

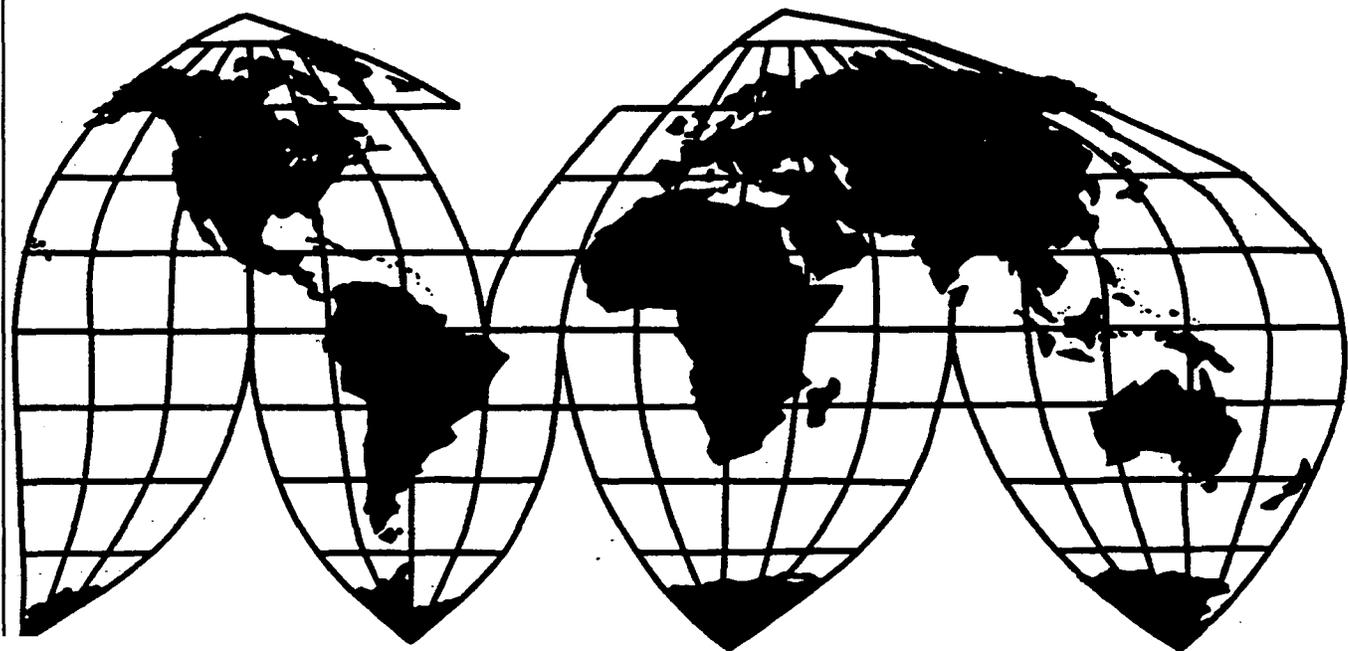
Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan

Investigation No. 701-TA-373 and Nos. 731-TA-769-775 (Preliminary)

Publication 3060

September 1997

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Marcia Miller, Chairman
Lynn Bragg, Vice Chairman
Don E. Newquist
Carol T. Crawford

Robert A. Rogowsky
Director of Operations

Staff assigned

Jonathan Seiger, Investigator
Cheryl Badra Qassis, Industry Analyst
Cindy Cohen, Economist
James Stewart, Accountant
Neal Reynolds, Attorney

Vera Libeau, Supervisory Investigator

Address all communication to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436

Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan



Publication 3060

September 1997

CONTENTS

	<i>Page</i>
Determinations	1
Views of the Commission	3
Additional views of Vice Chairman Lynn M. Bragg	23
Additional views of Commissioner Carol T. Crawford	27
Part I: Introduction	I-1
Background	I-1
Summary data	I-1
Previous and related investigations	I-2
The product	I-2
Physical characteristics and uses	I-2
Manufacturing facilities and production employees	I-4
Interchangeability and customer and producer perceptions	I-6
Channels of distribution	I-7
Price	I-7
Like product issues	I-7
Part II: Conditions of competition in the U.S. market	II-1
Market segments	II-1
Supply and demand considerations	II-1
U.S. supply	II-1
Industry capacity	II-1
Export markets	II-1
Inventories	II-1
Production alternatives	II-2
U.S. demand	II-2
Demand characteristics	II-2
Substitute products	II-2
Cost share	II-2
Substitutability issues	II-2
Comparison of domestic products and subject imports	II-2
Comparison of imports from subject countries	II-4
Comparison of domestic products and subject imports to nonsubject imports	II-4
Part III: Condition of the U.S. industry	III-1
U.S. producers	III-2
U.S. production, capacity, and capacity utilization	III-3
U.S. producers' shipments	III-3
U.S. producers' inventories	III-6
U.S. employment, wages, and productivity	III-7
Part IV: U.S. imports, apparent consumption, and market shares	IV-1
U.S. importers	IV-1
U.S. imports	IV-3
Apparent U.S. consumption and U.S. market shares	IV-3
Total U.S. market	IV-9
U.S. merchant market	IV-9

CONTENTS

	<i>Page</i>
Part V: Pricing and related data	V-1
Factors affecting pricing	V-1
U.S. inland transportation costs	V-1
Exchange rates	V-1
Pricing practices	V-5
Price data	V-5
Lost sales and lost revenues	V-16
Part VI: Financial condition of the U.S. industry	VI-1
Background	VI-1
Operations on stainless steel wire rod	VI-1
Operations on stainless steel wire rod (trade only)	VI-1
Capital expenditures, R&D expenses, and investment in productive facilities	VI-3
Capital and investment	VI-3
Part VII: Threat considerations	VII-1
The industry in Germany	VII-2
The industry in Italy	VII-3
The industry in Japan	VII-3
The industry in Korea	VII-6
The industry in Spain	VII-6
The industry in Sweden	VII-6
The industry in Taiwan	VII-7
U.S. importers' inventories	VII-7
 Appendixes	
A. <i>Federal Register</i> notices	A-1
B. Calendar of the public conference	B-1
C. Summary data	C-1
D. Data on imports of stainless steel wire rod as reported in response to Commission questionnaires	D-1
E. Effects of imports on producers' existing development and production efforts, growth, investment, and ability to raise capital	E-1
 Figures	
V-1. Exchange rates: Indexes of exchange rates of the currencies of Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, relative to the U.S. dollar, by quarters, Jan. 1994-Mar. 1997	V-1
V-2. Nickel and ferrochrome prices (per pound), Jan. 1994-Mar. 1997	V-6
V-3. Weighted-average net delivered prices (per pound) of product 1, by quarters, Jan. 1994-Mar. 1997	V-15
V-4. Weighted-average net delivered prices (per pound) of product 2, by quarters, Jan. 1994-Mar. 1997	V-15

CONTENTS

Page

Figures--Continued

V-5.	Weighted-average net delivered prices (per pound) of product 3, by quarters, Jan. 1994-Mar. 1997	V-15
V-6.	Weighted-average net delivered prices (per pound) of product 4, by quarters, Jan. 1994-Mar. 1997	V-15

Tables

I-1.	Stainless steel wire rod: Previous and related investigations	I-3
III-1.	Stainless steel wire rod: U.S. capacity, production, and capacity utilization, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	III-4
III-2.	Stainless steel wire rod: U.S. producers' U.S. and export shipments, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	III-5
III-3.	Stainless steel wire rod: End-of-period inventories of U.S. producers, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	III-7
III-4.	Average number of production and related workers producing stainless steel wire rod, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	III-8
IV-1.	Stainless steel wire rod: Importers and their parent companies	IV-2
IV-2.	Stainless steel wire rod: U.S. imports, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	IV-4
IV-3.	Stainless steel wire rod: U.S. total-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	IV-5
IV-4.	Stainless steel wire rod: U.S. merchant-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	IV-7
V-1.	Product 1: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997	V-7
V-2.	Product 2: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997	V-9
V-3.	Product 3: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997	V-11
V-4.	Product 4: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997	V-13
V-5.	Stainless steel wire rod: U.S. producers' lost sales allegations	V-16
V-6.	Stainless steel wire rod: U.S. producers' lost revenue allegations	V-16
VI-1.	Results of operations of U.S. producers in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-2
VI-2.	Results of operations of U.S. producers (by firm) in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-3

