int’l Trade 1988).

¹³⁹ Commissioner Newquist further notes that the Commission need not determine that imports are “the principal, a substantial, or a significant cause of material injury.” S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See, e.g., Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int’l Trade 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

¹⁴⁰ For a detailed description of Commissioner Crawford’s analytical framework, see Polyvinyl Alcohol from China, Japan, and Taiwan, Inv. Nos. 731-TA-726, 727, and 729 (Final), USITC Pub. 2960 at 25-26 (May 1996). Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the “statutory language fits very well” with Commissioner Crawford’s mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, 1361 (Fed. Cir. 1996), *aff’d* 873 F. Supp. 673, 694-95 (Ct. Int’l Trade 1994). Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is “materially injured by reason of” the allegedly subsidized and LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of subsidized and LTFV imports, not by reason of the subsidized and LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the “ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.” S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the subsidized and LTFV imports are “the principal, a substantial or a significant cause of material injury.” S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury “by reason of” the subsidized and LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. “When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry.” S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing certain steel wire rod is materially injured by reason of the subject imports from Canada, Germany, Trinidad and Tobago, and Venezuela.

A. Determinations With Respect to Canada, Germany and Venezuela

1. Volume of the Subject Imports

The volume of U.S. shipments of cumulated subject imports of certain steel wire rod, including imports from Trinidad and Tobago, rose by 43.5 percent over the period of investigation, from 927,451 short tons in 1994 to 950,994 short tons in 1995 and to 1,331,155 short tons in 1996. Measured by value, the cumulated subject imports followed the same trend, rising by 38.5 percent from \$335.7 million in 1994 to \$364.7 million in 1995 and to \$464.9 million in 1996. The cumulated market share of the subject imports by volume rose from 12.2 percent in 1994 to 12.3 percent in 1995, then jumped to 17.1 percent in 1996. Moreover, contrary to respondents' assertion that subject imports displaced mostly non-subject imports, most of this increase was at the expense of the domestic industry's market share, while the market share of non-subject imports declined only 1.7 percentage points over the period.^{141 142}

Based on the rising volume and market share of the subject imports and the extent to which subject imports displaced domestic production,¹⁴³ we find both the volume of subject imports and the increase in that volume over the period of investigation to be significant.

¹⁴¹ Table C-4, CR at C-9, PR at C-4.

¹⁴² Commissioner Crawford does acknowledge that during the period between 1995 and 1996 respondents' assertion is correct. Table C-4, CR at C-9, PR at C-4.

¹⁴³ Commissioner Newquist finds it significant that the subject imports increased both in terms of volume and market share. In his view, whether such imports displaced domestic production or non-subject imports is of little, if any, consequence. Specifically, Commissioner Newquist notes that the Court of International Trade has held that the absence of displacement does not necessarily demonstrate the absence of material injury by reason of the subject imports. Companhia Paulista de Ferro-Ligas v. United States, 20 CIT __, Slip Op. 96-63 at 8 (Apr. 15, 1996).

2. Price Effects of the Subject Imports ¹⁴⁴

The record in these investigations indicates that price is an important factor in purchasing decisions in the market for certain steel wire rod, since the rod input can account for as much as 80 percent of the cost of producing the downstream wire or wire product.¹⁴⁵ Price is particularly important with respect to sales of industrial quality rod and other lower-quality grades, where producers' ability to meet exacting end-user specifications is less important and virtually any domestic or subject foreign producer could manufacture the product.¹⁴⁶ ¹⁴⁷ These products, which are produced by the domestic industry and imported from all of the subject countries, together account for a majority of domestic consumption.¹⁴⁸

During the period of investigation, U.S. producers' prices for the nine certain steel wire rod products for which data were sought moved more or less in tandem, rising to their period highs in 1995, then falling in 1996, with prices for five of the nine products falling to below their 1994 levels.¹⁴⁹ These 1995 to 1996 price declines occurred despite rising domestic consumption, production outages at a number of domestic facilities, delays in the expected start-up of two new domestic production facilities, and relatively steady costs, a combination of circumstances that, all other things being equal, constrained supply and might be expected to result in higher or at least steady prices.¹⁵⁰

Cumulated subject imports undersold the domestic like product in 138 out of 236 possible comparisons, for a total of 58 percent of such comparisons. Underselling was most prevalent with respect to imports of industrial quality rod, which constitutes the vast majority of U.S. shipments of subject

¹⁴⁴ To evaluate the effects of the alleged dumping, or alleged subsidy, on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped, or subsidized, with what domestic prices would have been if the subject imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In these investigations, the alleged dumping margins for subject imports are high. Thus subject imports likely would have been priced higher had they been fairly traded. Subject imports and domestic steel wire rod are fairly good substitutes, and thus a portion of the demand for subject imports likely would have shifted to domestic steel wire rod had subject imports been fairly traded. Most likely some portion of the demand for subject imports also would have shifted to nonsubject imports. The displacement of nonsubject imports by subject imports between 1995 and 1996, which indicates a degree of substitutability between subject imports and nonsubject imports, and the limited capacity of the domestic industry are two factors that support this result. Since subject imports, however, held a market share of 17.1 percent by quantity in 1996, the shift in demand away from subject imports and towards the domestic like product likely would not have been insignificant. (Table C-4, CR at C-9, PR at C-4) Because the domestic industry does not have available capacity to supply the entire demand served by the subject imports, at fairly traded prices subject imports would continue to be present in the domestic market. The domestic industry would be able to increase its prices in response to the presence of the fairly traded subject imports in the market. Consequently, Commissioner Crawford finds that in these preliminary investigations, there is a reasonable indication that subject imports are having significant effects on prices for domestic steel wire rod.

¹⁴⁵ CR at II-4, PR at II-3; Conf. Tr. at 12, 13, 29-30, 32-34.

¹⁴⁶ CR at I-6, V-6, PR at I-6, V-6.

¹⁴⁷ Commissioner Newquist notes that, in his view, questions concerning product segmentation based on characteristics and uses are most appropriately addressed in the like product determination. As such, further assessment of product segmentation in the context of a causation analysis is generally not warranted.

¹⁴⁸ Table IV-3, CR at IV-8, PR at IV-4.

¹⁴⁹ Tables V-1-V-9, CR at V-10-V-18, PR at V-8-V-9.

¹⁵⁰ Table C-4, CR at C-9-C-10, PR at C-4-C-5; CR at III-9-III-11, PR at III-4.

imports.¹⁵¹ In addition, Commission staff confirmed several specific instances where the domestic industry lost sales to the subject imports based on the lower price of those imports or was forced to reduce its price to keep a sale.¹⁵² In light of the importance of price in purchasing decisions, particularly for IQ rod, the concentration of underselling in sales of such lower-end products, and the evidence that price competition from the subject imports has resulted in lost sales and revenues to the domestic industry, we find the underselling to be significant. Moreover, because this underselling occurred at a time when domestic prices would be expected to rise or at least remain steady, we find that the subject imports have depressed prices for the domestic product to a significant degree.

¹⁵¹ Tables V-1-V-9, CR at V-10-V-18, PR at V-8-V-9; Table IV-3, CR at IV-8, PR at IV-4. In any final phase investigations, we intend to seek pricing data net of U.S. inland transportation costs in order to assess whether any of the reported underselling may reflect the tendency of domestic producers to ship product further on average via inland freight than do importers of the subject merchandise. CR at V-1, PR at V-1.

¹⁵² Tables V-10 and V-12, CR at V-28 and V-30, PR at V-10. Commission rule 207.11(b)(2) requires petitions to identify each product on which the petitioner requests the Commission to seek pricing information through questionnaires and to contain petitioner's lost sales and lost revenues allegations. Rule 207.11(b)(3) further provides that the petition "shall contain a certification that each item of information specified in paragraph (b)(2) of this section that the petition does not include was not reasonably available to the petitioner." In this case, the petition contained neither the required information nor the alternate certification, stating simply that "[p]etitioners are presently preparing a summary of lost sales and price depression which will be detailed in our ITC questionnaire responses." See Petition (February 26, 1997) at 23 n.10. Although the petition was subsequently amended upon instruction of Commission staff, usable lost sales and lost revenues information was not received for several weeks, at approximately the time when questionnaire responses were due. When a petitioner is a domestic producer of the product at issue, lost sales allegations covering the period up until the filing of the petition must be contained in the petition.

3. Impact of the Subject Imports on the Domestic Industry^{153 154 155 156}

In this industry, the cost of goods sold typically accounts for a very large percentage of net sales and, as a consequence, operating income margins are slim. Thus, even a small decline in either shipments

¹⁵³ As part of its consideration of the impact of imports, the statute as amended by the URAA specifies that the Commission is to consider “the magnitude of the margin of dumping.” 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment “does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission’s material injury analysis.” SAA at 850. New section 771(35)(C), 19 U.S.C. § 1677(35)(C), defines the “margin of dumping” to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. In its notice of initiation, Commerce identified estimated dumping margins for Canada ranging from 14.59 percent to 17.89 percent for price-to-price comparisons, and 27.91 to 40.55 percent for price to constructed value (“CV”) comparisons; estimated dumping margins for Germany ranging from 19.95 to 36.68 percent for price-to-price comparisons and 80.30 to 153.10 percent for price to CV comparisons; estimated dumping margins for Trinidad and Tobago of 40.07 to 40.88 percent for price-to-price comparisons and 77.88 to 78.94 percent for price to CV comparisons; and estimated dumping margins for Venezuela ranging from 15.46 to 34.06 percent for price-to-price comparisons and 40.99 to 66.75 percent for price to CV comparisons. 62 Fed. Reg. 13854 (March 24, 1997). The statute contains no comparable provision requiring the Commission to consider the nature or magnitude of the alleged subsidies in the context of its present material injury analysis in the countervailing duty investigations. SAA at 850.

¹⁵⁴ Vice Chairman Bragg notes that she does not ordinarily consider the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. See Separate and Dissenting views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731(Final), USITC Pub. 2968 (June 1996).

¹⁵⁵ Commissioner Newquist notes that, in his analytical framework, “evaluation of the magnitude of the margin of dumping” is not generally helpful in answering the questions posed by the statute: whether there is a reasonable indication that the domestic industry is materially injured; and, if so, whether such material injury is by reason of the subject imports. See also footnote 164.

¹⁵⁶ As previously stated, Commissioner Crawford does not evaluate impact based on trends in statutory impact factors. In her analysis of material injury by reason of alleged dumped, or alleged subsidized, imports, Commissioner Crawford evaluates the impact of subject imports on the domestic industry by comparing the state of the industry when the imports were dumped, or subsidized, with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping, or subsidy, through those effects. In this regard, the impact on the domestic industry’s prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As noted above, there is a reasonable indication that the domestic industry would have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. The impact of the allegedly dumped imports on the domestic industry would have also been on the domestic industry’s output and sales. Had subject imports been fairly priced, capacity restrictions would have prevented the domestic industry from capturing the entire demand satisfied by subject imports. Nonetheless, in these preliminary investigations there is evidence that domestic suppliers could have increased their production and sales to satisfy a share of the demand served by subject imports. Accordingly, the domestic industry likely would have increased its prices and captured enough of the demand for subject imports that its output and sales, and therefore its revenues, would have increased significantly had subject imports been fairly priced. Consequently, the domestic industry likely would have been materially better off if the subject imports had been fairly traded. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry producing steel wire rod is materially injured by reason of allegedly subsidized and LTFV imports of steel wire rod from Canada, Germany and Venezuela.

or prices or a small increase in the cost of goods sold without a corresponding increase in price can eliminate profitability or cause operating losses. In these investigations, the domestic industry experienced a net decline in prices over the entire period, and significant price declines between 1995 and 1996. With production costs relatively unchanged and shipments falling by a relatively small amount, the significant decline in prices translated directly to the industry's bottom line, as reflected in the substantial decline in the industry's operating income margin over the period of investigation.¹⁵⁷

While the volume of the industry's domestic shipments hit its period low in 1995 and improved somewhat in 1996, the value of shipments, as well as employment, productivity, capital expenditures, and other indicators, did not recover at all in 1996. Given these largely declining results and, in particular, the significant financial reversal suffered by the industry in 1996, we cannot conclude that such improvement as occurred in the volume of shipments in 1996 demonstrates the absence of present injury. Rather, we find that the significantly increased volumes of the subject imports depressed domestic prices and caused a reduction in production, revenues, profits, employment, and capital expenditures. Accordingly, we find a reasonable indication that the domestic industry producing certain steel wire rod is materially injured by reason of cumulated subject imports.

B. Determination With Respect to Trinidad and Tobago¹⁵⁸

1. Volume of the Subject Imports

The volume of U.S. shipments of subject imports of certain steel wire rod from Trinidad and Tobago rose by 14.8 percent over the period of investigation, from 248,044 short tons in 1994 to 255,997 short tons in 1995 and to 284,864 short tons in 1996. Measured by value, the cumulated subject imports followed the same trend, rising by 12.2 percent overall, from \$76.1 million in 1994 to \$83.2 million in 1995 and to \$85.4 million in 1996. The market share of subject imports from Trinidad and Tobago by volume was 3.3 percent in 1994, remained unchanged in 1995, then rose to 3.7 percent in 1996.¹⁵⁹ Based on the rising volume and market share of the subject imports from Trinidad and Tobago, we find both the volume of subject imports and the increase in that volume over the period of investigation to be significant.

2. Price Effects of the Subject Imports

As noted above, the record in these investigations indicates that price is an important factor in purchasing decisions in the market for certain steel wire rod, and particularly for sales of industrial quality rod and other lower-quality grades. Approximately *** percent of U.S. shipments of imports from Trinidad and Tobago in 1996 were of industrial quality rod.¹⁶⁰

During the period of investigation, U.S. producers' prices for the nine certain steel wire rod products for which data were sought moved more or less in tandem, rising to their period highs in 1995, then falling in 1996, with prices for five of the nine products falling to below their 1994 levels.¹⁶¹ These 1995 to 1996 price declines occurred despite rising domestic consumption, production outages at a number of domestic facilities, delays in the expected start-up of two new domestic production facilities, and

¹⁵⁷ Table C-4, CR at C-9-C-10, PR at C-4-C-5.

¹⁵⁸ Commissioner Crawford does not join this section of the opinion.

¹⁵⁹ Table C-4, CR at C-9, PR at C-4.

¹⁶⁰ Table IV-3, CR at IV-8, PR at IV-4.

¹⁶¹ Tables V-1-V-9, CR at V-10-V-18, PR at V-8-V-9.

relatively steady costs, a combination of circumstances that, all other things being equal, constrained supply and might be expected to result in higher or at least steady prices.¹⁶²

Subject imports from Trinidad and Tobago undersold the domestic like product in 42 out of 49 possible comparisons, for a total of 86 percent of such comparisons.¹⁶³ In light of the importance of price in purchasing decisions, particularly for IQ rod, and the pervasiveness of underselling by imports from Trinidad and Tobago, we find the underselling to be significant.¹⁶⁴ Moreover, because this underselling occurred at a time when domestic prices would be expected to rise or at least remain steady, we find that the subject imports from Trinidad and Tobago have depressed prices for the domestic product to a significant degree.

3. Impact of the Subject Imports on the Domestic Industry¹⁶⁵

In this industry, the cost of goods sold typically accounts for the a very large percentage of net sales and, as a consequence, operating income margins are slim. Thus, even a small decline in either shipments or prices or a small increase in cost of goods sold without a corresponding increase in price can eliminate profitability or cause operating losses. In these investigations, the domestic industry experienced a general decline in prices over the entire period, and significant price declines between 1995 and 1996. With production costs relatively unchanged and shipments falling by a relatively small amount, the significant decline in prices translated directly to the industry's bottom line, as reflected in the substantial decline in the industry's operating income margin over the period of investigation.¹⁶⁶

While some of the other indicators of the industry's condition hit their period lows in 1995 and improved somewhat in 1996, others, such as shipment value, employment, productivity, and capital expenditures did not recover at all in 1996. Given these mixed results and, in particular, the significant financial reversal suffered by the industry in 1996, we cannot conclude that such improvements as occurred in some indicators in 1996 demonstrate the absence of present injury. Rather, we find that the significantly increased volumes of the subject imports from Trinidad and Tobago depressed domestic prices and caused a reduction in revenues, employment, capital expenditures, and other indicators. Accordingly, we find a reasonable indication that the domestic industry producing certain steel wire rod is materially injured by reason of subject imports from Trinidad and Tobago.

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry producing certain steel wire rod is materially injured by reason of allegedly subsidized and LTFV imports from Canada, Germany, Trinidad and Tobago, and Venezuela.

¹⁶² Table C-4, CR at C-9-C-10, PR at C-4-C-5; CR at III-9-III-11, PR at III-4.

¹⁶³ Tables V-1-V-9, CR at V-10-V-18, PR at V-8-V-9.

¹⁶⁴ Commissioner Newquist reiterates the view expressed in footnote 147.

¹⁶⁵ Pursuant to 19 U.S.C. § 1677(7)(C)(iii)(V), we note that the estimated dumping margins for Trinidad and Tobago identified by Commerce in its notice of initiation ranged from 40.07 to 40.88 percent for price-to-price comparisons and 77.88 to 78.94 percent for price to constructed value comparisons. 62 Fed. Reg. 13854 (March 24, 1997).

¹⁶⁶ Table C-4, CR at C-9-C-10, PR at C-4-C-5.

DISSENTING VIEWS OF COMMISSIONER CAROL T. CRAWFORD

As stated above, the statute provides that imports from a country which is a beneficiary country under the Caribbean Basin Economic Recovery Act (CBERA) may only be cumulated with imports from another CBERA-beneficiary country for purposes of determining material injury, or threat thereof.¹⁶⁷ In these investigations, I do not cumulate the subject imports from Trinidad & Tobago with subject imports from Canada, Germany or Venezuela for purposes of making a preliminary determination as to present injury, or threat, as to subject imports from Trinidad & Tobago. I dissent from the determination of my colleagues and determine that there is no reasonable indication that the domestic industry producing certain steel wire rod is materially injured or threatened with material injury by reason of the subject imports from Trinidad & Tobago.

In 1996 imports of steel wire rod from Trinidad & Tobago equaled 284,864 short tons which represented 3.7% of the United States market.¹⁶⁸ In the terms of quantity and value, the market share of subject imports from Trinidad & Tobago increased less than 0.5 percentage points between 1995 and 1996. I determine that neither the volume of subject imports of steel wire rod from Trinidad & Tobago nor the increase in the volume is significant.

To evaluate the effects of the alleged dumping, or alleged subsidy, on domestic prices, I compare domestic prices that existed when the imports were dumped, or subsidized, with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. The statute requires that the Commission consider the dumping margin and in these investigations, the alleged dumping margins for Trinidad & Tobago are moderately high. Thus, prices for subject imports from Trinidad & Tobago likely would have risen if they had been priced fairly, and they would have become more expensive relative to the domestic steel wire rod and other alternative sources for the product (e.g., other subject imports and nonsubject imports). In such a case, if the products are substitutable, demand would have shifted away from subject imports and towards the relatively less-expensive products. I have given petitioner the benefit of the doubt and assumed that subject imports from Trinidad & Tobago and the domestic like product are good substitutes for each other, even though substitution is limited by the amount of captive production and "Buy American" restriction provisions. If subject imports from Trinidad & Tobago had been priced fairly, some amount of the demand for subject imports would have shifted to the domestic product. The domestic industry was operating at high capacity utilization levels, however, and this might also limit any shift in demand. As noted previously, domestic producers compete with each other, with other subject imports and with nonsubject imports for sales of steel wire rod. Based on the degree of competition among these other sources of steel wire rod and the small amount of steel wire rod in the market from Trinidad & Tobago, I find that domestic prices would not have increased significantly had the subject imports from Trinidad and Tobago been priced fairly. Therefore, I find that subject imports are not having significant effects on domestic prices for steel wire rod.

In my analysis of material injury by reason of dumped, or subsidized imports, I evaluate the impact on the domestic industry by comparing the state of the industry when the imports were dumped, or subsidized, with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, I consider, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity,

¹⁶⁷ 19 U.S.C. Sec. 1677(7)(G)(ii)(III).

¹⁶⁸ Table IV-2, CR at IV-2, PR at IV-2; Table C-4, CR at C-9, PR at C-4.

profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped, or subsidized imports, and so I gauge the impact of the dumping, or subsidy through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As I noted earlier, I find that the domestic industry producing steel wire rod would not have been able to significantly increase its prices had subject imports from Trinidad & Tobago been priced fairly. I have given petitioner the benefit of the doubt and assumed that some amount of the demand for subject imports from Trinidad & Tobago would have shifted to the domestic product, had the subject imports from Trinidad & Tobago been priced fairly. The shift in demand would be limited due to competition from other imports and the high capacity utilization of the domestic industry. The market share of Trinidad & Tobago steel wire rod, 3.7 percent based on quantity in 1996, is so small that any increase in demand for the domestic product would not have been significant. Therefore, any increase in the domestic industry's output and sales would not have been material, and thus the domestic industry would not have been materially better off if the subject imports had been priced fairly. Consequently, I determine that there is no reasonable indication that the domestic industry is materially injured by reason of allegedly subsidized imports and LTFV imports of steel wire rod from Trinidad & Tobago.

I also determine that there is no reasonable indication that the steel wire rod domestic industry is threatened with material injury from subject imports from Trinidad & Tobago.¹⁶⁹ In my analysis I have considered the statutory factors.¹⁷⁰ Between 1995 and 1996 the market share of subject imports from Trinidad & Tobago increased by less than 0.5 percentage points. The capacity utilization of the steel wire rod industry in Trinidad & Tobago operated at above *** in 1996 and it is projected to increase in the immediate future.¹⁷¹ The inventories of steel wire rod for Trinidad & Tobago have decreased in recent years and are projected to decline in the immediate future.¹⁷² There is no evidence of potential product shifting of production in Trinidad & Tobago and there is insufficient evidence that any significant increase in shipments of subject import steel wire rod from Trinidad & Tobago is imminent. Thus, I determine that there is no reasonable indication that the domestic industry is threatened with material injury by reason of subject imports from Trinidad & Tobago.

¹⁶⁹ 19 U.S.C. Secs. 1671b(a) and 1673b(a).

¹⁷⁰ 19 U.S.C. Sec. 1677(F)(1).

¹⁷¹ Table VII-3, CR at VII-9, PR at III-4.

¹⁷² Id.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by counsel for Connecticut Steel Corp., Wallingford, CT; Co-Steel Raritan, Perth Amboy, NJ; GS Industries, Inc., Georgetown, SC; Keystone Steel & Wire Co., Peoria, IL; North Star Steel Texas, Inc., Beaumont, TX; and Northwestern Steel & Wire, Sterling, IL, on February 26, 1997, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of subsidized and less-than-fair-value (LTFV) imports of certain steel wire rod¹ from Canada, Germany, Trinidad & Tobago, and Venezuela.²

¹ For purposes of these investigations, certain steel wire rod is hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Certain steel wire rod is provided for in subheadings 7213.91.30, 7213.91.45, 7213.91.60, 7213.99.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States (HTS).

Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the HTS definitions for being made of (1) stainless steel; (2) tool steel; (3) high nickel steel; (4) ball bearing steel, (5) free machining steel that contains by weight 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; and (6) concrete reinforcing bars and rods. In addition, the following products are also excluded from the investigations:

Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as "tire cord wire rod."

Coiled products 7.9 mm to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth, containing 0.48 percent to 0.73 percent carbon by weight. This product is commonly referred to as "valve spring quality wire rod."

² The most-favored-nation tariff rates, applicable to all products of Germany and Venezuela, are as follows: 1.3 percent *ad valorem* for imports entered under subheadings 7213.91.30, 7213.91.45, and 7213.99.00; 1.6 percent *ad valorem* for subheading 7213.91.60; and 3.2 percent *ad valorem* for subheadings 7227.20.00 and 7227.90.60. NAFTA originating goods of Canada are eligible as follows: 0.1 percent *ad valorem* for imports entered under subheadings 7213.91.30, 7213.91.45, 7213.99.00; 0.2 percent *ad valorem* for subheading 7213.91.60; and 0.4 percent *ad valorem* for subheadings 7227.20.00 and 7227.90.60. Under the duty preferences provisions of the Caribbean Basin Economic Recovery Act, products of Trinidad & Tobago are eligible to enter free of duty.

Information relating to the background of the investigations is provided below.³

<i>Date</i>	<i>Action</i>
February 26, 1997 . . .	Petition filed with Commerce and the Commission; ⁴ institution of Commission investigations (62 FR 10292, Mar. 6, 1997)
March 19, 1997	Commission's conference ⁵
March 24, 1997	Commerce's notices of initiation (62 FR 13854 and 62 FR 13866)
April 11, 1997	Date of the Commission's vote
April 14, 1997	Commission determinations transmitted to Commerce

PREVIOUS COMMISSION INVESTIGATIONS

Certain steel wire rod products have been included in a number of investigations conducted by the Commission since 1921. Most recently, a series of antidumping investigations was instituted on April 23, 1993, in response to petitions alleging that steel wire rod from Brazil, Canada, Japan, and Trinidad & Tobago was being sold at LTFV, and on February 14, 1994, petitions were filed alleging that steel wire rod from Belgium and Germany was being sold at LTFV and that steel wire rod from Germany was being subsidized.⁶ The following tabulation shows the disposition of the above-cited investigations:

<u>Investigation No.</u>	<u>Country</u>	<u>Outcome</u>
731-TA-646	Brazil	Negative determination by Commission
731-TA-647	Canada	Terminated (petition withdrawn)
731-TA-648	Japan	Negative determination by Commission
731-TA-649	Trinidad & Tobago	Negative determination by Commission
701-TA-359	Germany	Negative determination by Commission
731-TA-686	Belgium	Terminated (petition withdrawn)
731-TA-687	Germany	Negative determination by Commission

³ *Federal Register* notices cited in the tabulation are presented in app. A.

⁴ The petition alleged subsidy margins to be as follows: 10.67 percent for Canada, 27.27 percent for Germany, 16.99 percent for Trinidad & Tobago, and 61.92 percent for Venezuela. Petitioner also alleges the following average dumping margins based on cost (constructed value): 35.56 percent for Canada (adjusted to a range of 27.91 percent to 40.55 percent by Commerce at initiation); 116.09 percent for Germany (adjusted to a range of 80.30 percent to 153.10 percent); 40.48 percent for Trinidad & Tobago (adjusted to a range of 77.88 percent to 78.94 percent); and 41.28 percent for Venezuela (adjusted to a range of 40.99 percent to 66.75 percent). Average dumping margins based on price-to-price comparisons in the petition range from 14.59 percent to 17.89 percent for Canada, from 19.95 percent to 36.68 percent for Germany, from 40.07 percent to 40.88 percent for Trinidad & Tobago, and from 15.46 percent to 34.06 percent for Venezuela. Petition, p. 2, and 62 FR 13854, Mar. 24, 1996.

⁵ A list of witnesses appearing at the conference is presented in app. B.

⁶ Both sets of investigations were filed by a common group of petitioners which included Connecticut Steel Corp.; North Star Steel Texas, Inc.; Keystone Steel & Wire Corp.; Co-Steel Raritan (except for the investigation concerning Brazil); and Georgetown Steel Corp. An additional firm, Northwestern Steel & Wire, was a petitioner in the investigations concerning Belgium and Germany. Subsequent to the filing of the Feb. 14, 1994 petitions, Georgetown, North Star, and Keystone withdrew from the investigation concerning Japan.

The only antidumping order currently in place applies to carbon steel wire rod from Argentina (November 1984); a suspended countervailing duty order is also in place on carbon steel wire rod from Argentina (September 1982).

SUMMARY DATA

A summary of data collected in the investigations on the subject steel wire rod is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 15 firms that accounted for almost all of U.S. production of certain steel wire rod during 1996.⁷ For the most part, U.S. imports are based on export data reported by foreign manufacturers (for quantity data of subject imports) and on official Commerce statistics (for unit values of subject imports and for nonsubject imports). Except in table titles, the terms “steel wire rod,” “wire rod,” or “rod” are used as a proxy for the certain steel wire rod that is the subject of these investigations. Appendix tables C-2 and C-3 present summary data on “coiled rod” and “coiled bar,” respectively, to address a domestic like product issue raised in the investigations. The data in tables C-2 and C-3 sum to those presented in table C-1. Appendix tables C-4 and C-5 present summary data for a domestic industry that is also defined to include regular tensile tire cord wire rod.⁸ (Table C-4 consists of data for certain steel wire plus regular tensile tire cord wire rod; table C-5 consists of data for coiled rod plus regular tensile tire cord wire rod.)

THE PRODUCT

The imported products subject to these investigations may generally be described as hot-rolled carbon and certain alloy steel rods in coils, which are intended for the production of downstream wire and wire products. The full description of the steel wire rod in the scope of these investigations is presented on page I-1.

This section presents information on both imported and domestically produced certain steel wire rod, as well as information related to the Commission’s “domestic like product” determination.⁹ Petitioners propose a scope that is nearly identical to that adopted in the 1993-94 investigations on certain steel wire rod,¹⁰ with 2 exceptions: the current scope includes hot-rolled bar in coils with a diameter of 19 mm or less and it excludes all tire cord quality wire rod (not just high-tensile tire cord quality rod).¹¹ Petitioners propose that there be one domestic like product covering all of the products included in the scope of these investigations, including coiled bar.

Several respondents in these investigations have offered variations on the petitioner’s definition of the domestic like product. MGF Industries, a U.S. company that draws steel wire rod and makes fasteners

⁷ There are a total of known 16 producers of steel wire rod in the United States. ***, a manufacturer of coiled rod, did not respond to the Commission’s questionnaire. ***.

⁸ U.S. production of high-tensile tire cord is ***.

⁹ The Commission’s decision regarding the appropriate domestic products that are “like” the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

¹⁰ *Certain Steel Wire Rod from Brazil and Japan*, USITC publication 2761, Mar. 1994.

¹¹ Petition, p. 8. Also, North American Wire Products has proposed to Commerce and to petitioners that pipe wrap quality steel wire rod, a product used to produce pre-stressed wire for strengthening concrete pipe, be excluded from the scope of these investigations. While petitioners do not oppose this exclusion, Commerce has not yet formally acted upon the request. Petitioners’ letter of Mar. 19, 1997 (excluding pipe wrap wire) and petitioners’ postconference brief, p. 5.

and automobile parts, argues that the cold-heading quality (CHQ) rod that it purchases (for socket or recessed headed fasteners) is a separate domestic like product.¹² Stelco, one of the Canadian producers subject to the investigations, argues that there are two separate domestic like products composed of coiled wire rod and coiled bar, both of which are covered by the scope of the investigations. The German respondents argue there are two separate domestic like products defined as industrial quality (IQ) wire rod and special quality (SQ) wire rod; as these respondents define the two products, IQ rod is a standard commodity product that is readily distinguishable from SQ wire rod by its much higher content of residual elements, relatively lower cost, and use restricted to limited applications such as concrete mesh, lobster traps, and chain link fencing. These domestic like product arguments are discussed in greater detail at the end of part I of this report.

Description and Uses of Steel Wire Rod

Steel wire rod is a hot-rolled intermediate steel product of solid circular cross section that typically is produced in nominal fractional diameters and sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire drawers.¹³ 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 shipments below 1/2 inch (12.7 mm). (Rod rolling mills are capable of rolling in larger sizes, but usually do not because of limitations imposed by customer requirements, productivity losses (the rolling mill would have to run at much lower speeds), and the possibility of damage to the rod.) Steel wire rod sold in the United States is categorized according to end use, called "quality;"¹⁴ these end-use categories are broad descriptions in which there is an overlap of metallurgical quality, chemistry (particularly carbon content),¹⁵ and physical characteristics. According to some estimates, there are more than 100,000 uses of steel wire.

¹² This CHQ rod is used by fastener manufacturers to make recessed and socket headed fasteners such as screws, bolts, and rivets and cold-formed machine parts such as spark plugs, valves, and fittings. Postconference brief on behalf of MGF Industries, p. 1.

¹³ Wire drawers (or redrawers) manufacture wire and wire products and may be independent of the rod manufacturer or may be a related party (about 20 percent of domestically-produced rod is consumed by U.S. rod manufacturers or by related redrawers in the production of downstream wire and wire products).

¹⁴ American Society for Materials, *Steel Products Manual: Carbon Steel Wire and Rods*, 1993, pp. 33-35. Specifications for chemical composition limits, physical properties, and thermal treatments are published by the American Iron and Steel Institute (AISI), American Society for Testing and Materials (ASTM), the Society of Automotive Engineers (SAE), and the Industrial Fasteners Institute (IFI). Maximum percentages of certain elements are specified in AISI, SAE, and IFI 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 modifications of these specifications to achieve a specific performance in the downstream product.

¹⁵ Ductility, hardness, and tensile strength of the steel are positively correlated with carbon content. Most of the subject steel wire rod consumed in the United States is of 1000 and 1500 (AISI) series carbon steels, which include product designated as low-, medium-high, and high-carbon. Low-carbon steel wire rod, which encompasses grades 1006 through 1022, has a maximum carbon content of 0.23 percent by weight. It is used where malleability is required. Medium-high carbon steel wire rod, which encompasses grades 1023 through 1040, has a carbon content of 0.24 to 0.44 percent and is used in applications where greater strength and hardness are desired. The carbon content of high-carbon rod (grades 1041 through 1095) exceeds 0.44 percent and imparts an even higher degree of strength and hardness.

"Certain" steel wire rod includes rod of alloy steel. Subject alloy steel wire rods are those of steel grades other than stainless steel or alloy tool steel, and are designated by AISI and/or SAE numerical series 4000, 4100, 4300, 4600, 4700, 4800, 6100, 8100, 8600, 8700, 8800, and 9200.

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. IQ steel wire rod reportedly accounts for the majority of rod consumed in the United States. It is primarily intended for drawing into industrial or standard quality wire that, in turn, is used for the manufacture of such products as coat hangers, wire mesh, and chain link fence. Most of the 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.

It should be noted that U.S. and foreign steel wire rod manufacturers have made capital investments in their production facilities to improve processing efficiencies and product quality. Standards of product quality have become higher across the entire range of steel wire rod products, largely in response to customer demands for improved fitness for end use or processing on the customer's equipment (e.g., tighter dimensional tolerances, improved chemistry (control over residuals), and coil weight). These improvements have tended to shade the meaning of product quality terms over time (i.e., IQ today is an improved product compared with the IQ of, say, 10 years ago).

Interchangeability of Steel Wire Rod

The variations noted above result in the categorization of the subject product into numerous combinations of quality grades, AISI carbon content series, and sizes. Variations in "types" of steel wire rod are small in magnitude and there can be gradual shifts over time in specifications for particular uses. Quality and commodity descriptions for 11 types of steel wire rod are presented in table I-1.

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; these companies often modify the specification to meet their end-use needs and to achieve a specific level of performance on their equipment (i.e., fitness for use). Often an end user will specify a particular "quality," which is representative of a broad range of product attributes, and then will further specify particular restrictions. Steel wire rods possess specific uniform physical characteristics throughout their cross-section (metallurgical structure, tensile strength, depth of decarburization), which inhibits the interchangeability of other products for steel wire rod. As a consequence, there are few, if any, practical substitutes for the subject product in the manufacture of steel wire and wire products.

Producer and processor perceptions of interchangeability of rods between types may vary. For example, the German respondents argue that IQ rods differ from all other rods, which they term special quality (SQ). The term IQ, by itself, is imprecise, and there are instances where IQ rods are used in other applications, particularly cold-heading. Also, a significant portion of wire rods are subjected to minimal or no qualification requirements. The general acceptance by customers of commodity-grade steel wire rods enhances the interchangeability of rods purchased from different producers. Even for specialized wire rod applications or products where new technology is applied, the qualification process reportedly is of short duration, usually several months. This promotes the interchangeability of rods purchased from different producers. Also, generally improved quality has increased the interchangeability of rods for different uses.

Foreign-produced steel wire rod as a group generally is interchangeable with U.S.-produced steel wire rod, and competes within the same or similar qualities.¹⁶ Steel wire rod is imported within the same

¹⁶ However, members of the American Wire Producers Association (AWPA) reported that certain types and grades of steel wire rod are not currently produced in the United States and provided a list of grades which they believe are not available, or not available in sufficient quantities. Some of the named products are not in the scope of the investigations. Postconference brief of the AWPA, p. 30. For a further discussion of variation in the supply of steel wire rod, see the section entitled "Fungibility" in part IV of this report.

Table I-1
Quality and commodity descriptions of steel wire rod

<i>Quality</i>	<i>Carbon content</i>	<i>End uses</i>	<i>Other important characteristics</i>
<i>Chain quality</i>	Low and medium-low	Electric welded chain	Butt welding properties and uniform internal soundness
<i>Cold finishing quality</i>	Unspecified and end-use dependent	Cold-drawn bars	Surface quality
<i>Cold heading quality</i>	Usually low and medium-low	Cold-heading, cold-forging, cold-extrusion products (may range from nails to recess head and socket head fasteners)	Internal soundness, good surface quality; may require thermal treatments
<i>Concrete reinforcement</i>	Low and medium	Nondeformed rods for reinforcing concrete (plain round or smooth surface rounds)	Chemical composition important only insofar as affects mechanical property
<i>Fine wire</i>	Low	Insect screen, weaving wire, florist wire	Rods must be suitable for drawing into wire sizes as low as 0.035 inch (0.889 mm) without intermediate annealing; internal quality important
<i>High carbon and medium-high carbon</i>	Medium-high and high	Strand and rope, tire bead, upholstery spring, mechanical spring, screens, ACSR core, and prestressed concrete strand	Thermally treated prior to drawing; however, not intended to be used for music wire or valve spring wire
<i>Industrial (standard) quality</i>	Low or medium-low	Primarily industrial or standard quality wire for fabrication into nails, coat hangers, mesh for concrete reinforcement, fencing	Limitations imposed on number of drafts without thermal treatment
<i>Music spring wire</i>	High	Springs subject to high stress	Restrictive requirements for chemistry, cleanliness, segregation, decarburization, and surface imperfections
<i>Scrapless nut</i>	Low; also resulturized steels and aluminum killed resulturized steels	Fasteners produced by cold heading, cold expanding, cold punching, and thread tapping	Internal soundness, good surface quality
<i>Tire cord</i>	High	Tread reinforcement in pneumatic tires	Restrictive requirements for cleanliness, segregation, decarburization, chemistry, and surface imperfections
<i>Welding quality</i>	Low or medium; killed steel	Wire for gas welding, electric arc welding, submerged arc welding, and metal inert gas welding	Restrictive requirements for uniform chemistry

Note.--The above items are those qualities listed in the *ASM Steel Products Manual* and are not necessarily exhaustive.

Source: American Society for Materials, *Steel Products Manual: Rod and Wire*, 1993.

range of grades and is used for the same general end uses by approximately the same end users as the domestic product.¹⁷ For most steel wire rod there does not appear to be a high degree of differentiation between foreign and U.S.-produced steel wire rod based on the type of production process or on the basis of quality.

Manufacturing Facilities and Production Employees

As described below and in part VII, there is little difference in the production techniques used to produce steel wire rod in the United States and the four subject countries. The manufacturing process leading to the production of steel wire rod consists of different stages: (1) steelmaking, where the steel's chemistry is fixed; (2) casting the steel into a semifinished shape (billet); (3) hot-rolling the semifinished shape into rod on a multistand, high-speed rolling mill; and (4) coiling and control-cooling the rod as it is passed along a specialized conveyor (a Stelmor deck). Rod mills often tailor their operating practices (i.e., adjust processing parameters) to meet a customer's needs for specific applications and quality requirements. Specific metallurgical properties may be imparted by adjusting the chemistry during steelmaking as well as by varying rolling and cooling practices. Rods may be subjected to post-rolling thermal treatment, such as annealing, patenting, or controlled cooling, to obtain desired mechanical properties and microstructure. Finally, the product is inspected, bundled, and readied for shipment.¹⁸

After steel has been made to the desired chemistry and cast into a solid shape (a billet) that can enter the rolling process, a rod manufacturer may charge the billet directly into the rod rolling mill or condition the surface¹⁹ of the billet prior to rolling. Depending on the requirements for chemistry, nonmetallic inclusions, and surface, a rod producer may purchase billets; while this purchase bypasses the steelmaking and casting stages, it allows the producer to adjust the product mix and compete in hard-to-make steel grades.

The rod rolling process determines the rod's size (i.e., diameter) and dimensional precision, its depth of decarburization, surface defects, amount of mill scale, structural grain size, and, within limits set by the chemistry, the tensile strength and other physical properties. There is little or no difference between the rod rolling mills in the United States, or between U.S. mills and their foreign competitors. 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. 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 the 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. 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 in size. During rolling, the rod is water-cooled to prevent loss of carbon from its surface (decarburization).

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; this controlled cooling (the rod producer can accelerate or retard the rod's rate of cooling by raising or lowering covers over the Stelmor deck with or without forced air drafts) allows the rod manufacturer to achieve uniform metallurgical properties. It also affects scale buildup, which determines yield losses at the wire drawer. Cooling practices are varied depending on the designated

¹⁷ Wire drawers generally indicated that they purchased from both foreign and domestic sources.

¹⁸ For a more detailed description of the steel melting and casting process, see *Certain Steel Wire Rod from Brazil and Japan*, USITC publication 2761, Mar. 1994.

¹⁹ Surface treatments include the removal of seams and folds by grinding.

end use of the rod and the customer's preferences. Metallurgical quality, temperature, and dimensional tolerance are usually inspected on-line.

Channels of Distribution

Most steel wire rod is marketed directly to independent wire drawers, who purchase a wide variety of rod with different specifications. The vast majority of all sales of both domestic and imported rod are made directly to such end users.²⁰ The record also reflects that about 20 percent of domestically-manufactured wire rod is consumed by wire rod manufacturers in captive wire drawing and fabricating operations or transferred to related wire drawers. In comparison, about *** percent of imports from Canada were consumed internally by the importer or shipped to related U.S. drawers, as were *** percent and *** percent, respectively, of imports from Germany and Trinidad & Tobago. There were *** shipments of product imported from Venezuela.²¹

Discussion of Specific Products and Domestic Like Product Criteria

This section presents information on the following products: hot-rolled coiled bar with a diameter less than 19 mm; cold heading quality rod; industrial quality/special quality rod; tire cord quality wire rod; and pipe wrap quality wire rod.

Coiled Bar

Industry standards distinguish between bar (whether or not coiled) and rod in terms of dimensional precision (tolerance and out of round) and chemistries that result, in large part, from the types of facilities in which they are produced. Rod traditionally has been manufactured in a rod mill and is produced with a uniform metallurgical chemistry. Bar, in contrast, is produced to tighter dimensional precision or "tolerances" in bar mills.²² Also, product 19 mm and under in size is typically (but not always) labelled "rod" and product larger than 19 mm is called "bar." The high operating speed of a rod mill and rod weight limit a rod to 19 mm maximum in size (over 19 mm the rod may be damaged). Bar can be coiled in a diameter up to about 2 inches (50 mm), limited by the strength of the coiling tub foundation.

²⁰ For the most part, steel wire rod from Canada is imported into the United States directly by the Canadian manufacturers or by a importer related to the foreign manufacturer. A portion of these imports is then sold to purchasers that distribute.

²¹ Responses to Commission importers' questionnaires. Counsel for Sidor (Venezuela) distinguished imports from Venezuela from other imports and domestic rod by Sidor's sales to trading companies. These sales to unrelated third parties (who import rod into the United States and sell to end users, independent wire drawers) are said to differ from the direct sales to end users made by domestic rod producers and from sales made by rod producers in the other three subject countries, who maintain sales offices in the United States and who frequently negotiate sales directly with end users.

²² A traditional bar rolling line will differ in several aspects from its rod counterpart. Differences include a much slower rolling speed, fewer rolling and finishing stands (most bar mills do not have the no-twist finishing stands that are characteristic of rod mills), absence of a coiling head, and absence of a controlled (Stelmor) cooling deck. Bar mills channel the finished product to a cooling table (for cut-to-length bar) or a rotating coiling tub (for coiled bar), neither of which possesses the controlled cooling capability of a Stelmor cooling deck. As a consequence, bar cools at ambient temperature and may lack the uniformity of rod. However, the slower rolling speed for bar usually means that bar has tighter dimensional precision or "tolerances" than does rod.

However, with respect to the bar subject to these investigations (or that coiled bar 19 mm and below), the traditional bar-rod dichotomy appears to be blurring. In a process that is believed to be unique to the United States, several U.S. producers in recent years have modified existing bar mills with rod finishing apparatus (including a rod mill's sizing blocks and laying head) and cooling apparatus and are capable of producing bar with "rod-like" characteristics.²³ For the most part, these modified rolling lines are adjacent to or in line with the companies' existing bar rolling mills and use the same employees to manufacture both products.²⁴ (However, it should be noted that at least one producer (USS-Kobe) continues to label its product as "bar.") Other U.S. companies continue to produce coiled bar on bar rolling lines that are more traditional and differ from rod rolling lines.

As a consequence, there is at least the potential for some overlap in end uses between coiled wire rod and small-diameter coiled bar. With the change in rolling technology, "rod" that is produced on the adapted mills has dimensional precision closer to that of bar, while the "bar" being produced on these mills has the economies of production and uses of rod. Hence, with respect to interchangeability there are numerous instances where rod could be used in place of coiled bar (and displace coiled bar in smaller diameters), as well as instances where coiled bar might be substituted for rod because rod is not available or cannot be made with the specified chemistry, dimension, or surface finish.²⁵ Available information on the actual end use of U.S. coiled bar is presented in footnotes 4-8 of table III-2 of this report.