CONTENTS

	<i>Page</i>
Tables--Continued	
VI-3. Results of operations (per short ton) of U.S. producers in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-3
VI-4. Variance analysis for stainless steel wire rod operations, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-4
VI-5. Results of operations of U.S. producers in the production of stainless steel wire rod--trade only, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-5
VI-6. Results of operations of U.S. producers (by firm) in the production of stainless steel wire rod--trade only, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-6
VI-7. Value of assets, capital expenditures, and R&D expenses of U.S. producers of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VI-6
VII-1. Stainless steel wire rod: German capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-2
VII-2. Stainless steel wire rod: Italian capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998	VII-4
VII-3. Stainless steel wire rod: Japanese capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-5
VII-4. Stainless steel wire rod: Dongbang's capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-6
VII-5. Stainless steel wire rod: Spanish capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-6
VII-6. Stainless steel wire rod: Swedish capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-7
VII-7. Stainless steel wire rod: Taiwan's capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998 .	VII-7
VII-8. Stainless steel wire rod: End-of-period inventories of U.S. importers, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	VII-8
C-1. Stainless steel wire rod: Summary data concerning the U.S. market (imports based on Commerce data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	C-3
C-2. Stainless steel wire rod: Summary data concerning the U.S. market (imports based on questionnaire data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	C-5
D-1. Stainless steel wire rod: U.S. imports, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997	D-3

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.

GLOSSARY OF ABBREVIATIONS

ASM	American Society for Materials
AISI	American Iron and Steel Institute
AWPA	American Wire Producers Association
Aichi	Aichi Steel Works
Al Tech	Al Tech Specialty Steel Corp.
Atlas	Sammi Atlas, Inc.
BGH	BGH Edelstahl Freital GmbH
Bolzano	Acciaierie di Bolzano
Branford	Branford Wire & Manufacturing Co.
CNIF	Customs Net Import File
Carpenter	Carpenter Technology Corp.
Changwon	Changwon Steel Co., Ltd.
Cogne	Cogne Acciai Speciali SrL
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
Conn-Weld	Conn-Weld Industries, Inc.
DST	Direct solution treatment
Daido	Daido Steel Co., Ltd.
Dongbang	Dongbang Special Steel Co., Ltd.
FR	<i>Federal Register</i>
Fagersta	Fagersta Stainless AB
F.o.b.	Free on board
HI Specialty	HI Specialty Division of Hitachi Metals America, Ltd.
HTS	Harmonized Tariff Schedule
Hoover	Hoover Precision Products, Inc.
ITW Shakeproof	Illinois Tool Works, Shakeproof Industrial Products
Illini	Illini Wire Mill
Krupp	Krupp Edelstahlprofile GmbH
Krupp-Hoesch	Krupp-Hoesch Steel Products, Inc.
LTFV	Less than fair value
Nippon Koshuha	Nippon Koshuha Steel Co., Ltd.
Nippon Steel	Nippon Steel Corp.
Nucor	Nucor Corp.
POSCO	Pohang Iron & Steel Co., Ltd.
PRWs	Production and related workers
Pacific	Pacific Metals Co., Ltd.
R&D	Research and development
Republic	Republic Engineered Steels
Rodacciai	Rodacciai
Roldan	Roldan, S.A.
SG&A	Selling, general, and administrative
Sammi	Sammi Steel Co., Ltd.
Sammi Al Tech	Sammi Al-Tech, Inc.
Sanyo	Sanyo Special Steel, Ltd.
Sumiden	Sumiden Wire Products, Inc.
Sumitomo	Sumitomo Electric Industries, Ltd.
Talley	Talley Metals Technology, Inc.
Techalloy	Techalloy Co., Inc.
USTR	U.S. Trade Representative
VRA	Voluntary Restraint Agreement
Valbruna	Acciaierie Valbruna SrL
Walsin-CarTech	Walsin-CarTech Specialty Steel Corp.
Weld Stud	Weld Stud & Accessories, Inc.
Yieh Hsing	Yieh Hsing Enterprise Co., Ltd.
Yieh United	Yieh United Steel Corp.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 701-TA-373 and Nos. 731-TA-769 through 775 (Preliminary)

STAINLESS STEEL WIRE ROD FROM GERMANY, ITALY,
JAPAN, KOREA, SPAIN, SWEDEN, AND TAIWAN

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Italy of stainless steel wire rod,² provided for in subheading 7221.00.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of Italy.

Further, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan of stainless steel wire rod that are alleged to be 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) or 733(b) of the Act, as appropriate, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(b) of the Act, as appropriate. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final 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.

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 For purposes of these investigations, stainless steel wire rod is defined as articles of stainless steel that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime, or oxalate. Stainless steel wire rod is made of alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Stainless steel wire rod is manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, is normally sold in coiled form, and is of solid cross section. Most stainless steel wire rod sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar, with the most common size of stainless steel wire rod being 5.5 millimeters (0.217 inches) in diameter. Stainless steel wire rod grades SF20T and K-M35FL are excluded from the scope of these investigations.

BACKGROUND

On July 30, 1997, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of Al Tech Specialty Steel Corp., Dunkirk, NY; Carpenter Technology Corp., Reading, PA; Republic Engineered Steels, Massillon, OH; Talley Metals Technology, Inc., Hartsville, SC; and the United Steelworkers of America, AFL-CIO/CLC, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of stainless steel wire rod from Italy, and by reason of LTFV imports of such merchandise from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. Accordingly, effective July 30, 1997, the Commission instituted preliminary countervailing duty investigation No. 701-TA-373 (Preliminary) and preliminary antidumping investigations Nos. 731-TA-769 through 775 (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 August 6, 1997 (62 F.R. 42263). The conference was held in Washington, DC, on August 21, 1997, and all persons who requested the opportunity were permitted to appear in person or by counsel.

IEWS 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 threatened with material injury by reason of imports of stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan that are allegedly subsidized and/or sold in the United States at less than fair value ("LTFV").¹

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 a reasonable indication that an industry in the United States is materially injured by reason of the subject imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. She joins in sections I-IV of this opinion, except as otherwise noted. See Additional 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) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5)

(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 follows:

[C]ertain stainless steel wire rod ("SSWR") comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, and are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.¹¹

SSWR, the product under investigation, is a stainless steel product which is produced in a wide variety of grades, shapes, diameters and sizes.¹² SSWR is produced in accordance with specific customer requirements. Like other stainless steel products, SSWR is distinguished from carbon and other lower

⁷ (...continued)

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 Notice of Initiation of Antidumping Investigations, Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, 62 Fed. Reg. 45224 (Aug. 26, 1997); Notice of Initiation of Countervailing Duty Investigation, Certain Stainless Steel Wire Rod from Italy, 62 Fed. Reg. 45229, 45230 (Aug. 26, 1997). Commerce has excluded two products from the scope of the investigation, grade SF20T SSWR and grade K-M35FL SSWR. *Id.* These grades are produced in Japan for an automotive parts manufacturer; the U.S. producers have chosen not to produce these grades because their lead content poses environmental hazards. Confidential Report ("CR") at I-5, I-8-9; Public Version of the Report ("PR") at I-4, I-6. No party has argued that these products should be part of the domestic like product in these investigations.

¹² There are approximately 80 grades of stainless steel. Fifty of these grades are used in the production of wire rod. Of these, about 10 grades represent 80 percent of SSWR production. CR at I-4, PR at I-2. The predominant grades of SSWR sold in the United States are grades 304, 304L, 316, 316L, 308, 308L, 302 spring, 302 HQ and 430. *Id.*

grade alloy steels by its superior resistance to corrosion or oxidation at atmospheric or elevated temperatures. Generally, SSWR is considered to be a hot-rolled semi-finished product that is produced and sold in coils.¹³