Both coiled rod and coiled bar are sold primarily to end users, although the end use may differ significantly between the two products. Responses to Commission questionnaires showed that the unit value of coiled rod ranged from a high of \$*** per ton in 1995 to a low of \$*** per ton in 1996. In contrast, the unit values of such shipments of coiled bar were much higher (ranging from a low of \$*** per ton in 1994 to a high of \$*** per ton in 1995.)²⁶

Industrial Quality/Special Quality Steel Wire Rod

German respondents argue that steel wire rod is composed of 2 distinct like products, IQ (standard quality) rod and SQ (high quality) rod, that are readily distinguishable from one another. According to these respondents, IQ has higher levels of residual impurities of phosphorus, sulfur, and copper that negatively impact tensile strength, ductility, and other mechanical properties, and make steel of this grade suitable only for limited use in products such as concrete mesh, lobster traps, and chain link fence.²⁷ SQ is produced to a

²³ These producers consist of CF&I, Inland, and USS/Kobe.

²⁴ ***.

²⁵ Traditionally, in the majority of applications the lower-cost production economies of rod limit the commercial application of bar. The greatest uses for cut-to-length bar and coiled bar are in cold finishing and hot- and warm-forging applications, and for general fabrication applications, in which bar is fed into a machine in a ratchet fashion. Since coiled bar not produced using a Stelmor cooling process lacks the metallurgical uniformity of rod, it is seldom substituted in the drawing process. Rod products find their primary uses in wire drawing and cold-heading applications (which are less common uses for bar), and most wire drawing facilities are designed for continuous running of coiled, 1/4-inch feed stock. The greatest area of overlap between bar not produced on a modified "bar-rod" mill usually is within the category of cold-heading quality. Here the dimensional distinction is not meaningful because, whether of rod or bar tolerance, the product generally is drawn or processed into parts.

²⁶ However, it should be noted that the distinction in value between reported coiled rod and coiled bar is due, at least in part, to a difference in product mix and not to varying bar-rod production economies. ***.

²⁷ The German respondents also state that the clear dividing line between industrial quality wire rod and special quality wire rod is that IQ rod has a phosphorus content greater than 0.020 percent, a sulfur content greater than 0.020 percent,

(continued...)

higher metallurgical quality (minimal segregation and restricted grain sizes, for example) and with restrictive limits on residual elements; therefore, SQ is used for more demanding applications, such as prestressed concrete wire, automotive fasteners, and tire cord. Differences in quality requirements are carried over into the manufacturing process, and the German respondents argue that SQ rod requires special manufacturing equipment and processes for its production, and that the production workers need specialized training.²⁸ Finally, they argue that because of its use in high quality and demanding applications, and its special processing, SQ commands a substantial premium in its price over that of IQ.

Several products were included in the IQ category in the Commission's questionnaire. These are fine wire and chain quality, both of which meet chemical specifications for industrial quality but have lower requirements for residuals (table I-1). Even within the IQ category and AISI 1000 series, there is a mix of products that differ from one another: steel used for making clothing hangers differs metallurgically and by physical properties from steel used to manufacture bulk nails, even though both groups of products are within the range of 1006 to 1010 chemistries, for example. Also, the German respondents contend that products used in construction are typical of IQ rod. However, within this use category are steel wire rods which are more illustrative of SQ category because of their higher carbon content and restrictions on residuals; pipe wrap wire, prestressed concrete strand (a high carbon steel used in concrete slab), and guy-wire (a medium to high carbon steel used to stabilize or support towers, masts, and roadway guard rails) are illustrative of this overlap. Also, there is overlap between IQ and other product groups, particularly cold-heading quality. There can exist interchangeability of products within these categories and between categories. As noted earlier, production processes are similar throughout the industry producing steel wire rod, including steelmaking, casting, and rod rolling. Differences arise because of end use and the manufacturer's adjusting of processing according to the user's specific requirements. While this may involve modifying some processing steps and some specialized employee training, the entire procedure is believed to be user specific and more typically is employed when the rod manufacturer initially sets out to produce a product not in the existing product mix.

Cold-Heading Quality Steel Wire Rod

The primary physical characteristics of CHQ rod are surface quality, depth of decarburization, and deformability.²⁹ These characteristics vary according to the type of part to be manufactured and the severity with which the steel is deformed during the heading process. End uses of CHQ include nails, screws, recessed head fasteners (bolts and nuts),³⁰ machine parts, and fittings. Within limits imposed by the severity of the manufacturing process, types of rod other than CHQ may be used; and within the spectrum of CHQ rods, there are instances where CHQ rods used for one product are not interchangeable with those used in

²⁷ (...continued)

and a copper content greater than 0.15 percent. Postconference brief on behalf of Brandenburger Elektrostahlwerke GmbH, Saarstahl AG i.K., and Walzdraht Hochfeld GmbH, pp. 1, 4, 6, and 7.

²⁸ Ibid, pp. 11-13.

²⁹ Petitioner reports that CHQ and other specialty products require tighter controls against "seams" (defects in the steel) and "decarburization" (or reduced carbon at the surface that compromises physical properties). Postconference brief, annex C, p. 2.

³⁰ Recessed head fasteners typically are produced to standards of the Industrial Fasteners Institute.

making another.³¹ Straight-length bar might be interchangeable with rod in some of these applications. CHQ rods are part of a continuum of steel wire rod used in heading operations, produced in U.S. mills on the same equipment by the same employees, with the physical characteristics and perception of differences varying according to the purchaser's specification. Rods may be interchangeable within this broad category. Channels of distribution are likely to be similar for CHQ rods with little difference between CHQ rods and other steel wire rods, and they are produced in U.S. mills on the same equipment by the same employees. Prices for critical CHQ applications are higher than those for less demanding applications, although not out of line compared with other types of steel wire rod.

Tire Cord Quality Steel Wire Rod

Tire cord quality steel wire rod is a high-carbon rod product that the downstream purchaser (either a specialized wire drawer or a producer of radial-belted pneumatic tires) draws into wire that it bunches or cables together to form a cord that is then used for tread reinforcement in steel-reinforced pneumatic tires. The rod must be able to be drawn into very fine wire sizes (0.006 to 0.15 inch) without failure and is produced under restrictive requirements for cleanliness, segregation, decarburization, chemical analysis, and surface imperfections. Uniformity in mechanical properties and the ability of the rod to accept a bronze-plated finish or other appropriate surface finish are essential. Tire cord may be either regular-tensile (1070 tire cord) or high-tensile (1080 tire cord). Regular-tensile tire cord was included within the scope of the Commission's 1993-94 investigations on certain steel wire rod while high-tensile tire cord was excluded, but all tire cord wire rod is excluded from the scope of the current investigations.

Other types of steel wire rod may not be used for tire cord applications due to the rigorous end-use requirements; however, an end user could use tire cord rod for some other purpose.³² Customers (who are the producers of radial-belted tires) tend to view tire cord as a niche product apart from other types of steel wire rod. Testimony at the Commission's conference that the price level of tire cord quality rod is higher than other types of rod supports this view. With respect to manufacturing facilities, tire cord rod is produced by two U.S. companies who manufacture a broad range of other types of steel wire rod on the same equipment and with the same production workers.

Pipe Wrap Quality Steel Wire Rod

As noted earlier, pipe wrap quality steel wire rod is used to produce pre-stressed wire for strengthening concrete pipe.³³ With respect to physical characteristics and interchangeability, steel wire rod for making pipe wrap wire is similar in chemistry to rod used for making prestressed concrete strand, but apparently is not interchangeable with any other rod for the pipe wrap application. With regard to common manufacturing facilities, pipe wrap rod was made by one domestic company (GST Steel at its Kansas City, MO plant)³⁴ during the period reviewed until a change in production techniques in 1996 made the rod unusable by its U.S. customer for this application. GST Steel and one of the end users of the product (North

³¹ MGF Industries defined CHQ rod in terms of the company's purchasing specification only, and, in effect, defined the industry consuming CHQ rod as MGF. Other companies making fasteners and spark plugs may define CHQ somewhat differently.

³² There is some question regarding the interchangeability between high- and regular-tensile tire cord.

³³ Pipe wrap quality steel wire rod conforms to ASTM A648-95 specifications for chemistry and to class III for tensile strength.

³⁴ GST Steel manufactures other types of steel wire rod, including other types of high-carbon steel rod, on the same equipment used to produce pipe wrap quality steel wire rod.

American Wire Products Corp.) are currently attempting to resolve the technical problems. Customer and producer apparently regard it as a separate niche product. GST Steel sold pipe wrap quality steel wire rod directly to North American Wire Products, similar to the manner in which the majority of steel wire rod is distributed in the United States.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

Both U.S. producers and importers either sell wire rod to wire drawing firms or produce and sell their own wire or wire products. Approximately 12 percent of U.S. production is captively consumed.¹ Purchasers report that "Buy American" provisions covered approximately 10 percent of the total U.S. consumption.² Wire rod comes in a number of qualities that are used in many different products (table 1-1).

Imports from the subject countries comprised *** percent of the total U.S. market in 1996, domestic production comprised *** percent of the market, and imports from nonsubject countries comprised *** percent.³ The overall market has grown slightly over the period of investigation, with apparent consumption increasing from *** million tons in 1994 to *** million tons in 1996.

Domestic producers sell both on a spot and on a contract basis; in contrast, most importers sell either on a contract basis or a spot basis but usually not both. Prices are usually determined case-by-case and few firms reported any discounts.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on the available information, staff believes that U.S. wire rod producers are likely to respond to changes in demand with small changes in shipments of U.S.-produced wire rod to the U.S. market, and larger changes in prices. Factors contributing to the low responsiveness of supply are discussed below.

Capacity in the U.S. industry

Throughout the period of investigation industry capacity utilization rates ranged from *** percent in 1996 to *** percent in 1995. Firms are planning to increase capacity with new and refurbished plants in Kansas City and Arizona;⁴ however, the capacity utilization rate is relatively unresponsive to the price of rod in the short run. Purchasers report that they frequently cannot purchase as much wire rod from domestic manufacturers as they wish.⁵

¹ An additional 7 percent was transferred to related wire producers.

² Conference transcript ("TR"), pp. 164 and 167. Some of this Buy American consumption may overlap with captive consumption. Petitioners state that Buy American requirements do not account for a significant portion of total sales of U.S.-produced steel wire rod. (Petitioners' postconference brief, answers to questions from the Commission staff, p. 11.)

³ Numbers do not add to 100 percent because of rounding.

⁴ Conference TR, pp. 14 and 25-26.

⁵ Conference TR, pp. 106-107, 109-111, 114, and 116-121.

Production Alternatives

The equipment used to produce steel wire rod from billets usually cannot be used to make other products. However, *** percent of the subject steel wire rod is made at bar mills and this equipment can be used to make other types of bar products.

Inventory Levels and Exports

Inventories rose from *** tons in 1994 to *** tons in 1996. The inventories increased from *** percent of annual shipments in 1994 to *** percent in 1996. Domestic producers exported *** percent of their production in 1994, 1995, and 1996. The low level of exports indicates that domestic producers would find it difficult to shift shipments between the U.S. market and other markets.

U.S. Demand

The majority of steel wire rod is sold to wire drawers;⁶ these firms draw the wire rod into wire that is used in a large variety of products. 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,⁷ the demand for steel wire rod tends to be cyclical and follow trends in these industries. In response to a question on demand in recent years, 6 producers reported strong current demand, and 5 reported increasing demand.⁸ Six of the 22 responding importers also reported that demand had increased,⁹ and 10 reported that it was unchanged; 4 reported that they did not know about demand in general.¹⁰

Substitute Products

Although steel wire rod is used in many different applications, U.S. producers and importers agreed that there are no substitute products.¹¹ In addition, wire rod comes with many different specifications. Sometimes firms can substitute between steel wire rod with different specifications, but frequently they cannot.

⁶ A number of the firms that produce and 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 in the wire and wire products markets against the firms to which they sell wire rod in the merchant market.

⁷ Construction uses include mesh for concrete reinforcement, screws, bolts, etc. Automobile applications include tire bead, bolts for engines, truck suspensions, etc.

⁸ Two reported that demand has increased because of autos or auto transplants. One reported demand was strong because of the strong economy and the value of the dollar.

⁹ One of these reported demand was strong.

¹⁰ In addition, one importer reported that demand for imports had fallen because of increased domestic capacity and one reported that the major change was the increased sophistication of the market, requiring longer qualification periods.

¹¹ One importer *** reported that coiled bar could be substituted for wire rod. (It is not clear if this coiled product is part of the subject product or not.) Two importers reported that wire could be substituted for wire rod.

Cost Share

Producers report that the cost of steel wire rod is a large share of the cost of products in which it is used. They reported that steel wire rod can account for up to 80 percent of the total cost of the products produced by the wire drawers.¹² However, the products made with steel wire rod can differ dramatically. In products with more manufacturing processes and more value added applications, wire rod's cost share is lower, sometimes much lower.¹³ Changes in the price of steel wire rod, therefore, will have a varying impact on demand for these products. Price will have greater impact on demand in the least sophisticated applications than in more sophisticated applications.

SUBSTITUTABILITY ISSUES

Producers and importers were requested to provide information regarding the interchangeability of domestic, subject, and nonsubject steel wire rod and to discuss differences between these products. Most of the nine responding domestic producers reported that steel wire rod from all the subject countries is interchangeable with U.S. products. *** reported that its rod and rod from Trinidad & Tobago and Venezuela were not interchangeable.¹⁴ Most importers agreed that subject and U.S.-produced steel wire rod were interchangeable. Two of the 15 responding importers reported that Canadian steel wire rod is not interchangeable with U.S.-produced wire rod, 2 of 13 importers reported that U.S. and Trinidadian wire rod is not interchangeable, 6 of 16 importers reported that German product is not interchangeable with U.S.-produced wire rod,¹⁵ and 1 of 13 importers reported that Venezuelan product is not interchangeable with the U.S. product.¹⁶ Importers were divided on whether subject imports were interchangeable; 13 reported that they were not, 6 reported that they were, and 7 reported that product from specific countries was interchangeable.¹⁷

Other than price, most domestic producers reported few differences between domestic and subject imported certain steel wire rod. Three of the 12 responding producers reported some difference for Canadian wire rod, 2 of the 11 responding producers reported differences for German wire rod, and 1 each of the 10 responding producers reported differences for Trinidadian and Venezuelan wire rod.¹⁸ Importers were more likely to report differences between domestic and imported wire rod. Five of the 10 responding importers reported differences other than price for the Canadian product, 6 of the 10 responding importers reported such differences for product from Trinidad, 5 of 11 responding importers

¹² Conference TR, p. 30.

¹³ For example, one U.S. wire rod producer reported that he had worked for a purchaser that made wire that was galvanized and plastic coated, and made into lobster traps. In this application, wire rod was 35 percent of the cost of production. He reported that this was a relatively unsophisticated application. Conference TR, pp. 29-30.

¹⁴ ***.

¹⁵ The responses concerning the German wire rod included the fact that it was mesh quality and could not be drawn, reported by three importers, while one importer reported that German wire rod was better to draw because of its purity. ***. German respondent's postconference brief, exhibit B.

¹⁶ Not all importers answered this question for all subject countries.

¹⁷ Two reported that rod from Venezuela was interchangeable with the others, one that rod from Trinidad was interchangeable with the others, two that Canadian and German rod were interchangeable, and one each that German and Venezuelan or German and Trinidadian rod were interchangeable.

¹⁸ Only one of these (***) gave a clear reason for the differences; these included that lead time, order quantity, effect on buyers' inventories, and technical support were different for all subject importers.

reported them for German product, and 6 of the 9 responding importers reported them for product from Venezuela.¹⁹

At the conference, purchasers reported purchasing either Canadian or Trinidadian wire rod on terms very similar to rod produced in the United States.²⁰ The Venezuelan respondents reported that their sales into the United States are sporadic and that they do not have sales representation in the United States like the other importers.²¹ Representatives of one German manufacturer reported that German firms produced both low and high quality rod.²²

Domestic producers reported average lead time between a customer's order and delivery to be between 1 and 16 weeks, with four reporting delivery times between 1 and 2 weeks. According to the importers, their average lead times ranged from 1 to 6 months. Lead times over 3 months were reported by 6 of the 21 responding importers, including importers from all countries except Canada. Only Germany did not have importers reporting delivery times of 2 months or less.

¹⁹ Nineteen importers reported some additional information on these differences. The most common difference reported was that compared to U.S.-produced wire rod, subject imports were better quality or had other better characteristics such as good drawing or low levels of impurities; these were cited by 15 importers. The second most common difference reported was imports' better availability, reported by 8 firms. Importers frequently reported more than one difference.

²⁰ Conference TR, pp. 152 and 168.

²¹ Conference TR, pp. 246 and 255.

²² Conference TR, pp. 238-239.

PART III: CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. § 1677(7)(B) and 1677(7)(C)). Information on the alleged subsidy and dumping margins was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V. Information on the other factors specified is presented in this section and/or part VI and (except as noted) is based on the questionnaire responses of 15 firms that accounted for almost all of U.S. production of steel wire rod during 1996.

U.S. PRODUCERS

The names and ownership of responding producers, along with their positions on the petition, are listed in table III-1. As shown, two of the manufacturers, Atlantic Steel and Laclede, are owned *** by Ivaco, a producer and exporter of Canadian steel wire rod. ***. ***.

There have been several reorganizations to the corporate structure and operations of U.S. producers during and immediately prior to the period for which the Commission gathered data during these investigations (or January 1994 through December 1996). During the period reviewed, Georgetown Steel and GST Steel merged into a new company named GS Industries.¹ (The GST Steel plant in Kansas City, MO previously had been sold to GS Technologies, predecessor to GS Industries, by Armco Steel on November 12, 1993.) American Steel & Wire was purchased by Birmingham Steel Corp. in November 1993 for approximately \$52 million. Also, several manufacturers brought additional rod lines on stream or upgraded existing capacity. In addition, greenfield mills in McMinneville, OR (owned by Cascade Steel) and Kingman, AZ (owned North Star Steel) reportedly will be operating in the near future and introduce an additional 500,000 short tons of production capacity into the west coast U.S. market.² In contrast, Laclede discontinued its wire rod production in April 1996.³ The firm stated in its questionnaire response that:

* * * * *

Laclede decided that the capital required to bring its rod mill “to current technological excellence would be more wisely invested elsewhere” and, according to Ivaco, it would “benefit from purchasing its wire rod requirements in the open market.”⁴

Table III-1 also lists the location of manufacturing facilities and the areas of the United States served by individual firms. Most producers typically ship the bulk of their output to those regions of the United

¹ Petition, p. 4, n. 2.

² The Kingman mill was scheduled to start operations a year ago, but as of February 1997 had not yet starting rolling rod. Conference TR, pp. 118, 120. However, production reportedly began on Mar. 4, 1997. Postconference brief for Ispat Hamburger, p. 7.

³ In addition, prior to the period reviewed (in Sept. 1992) Bethlehem Steel Corp. stopped producing cold-heading quality rod and rimmed steel at its Sparrows Point, MD, facility.

⁴ Ivaco 1995 Annual Report, p. 3.

Table III-1

Certain steel wire rod: U.S. producers, position on petition, plant location(s), and share of production in 1996

Firm name	Position on the petition	Plant location(s)	Area of the United States served by firm	Share of production in 1996 (Percent)
Petitioners:				
Connecticut Steel Corp. ¹	Support	Wallingford, CT	***	***
Co-Steel Raritan ²	Support	Perth Amboy, NJ	***	***
GS Industries, Inc. ³	Support	Georgetown, SC Kansas City, MO	***	***
Keystone Steel & Wire Company, Inc.⁴				
North Star Steel Texas, Inc. ⁵	Support	Peoria, IL	***	***
Northwestern Steel & Wire ⁶	Support	Beaumont, TX	***	***
		Sterling, IL	***	***
Subtotal				***
Non-petitioners:				
American Steel & Wire ⁷	***	Joliet, IL	***	***
		Cuyahoga Hts, OH		
Ameristeel	***	Jacksonville, FL	***	***
Atlantic Steel Industries, Inc. ⁸	***	Atlanta, GA	***	***
Bar Technologies ⁶	***	Lackawanna, NY	***	***
CF&I Steel, L.P. ⁹	***	Pueblo, CO	***	***
Charter Steel ¹⁰	***	Saukville, WI	***	***
Inland Steel Bar Company ¹¹	***	East Chicago, IN	***	***
Laclede Steel Company ¹²	***	Alton, IL	***	***
USS/Kobe Steel Company ¹³	***	Lorain, OH	***	***
Subtotal				***
Total				100.0

- 1 ***
2 ***
3 ***
4 ***
5 ***
6 ***
7 ***
8 ***
9 ***
10 ***
11 ***
12 ***
13 ***

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

States closest in proximity to their plants. However, some manufacturers serve customers in all areas of the continental United States, and the industry as a whole ships steel wire rod to all regions of the country.⁵

Table III-2 shows U.S. shipments separately for subject “coiled rod” and subject “coiled bar” by firms responding to Commission questionnaires.⁶ The vast majority of subject production was of product reported as “coiled rod.” However, five firms (American Steel & Wire, Bar Technologies, CF&I, Inland, and USS/Kobe) reported some manufacture of product designated coiled bar. Also shown in table III-2 are U.S. shipments of regular-tensile-tire cord wire rod (which is not included in the scope of these investigations); only Georgetown Steel reported commercial shipments of that product (and, in addition, some amount of high-tensile tire cord wire rod, another nonsubject product). A number of domestic firms both use carbon steel wire rod internally in their own wire drawing operations and/or sell the product to related drawers. In 1996, combined transfers (including internal consumption) accounted for *** percent of total U.S. shipments of certain carbon steel wire rod: *** percent at Connecticut Steel, *** percent at GS Industries (Georgetown Steel and GST Steel), *** percent at Keystone, *** percent at North Star, *** percent at Northwestern, *** percent at Atlantic Steel, and *** percent at CF&I. *** of Laclede’s production was consumed internally by its wire facility. American Steel & Wire, Bar Technologies, Co-Steel Raritan, Charter Steel, Inland, or USS/Kobe neither process wire rod internally or sell to related wire drawers.

Table III-2
Coiled rod, coiled bar, and regular-tensile tire cord wire rod: U.S. shipments in 1996, by firm and by product

* * * * *

During the period reviewed, several U.S. producers reported importing *** amounts of the subject product (table III-3). Table III-3 does not, however, present information on any purchases of subject product by wire producers that are related to domestic rod manufacturers.⁷

Table III-3
Certain steel wire rod: U.S. producers’ imports and purchases, by firm, 1994-96

* * * * *

⁵ Respondents note that: “Locational factors ... play a role in international wire rod trade, especially for lower value grades for which the proportion of freight to total delivered costs can be significant. Wire drawers are geographically scattered over many parts of the United States. Some regions in the Western States and along the Canadian border have been or are still undersupplied by domestic rod producers. At some locations along the seaboard and the land frontiers, imports have a freight advantage over wire rod from remote domestic suppliers.” Postconference brief submitted by the American Institute for International Steel, Inc., p. 4.

⁶ Respondents were instructed by the Commission to report product as “coiled bar” if they “considered” it to be bar and if it otherwise met the specifications provided for the subject product. In a letter dated Mar. 4, 1997, petitioners stated that “wire rod” means all hot-rolled, coiled steel products, of approximately round cross section, between 5.00 mm (0.20 inches) and 19 mm (approximately 0.75 inches) in solid cross sectional diameter, regardless of the designation of the product as “rod” or “bar” {underscore added}.”

⁷ *** and conference TR, p. 68.)

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

As discussed in part I of this report, steel wire rod is typically manufactured on rod mills which are dedicated to the manufacture of the subject product.⁸ Table III-4 presents data on U.S. mills' production and capacity to roll steel wire rod. As shown in the footnotes to that table, firms variously reported either "actual" capacity or "theoretical" capacity. Actual capacity is defined as the maximum level of production that an establishment could reasonably expect to attain under normal operating conditions using equipment and machinery in place and ready to operate, assuming normal downtime, maintenance, repair, and cleanup. Those firms reporting theoretical capacity did not adjust for unexpected shutdowns or disruptions of their production of steel wire rod. Disruptions reported by manufacturers are also noted in the footnotes to table III-4. Respondents state that the Commission should consider whether startup difficulties of new mills or rod lines and other unplanned shutdowns had a distorting impact on the industry's overall condition, particularly on reported operating costs and profit measures.⁹ They also maintain that the amount of lost production in 1996 attributable to GS Industries, Co-Steel Raritan, and CF&I Steel was greater than the increase in volume of all imports of wire rod between 1995 and 1996.¹⁰ Petitioners reply that "wire rod mills operate sophisticated equipment at very high temperature and constant stress. Under such circumstances, it is not surprising that all mills (domestic and foreign) experience breakdowns or outages resulting in temporary declines in production."¹¹ Staff notes that interruptions to manufacturing operations are not unique to this period, but also have been reported in years prior to the period reviewed in these investigations. However, it is not clear how the magnitude of the more recent disruptions affected the operations of specific U.S. firms.

Table III-4

Certain steel wire rod: U.S. producers' capacity, production, and capacity utilization, 1994-96

* * * * *

During the period reviewed, several producers installed new producing capability. Startup has not always gone smoothly and the effective added capacity is not reflected in the numbers presented in table III-4.¹² (However, a portion of those upgrades replaced older production facilities.)

In January 1994, Inland Steel Bar Company started production of high-end cold-heading quality rod products on a newly installed rod line in Chicago, IL and USS/Kobe opened a new wire rod mill in July 1995. That mill, which is a "no twist mill," is designed with one of the world's fastest rolling speeds and is used to

⁸ Firms reported manufacturing limited amounts of coiled rebar as well as *** on the rod lines. Also, CF&I, Inland, and USS/Kobe produce on "bar/rod mills," or bar mills that have added features normally found in a rod mill (e.g., Stelmor cooling facility). Additional bar products may also be manufactured in such mills. Casting capacity for the input billets was, in addition to the speed and capacity of the rolling line itself, the only factor that producers identified as being a constraint on capacity.

⁹ Ivaco's and Sidbec-Dosco's postconference brief, p. A-4. Ispat Hamburger argues that "the record of this investigation is replete with evidence of modernizations, outages, startup problems, strikes, and natural and other disasters that affected virtually every single domestic producer, particularly in 1996. It is a certainty that these difficulties adversely affected the domestic industry's reported sales and profitability for 1996 in a major way. Not only would sales revenues have been higher, but unit costs presumably lower owing to the higher sales volumes and better processing efficiencies." Postconference brief, p. 9.

¹⁰ Postconference brief for Ivaco and Sidbec-Dosco, p. B-13. Postconference brief for SIDOR, p. 9.

¹¹ Petitioners' postconference brief, p. 30.

¹² In 1997, the U.S. industry will bring on yet additional capacity. Petition, p. 23.

produce rod of cold-heading quality, as well as rod for tire bead and high-carbon spring steel.¹³ During the period reviewed, CF&I also installed a new rod line. Initial startup occurred in *** and production capability was reached in *** for an annual increase of *** short tons of capacity. GS Industries undertook a three-year capital expenditure program designed to make its Kansas City mini-mill a “state-of-the-art” facility. It completed a \$*** million rod mill modernization in ***.¹⁴ In first quarter 1996, American Steel & Wire opened the Precision Rounds Mill at Cuyahoga Heights and phased out rolling products at its Joliet facility for a net increase in capacity of *** tons. Also, in February 1996, Bar Technologies started commercial bar operations, restoring a previously closed facility in Lackawanna, NY.

As shown in table III-4, reported capacity actually decreased from 1994 to 1996, albeit by a small amount. Staff notes that capacity data should be used with caution due to the mix of reporting bases (actual capacity compared to theoretical capacity). Reported capacity utilization by individual firms was typically high, with the noted exception of ***.¹⁵ ***.¹⁶ ***.

U.S. PRODUCERS’ SHIPMENTS

Table III-5 presents data on U.S. producers’ shipments (internal consumption, other company transfers, commercial shipments, and exports) during the period for which data were collected. Nine U.S. mills reported company transfers, which accounted for between 20.7 percent of total U.S. shipments in 1994 and 19.1 percent of such shipments in 1996. Exports, which comprised only a small share of U.S. producers’ total shipments, were reported as destined to Canada and Mexico.

Table III-5
 Certain steel wire rod: U.S. producers’ shipments, by type, 1994-96

* * * * *

As shown, the quantity of total U.S. shipments declined slightly, or by *** percent, from 1994 to 1996. Transfers (including internal consumption) of steel wire rod fell (with a ***-percent decline) at a rate significantly greater than did commercial shipments (which fell a fraction of a percent).¹⁷ The value of the product sold declined at a rate greater than the decrease in quantities sold, reflecting an irregular decrease in the unit value of steel wire rod sold by U.S. manufacturers. Petitioners label this decrease in unit value a price decline and state that it began in mid-1995.

As discussed above, there is a significant amount of product consumed internally by the domestic industry. Respondents state that “every independent wire producer in this country competes with one or more integrated domestic rod producer, or their affiliated wire companies, in the sale of wire and wire products to the downstream market” and add that “the downstream effect is a serious concern of the independent wire

¹³ However, another planned mill was not built. ***.

¹⁴ That modernization resulted in ***. Staff conversation with counsel for petitioners, Apr. 7, 1997.

¹⁵ Staff conversation with Inland, Mar. 24, 1997.

¹⁶ Staff conversation with USS/Kobe, Mar. 24, 1997.

¹⁷ There are no significant differences in basic product composition between product sold commercially and that transferred internally. Petitioners testified at the Commission’s conference that those products sold commercially and those captively consumed are virtually the same in terms of grades and qualities. Conference TR, p. 91.

producers.”¹⁸ As shown in table III-5, the unit values of product sold on the commercial market are higher than those for shown for product consumed internally or transferred to related parties. Petitioners indicate that the difference in average per-ton unit values to related parties and unaffiliated entities is due to differences in the product mix of rod requested by customers at various facilities.¹⁹ Further, in annex G to their postconference brief, they submit a series of affidavits stating that domestic mills do not favor their related drawers with respect to price or allocation of supply. Staff notes that the difference in unit values shown in table III-5 is exacerbated by the inclusion of higher-valued products manufactured by firms that do not report company transfers.²⁰

U.S. PRODUCERS’ INVENTORIES

Inventories held by U.S. manufacturers of steel wire rod rose at year-end 1995 compared with year-end 1994, then declined at year-end 1996 (table III-6). Inventory-to-production and inventory-to-shipment ratios are low and reflect the usual practice of U.S. producers manufacturing 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. Inventories were reported by the majority of U.S. domestic firms and are believed to consist primarily of finished goods made to order for a specific customer.²¹

Table III-6
 Certain steel wire rod: U.S. producers’ end-of-period inventories, 1994-96

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Trend indicators reflecting employment in the domestic steel wire rod industry are shown in table III-7 below.

Table III-7
 Certain steel wire rod: Average number of production and related workers producing products, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1994-96

* * * * *

¹⁸ Postconference brief submitted by the American Wire Producers Association, pp. 24-25.
¹⁹ Petitioners’ postconference brief, p. 24, n. 28, and staff conversation with counsel for petitioners, Apr. 1, 1997.
²⁰ Specifically, for that steel wire rod reported by ***.
²¹ Staff conversation with counsel for petitioner, Apr. 7, 1997.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION AND MARKET SHARES

U.S. IMPORTERS

The Commission sent questionnaires to 72 firms believed to have imported steel wire rod from Canada, Germany, Trinidad & Tobago, or Venezuela from 1994 to 1996,¹ and received usable data from 31 of the firms. The majority of the remaining firms indicated that they did not import steel wire rod from the subject countries. A total of six firms that are believed to be importing subject product did not respond to the importers' questionnaire.

The names of importing firms and the quantity of imports reported are listed in table IV-1. With the exception of the Canadian firms, importers are typically trading companies that resell the product to the end users or wire drawers. Several importers, including ***, imported from multiple sources. Steel wire rod from Canada was imported by firms related to the foreign manufacturers who, in essence, act as their own importers-of-record (although the import documentation can list their purchasers as the consignees). Several of the importers are related through common ownership by Ispat, Inc. However, as shown in table IV-1, product manufactured by Sidbec-Dosco in Canada is imported by ***. Product manufactured by Ispat Hamburger in Germany and by Caribbean Ispat in Trinidad is imported by ***.

Table IV-1

Certain steel wire rod: U.S. importers, foreign manufacturers, and U.S. imports from subject sources, by firm, 1994-96

* * * * *

U.S. IMPORTS

Imports of steel wire rod into the United States are presented in table IV-2. As shown, imports from Canada and Trinidad & Tobago rose consistently from 1994 to 1996, while those from Germany and Venezuela increased irregularly (i.e., declined from 1994 to 1995, then rose to a point in 1996 higher than the 1994 base).

In compiling import data for these investigations, staff obtained and reviewed information from three sources: official Commerce import statistics (adjusted as necessary), responses to Commission importers' questionnaires, and exports into the United States provided by foreign manufacturers in the subject countries.

¹ Information on the identity of importing firms was obtained from both the petitioner and the U.S. Customs Service. In addition, each U.S. manufacturer received an importers' questionnaire.

Table IV-2
 Certain steel wire rod: U.S. imports, by sources, 1994-96

Item	1994	1995	1996
Quantity (short tons)			
Canada	440,289	506,419	642,439
Germany	146,514	99,984	231,182
Trinidad and Tobago	248,044	255,997	284,864
Venezuela	79,247	75,965	151,302
Subtotal	914,094	938,365	1,309,787
Japan	198,395	214,949	209,123
All other	644,112	878,079	521,742
Subtotal	842,507	1,093,029	730,865
Total	1,756,601	2,031,394	2,040,652
Value (\$1,000)			
Canada	182,860	216,378	258,332
Germany	47,536	35,731	68,169
Trinidad and Tobago	76,110	83,153	85,428
Venezuela	22,726	22,608	41,346
Subtotal	329,232	357,870	453,275
Japan	108,310	123,626	119,840
All other	214,207	273,778	172,484
Subtotal	322,517	397,404	292,324
Total	651,749	755,274	745,599
Unit value (per short ton)			
Canada	\$415.32	\$427.27	\$402.11
Germany	324.45	357.37	294.87
Trinidad and Tobago	306.84	324.82	299.89
Venezuela	286.77	297.61	273.27
Average	360.17	381.38	346.07
Japan	545.93	575.14	573.06
All other	332.56	311.79	330.59
Average	382.81	363.58	399.97
Average	371.03	371.80	365.37
Share of quantity (percent)			
Canada	25.1	24.9	31.5
Germany	8.3	4.9	11.3
Trinidad and Tobago	14.1	12.6	14.0
Venezuela	4.5	3.7	7.4
Subtotal	52.0	46.2	64.2
Japan	11.3	10.6	10.2
All other	36.7	43.2	25.6
Subtotal	48.0	53.8	35.8
Total	100.0	100.0	100.0
Share of value (percent)			
Canada	28.1	28.6	34.6
Germany	7.3	4.7	9.1
Trinidad and Tobago	11.7	11.0	11.5
Venezuela	3.5	3.0	5.5
Subtotal	50.5	47.4	60.8
Japan	16.6	16.4	16.1
All other	32.9	36.2	23.1
Subtotal	49.5	52.6	39.2
Total	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce, U.S. exports reported by foreign manufacturers, and responses to Commission importers' questionnaires.

Data from these sources are generally, but not always, consistent with each other.² For subject imports of steel wire rod (including coiled bar), staff used the quantities of U.S. exports reported by foreign manufacturers.³ The values of such exports were calculated from the unit values reported in official Commerce statistics for Canada and Venezuela. (However, data from importers' questionnaires were used to adjust Canadian unit values to account for the presence of *** amounts of nonsubject tire cord rod.) Unit values from the importers' questionnaires were used to value German imports and those from Trinidad & Tobago.⁴ Imports of certain steel wire rod from nonsubject sources were obtained from official Commerce statistics and contain some nonsubject product (primarily tire cord and valve spring wire rod).

The quantity of imports of steel wire rod from each of the subject countries increased during the period reviewed, with a 45.9-percent rise shown in the quantity of imports from Canada during 1994 and 57.8 percent, 14.8-percent, and 90.9-percent increases found, respectively, in imports from Germany, Trinidad & Tobago, and Venezuela. In contrast, imports from Japan, the largest source of nonsubject imports, rose only 5.4 percent from 1994 to 1996 and nonsubject rod from other countries declined by 19.0 percent.

Reported unit values of steel wire rod imported from each of the subject countries rose from 1994 to 1995, then dropped to a value in 1996 lower than the 1994 base period. Differences in unit values among sources result, in large part, from varying product mix. In particular, there is some evidence on the record that the drop in unit values for product imported from Germany resulted from a change in the product

² Trends in Commerce data, importers' questionnaire data, and foreign producer exports for Canada are consistent. Official Commerce statistics for Germany include a significant amount of nonsubject tire cord rod. The trends of the quantity of official Commerce statistics (when adjusted to exclude tire cord rod), importers' questionnaire data, and foreign producer exports are comparable, rising irregularly from 1994 to 1996. However, the amount of the 1994-96 percent increase shown by the foreign manufacturer data is much higher than that shown by the other data sources. Absolute quantities also differ somewhat. For Trinidad & Tobago, there is also some difference in trends: the quantity of Commerce data and that reported by foreign manufacturers rise consistently from 1994 to 1996. In contrast, importers' quantities rise irregularly from 1994 to 1996. Moreover, the percent rise in quantity reported by foreign manufacturers is somewhat less than that shown by Commerce due to a discrepancy in the 1994 base number between the two datasets. The quantity trends for Venezuela among the three sources are consistent. However, the percent increases in quantity reported by foreign manufacturers were somewhat greater than those of Commerce data which, in turn, were larger than those reported by importers.

³ This results in a degree of underreporting since one German manufacturer, ***, did not report information on its operations to the Commission and is believed to export some German-manufactured subject product to the United States. As shown in table IV-1, *** reported some imports of steel wire rod produced by ***. Theoretically, the best measure of German imports should have been official Commerce statistics, adjusted for nonsubject tire cord rod. (There are significant amounts of U.S. imports of tire cord rod from Germany.) However, these data when calculated result in estimates of imports in 1995 and 1996 which are significantly less than subject exports reported directly to the Commission by the four responding German manufacturers. Staff, therefore, utilized foreign export data for this report.

⁴ Official Commerce statistics were not used for Germany due to large quantities of nonsubject tire cord rod in those data. Mannesman Pipe & Steel, *** from Trinidad & Tobago, reported to the Commission that unit values reported by Commerce appear to be in error for 1996. Mannesman Pipe and Steel, letter dated Mar. 27, 1997. Note that it is not necessarily possible to compare absolute unit values between subject countries due to alternate use of unit values both from official Commerce statistics and responses to Commission importers' questionnaires. Instructions to Commission importers' questionnaires request that import values include all charges except inland freight in the United States.

composition of the imports. According to respondents, the increase in imports of certain steel wire rod from Germany since 1994 is attributable entirely to increased imports of low-valued IQ rod.⁵

Coiled bar from Canada, the only source of subject imports of such bar, is included in the data presented in table IV-2. The amount of such imports was ***, ***, from *** short tons in 1994 to *** short tons in 1996. Most of that product, which is manufactured by Stelco, consists of hot-rolled round coils of alloy steel for the manufacture of ***.⁶

CUMULATION CONSIDERATIONS

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors: fungibility, presence of sales or offers to sell in the same geographical markets, common or similar channels of distribution, and simultaneous presence in the market. Issues concerning channels of distribution are addressed in parts I and II of this report and the remaining three factors are discussed below.

Fungibility

Table IV-3 presents data for several categories of steel wire rod (or industrial/standard quality rod, high-carbon and medium-high-carbon quality rod, welding quality rod, and cold-heading quality rod) for which data were collected in Commission questionnaires. As shown, larger percentages of product from Germany, Trinidad & Tobago, and Venezuela were composed of the lower-valued IQ (or industrial/standard quality rod) than was the case for imports from Canada. In turn, proportionally more Canadian-manufactured steel wire rod was classified as high- and medium-high-carbon or as welding or cold-heading quality rod than were other subject imports. Reported imports from Venezuela consisted *** of IQ rod.⁷ Further, according to respondents: "Imports from Venezuela and Trinidad & Tobago and most of the imports from Germany consist of low carbon industrial grade products that are used, for example, to make wire mesh for fences. Imports from Canada, in contrast, predominantly are ***."⁸ Petitioners assert that virtually all of the U.S. and foreign producers sell the most common grades, AISI 1016, 1008, and 1010.⁹ The substitutability of subject imports from each of the four countries involved in these investigations is discussed further in the section entitled "Substitutability Issues" in part II of this report.

Table IV-3
Certain steel wire rod: U.S. shipments, by product categories, 1996

* * * * *

⁵ Postconference brief submitted by Brandenburg, p. 23. Petitioners testified that the decrease reflects a change in product mix as well as a price decrease. Conference TR, p. 37.

⁶ Stelco's postconference brief, p. 21.

⁷ Counsel for the Venezuelan producer SIDOR stated that imports from Venezuela are ***, and consist primarily of ***. Postconference brief, pp. 17-18.

⁸ Postconference brief submitted by the Gouvernement du Quebec, p. 20.

⁹ Petition, p. 18.

Geographical Markets

As noted previously, steel wire rod produced in the United States is shipped on a nationwide basis. Table IV-4, based on Commerce's statistics for the period January 1994 through December 1996, presents U.S. imports of steel wire rod, by subject country, according to the customs district through which it entered.

Table IV-4
Certain steel wire rod: Shares of U.S. imports, by sources and by customs districts, 1994-96

<i>(Percent of quantity)</i>				
Customs district	Canada	Germany ¹	Trinidad & Tobago	Venezuela
Baltimore, MD	-	1.0	3.4	4.5
Boston, MA	-	4.0	2.4	9.0
Buffalo, NY	29.4	0.1	-	-
Charleston, SC	-	5.4	4.4	1.3
Chicago, IL	-	0.5	-	-
Cleveland, OH	-	7.0	9.1	-
Detroit, MI	44.1	0.9	-	-
Houston-Galveston, TX	-	24.0	16.8	21.8
Los Angeles, CA	-	4.5	6.5	-
Milwaukee, WI	-	0.4	-	-
Mobile, AL	-	3.7	7.7	1.8
New Orleans, LA	-	21.2	27.1	31.2
New York, NY	-	-	2.5	-
Ogdensburg, NY	18.4	-	-	-
Philadelphia, PA	-	9.5	0.7	19.3
Port Arthur, TX	-	-	-	1.5
Providence, RI	-	0.4	-	-
San Francisco, CA	-	1.6	2.7	-
San Juan, PR	-	-	4.8	1.3
Savannah, GA	-	9.6	-	1.4
Seattle, WA	-	0.8	0.1	-
St. Albans, VT	8.0	0.1	-	-
Tampa, FLA	-	4.8	11.8	6.9
Wilmington, NC	-	0.4	-	-
All districts	100.0	100.0	100.0	100.0

¹ Includes significant amounts of nonsubject tire cord rod.

Source: Compiled from official Commerce statistics.

As shown in the above table, carbon steel wire rod from Canada enters the United States through ports on the border of the two countries. Responses to importers' questionnaires show that from there it is primarily shipped to the northeast and midwestern United States. Imports from the other subject countries enter, in large part, into the eastern and Gulf ports of the United States. ***.¹⁰

Presence in the Market

Steel wire rod was manufactured in the United States throughout the period for which data were collected. Based on Commerce's official statistics, imports of steel wire rod from Canada and Germany entered the United States in each of the 36 months between January 1994 and December 1996; imports from Trinidad & Tobago entered in 35 months; and imports from Venezuela entered in 28 months.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Demand for steel wire rod varies with activity in the construction, automobile, and agricultural industries. Data on apparent U.S. consumption of the subject product are presented in table VI-5. As shown, the level of U.S. consumption was basically constant from 1994 to 1996, increasing by only *** percent in terms of quantity and by *** percent in terms of value. The share of the market held by U.S. producers declined slightly but steadily throughout the period, while that held by imports from subject sources rose, both in the aggregate and for each individual source (although the trend of the U.S. market share held by Germany increased irregularly from 1994 to 1996). It is of interest to examine changes in market shares on an annual basis. Most of the total period decrease in U.S. producers' market shares occurred in 1995. The shares held by U.S. firms, for both the quantity and value of shipments, were virtually constant between 1995 and 1996. While the shares representing subject imports continued to increase in 1996 (compared to 1995), those held by nonsubject imports (from countries other than Japan) declined sharply from 1995 to 1996.

Table IV-5

Certain steel wire rod: Apparent U.S. consumption and market shares, 1994-96

* * * * *

¹⁰ ***.

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

U.S. Inland Transportation Costs

Seventeen of the 21 responding importers of steel wire rod indicated that transportation costs are from 0 to 5 percent of the total delivered costs.¹ Three importers reported higher transportation costs, up to 10 percent of total delivered costs. U.S. producers reported transportation costs of 4 to 8 percent of the total delivered cost of steel wire rod, with 3 of the 9 responding producers reporting transportation costs of 5 percent and less. Importers reported that 48 percent of their sales were under 100 miles from storage facilities, 33 percent were between 100 and 500 miles, and 18 percent over 500 miles. U.S. producers shipped 20 percent under 100 miles, 53 percent between 100 and 500 miles, and 27 percent over 500 miles.

Exchange Rates

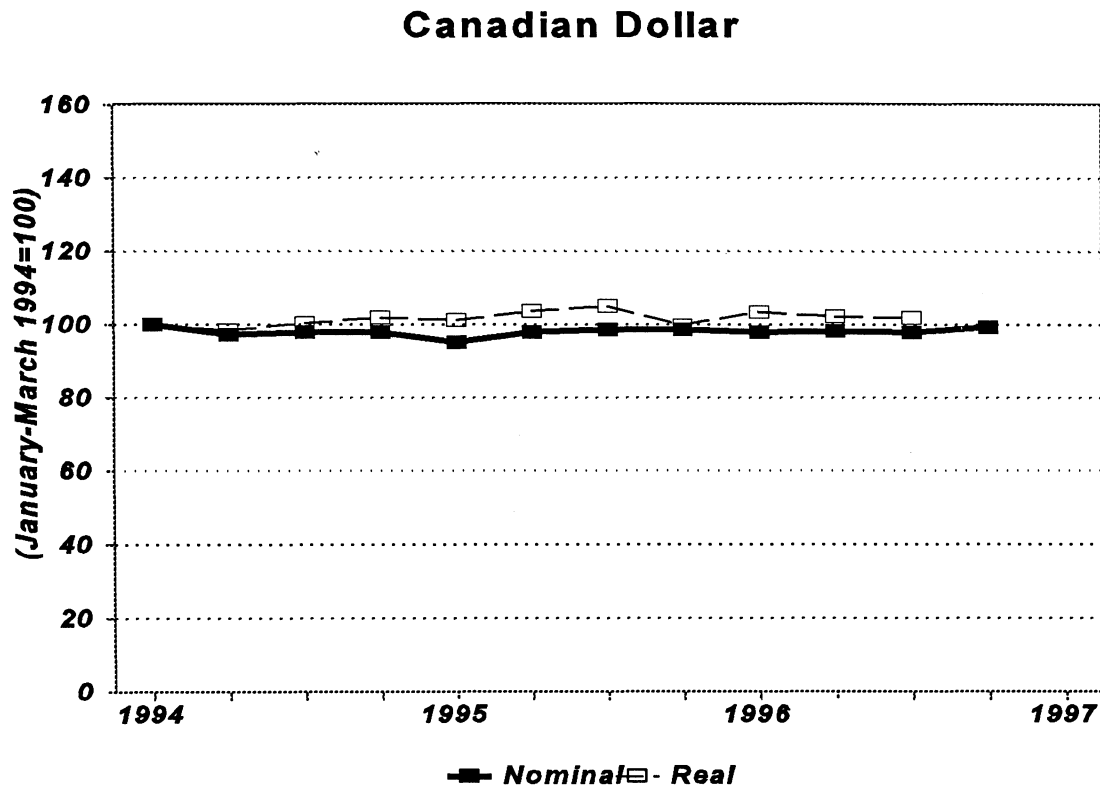
Canada

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Canadian dollar fell by 0.7 percent in relation to the U.S. dollar during the period January-March 1994 through October-December 1996 with no major fluctuations (figure V-1).

¹ Three of these importers reported transportation costs to be zero and one reported not applicable, because these firms did not pay for delivery.

Figure V-1

Exchange rates: Indices of the nominal and real exchange rates of the Canadian dollar relative to the U.S. dollar, by quarters, Jan. 1994-Dec. 1996



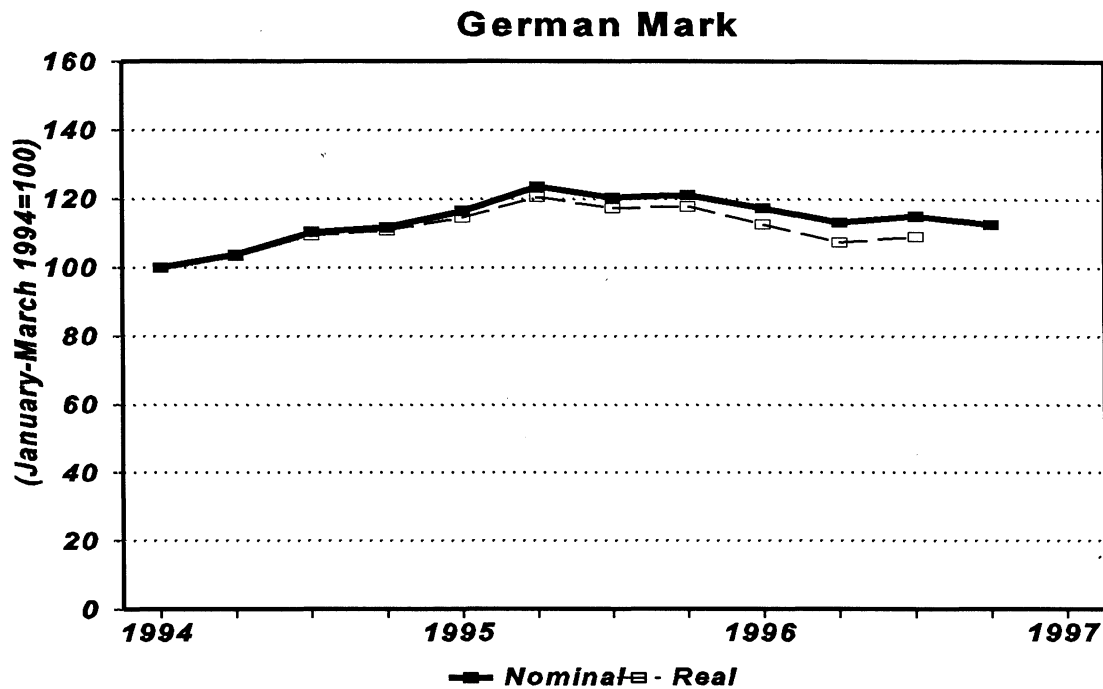
Source: International Monetary Fund, *International Financial Statistics*, Feb. 1997.

Germany

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the German mark rose by 12.7 percent in relation to the U.S. dollar during the period January-March 1994 through October-December 1996 (figure V-2). The value of the mark relative to the dollar rose steadily to the second quarter of 1994, to 23.5 percent above its initial level. Subsequently the mark fell steadily to 13.3 percent above its initial level in the second quarter of 1996, after which it fluctuated only slightly. The real exchange rate rose 9.1 percent from the first quarter of 1994 to the third quarter of 1996; it increased steadily from the first quarter of 1994 to the second quarter of 1995 to 20.5 percent above its initial level, after which it fell relatively steadily to the third quarter of 1996.

Figure V-2

Exchange rates: Indices of the nominal and real exchange rates of the German mark relative to the U.S. dollar, by quarters, Jan. 1994-Dec. 1996



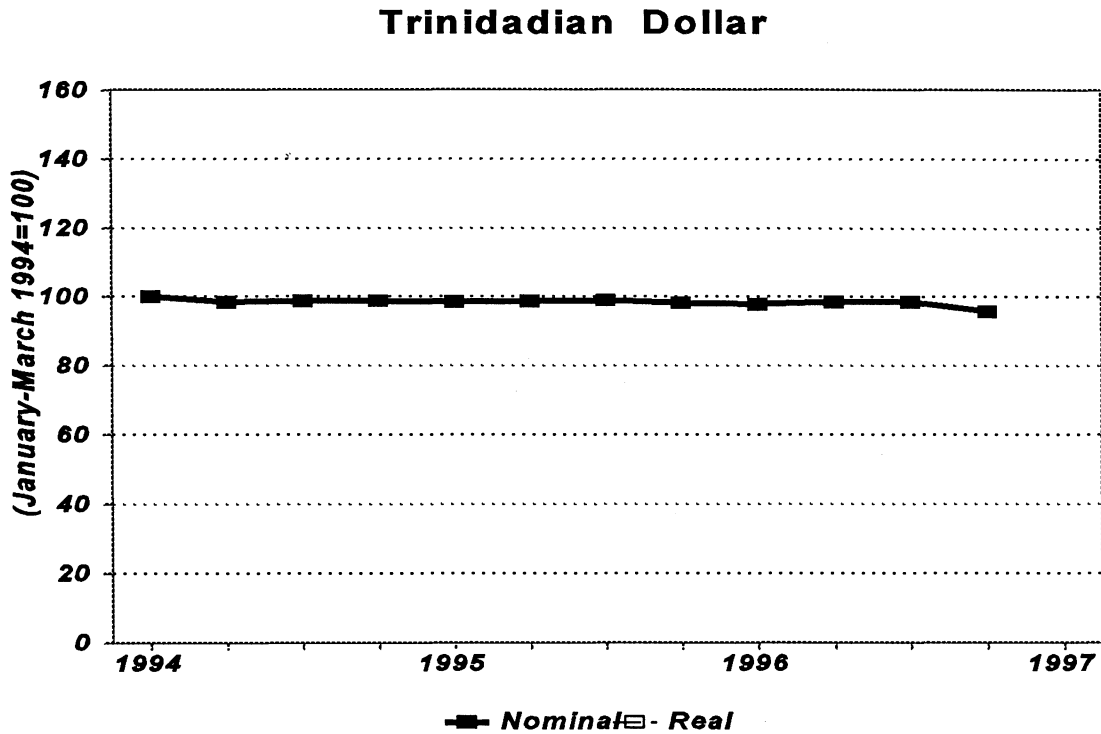
Source: International Monetary Fund, *International Financial Statistics*, Feb. 1997.

Trinidad & Tobago

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Trinidadian dollar fell by 4.1 percent over the period of investigation (figure V-3). Until the final quarter of 1996 the value of the Trinidadian dollar remained between 100 percent and 97.8 percent of its initial level. The producer price index for Trinidad & Tobago was available only for the first two quarters of 1994; therefore it was not possible to estimate the real value of the Trinidadian dollar.

Figure V-3

Exchange rates: Index of the nominal exchange rate of the Trinidadian dollar relative to the U.S. dollar, by quarters, Jan. 1994-Dec. 1996



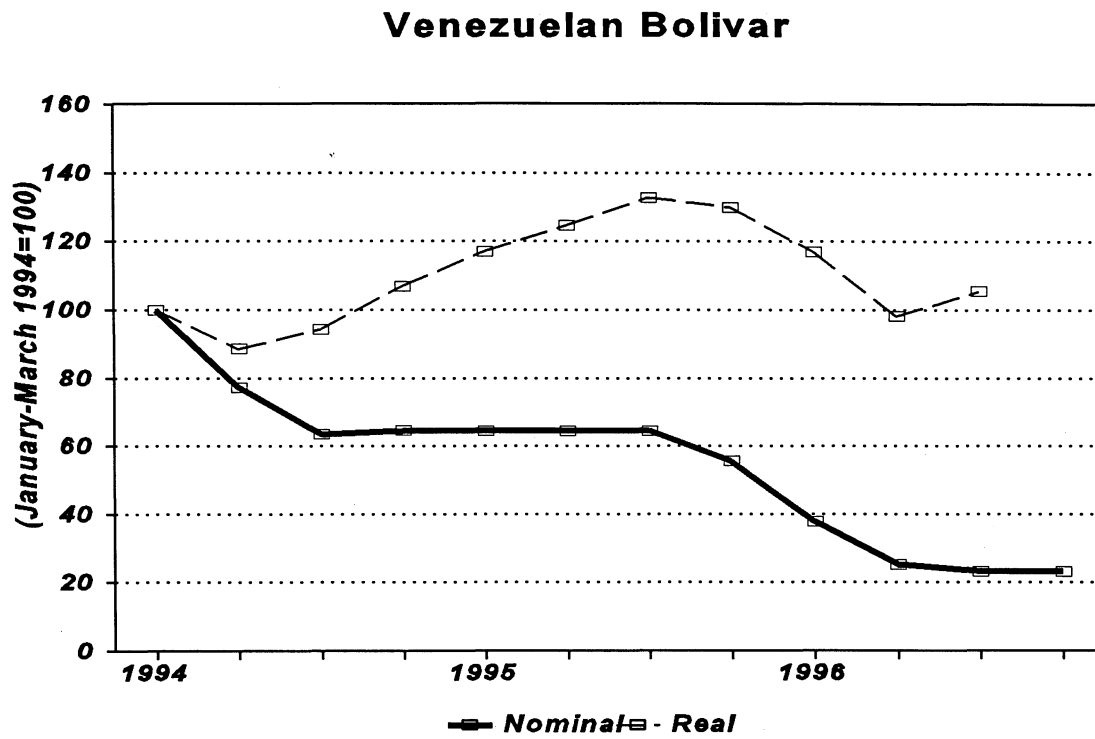
Source: International Monetary Fund, *International Financial Statistics*, Feb. 1997.

Venezuela

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Venezuelan bolivar fell by 76.8 percent over the period of investigation (figure V-4). The value fell 22.6 percent between the first and second quarter of 1994 and fell to a total of 36.5 percent of its initial value in the third quarter of 1994. Between the fourth quarter of 1994 and the second quarter of 1995 the value of the bolivar stabilized near 64.5 percent of its initial value. In the final quarter of 1995 the value of the bolivar began again to fall steadily to its final value, which was only 23.2 percent of its initial value. The real value of the bolivar rose by 5.5 percent over the period between the first quarter of 1994 and the third quarter of 1996, the period for which producer price index data are available. By the second quarter of 1994 the real value fell to 88.7 percent of its initial level. In the following five quarters the real value of the Bolivar rose steadily to 32.9 percent above its initial level. The value of the bolivar fell steadily from its peak in the third quarter of 1995 until the second quarter of 1996 before rising again in the third quarter of 1996 to 5.5 percent above its initial level.

Figure V-4

Exchange rates: Indices of the nominal and real exchange rates of the Venezuelan bolivar relative to the U.S. dollar, by quarters, Jan. 1994-Dec. 1996



Source: International Monetary Fund, *International Financial Statistics*, Feb 1997.

PRICING PRACTICES

The majority of steel wire rod is sold either by domestic producers or by importers to wire drawers.³ These firms draw the wire rod into wire that is used in a large variety of products. Therefore, the demand for 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,⁴ the demand for steel wire rod tends to be cyclical and follow trends in these industries. Overall, U.S. consumption of steel wire rod has grown *** percent over the period of investigation, and peaked in 1995. Both domestic producers and importers reported that since 1994 the market for steel wire rod has become more sophisticated with more quality control. As a result of these increasing demands on the product, 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. For purchasers of the more specialized products, such as products related to public safety (bridge cable, mining rope wire, etc.) or cold-heading products, the qualification procedure is much more complex.

None of the responding suppliers reported using published price lists for their sales of wire rod.⁵ Price decreases arise mainly during quarterly price negotiations rather than from formal discount policies, although U.S. producers generally give discounts for prompt payment. All but one 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 importers from subject countries reported that they do not provide prompt-payment discounts, and sales terms are usually net 30 days.⁶

Steel wire rod is priced per hundredweight and is generally sold on a delivered basis. Domestic producers arrange and usually pay for the transportation costs.⁷ Importers are less likely to arrange for transportation. Eleven of 23 responding importers reported that the purchaser arranges and pays for transportation. Ten reported that they arrange and pay for transportation. One reported that either the importer or the purchaser could arrange and pay for transportation, and one reported that it arranged transportation but that either the importer or the purchaser could pay. While a few producers and importers reported that they ship product nationwide, most stated that shipments are made within specific geographic regions.⁸

Domestic producers tend to sell wire rod on both a spot and contract basis, with eight of the nine responding domestic producers reporting both types of sales. In contrast, 7 importers reported selling only on a contract basis, 11 reported selling only on a spot basis, and *** reported selling both spot and contract.⁹

³ Some of the firms that sell 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, these suppliers of wire rod compete against the firms to which they sell wire rod.

⁴ Construction uses include mesh for concrete reinforcement, screws, bolts, etc. Automobile applications include tire bead, bolts for engines, truck suspensions, etc.

⁵ One producer, ***, reported that it had an internal price list for new or occasional accounts.

⁶ Only 1 importer, ***, of 23 responding offered an early payment discount.

⁷ All nine responding domestic producers generally arranged the transportation and six of these reported paying for transportation.

⁸ Four of the 21 responding importers reported selling nationwide and *** of the responding 11 domestic producers reported selling nationwide.

⁹ *** reported selling on neither a spot nor contract basis. The postconference brief of SIDOR (p. 12) states that
(continued...)

Three of the 11 responding domestic producers and 12 of 21 responding importers reported selling on an f.o.b. basis. The remaining eight domestic producers and nine importers reported selling on a delivered basis.¹⁰ Typical terms of sales are net 30 days; however, 5 of the 23 responding importers and 2 of the 11 domestic producers sometimes allow longer payment lags.

PRICE DATA

The Commission requested U.S. producers and importers to report the total net U.S. delivered value and quantity shipped for sales of nine steel wire rod products to unrelated U.S. customers in each quarter. Domestic producers and importers were requested to provide quantity and value data for sales to unrelated purchasers. Quarterly data were requested from January-March 1994 through October-December 1996 for the following products:

Product 1:

Industrial quality, grade 1006 steel wire rod, 5.5 mm in diameter (excluding rod used for generic redraw wire, chainlink fencing, and plating applications).

Product 2:

Industrial quality, grade 1006 steel wire rod, 5.5 mm in diameter (used for generic redraw wire, chainlink fencing, and plating applications).

Product 3:

Industrial quality, grade 1008 steel wire rod, 5.5 mm in diameter (excluding rod used for generic redraw wire, chainlink fencing, and plating applications).

Product 4:

Industrial quality, grade 1008 steel wire rod, 5.5 mm in diameter (used for generic redraw wire, chainlink fencing, and plating applications).

Product 5:

Standard cold-heading quality wire rod, grade C1022, 7/32" diameter to 1/2" diameter (excluding rod for trimmed hex fasteners, recessed head fasteners, scrapless nut fasteners, and higher engineered fastener products).

Product 6:

Standard cold-heading quality wire rod, grade C1022, 7/32" diameter to 1/2" diameter used for trimmed hex fasteners.

⁹ (...continued)

“The vast majority of rod product is sold between established customers and suppliers on the basis of carefully negotiated quarterly price and supply agreements. Prices and target quantities are usually set for four to six weeks prior to the end of a calendar quarter to cover requirements for the following quarter.”

¹⁰ One of these importers, ***, reported selling both on an f.o.b. and a delivered basis.

Product 7:

Stick electrode quality wire rod, content of no more than 0.10 percent silicon and 0.60 percent manganese, for stick electrode applications (excluding 7OS/3 and 7OS/6 wire rod for weld applications).

Product 8:

Mesh or weld fabric quality wire rod, grades C1006 to C1015 for manufacture of concrete reinforcement products such as wire for A82 applications.

Product 9:

Oil-tempered wire rod, grades C1055 to C1070 (or equivalents) or grades C1555 to 1570 (or equivalents) used in the manufacture of oil-tempered wire products.

Nine U.S. producers and 16 importers provided usable data for sales in the U.S. market,¹¹ although not necessarily for all products or all quarters over the period requested. Weighted-average prices were calculated and are presented in tables V-1 through V-9 and figures V-5 through V-13. Usable data account for approximately 16 percent of U.S. shipments of domestically produced steel wire rod. Price data reported for certain steel wire rod imported from Canada, Germany, Trinidad & Tobago, and Venezuela covered 10, 82,¹² 44, and 86 percent of estimated imports, respectively.

Table V-1

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 1 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-2

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 2 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-3

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 3 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

¹¹ Three importers reported data for Canadian prices, 7 for German prices, 6 for Trinidadian prices, and 7 for Venezuelan prices.

¹² The quantity of German imports reported by the importers was used as the base for the share of imports covered.

Table V-4

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 4 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-5

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 5 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-6

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 6 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-7

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 7 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-8

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 8 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Table V-9

Certain steel wire rod: Weighted-average net delivered prices (per short ton) and quantities for sales to unrelated U.S. customers for product 9 reported by U.S. producers and importers, and margins of under/(over)selling, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-5

Certain steel wire rod: Weighted-average net delivered prices for sales of product 1 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-6

Certain steel wire rod: Weighted-average net delivered prices for sales of product 2 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-7

Certain steel wire rod: Weighted-average net delivered prices for sales of product 3 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-8

Certain steel wire rod: Weighted-average net delivered prices for sales of product 4 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-9

Certain steel wire rod: Weighted-average net delivered prices for sales of product 5 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-10

Certain steel wire rod: Weighted-average net delivered prices for sales of product 6 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-11

Certain steel wire rod: Weighted-average net delivered prices for sales of product 7 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-12

Certain steel wire rod: Weighted-average net delivered prices for sales of product 8 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

Figure V-13

Certain steel wire rod: Weighted-average net delivered prices for sales of product 9 to U.S. customers reported by U.S. producers and importers, by quarters, Jan. 1994-Dec. 1996

* * * * *

U.S. Producers' Prices

U.S.-produced product 1 through 3 prices were generally highest in 1995 and lowest in 1996 over the period for which data were collected in the investigations. For products 4, 7, and 8, the prices peaked in 1995, but prices in 1996 tended to be similar to prices in 1994. Product 5 prices remained relatively high through the first quarter of 1995, after which the price fell and reached its minimum in the final quarter of 1996.¹³ Product 6 prices were lowest in 1994, rising to a peak in 1995 and then falling to a level above the 1994 prices in 1996. The price of product 9 peaked in the first quarter of 1994; however, prices in the second quarter of 1995 almost matched this peak price, after which the price fell relatively steadily.

Price Comparisons

Tables V-1 through V-9 show the margins of underselling/(overselling) for steel wire rod from January-March 1994 through October-December 1996 for all subject countries. Canadian product had 19 instances of underselling and 79 instances of overselling. German product had 32 instances of underselling and 7 cases of overselling. Trinidadian product had 42 instances of underselling and 7 instances of overselling. Venezuelan product had 45 instances of underselling and 5 cases of overselling.

Canadian Product

Canadian product 1 was priced above the U.S. product in the first 6 quarters of the period of investigation and priced below the domestic product in the remaining 6 quarters, with most of the Canadian product 1 sold in the second half of the period of investigation. Products 2, 6, and 9 were priced above U.S. product during all quarters of the period of investigation. Products 2 and 9 were the Canadian products for which the largest quantities were reported. Canadian product 3 was priced above U.S. product 3 in all but the fourth quarter of 1995. The price of Canadian product 4 was slightly above the U.S. product 4 price in all quarters except the first two quarters of 1996. Canadian product 5 was priced above the domestic product in 8 of the 12 quarters during the period of investigation. The price of Canadian product 7 was above domestic prices in 3 of the first 6 quarters in 1994 and 1995 and above U.S. prices in all remaining quarters.¹⁴ Price data for Canadian product 8 was reported for only three quarters, ***; all these prices were below domestic prices.

* * * * *

German Product

German prices were not reported for products 1, 7, and 9. Prices for product 2 and 4 were only available in the ***. The prices of German-produced product 2 were above U.S. prices and those for German product 4 were below U.S. prices. The price of German product 3 was below the price of U.S. product in every quarter during the period of investigation. Prices of German product 5 were reported only for 1994 and all prices were below U.S. prices. German product 6 prices were reported for 1994 and 1995 but not for 1996. German product 6's prices were above U.S. prices in 1994 and below U.S. prices in 1995. German product 8's prices were below those of domestic producers in all but the second and third quarters of 1995. Product 8 accounted for by far the largest quantities of German imports reported in the price data. A number

¹³ ***

¹⁴ ***

of importers reported that the product 8 they imported from Germany was inferior to all domestic rod because the German rod could only be used in mesh applications. In contrast, the domestic rod used in mesh applications could also be used in other applications. Purchasers gave this as one reason the German product cost less than domestic product.

Trinidadian Product

No prices were reported for products 5 and 6 from Trinidad and prices for products 3 and 9 from Trinidad were available only in the ***. Product 1 prices for Trinidad were available only in ***. This price was consistently below U.S. prices. The prices of both products 2 and 4 from Trinidad were above U.S. prices in only one quarter during the period of investigation. Product 2 accounted for the largest quantities, by far, reported in the pricing data for Trinidadian product. Trinidadian product 7 prices were consistently below U.S. prices. Prices for product 7 from Trinidad were not available for *** of the 8 quarters in 1994 and 1995. Trinidad's product 8 was priced above U.S. product in 5 of the 12 quarters during the period of investigation, including the final quarter of 1994, the second half of 1995, and the first half of 1996.

* * * * *

Venezuelan Product

No prices were reported for Venezuelan products 5, 6, 7, and 9. Venezuelan prices for product 1 were below those of U.S. production in all quarters for which price data were available (all quarters of 1994, the *** quarter of 1995, and the *** quarters of 1996). Venezuelan product 2 prices were below U.S. prices in all quarters except the first two quarters of 1996. The prices of Venezuelan product 3 were below U.S. prices in all quarters during the period for which data were collected in the investigations. Products 2 and 3 accounted for the largest quantities reported in the price data for Venezuelan product. The domestic price of product 4 was above the Venezuelan price in all but one quarter in which price was reported. Product 4 prices from Venezuela were not available for the *** quarters of 1995 and the *** quarter of 1996. Venezuelan product 8 was lower priced than U.S. product in all quarters except the third and fourth quarters of 1994. Venezuelan product 8 prices were not available for the *** quarter of 1995 and the *** quarter of 1996.

* * * * *

LOST SALES AND LOST REVENUES

Five of the 6 petitioners provided 93 lost sales allegations¹⁵ and 91 lost revenues allegations due to imports of steel wire rod from Canada, Trinidad & Tobago, Germany, and/or Venezuela. It was not possible to contact all firms for which lost sales and revenues were reported.¹⁶ The allegations which the purchasers were able to confirm or deny are reported below in tables V-10 to V-13. Table V-10 presents lost revenues allegations which were confirmed and table V-11 presents lost revenues allegations which were denied.

¹⁵ The petitioners reported three additional allegations which were denied by the purchaser and subsequently reported by the petitioner to be incorrect.

¹⁶ Cases in which the purchaser either was not willing to respond to questions from the Commission staff or where responses were not clear are included with those for which there was no response.

Table V-12 presents lost sales allegations which were confirmed and table V-13 presents lost sales allegations which were denied.

Staff obtained comments from 28¹⁷ of the 36 purchasers named in lost sales and lost revenues allegations. Of the 91 lost revenue allegations, *** instances were confirmed or partially confirmed, 51 instances were denied, and the remainder were either neither confirmed or denied or the purchasers could not be contacted. Of the 93 lost sales allegations, 11 were confirmed or partially confirmed by the purchasers, 48 were denied by the purchasers, and the remainder were either neither confirmed or denied or the purchasers could not be contacted.

Lost revenue allegations amounted to \$5.1 million. Lost revenues of *** were confirmed by the purchasers, lost revenues of \$3.3 million were denied by the purchasers, and the remainder were either neither confirmed or denied or the purchasers could not be contacted. Lost sales allegations amounted to \$59.2 million. Lost sales of \$3.7 million were confirmed by the purchasers, lost sales of \$40.1 million were denied by the purchasers, and the remainder were either neither confirmed or denied or the purchasers could not be contacted.

Table V-10

Certain steel wire rod: Lost revenue allegations by petitioners which were confirmed by purchasers

* * * * *

Table V-11

Certain steel wire rod: Lost revenue allegations by petitioners which were denied by purchasers

* * * * *

Table V-12

Certain steel wire rod: Lost sales allegations by petitioners which were confirmed by purchasers

* * * * *

Table V-13

Certain steel wire rod: Lost sales allegations by petitioners which were denied by purchasers

* * * * *

¹⁷ In some cases, purchasers did not report on all allegations, mainly because all the allegations were not available when these purchasers were contacted.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Fourteen producers,¹ accounting for approximately *** percent of reported U.S. shipments of steel wire rod in 1996, provided financial data on their steel wire rod operations, their regular-tensile tire cord wire rod operations, and their coiled bar operations. All fourteen companies produced the subject steel wire rod, one also produced regular-tensile tire cord wire rod, and 3 also produced coiled bar.

Intracompany transfers of steel wire rod were significant every period, as eight of the producers internally transferred portions of their steel wire rod production to produce downstream products. Transferred product accounted for between 14 and 97 percent of these eight companies' sales quantities and values. On an aggregate basis, transfers accounted for about 17 to 20 percent of sales quantities and values in every period. The unit sales values for company transfers² were generally quite similar to the corresponding trade sales values when viewed on a company-by-company basis. In the aggregate, they differed by \$40 to \$50 per ton (see table VI-2). However, this relatively large difference in unit values is because the ***.

OPERATIONS ON STEEL WIRE ROD

U.S. producers' profit-and-loss data on their subject steel wire rod operations (including operations on coiled bar within the scope of the investigations) are presented in table VI-1. In brief, rising net sales values and increases in operating results in 1995 gave way to declining net sales values and sharp declines in operating results in 1996. In 1995, despite flat sales quantities, net sales values and all levels and measures of profitability were better than corresponding 1994 values because the \$15 per ton increase in unit sales value (see table VI-2) outpaced the \$12 per ton increase in unit operating costs (cost of goods sold and SG&A expenses combined).

Table VI-1

Income-and-loss experience of U.S. producers on their operations producing steel wire rod, fiscal years 1994-96

* * * * *

Table VI-2

Income-and-loss experience (expressed in dollars per short ton) of U.S. producers on their operations producing steel wire rod, fiscal years 1994-96

* * * * *

¹ The producers and their respective fiscal year ends if other than December 31 are American Steel & Wire (June 30), Atlantic Steel, CF&I, Charter Steel, Connecticut Steel, Co-Steel Raritan, Georgetown Steel, GST Steel, Inland, Keystone, Laclede, North Star, Northwestern (July 31), and USS-Kobe.

² Staff contacted seven of the eight producers to (1) determine whether their transfers were properly valued (i.e., at fair market value, not at cost), and (2) find out how the transfers affected their profitability. All seven producers did in fact value their transfer sales at fair market value. Because the transfers were properly valued at fair market value, their profit or (loss) margins were similar to the trade sale profit or (loss) margins.

Sales quantities declined modestly in 1996 while unit operating costs remained flat. However, unit sales values did not remain flat, decreasing \$*** per ton. The result was a \$*** million decrease in sales value which flowed virtually straight through to each successive level of profitability--from 1995 to 1996 gross profits decreased by \$*** million; the \$*** million operating profit shrank to a \$*** million; and the \$*** million net profit turned into a \$*** million loss.

Table VI-3 presents selected financial data on a company-by-company basis. The data illustrate the similarities and differences between and among the different producers. For instance, ***.

Table VI-3

Selected financial data of U.S. producers on their operations producing steel wire rod, by firm, fiscal years 1994-96

* * * * *

Despite any differences between the operations of the individual companies, their overall trends were quite similar. For instance, in 1995, *** of the 14 companies reported increased unit sales values, and *** of the 14 improved their operating results. In 1996, *** companies reported decreased unit sales values and *** had their operating results deteriorate. In *** cases, the 1996 unit sales values were below corresponding 1994 values, and operating incomes were less than 1994 levels.

The tabulation below illustrates changes in the components of unit cost of goods sold from period to period. These data differ by about \$20 to \$25 per ton from unit cost of goods sold data presented in table VI-2 because *** did not provide component data. All values below are in dollars per short ton.

* * * * *

Moderate increases in each cost component combined to increase the total unit cost by about \$10 per ton. The \$6-per-ton increase in raw materials is in line with moderate scrap price increases reported by most producers. Most producers reported that scrap steel accounts for a sizeable percentage (generally at least one-third) of the total cost of producing steel wire rod. Therefore, an increase in scrap prices, especially a large one, can be expected to be followed by an increase in the price of steel wire rod. For instance, in 1993, when many of the producers involved in these investigations reported scrap price increases of about \$40 per ton, they also reported average price increases of about \$40 per ton.³

The variance analysis showing the effects of prices and volume on the producers' net sales of steel wire rod, and of costs and volume on their total expenses, is shown in table VI-4.

Table VI-4

Variance analysis of U.S. producers' operations producing steel wire rod between the fiscal years 1994-96

* * * * *

The analysis, summarized at the bottom of the table, shows that, consistent with the discussion above, the increase in profitability from 1994 to 1995 was principally due to increased prices, and the decrease in profitability from 1995 to 1996 was almost all due to decreased prices.

³ *Certain Steel Wire Rod from Brazil and Japan*, USITC publication 2761, Mar. 1994, pp. II-48 and II-49.

OPERATIONS ON COILED BAR

The results of *** operations on coiled bar are presented in appendix C. The producer's operations on coiled bar were *** to those for steel wire rod--*** in 1994 and 1995 giving way to ***.

INVESTMENTS IN FIXED ASSETS, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The value of the U.S. producers' fixed assets, together with their capital expenditures and research and development expenditures, are shown in table VI-5. Both the original cost and the book value of the property, plant, and equipment used in the production of steel wire rod increased from 1994 to 1996. This is a reflection of new/upgraded facilities (most notably by ***) replacing older ones. *** came on line. ***.

Table VI-5

Value of assets, capital expenditures, and research and development expenses of U.S. producers of steel wire rod, fiscal years 1994-96

* * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of the subject steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela on their return on investment, employment, growth, investment, ability to raise capital, development and production efforts (including efforts to develop a derivative or more advanced version of the product), and/or the scale of capital investments. Their responses are contained in appendix D.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies is available in the Commerce notice presented in appendix A of this report; information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;"¹ any other threat indicators, if applicable; and any dumping in third-country markets, follows.²

The Commission requested certain information from counsel for producers in Canada, Germany, Trinidad & Tobago, and Venezuela. With one exception (discussed below), all known manufacturers of certain steel wire rod within these countries submitted information covering their certain steel wire rod operations.

THE INDUSTRY IN CANADA

There are three producers of steel wire rod in Canada: Ivaco Rolling Mills Limited Partnership (Ivaco); Sidbec-Dosco (Ispat), Inc.; and Stelco, Inc., each of which possesses steel melting capability. Ivaco and Stelco are private companies; Sidbec-Dosco was owned by the Province of Quebec until the mill was privatized and purchased by Ispat International in August 1994, at which time it was renamed Sidbec-Dosco (Ispat). Each company also produces steel products other than rod, and each also produces certain wire and wire products. Production techniques used to produce steel wire rod in Canada generally are similar to those used in the United States, including the production of steel wire rod on a rod mill with its specialized rod cooling conveyor (Stelmore deck).³ Ivaco and Stelco maintain sales forces for rod and wire products in the United States; all three Canadian companies are affiliated with wire and wire products producers in the United States.

¹ The petitioner argues that, in addition to capacity utilization, the Commission has long recognized the potential for capacity shifting as a threat factor. Since the 1994 investigations, Ispat, the parent company of Caribbean-Ispat, acquired Sidbec-Dosco, a major Canadian producer, as well as Ispat Hamburger Stahlwerke GmbH, a German producer of wire rod. Petition, pp. 29-30. Respondents disagree with petitioners' analysis. Further, respondents for Sidbec-Dosco testified that since becoming part of the Ispat International Group, there has been no change in Sidbec-Dosco's commercial practices. (Ispat's and Sidbec-Dosco's postconference brief, p. A-16, citing conference testimony, TR, p. 184.) Ispat Hamburger states that "the reality of the relationship between ISPAT Hamburg and the other ISPAT companies, as well as the commercial practicality of such a scheme, make it virtually impossible. First, ISPAT Hamburg operates independently, and in some cases competes with other ISPAT companies. Second, many of the products sold by ISPAT Hamburg are not made in Trinidad. Last, ISPAT Hamburg's sales to the United States are of such a small volume that it would not make practical business sense to engage in such an elaborate scheme." (Postconference brief submitted by Ispat Hamburger, p. 24.)

² There is no indication that steel wire rod has been the subject of other import relief investigations, including antidumping findings or countervailing duty remedies, in countries other than the United States.

³ Steel scrap, used as part of the feedstock in electric arc furnace and basic oxygen furnace steelmaking, generally is sourced locally or imported from the United States. Iron ore generally is sourced from deposits around the Great Lakes.

Ivaco is a steel-scrap-based electric arc furnace steelmaker that has produced billets, wire rod, bars and sections, bright wire, nails, fasteners, machine components, forgings, wire rope and cable, tire cord, and tire bead in plants in Canada and in the United States. As stated earlier in this report, the company owns two rod rolling mills in the United States, Laclede and Atlantic Steel. Laclede (in which Ivaco has a *** percent equity interest) ceased producing wire rod in April 1996, but purchases rod in order to continue producing its wire and wire products (chiefly high-carbon wire for springs and screens). Atlantic Steel (***) owned by Ivaco) sold its steelmaking facility to Birmingham Steel in 1996, and Atlantic Steel announced its intention to purchase billets to supply its rod rolling mill. Ivaco sold its U.S. facilities producing welded wire fabric and fencing to MMI in 1996. It produces and distributes through several U.S. subsidiaries (Sivaco, National Wire, and Bell Air Fence and their facilities in six states).

Sidbec-Dosco (Ispat), Canada's fourth largest steel producer, is a subsidiary of Ispat International which has steel plants in seven countries, including two others subject to these investigations (Germany and Trinidad & Tobago).⁴ Sidbec-Dosco is the sole Canadian steel producer using internally-produced direct reduced iron (DRI), which it combines with steel scrap to produce steel in electric arc furnaces. Besides wire rod, the company produces steel sheet, welded pipe, bars, small structurals, and such wire products as wire and nails at its three plants in Canada and two U.S. affiliated companies.⁵

Stelco, Canada's largest steelmaker, produces steel via the integrated route. Stelco produces a diversified range of wire products including mesh and fencing, nails and fasteners, and bar, as well as flat-rolled steel products like plate and sheet (which predominate in sales) that are distributed through the company's sales offices in the United States and Canada under the Stelwire name.

Data on the operations of the Canadian manufacturers are presented in table VII-1. As shown, capacity utilization is high, with small but steady increases in capacity, production, and total shipments reported from 1994 to 1996. The United States is a significant market for Canadian producers' shipments of certain steel wire rod, receiving somewhat over one-third of total shipments. Exports to countries other than the United States were insignificant. Shipments of the subject product to the United States increased from 1994 to 1996 while home market shipments and internal consumption declined. As a result, the share of total shipments accounted for by exports to the United States rose from *** percent in 1994 to *** percent in 1996.

* * * * *

Table VII-1

Certain steel wire rod: Canada's capacity, production, inventories, capacity utilization, and shipments, 1994-96 and projected 1997-98

* * * * *

⁴ Ispat International is a multinational steel company with mills in Indonesia, Trinidad, Mexico, Canada, Germany, Ireland, and Kazakhstan. The company has grown during 1988-96 from a single-site wire rod producer in Indonesia to become the 14th-largest steelmaker in the world, based on raw steel production in 1996. Ispat is the world's largest producer and consumer of DRI. "Ispat Will Build Third DRI Plant in Trinidad," *New Steel*, Feb. 1997, p. 14.

⁵ The U.S. subsidiaries are Walker Wire (Ispat) Inc. and Acufil, Limited Partnership. Ispat International, "*Sidbec-Dosco (Ispat) Inc.*," on <http://www.ispat.co.uk/ispat15.htm>, Mar. 28, 1997.

THE INDUSTRY IN GERMANY

The steel wire rod industry in Germany is composed of five known producers, consisting of Brandenburger Elektrostahlwerke GmbH, Ispat Hamburger Stahlwerke GmbH, Saarstahl AG i.K, Thyssen Stahl AG; and Walzdraht Hockfeld GmbH. Brandenburger Electostahlwerke, a producer of billets, wire rod, and reinforcing bar, is located in the former G.D.R., and owned by the Riva group of Italy. Hamburger Stahlwerke was founded in 1961 as a private company and has been producing steel since 1969. While it has had several different owners, it is currently leased by Ispat International Ltd. Ispat agreed to buy Hamburger Stahlwerke in 1994, but has postponed the purchase pending an appeal to the European Court of Justice. Hamburger Stahlwerke, Germany's fourth-largest producer of wire rod, uses the DRI/electric arc furnace route to produce billets, wire rod, and reinforcing bars.

Saarstahl is wholly owned by the Saarland local government. While Saarstahl declared bankruptcy in May 1993, it has never ceased production. Saarstahl was established in 1881 and is located in the western region of the country to take advantage of the abundant coal deposits. Saarstahl uses the integrated route to produce carbon steel blooms, billets, wire rod, round and square bars, and heavy beams, among other steel products.⁶ Currently, the company is undergoing reorganization of its ownership, and the new shareholders will most likely consist of both private and public investors.

Thyssen Stahl, a wholly owned subsidiary of the publicly held firm Thyssen AG, is the largest steel company in Germany. Thyssen Stahl operates nine steelmaking and rolling plants and manufactures a full range of flat and long steel products.

Table VII-2 presents data for the operations of the following manufacturers: Brandenburger, Ispat Hamburger, Saarstahl, and Walzdraht Hockfeld.⁷ Capacity utilization was high, although it declined somewhat in 1996, reflecting a slight decrease in production and total shipments. Exports to the United States account for a small, although increasing portion, of total shipments. The majority of the exports to the United States were manufactured by ***. ***.

Table VII-2

Certain steel wire rod: Germany's capacity, production, inventories, capacity utilization, and shipments, 1994-96 and projected 1997-98

* * * * *

THE INDUSTRY IN TRINIDAD & TOBAGO

There is only a one manufacturer of certain steel wire rod in Trinidad & Tobago--Caribbean Ispat. The Government of Trinidad & Tobago established the then-named Iron and Steel Company of Trinidad & Tobago (Iscott) and constructed its plant in the late 1970s. It is the only raw steel producer in Trinidad & Tobago or in a Caribbean Basin country, except Cuba. The decision to build in Trinidad & Tobago was driven by several factors, including economic development, job creation, and a desire to capture additional economic value from the country's inexpensive natural gas. Low-cost high-grade iron ore is available from nearby mines in Venezuela. The opportunity was presented by the relatively new technology of making DRI, a raw material input for making steel in an electric arc furnace, as well as the relatively lower capital costs of

⁶ Richard Serjeanston and Henry Cooke, eds., *Iron and Steel Works of the World*, 11th ed. (Surrey, England: Metal Bulletin Books, Ltd., 1994), pp. 172-173.

⁷ Thyssen was not represented by counsel in these investigations.

building a mini-mill to produce wire rod.⁸ Wire rod was chosen as a product because of the downstream demand for wire, a product widely used in construction and agriculture; moreover, there are wire drawing and fabrication facilities in Trinidad, and in other countries in Central America and the Caribbean. The plant's design was reportedly modeled on that of Georgetown Steel (Georgetown, SC), which also uses a DRI-based process for making steel wire rod.

Ispat International became the manager of and assumed the lease on the plant in 1989 under the name Caribbean Ispat Limited; it purchased the steel mill with its associated DRI production facilities at the end of 1994 for a reported \$101 million (this figure included the depreciated value of Ispat's investments). As part of the purchase, Ispat committed itself to upgrade pollution control systems to U.S. standards, and has planned to make other capital investments that might balance ironmaking (DRI), steelmaking, and rod rolling, and increase production capacity by approximately 50 percent, to about 750,000 metric tons of rod production.⁹ A new DRI facility would allow Ispat to sell this product to other steelmakers or to captively consume it at Ispat's other steel mills, although the company also is considering installing a thin-slab/flat-rolled minimill in Trinidad.

Data from Caribbean Ispat are presented in table VII-3. Capacity and production *** somewhat from 1994 to 1996 as a result of ***. There is a minimal home market. Most production from Caribbean Ispat's mill is directed to other countries, with almost *** of total shipments entering the United States. ***.¹⁰

Table VII-3

Certain steel wire rod: Trinidad & Tobago's capacity, production, inventories, capacity utilization, and shipments, 1994-96 and projected 1997-98

* * * * *

THE INDUSTRY IN VENEZUELA

The wire rod industry in Venezuela has two producers, CVG Siderurgica del Orinoco CA (SIDOR), a wholly government-owned corporation established in 1961, and Sidetur-Siderurgica del Turbia SA (Sidetur).¹¹ SIDOR uses DRI in its electric arc furnaces to produce a range of steel products including rebar, sheets, and pipes.¹² The Venezuelan Government is currently engaged in a bidding process to privatize SIDOR. There are 11 groups bidding and a decision will be announced in April 1997.

⁸ Iscott's capital costs were approximately \$500 per annual ton of steelmaking capacity for this "minimill," compared with \$3,000 to \$5,000 for an integrated steel mill. DRI contains approximately 92 percent iron and 8 percent carbon, and is considered an excellent, high-grade feedstock for electric-furnace steelmaking. Natural gas prices (the major cost variable in making DRI) are approximately two or three times higher in the United States than in Trinidad.

⁹ John Schriefer, "An Empire of Direct-Reduced Iron and Steel," *Iron Age/New Steel*, Aug. 1996, p. 7.

¹⁰ Petitioners allege that Caribbean Ispat plans \$82.4 million in investments to increase the capacity of its casting and rolling operations. (Petitioners' postconference brief, p. 46, citing an article "Trinidad and Tobago: Syndicated Loans - Caribbean Ispat Ltd.," Reuters Textline Euroweek, June 7, 1996, Petition exhibit 9-B-19; John Schriefer, "An Empire of Direct-Reduced Iron and Steel," *Iron Age/New Steel*, Aug. 1996 at 26, 29, Petition exhibit 9-B-20.) ***.

¹¹ Sidetur notified the Commission that it is not an exporter of steel wire rod and did not export steel wire rod to the United States during the period of investigation. (Letter of Sidetur to the Commission, Mar. 7, 1997.) Further, it does not produce the subject product in Venezuela. Telegram (R 022144Z Apr. 1997) from U.S. Embassy, Caracas, Venezuela.

¹² Richard Serjeanston and Henry Cooke, eds., *Iron and Steel Works of the World*, 11th ed. (Surrey, England: Metal Bulletin Books, Ltd., 1994), p. 613.

Trade patterns for Venezuela are primarily determined by its relationship with Mexico, Colombia, other Latin American countries, and the Caribbean. Venezuela is a member of the Andean Pact,¹³ and effective in 1995 formed the Group of Three with Mexico and Colombia to boost intra-region trade, along the same principles as NAFTA.

Table VII-4 presents data for SIDOR's certain steel wire rod operations. Capacity utilization at that facility *** in 1996, reflecting a *** in production in 1996. ***¹⁴ The U.S. share of total shipments by the mill *** from *** percent in 1994 to *** percent in 1996.¹⁵ SIDOR states that it considers its other export markets, which are located in Central and South America, to be its primary markets. From 1994 to 1996, the percentage of total shipments directed to destinations other than the United States *** from *** percent to *** percent. SIDOR projects a *** in such exports in 1997 and 1998 ***. The firm reported to the Commission that the figures it reports as projected exports in 1997 (for both U.S. and non-U.S. export destinations) are projections based on actual commitments made through July 1997. It stated that it ***.

Table VII-4
 Certain steel wire rod: Venezuela's capacity, production, inventories, capacity utilization, and shipments, 1994-96 and projected 1997-98

* * * * *

**U.S. INVENTORIES OF STEEL WIRE ROD
 FROM SUBJECT COUNTRIES**

Inventories of steel wire rod held by importers in the United States were minimal both in absolute amounts and relative to total imports reported in response to Commission questionnaires (table VII-5). Only one distributor (***) reported holding inventories of Canadian-produced steel wire rod and one enduser (***) inventoried steel wire rod from Germany and Trinidad & Tobago.

Table VII-5
 Certain steel wire rod: U.S. importers' end-of-period inventories of subject product, 1994-96

* * * * *

¹³ The Andean Pact members consist of Bolivia, Colombia, Ecuador, Peru, and Venezuela.

¹⁴ SIDOR indicates that this was a temporary phenomenon that occurred during the deep economic recession in the Venezuelan home market in 1996 that resulted from a banking scandal. The situation has already reversed itself and SIDOR projects that the recovery in domestic demand in Venezuela and SIDOR's primary markets will continue. Postconference brief submitted by SIDOR, pp. 36-37.

¹⁵ SIDOR states that Venezuelan imports are purchased by U.S. customers "not as a consistent and reliable primary source of supply, but essentially as a security or buffer stock to protect against possible shortages in primary supply (a threat which was apparently realized on numerous occasions during the recent period of investigation with equipment breakdowns and other related supply disruptions on the part of domestic suppliers)." Postconference brief submitted by SIDOR, p.15.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-368-371 and 731-TA-763-766 (Preliminary)]

Certain Steelwire Rod From Canada, Germany, Trinidad & Tobago, and Venezuela

AGENCY: United States International Trade Commission.

ACTION: Institution of countervailing duty and antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of the investigations and commencement of preliminary phase countervailing duty investigations 701-TA-368-371 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)) (the Act) and antidumping investigations No. 731-TA-763-766 (Preliminary) under section 733(a) of the Act (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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada, Germany, Trinidad & Tobago, and Venezuela of certain steel wire rod, provided for in subheadings 7213.91.30, 7213.91.45, 7213.91.60, 7213.99.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized and/or sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. § 1673a(c)(1)(B)), the Commission must reach preliminary determinations in countervailing duty and antidumping investigations in 45 days, or in this case by April 14, 1997. The Commission's views are due at the Department of Commerce within five business days thereafter, or by April 21, 1997.

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), as amended in 61 FR 37818 (July 22, 1996).

EFFECTIVE DATE: February 26, 1997.

FOR FURTHER INFORMATION CONTACT: Debra Baker (202-205-3180), 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. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov> or <ftp://ftp.usitc.gov>).

SUPPLEMENTARY INFORMATION

Background.—These investigations are being instituted in response to a petition filed on February 26, 1997, by counsel for Connecticut Steel Corp., Wallingford, CT; Co-Steel Raritan, Perth Amboy, NJ; GS Industries, Inc., Georgetown, SC; Keystone Steel & Wire Co., Peoria, IL; and North Star Steel Texas, Inc., Beaumont, TX.

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 days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission countervailing duty and antidumping investigations. 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 the investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. § 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven 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.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on March 19, 1997, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to

participate in the conference should contact Debra Baker (202-205-3180) not later than March 13, 1997, to arrange for their appearance. Parties in support of the imposition of countervailing duty and/or antidumping duties in the 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 sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before March 24, 1997, 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 days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 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 title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: February 28, 1997.

By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 97-5466 Filed 3-5-97; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-826, A-428-822, A-274-802, and A-307-813]

Initiation of Antidumping Duty Investigations: Steel Wire Rod From Canada, Germany, Trinidad and Tobago, and Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: March 24, 1997.

FOR FURTHER INFORMATION CONTACT:

James Doyle (Canada and Trinidad and Tobago), at (202) 482-0172; Edward Easton (Germany), at (202) 482-1777; or David Goldberger (Venezuela), at (202) 482-4136, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

Initiation of Investigations

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are to the current regulations, as amended by the interim regulations published in the **Federal Register** on May 11, 1995 (60 FR 25130).

The Petition

On February 26, 1997, the Department of Commerce ("the Department") received a petition filed in proper form by Connecticut Steel Corp., Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc., and Northwestern Steel & Wire Co. ("petitioners"). The Department received supplemental information to the petition on March 11, 1997.

In accordance with section 732(b) of the Act, petitioners allege that imports of steel wire rod ("SWR") from Canada, Germany, Trinidad & Tobago, and Venezuela are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are

materially injuring an industry in the United States.

The Department finds that petitioners have standing to file the petition because they are interested parties as defined in section 771(9)(C) of the Act.

Scope of Investigations

The products covered by these investigations are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter.

Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 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; or f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of these investigations:

- Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorus plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as "Tire Cord Wire Rod."
- Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth; containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as "Valve Spring Quality Wire Rod."

The products under investigation are currently classifiable under subheadings 7213.91.3000, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided

for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. However, while both the Department and the ITC must apply the same statutory definition of domestic like product, they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.¹

Section 771(10) of the Act defines domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The petition refers to the single domestic like product defined in the "Scope of Investigation" section, above. The Department has no basis on the

record to find the petition's definition of the domestic like product clearly inaccurate. In this regard, we have found no basis on which to reject petitioners' representations that there are clear dividing lines, in terms of characteristics or uses, between the product under investigation on the one hand and, on the other hand, other carbon and alloy coiled steel products. The Department has, therefore, adopted the like product definition set forth in the petition. In this case, petitioners established industry support representing approximately 75 percent of the production of the domestic like product.

On March 13, 1997, Stelco Inc. ("Stelco"), a producer of wire rod in Canada, alleged that the petition covering imports from Canada did not contain information concerning support from domestic coiled bar producers. Stelco argued that domestic bar producers' support was necessary because petitioners' March 4, 1997, submission specifically included "other coiled products known in the industry as 'bar.'" Accordingly, Stelco argued that the Department should poll the industry in order to evaluate the question of industry support.

The Department has determined that the petition contained adequate evidence of sufficient industry support and that polling is therefore unnecessary. Petitioners established industry support representing approximately 75 percent of the production of the domestic like product, which percentage includes the coiled bar. Stelco did not allege and has not demonstrated that coiled bar is a separate domestic like product requiring a separate determination as to industry support. Further, we note that both the American Iron and Steel Institute and HTSUS statistics treat coiled bars and coiled rods as one category. Because it is reasonable to find a single domestic like product for purposes of evaluating industry support in these circumstances, petitioners are well within the statutory requirements for industry support—both among all producers and among producers expressing an opinion—for the single like product covered by the petition. Finally, the Department notes that the inclusion or exclusion in industry support calculations of "tire cord" wire rod—which is excluded from the scope of these proceedings—does not materially affect petitioners' approximate support level of 75 percent (see Initiation Checklist, dated March 18, 1997, and found in the official file in Room B-099). Accordingly, the Department determines that the petition

is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which our decisions to initiate these investigations are based. Should the need arise to use any of this information in our preliminary or final determinations for purposes of facts available under section 776 of the Act, we will re-examine the information and revise the margin calculations, if appropriate.

Canada

Petitioners identified three Canadian exporters and producers of SWR: Ivaco, Inc. ("Ivaco"), Sidbec-Dosco, Inc. ("Sidbec-Dosco"), and Stelco, Inc. ("Stelco"). Petitioners based export price on price quotations (FOB-customer's location) to U.S. purchasers for carbon wire rod products manufactured by Sidbec-Dosco and Ivaco in Canada. The quoted prices were for three grades of rod during the months of March and April and the fourth quarter of 1996; they also were export prices (*i.e.*, prices to unrelated U.S. customers for purchase prior to export).

Petitioners made deductions for inland freight from the Canadian steel plants to the place of delivery to the U.S. purchaser, brokerage fees and customs duties paid upon entry of the merchandise into the United States. Petitioners obtained freight and brokerage fee quotations from a freight company offering trucking service in both Canada and the United States. Petitioners calculated customs duty charges based on the customs value for each U.S. product.

With respect to normal value, petitioners obtained home market FOB price quotations for carbon wire rod manufactured by Sidbec-Dosco and Ivaco in Canada. The prices were quoted in Canadian dollars on a delivered basis, for delivery in the fourth quarter of 1996.

Petitioners made deductions for inland freight from the Canadian steel plants to the home market customer, and for the credit costs. Petitioners obtained freight and brokerage fee quotations from a freight company offering trucking services in Canada and the United States. Petitioners based the home market credit expense calculation on thirty day credit terms, which were supported by the affidavit of the regional manager of a U.S. manufacturer of wire rod, and the 1996 fourth quarter average of the monthly stated prime rate

¹ See *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 Fed. Reg. 32376, 32380-81 (July 16, 1991).

reported in the Canadian Economic Observer. Petitioners noted that prices do not include any Goods and Service Tax, and that they did not make an adjustment for differences in physical characteristics of this merchandise, although the grades used for one of the price comparisons were different.

In addition, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of SWR in the home market were made at prices below the fully allocated COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales below cost investigation. Therefore, pursuant to sections 773(a)(4) and 773(e) of the Act, petitioners based normal value for sales in Canada on constructed value ("CV").

Pursuant to section 773(e) of the Act, CV consists of the cost of manufacture ("COM"), selling, general, and administrative ("SG&A") expenses, and profit. Petitioners calculated COM based on their own production experience, adjusted for known differences between costs incurred to produce SWR in the United States and costs incurred for producing the subject merchandise in Canada. To calculate SG&A and financing expenses, the petitioners relied on the most recent company-specific and/or country-specific data for the steel industry available to the public. To calculate CV profit, the petitioners used the most recent profitability data for Canadian steel manufacturers available to the public.

The average dumping margins in the petition based on price-to-price comparisons range from 14.59 percent to 17.89 percent. After certain adjustments we made to the CV data listed in the petition, average dumping margins based on price-to-CV comparisons range from 27.91 percent to 40.55 percent.

Germany

Petitioners identified four exporters and producers of SWR: Brandenburg Elektrostahlwerk GmbH ("Brandenburg"), Ispat Hamburger Stahlwerke GmbH, Saarlust AG ("Saarlust"), and Thyssen Stahl AG. Petitioners obtained price quotes for two grades of SWR products manufactured by Brandenburg and by Saarlust and offered for sale to unaffiliated purchasers in the United States. From these quoted prices, petitioners deducted foreign inland freight from the mill to the port, foreign port and loading fees, ocean freight and insurance, U.S. port and unloading fees, U.S. customs duties, and U.S. inland freight.

With respect to normal value, petitioners obtained two price quotes for Brandenburg and Saarlust for SWR products offered for sale to customers in Germany which are either identical or similar to those sold to the United States. Petitioners adjusted these prices for estimated inland transportation and credit expenses. Petitioners did not make an adjustment for differences in physical characteristics of the merchandise used for a price comparison in the two markets, even though the grades used in the comparison were different.

In addition, the petitioners alleged that sales in the home market were made at prices below the fully allocated COP, and requested that the Department conduct a country-wide sales below COP investigation. Therefore, petitioners constructed a normal value for sales in Germany.

To calculate CV, petitioners based COM on their own production experience, adjusted for known differences between costs incurred to produce SWR in the United States and costs incurred for producing the merchandise in Germany. To calculate SG&A and financing expenses, petitioners relied on the most recent company-specific and/or country specific data for the steel industry available to the public. To calculate CV profit, petitioners used the most recent profitability data for German steel manufacturers available to the public.

The dumping margins based on price-to-price comparisons range from 19.95 percent to 36.68 percent. After certain adjustments we made to the CV data listed in the petition, average dumping margins based on price-to-CV comparisons range from 80.30 percent to 153.10 percent.

Trinidad and Tobago

Petitioners identified Caribbean Ispat, Ltd. ("CIL") as the sole exporter and producer of SWR from Trinidad and Tobago. Petitioners based export price on FOB-customer's location prices to U.S. purchasers for carbon wire rod products manufactured by CIL in Trinidad and Tobago. The quoted prices were for two grades of rod during the month of June and the first quarter of 1996; they also were export prices (*i.e.*, prices to unrelated customers for purchase prior to export).

Petitioners made deductions for Trinidad and Tobago cargo handling fees, ocean freight, U.S. port and handling fees, and inland freight charges from the U.S. port to the U.S. purchaser location. Petitioners used the published port rates by the Point Lisas Industrial Port Development Corp., Ltd.

Petitioners based their estimate of ocean freight and insurance costs by deducting the 1996 unit customs value of wire rod imports from Trinidad and Tobago, entered through the Louisiana port, by the CIF value of the same product. Petitioners did not adjust for duties because the merchandise enters duty free under the Caribbean Basin Initiative.

For normal value, petitioners stated that the Trinidad and Tobago prices were quoted on an FOB plant basis, so there was no need to adjust for inland freight; quoted prices were net of value added tax, so there was no need for a tax adjustment; payment terms specify cash on delivery, so there were no home market credit expenses.

In addition, the petitioners alleged that sales in the home market were made at prices below the fully allocated COP and requested that the Department conduct a sales below cost investigation. Therefore, petitioners constructed a normal value for sales in Trinidad and Tobago. To calculate CV, petitioners based COM for CIL based on publicly available data and their own production experience, adjusted for known differences between costs incurred to produce SWR in the United States and costs incurred for production of the subject merchandise in Trinidad and Tobago. To calculate SG&A and financing expenses, petitioners relied on the most recent company-specific data available to the public. To calculate profit for CV, the petitioners relied on an average profit figure for a U.S. surrogate manufacturer. We recalculated profit, using data supplied by the U.S. Embassy in Trinidad and Tobago.

The dumping margins based on price-to-price comparisons range from 40.07 percent to 40.88 percent. After certain adjustments we made to the CV data listed in the petition, average dumping margins based on price-to-CV comparisons range from 77.88 percent to 78.94 percent.

Venezuela

Petitioners identified two Venezuelan exporters and producers of SWR: CVG Siderurgica Del Orinoco C.A. ("SIDOR") and Siderur-Siderugica del Turbio SA. Petitioners obtained FOB-delivered price quotations to U.S. purchasers for SWR products manufactured by SIDOR in Venezuela. Petitioners deducted ocean freight, customs duties, port charges, and inland freight from the port of entry to the customer site.

With regard to normal value, petitioners relied upon market research to obtain FOB-plant price quotes from SIDOR. Petitioners made a circumstance-of-sale adjustment to

account for differences in credit expenses associated with the U.S. and home market sales.

In addition, the petitioners alleged that sales in the home market were made at prices below the fully allocated COP and requested that the Department conduct a sales below cost investigation. Therefore, the petitioners constructed a normal value for sales in Venezuela. To calculate CV, petitioners based COM for SIDOR based on publicly available data and their own production experience, adjusted for known differences between costs incurred to produce SWR in the United States and costs incurred for producing the subject merchandise in Venezuela. To calculate SG&A and financing expenses, the petitioners relied on the most recent company-specific data available to the public. To calculate profit for CV, the petitioners relied on the most recent profitability data for a Venezuelan steel manufacturer available to the public.

The dumping margins in the petition based on price-to-price comparisons range from 15.46 percent to 34.06 percent. The dumping margins in the petition based on price-to-CV comparisons range from 40.99 percent to 66.75 percent.

Initiation of Cost Investigations

Pursuant to section 773(b) of the Act, petitioners alleged that sales in the home markets of Canada, Germany, Trinidad and Tobago, and Venezuela were made at prices below the fully allocated COP and, accordingly, requested that the Department conduct a country-wide sales below COP investigation in each of these petitioned-for antidumping investigations. The Statement of Administrative Action ("SAA"), submitted to the Congress in connection with the interpretation and application of the Uruguay Round Agreements, states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 316, 103d Cong., 2d Sess., at 833 (1994). The SAA, at 833, states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation."

Further, the SAA provides that "new section 773(b)(2)(A) retains the current requirement that Commerce have 'reasonable grounds to believe or suspect' that below cost sales have occurred before initiating such an investigation. 'Reasonable grounds' * * * exist when an interested party

provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.* Based upon the comparison of the adjusted prices from the petition of the foreign like products in their respective home markets to their costs of production, we find the existence of "reasonable grounds to believe or suspect" that sales of these foreign like products were made below their respective COPs within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating the requested country-wide cost investigations.

Fair Value Comparisons

Based on the data provided by petitioners, there is reason to believe that imports of SWR from Canada, Germany, Trinidad and Tobago, and Venezuela are being, or are likely to be, sold at less than fair value.

Initiation of Antidumping Investigations

We have examined the petition on SWR and have found that it meets the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the subject imports, allegedly sold at less than fair value. Therefore, we are initiating antidumping duty investigations to determine whether imports of SWR from Canada, Germany, Trinidad and Tobago, and Venezuela are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations by August 5, 1997.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of each petition has been provided to the representatives of the governments of Canada, Germany, Trinidad and Tobago, and Venezuela. We will attempt to provide a copy of the public version of each petition to each exporter named in the petition (as appropriate).

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine by April 14, 1997, whether there is a reasonable indication that imports of SWR from Canada, Germany, Trinidad and Tobago,

and Venezuela are causing material injury, or threatening to cause material injury, to a U.S. industry. Negative ITC determinations will result in the particular investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

Dated: March 18, 1997.

Robert S. LaRussa,

Acting Assistant Secretary for Import Administration.

[FR Doc. 97-7357 Filed 3-21-97; 8:45 am]

BILLING CODE 3510-DS-P

[C-428-823, C-274-803, C-122-827, and C-307-814]

Notice of Initiation of Countervailing Duty Investigations: Steel Wire Rod from Germany, Trinidad and Tobago, Canada and Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: March 24, 1997.

FOR FURTHER INFORMATION CONTACT: Roy A. Malmrose (Germany), Vince Kane (Trinidad and Tobago), Robert Bolling (Canada) and Chris Cassel (Venezuela), Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-5414, 482-2815, 482-1386 and 482-4847, respectively.

Initiation of Investigations

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act effective January 1, 1995 (the Act).

The Petition

On February 26, 1997, the Department of Commerce (the Department) received a petition filed in proper form by Connecticut Steel Corp., Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc. and Northwestern Steel and Wire Co. (the petitioners), six U.S. producers of wire rod. Supplements to the petitions were filed on March 4, 10, 11, 12, 13, 14, 17, and 18, 1997.

In accordance with section 701(a) of the Act, petitioners allege that manufacturers, producers, or exporters of the subject merchandise in Germany, Trinidad and Tobago, Canada and Venezuela receive countervailable subsidies.

The petitioners state that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act.

Determination of Industry Support for the Petition

Section 702(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 702(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that

portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. However, while both the Department and the ITC must apply the same statutory definition of domestic like product, they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.¹

Section 771(10) of the Act defines domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the like product analysis begins is "the article subject to an investigation," i.e., the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The petition refers to the single domestic like product defined in the "Scope of Investigation" section, above. The Department has no basis on the record to find the petition's definition of the domestic like product clearly inaccurate. In this regard, we have found no basis on which to reject petitioners' representations that there are clear dividing lines, in terms of characteristics or uses, between the product under investigation on the one hand and, on the other hand, other carbon and alloy coiled steel products. The Department has, therefore, adopted the like product definition set forth in the petition. In this case, petitioners established industry support representing approximately 75 percent of the production of the domestic like product.

¹ See *Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

On March 12, 1997, the Department held consultations with representatives of the Government of Canada (GOC) and the Government of Quebec (GOQ) pursuant to 702(b)(4)(ii), during which they submitted certain information with respect to industry support for the petition (See March 18, 1997 memos to the file regarding these consultations and *Consultations* section, below). On March 13, 1997, Stelco Inc. (Stelco), a producer of wire rod in Canada, alleged that the petition covering imports from Canada did not contain information concerning support from domestic coiled bar producers. Stelco argued that domestic bar producers' support was necessary because petitioners' March 4, 1997, submission specifically included "other coiled products known in the industry as 'bar.'" Accordingly, Stelco argued that the Department should poll the industry in order to evaluate the question of industry support.

The Department has determined that the petition contained adequate evidence of sufficient industry support and that polling is therefore unnecessary. Petitioners established industry support representing approximately 75 percent of the production of the domestic like product, which percentage includes the coiled bar. The GOC, GOQ and Stelco did not allege and have not demonstrated that coiled bar is a separate domestic like product requiring a separate determination as to industry support. Further, we note that both the American Iron and Steel Institute and HTSUS statistics treat coiled bars and coiled rods as one category. Because it is reasonable to find a single domestic like product for purposes of evaluating industry support in these circumstances, petitioners are well within the statutory requirements for industry support—both among all producers and among producers expressing an opinion—for the single like product covered by the petition. Finally, the Department notes that the inclusion or exclusion in industry support calculations of "tire cord" wire rod—which is excluded from the scope of these proceedings—does not materially affect petitioners' approximate support level of 75 percent (see Antidumping Initiation Checklist, dated March 18, 1997, and found in the official file in Room B-099). Accordingly, the Department determines that the petition is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Injury Test

Because Germany, Trinidad and Tobago, Canada and Venezuela are "Subsidies Agreement Countries" 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, Trinidad and Tobago, Canada and Venezuela materially injure, or threaten material injury to, a U.S. industry.

Consultations

Pursuant to Section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the relevant foreign governments for consultations with respect to the petitions filed. On March 12, 13 and 17, consultations were held with representatives from Canada; Trinidad and Tobago; and the European Commission (EC) and Germany, respectively. On March 14 and 17, 1997, we received submissions from the GOQ and the GOC.

Scope of the Investigation

The products covered by these investigations are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) Stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 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; or (f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of these investigations:

- Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: Carbon greater than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as "Tire Cord Wire Rod."

- Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth; containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as "Valve Spring Quality Wire Rod."

The products under investigation are currently classifiable under subheadings 7213.91.3000, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

Allegation 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 an imposition of a duty under section 701(a), and (2) is accompanied by information reasonably available to petitioners supporting the allegations.

Initiation of Countervailing Duty Investigations

The Department has examined the petitions on wire rod from Germany, Trinidad and Tobago, Canada and Venezuela and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of wire rod from these countries receive subsidies.

A. Germany

Petitioners have made specific subsidy allegations with respect to two German wire rod producers: Saarlöhne and Hamburger Stahlwerke (HSW). We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Germany:

1. *Saarlöhne Debt Forgiveness*
2. *Assumption of Saarlöhne's Guaranteed Debt*
3. *Saarlöhne's Private Bank Debt Forgiveness/Assurances of Liquidity Provided to Private Banks*
4. *Post-Bankruptcy Assistance to Saarlöhne*
5. *Worker Assistance under Article 56 of the European Coal and Steel Community*
6. *1984 Assistance to HSW*
7. *1984 State Aid to HSW*

8. *1984 Loan Guarantee to HSW*9. *1994 Assistance to HSW*

We note that the EC has ordered repayment of the 1994 assistance to HSW. Consultations with representatives of the EC indicate that the assistance is being repaid, regardless of the fact that the EC decision is under appeal. We intend to look into this possibility.

Petitioners allege that Saerstahl was uncreditworthy from 1986 to present, and in prior years if the Department should deem such years relevant. However, petitioners only allege non-recurring countervailable subsidies in 1989 and 1993–1996. Therefore, we will only examine Saerstahl's creditworthiness in these years.

Petitioners also allege that Saerstahl was uncreditworthy from 1986 to present, and in prior years if the Department should deem such years relevant. However, petitioners provide no information that Saerstahl received equity infusions in the relevant years. Therefore, we will not examine Saerstahl's equityworthiness in our investigation.

Petitioners allege that HSW was uncreditworthy and uncreditworthy from 1984 to 1994. However, petitioners only allege non-recurring countervailable subsidies in 1984 and 1994. For those years in which non-recurring subsidies were not alleged we will not examine HSW's creditworthiness and equityworthiness.

B. *Trinidad and Tobago*

We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Trinidad and Tobago:

1. *Government Equity Infusions in the Iron and Steel Corporation of Trinidad and Tobago (ISCOTT) over the Period 1983 through 1990 for Investment in Plant, Loss Coverage, Debt Service, or Other Purposes*
2. *Ongoing Government Support of ISCOTT from 1989–1994*

During this period ISCOTT's assets were leased by a private company, Caribbean Ispat, Ltd. (Ispat). Information provided by petitioners indicates that the government of Trinidad and Tobago assumed the debt incurred by ISCOTT prior to the lease. We intend to investigate the assumption of debt and any other ongoing support to the production of wire rod during the leasing period.

3. *Preferential Natural Gas Prices*4. *Preferential Electricity Rates*5. *Loan Guarantee from the Trinidad and Tobago Electric Commission*6. *Preferential Terms for the Point Lisas Lease*7. *Tax Credits for Exports*8. *Export Promotion Allowance for Tax Purposes*9. *Corporate Tax Exemption under the Fiscal Incentives Act*10. *Import Duty Concessions under Section 56 of the Customs Act*

Petitioners have alleged that ISCOTT was uncreditworthy and uncreditworthy during the years 1980–1995. We are not investigating creditworthiness or equityworthiness in the years prior to 1983. In *Carbon Steel Wire Rod From Trinidad and Tobago: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order* (49 FR 480, January 4, 1984) (1984 final), we determined that investments in, and loans to the company were on terms consistent with commercial considerations. Petitioners have not provided any new evidence to lead us to change our previous determination. With respect to the period 1983 to 1990, we will investigate whether ISCOTT was creditworthy or equityworthy during the years in which petitioners have alleged non-recurring countervailable subsidies.

We are not including in our investigation the following programs alleged to be benefitting the production of the subject merchandise in Trinidad and Tobago:

1. *ISCOTT's Rent-Free Use of a Dock Facility*

In 1984, the Department determined that ISCOTT's rent-free use of a dock facility was countervailable. Press reports filed with the petition indicate that Ispat has been paying a rental fee for this facility. (See petition Exhibit 9 B–7.) Petitioners assume that this rental fee is preferential but offer no support for their assumption. Therefore, we are not including this program in our investigation.

2. *Exemption From the Value Added Tax (VAT)*

Petitioners allege that companies exporting at least 80 percent of production may receive an exemption from the VAT on manufacturing inputs. Because exemptions from VAT or rebates of VAT paid on inputs used to produce for export are regarded as permissible, we are not including this program in our investigation.

3. *Trinidad and Tobago Free Trade Zones*

The petition documents the existence of free trade zones in Trinidad and Tobago established under the Free Trade Zones (Amendment) Act of 1995.

Certain of the benefits available to companies within the zones appear to be countervailable. However, as described in the petition, Ispat's plant is adjacent to, and not within, the designated free zone; therefore petitioners have not demonstrated that it is eligible for these benefits.

C. *Canada*

Petitioners have made specific subsidy allegations with respect to only one Canadian wire rod producer: Sidbec-Dosco, Inc. We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Canada:

1. *1982 Assistance to Sidbec-Dosco*
2. *Assistance to Reduce Sidbec-Dosco's Accumulated Deficit during the period 1984 to 1986*
3. *Sidbec-Dosco Debt-to-Equity Conversion in 1987*
4. *Sidbec Dosco Debt-to-Equity Conversion in 1988*
5. *1987 Grant to Sidbec-Dosco*

Petitioners allege that Sidbec-Dosco was uncreditworthy during the years 1977–1988. We will investigate the creditworthiness of Sidbec-Dosco in 1982 and 1984–1988. These are the years in which we will be investigating the receipt of non-recurring subsidies.

We are not including in our investigation at this time the following program alleged to be benefitting producers of the subject merchandise in Canada:

Assistance Prior to 1982

Petitioners allege that Sidbec-Dosco received some form of assistance prior to 1982. In addition, petitioners allege that Sidbec-Dosco was uncreditworthy and uncreditworthy during this period. Although we found sufficient evidence to investigate whether Sidbec-Dosco was subsidized in 1982 (see the program listed under item (1) above), for assistance which may have been provided earlier, petitioners only cite to a 1982 news article which states that Sidbec-Dosco had been provided a certain amount of funds from either the GOC or GOQ since Sidbec-Dosco's inception. Sidbec-Dosco was founded in 1964, and petitioners provided no evidence or indication of when during the 1964 to 1982 period these other funds may have been provided to the company. In particular, petitioners provided no evidence that any of these funds—whatever their precise nature might be—were provided to Sidbec-Dosco during or after 1977, *i.e.*, the allocation period captured by petitioners' allegation of a company-

specific 20 years average useful life of assets for Sidbec-Dosco. Consequently, we do not have sufficient information to initiate an investigation of a specific program based on this allegation of assistance.

Dated: March 18, 1997.

Robert S. LaRussa,
Acting Assistant Secretary for Import Administration.

[FR Doc. 97-7356 Filed 3-21-97; 8:45 am]

BILLING CODE 3510-DS-P

D. Venezuela

We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Venezuela:

1. *Government Equity Infusions in SIDOR in 1977, 1978, 1981, 1982 and 1983*
2. *Government Conversion of SIDOR's Debt to Equity in 1981, 1986, 1989 and 1992*
3. *Government Guarantees of SIDOR's Private Debt in 1987 and 1988*
4. *1990 Government Loan to SIDOR*
5. *Government Provision of Iron Ore for less than Adequate Remuneration*
6. *Preferential Tax Incentives Under Decree 1477*

Petitioners also allege that SIDOR was uncreditworthy in the following years: 1977, 1978, 1981-1983, 1986-1990 and 1992. We will investigate SIDOR's creditworthiness in each of these years because these are the years in which we will be investigating either government equity infusions, loans or loan guarantees.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act, copies of the public version of the petitions have been provided to the representatives of Germany, Trinidad and Tobago, Canada and Venezuela. We will attempt to provide copies of the public version of the petitions to all the exporters named in the petition.

ITC Notification

Pursuant to section 702(d) of the Act, we have notified the ITC of these initiations.

Preliminary Determination by the ITC

The ITC will determine by April 14, 1997, whether there is a reasonable indication that an industry in the United States is being materially injured, or is threatened with material injury, by reason of imports from Germany, Trinidad and Tobago, Canada and Venezuela of wire rod. Any ITC determination which is negative will result in the investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to Section 702(c)(2) of the Act.

APPENDIX B

LIST OF WITNESSES

APPEARING AT THE COMMISSION'S CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigations:

CERTAIN STEEL WIRE ROD FROM CANADA, GERMANY, TRINIDAD & TOBAGO, AND VENEZUELA

Investigations Nos. 701-TA-368-371 and 731-TA-763-766 (Preliminary)

The conference was held on March 19, 1997, in the Main Hearing Room, at the USITC Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES

Wiley, Rein & Fielding
Washington, DC
on behalf of--

Connecticut Steel Corp.
Co-Steel Raritan
GS Industries, Inc.
Keystone Steel & Wire Co.
North Star Steel Texas, Inc.
Northwestern Steel & Wire Co.

Walt Robertson, Executive Vice President for Sales, GSI Industries
Steve Gresham, Vice President of Marketing and Technical Services, Co-Steel Raritan
Mike Hanson, General Sales Manager, North Star Steel Texas
Peter Christian, Sales Manager, Connecticut Steel
Keith Martin, Rod Sales Manager--Midwest, GST Industries
Robert Stoner, Economist, Economists, Inc.

John Nelson, Quality Assurance and Technical Superintendent, North Star Steel Texas
Robert Randall, Manager of Metallurgical Services, Co-Steel Raritan
Joe McAnney, Economist, Economists, Inc.

Charles Owen Verrill, Jr., Esq.--OF COUNSEL
Alan H. Price, Esq.--OF COUNSEL
John R. Shane, Esq.--OF COUNSEL
Willis S. Martyn III, Esq.--OF COUNSEL

Certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela--Continued

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES

Popham, Haik, Schnobrich & Kaufman

Washington, DC

on behalf of--

American Wire Producers Association

David Foust, (AWPA President), President and CEO, Seneca Wire and Manufacturing Company
H.O. Woltz, III (AWPA Government Relations Chair), President and CEO, Insteel Industries, Inc.
Michael Beauregard, Purchasing Manager, Walker Wire (ISPAT), Inc.
James W. Colzani, President and COO, MGF Industries, Inc.
John M. Metrock, President, Metrock Steel & Wire Company
Robert Moffitt, Vice President—Purchasing, Davis Wire Corporation
John Mueller, (AWPA Past President), Chairman of the Board, Laidlaw Corporation

Kimberly Korbel, Executive Director, American Wire Producers Association
William M. Fraser, Director of Purchasing, Lincoln Electric Company
Dean A. Gerbel, Director of Materials, National-Standard Company
Brian Hickok, Materials Manager, Indiana Steel & Wire Corporation
M.L. ("Max") Moore, President, Oklahoma Steel & Wire Co.
Kent T. Taubensee, Executive Vice President, Taubensee Steel & Wire

Frederick P. Waite, Esq.--OF COUNSEL
Kimberly R. Young, Esq.--OF COUNSEL
Heidi Gunnerson, Esq.--OF COUNSEL

Rogers & Wells

Washington, DC

on behalf of--

Ivaco, Inc.

David Goldsmith, Manager of Planning & Development, Ivaco Rolling Mills
Tom Perlus, Director, Marketing & Sales, Ivaco Rolling Mills
Joan Meredith, Assistant to the General Manager, Marketing & Sales, Ivaco Rolling Mills

William Silverman, Esq.--OF COUNSEL
Stephen J. Claeys, Esq.--OF COUNSEL

Certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela--Continued

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES--Continued

Cameron & Hornbostel

Washington, DC

on behalf of--

Sidbec-Dosco (Ispat), Inc.

Jean-Pierre Picard, Vice President, Sales & Marketing, Sidbec-Dosco (Ispat) Inc.

John Dixon, General Manager, Wire Rod, Sidbec-Dosco (Ispat) Inc.

Paul Rouleau, Commercial Director, Wire Rod, Sidbec-Dosco (Ispat) Inc.

John Ireland, Senior Metallurgist, Quality and Development, Long Products,
Sidbec-Dosco (Ispat) Inc.

William K. Ince, Esq.--OF COUNSEL

Michele C. Sherman, Esq.--OF COUNSEL

Willkie, Farr & Gallagher

Washington, DC

on behalf of--

Stelco, Inc.

Michael Moulden, Sales Manager - Rod Products, Stelco, Inc.

Christopher Dunn, Esq.--OF COUNSEL

Lyle Vander Schaaf, Esq.--OF COUNSEL

Steptoe & Johnson

Washington, DC

on behalf of--

Caribbean Ispat Limited

J. Stanley Fosick, Vice President, Sales, Mid-South Wire Co.

Mark Moran, Esq.--OF COUNSEL

Certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela--Continued

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES--Continued

deKieffer & Horgan
Washington, DC
on behalf of--

Saarstahl AG i.k.
Saarsteel Incorporated
Walzdraht Hochfeld GmbH
Brandenburger Elektrostahlwerke GmbH

Richard Boltuck, Economist, Trade Resources Company

J. Kevin Horgan, Esq.--OF COUNSEL
John J. Kenkel, Esq.--OF COUNSEL

Barnes, Richardson & Colburn
Washington DC
on behalf of--

Ispat Hamburger Stahlwerke GmbH

Gunter von Conrad, Esq.--OF COUNSEL

Creskoff, Doram & Hume
Washington DC
on behalf of--

North American Wire Products Corporation

Debra L. Brown, Purchasing Manager, North American Wire Products Corporation

Stephen M. Creskoff, Esq.--OF COUNSEL

Certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela--Continued

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES--Continued

Morrison & Foerster
Washington DC
on behalf of--

CVG-Siderurgica del Orinoco C.A.

Jesus Ernesto Franco, Legal Advisor, SIDOR
Jesús Ramirez, Corporate Planning Advisor, SIDOR
Rosa Valderrama, Sales Manager for Non-Flat Products, SIDOR

Julie Mendoza, Esq.--OF COUNSEL
Craig Lewis, Esq.--OF COUNSEL

Pepper, Hamilton & Scheetz LLP
Washington, DC
on behalf of--

Gouvernement du Quebec

Richard Boltuck, Economist, Trade Resources Company

Elliot J. Feldman, Esq.--OF COUNSEL

APPENDIX C
SUMMARY DATA

Table C-1

Certain steel wire rod: Summary data concerning the U.S. market, 1994-96

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Table C-2

Coiled rod: Summary data concerning the U.S. market, 1994-96

* * * * *

Table C-3

Coiled bar: Summary data concerning the U.S. market, 1994-96

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Table C-4

Certain steel wire rod plus regular tensile tire cord wire rod: Summary data concerning the U.S. market, 1994-96

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data			Period changes		
	1994	1995	1996	1994-96	1994-95	1995-96
U.S. consumption quantity:						
Amount	7,612,451	7,763,083	7,799,181	2.5	2.0	0.5
Producers' share (1)	76.7	73.7	73.6	-3.2	-3.1	-0.1
Importers' share (1):						
Canada	5.8	6.5	8.2	2.4	0.7	1.7
Germany	2.1	1.4	3.2	1.1	-0.6	1.8
Trinidad and Tobago	3.3	3.3	3.7	0.4	(2)	0.4
Venezuela	1.0	1.0	1.9	0.9	-0.1	1.0
Subtotal	12.2	12.3	17.1	4.9	0.1	4.8
Other sources	11.1	14.1	9.4	-1.7	3.0	-4.7
Total imports	23.3	26.3	26.4	3.2	3.1	0.1
U.S. consumption value:						
Amount	2,700,904	2,843,918	2,724,658	0.9	5.3	-4.2
Producers' share (1)	75.6	73.2	72.2	-3.4	-2.4	-1.0
Importers' share (1):						
Canada	6.8	7.6	9.5	2.7	0.8	1.9
Germany	2.0	1.5	2.9	0.9	-0.5	1.4
Trinidad and Tobago	2.8	2.9	3.1	0.3	0.1	0.2
Venezuela	0.8	0.8	1.5	0.7	(3)	0.7
Subtotal	12.4	12.8	17.1	4.6	0.4	4.2
Other sources	11.9	14.0	10.7	-1.2	2.0	-3.2
Total imports	24.4	26.8	27.8	3.4	2.4	1.0
U.S. imports from--						
Canada:						
Quantity	440,923	506,850	642,439	45.7	15.0	26.8
Value	183,123	216,577	258,332	41.1	18.3	19.3
Unit value	\$415.32	\$427.30	\$402.11	-3.2	2.9	-5.9
Ending inventory quantity	***	***	***	***	***	***
Germany:						
Quantity	159,237	112,182	252,550	58.6	-29.6	125.1
Value	53,718	42,394	79,801	48.6	-21.1	88.2
Unit value	\$337.35	\$377.90	\$315.98	-6.3	12.0	-16.4
Ending inventory quantity	***	***	***	***	***	***
Trinidad and Tobago:						
Quantity	248,044	255,997	284,864	14.8	3.2	11.3
Value	76,110	83,153	85,428	12.2	9.3	2.7
Unit value	\$306.84	\$324.82	\$299.89	-2.3	5.9	-7.7
Ending inventory quantity	***	***	***	***	***	***
Venezuela:						
Quantity	79,247	75,965	151,302	90.9	-4.1	99.2
Value	22,726	22,608	41,346	81.9	-0.5	82.9
Unit value	\$286.77	\$297.61	\$273.27	-4.7	3.8	-8.2
Ending inventory quantity	***	***	***	***	***	***
Subtotal:						
Quantity	927,451	950,994	1,331,155	43.5	2.5	40.0
Value	335,677	364,732	464,907	38.5	8.7	27.5
Unit value	\$361.94	\$383.53	\$349.25	-3.5	6.0	-8.9
Ending inventory quantity	***	***	***	***	***	***
Other sources:						
Quantity	842,507	1,093,029	730,865	-13.3	29.7	-33.1
Value	322,517	397,404	292,324	-9.4	23.2	-26.4
Unit value	\$382.81	\$363.58	\$399.97	4.5	-5.0	10.0
All sources:						
Quantity	1,769,958	2,044,023	2,062,020	16.5	15.5	0.9
Value	658,194	762,136	757,231	15.0	15.8	-0.6
Unit value	\$371.87	\$372.86	\$367.23	-1.2	0.3	-1.5

Table continued on next page.

Table C-4--Continued

Certain steel wire rod plus regular tensile tire cord wire rod: Summary data concerning the U.S. market, 1994-96

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data			Period changes		
	1994	1995	1996	1994-96	1994-95	1995-96
U.S. producers ¹ :						
Average capacity quantity	6,568,196	6,469,272	6,489,912	-1.2	-1.5	0.3
Production quantity	5,866,132	5,834,222	5,780,556	-1.5	-0.5	-0.9
Capacity utilization (1)	87.4	88.2	87.1	-0.3	0.8	-1.1
U.S. shipments:						
Quantity	5,842,493	5,719,060	5,737,161	-1.8	-2.1	0.3
Value	2,042,710	2,081,782	1,967,428	-3.7	1.9	-5.5
Unit value	\$357.17	\$372.18	\$350.25	-1.9	4.2	-5.9
Export shipments:						
Quantity	40,961	65,435	59,444	45.1	59.7	-9.2
Value	12,230	22,311	19,507	59.5	82.4	-12.6
Unit value	\$298.58	\$340.96	\$328.16	9.9	14.2	-3.8
Ending inventory quantity	162,722	212,130	193,313	18.8	30.4	-8.9
Inventories/total shipments (1)	2.8	3.7	3.3	0.6	0.9	-0.3
Production workers	3,065	3,026	3,017	-1.6	-1.3	-0.3
Hours worked (1,000s)	6,683	6,439	6,775	1.4	-3.6	5.2
Wages paid (\$1,000s)	128,529	133,325	133,966	4.2	3.7	0.5
Hourly wages	\$19.23	\$20.71	\$19.77	2.8	7.7	-4.5
Productivity (tons per hour)	0.73	0.74	0.70	-4.2	1.7	-5.8
Unit labor costs	\$26.49	\$28.04	\$28.44	7.3	5.9	1.4
Net sales:						
Quantity	5,792,759	5,788,257	5,719,964	-1.3	-0.1	-1.2
Value	2,069,229	2,158,561	2,007,140	-3.0	4.3	-7.0
Unit value	\$357.21	\$372.92	\$350.90	-1.8	4.4	-5.9
Cost of goods sold (COGS)	1,867,950	1,935,815	1,916,437	2.6	3.6	-1.0
Gross profit or (loss)	201,279	222,746	90,703	-54.9	10.7	-59.3
SG&A expenses	77,804	76,665	76,237	-2.0	-1.5	-0.6
Operating income or (loss)	123,474	146,081	14,466	-88.3	18.3	-90.1
Capital expenditures	171,447	141,281	94,348	-45.0	-17.6	-33.2
Unit COGS	\$322.46	\$334.44	\$335.04	3.9	3.7	0.2
Unit SG&A expenses	\$13.43	\$13.24	\$13.33	-0.8	-1.4	0.6
Unit operating income or (loss)	\$21.32	\$25.24	\$2.53	-88.1	18.4	-90.0
COGS/sales (1)	90.3	89.7	95.5	5.2	-0.6	5.8
Operating income or (loss)/ sales (1)	6.0	6.8	0.7	-5.2	0.8	-6.0

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Increase of less than 0.05 percentage point.

(3) Decrease of less than 0.05 percentage point.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

Note.--Data presented here were calculated as certain steel wire rod (table C-1) plus regular tensile tire cord wire rod.

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

Table C-5

Coiled rod plus regular tensile tire cord wire rod: Summary data concerning the U.S. market, 1994-96

* * * * *

Figure C-1

Certain steel wire rod: U.S. producers' U.S. shipments and U.S. imports, by sources, 1994-96

* * * * *

APPENDIX D

**COMMENTS RECEIVED FROM U.S. PRODUCERS ON THE
IMPACT OF IMPORTS OF THE SUBJECT STEEL WIRE ROD FROM
CANADA, GERMANY, TRINIDAD & TOBAGO, AND VENEZUELA
ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL,
AND DEVELOPMENT AND PRODUCTION EFFORTS**

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of the subject steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela on their return on investment, employment, growth, investment, ability to raise capital, development and production efforts (including efforts to develop a derivative or more advanced version of the product), and/or the scale of capital investments. ***. The producers' comments were as follows:

1. Since January 1, 1994, has your firm experienced any actual negative effects on its return on investment, employment, growth, investment, ability to raise capital, and development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments, as a result of imports of certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela?

Connecticut Steel:--***.

Co-Steel Raritan:--***.

Georgetown Steel:--***.

GST Steel:--***.

Inland:--***.

Keystone:--***.

North Star:--***.

2. Does your firm anticipate any negative impact of imports certain steel wire rod from Canada, Germany, Trinidad & Tobago, and Venezuela?

CF&I:--***.

Connecticut Steel:--***.

Co-Steel Raritan:--***.

Georgetown Steel:--***.

GST Steel:--***.

Inland:--***.

Keystone:--***.

North Star:--***.

Northwestern:--***.

USS-Kobe:--***.