C. Domestic Like Product Issues in These Investigations

In these investigations, as in our previous investigations; we find that the record evidence indicates that there is a continuum of SSWR products that share the same general physical characteristics and end uses, are produced by the same employees in the same manufacturing facilities, are sold in similar channels of trade and are perceived by customers and producers to be produced by the same industry.¹⁴ In the most recent prior investigations of SSWR, the Commission concluded that there were no clear dividing lines among the myriad of SSWR products and found a single like product corresponding to the imported products within the scope.¹⁵ We note, however, that the Commission bases its domestic like product determination on the record in its investigations and is not bound by prior determinations concerning the same imported products.¹⁶

The petitioners argue that there is one domestic like product in these investigations, consisting of all SSWR. The German respondents¹⁷ argue that there are two domestic like products: the first being SSWR of circular cross-section or with a diameter of less than 19 millimeters, and the second being SSWR of non-circular cross-section or with a diameter of 19 millimeters or more.¹⁸ In addition, Hitachi Metals America, Ltd., an importer of Japanese merchandise, argues that grade 440C SSWR is a separate domestic like product from other forms of SSWR.¹⁹

Accordingly, we consider the two domestic like product issues raised by respondents: (1) whether SSWR of circular cross-section with a diameter of less than 19 millimeters is a separate domestic like product from SSWR of non-circular cross-section or a diameter of 19 millimeters or more; and (2) whether grade 440 C SSWR is a separate domestic like product from all other forms of SSWR. For the reasons discussed below, we find that there is one domestic like product in these investigations, consisting of all SSWR.

¹³ CR at I-10-11, PR at I-7.

¹⁴ CR at I-2-3, PR at I-1-2.

¹⁵ See Stainless Steel Wire Rod from Brazil and France, Invs. Nos. 731-TA-636 & 637 (Final), USITC Pub. 2721 at I-5-8 (Jan. 1994); Stainless Steel Wire Rod from India, Inv. No. 731-TA-638 (Final), USITC Pub. 2704 at I-5-8 (Nov. 1993).

¹⁶ 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).

¹⁷ The German respondents are Krupp Edelstahlprofile GmbH and its related U.S. importer, Krupp-Hoesch Steel Products, Inc., and BGH Edelstahl Freital GmbH.

¹⁸ Postconference Brief of Krupp Edelstahlprofile GmbH and its related U.S. importer, Krupp-Hoesch Steel Products, Inc., (Aug. 26, 1997) ("Krupp Postconference Brief") at 3-24.

¹⁹ Postconference Brief of Hitachi Metals America, Ltd. (Aug. 26, 1997) ("Hitachi Postconference Brief") at 2-9.

1. Whether “SSWR of Circular Cross-Section with a Diameter of Less than 19 Millimeters” and “SSWR of Non-Circular Cross-Section or a Diameter of 19 Millimeters or More” are Separate Like Products

The German respondents argue that the Commission should find two domestic like products in these investigations: SSWR of non-circular cross-section or of a diameter of 19 millimeters or more and SSWR of circular cross-section with a diameter of less than 19 millimeters. They assert that stainless steel products of non-circular cross-section or with a diameter of 19 millimeters or more are generally considered to be stainless steel bar, not SSWR. They also assert that the two proposed domestic like products should be expanded to include cut-to-length SSWR.²⁰ As noted above, petitioners argue that the Commission should find a single domestic like product in these investigations consisting of all SSWR.²¹ They contend that the domestic industry produces a continuum of SSWR products in a variety of grades and specifications and that there are no clear dividing lines along the continuum.

Although there are certain physical differences between the SSWR products that the German respondents call stainless steel bar and other forms of SSWR, the available evidence indicates that generally all grades of SSWR share the same basic physical characteristics, i.e., all grades of SSWR are hot-rolled stainless steel products of solid cross-section that are produced and sold in coils.²² Moreover, although the products the German respondents term “stainless steel bar” may differ from other SSWR grades in size or form, all grades of SSWR differ from one another to some extent in terms of size, weight, or chemical form.²³ Finally, the available record evidence does not support the German respondents’ contentions that SSWR of non-circular cross-section or with a diameter of 19 millimeters or more are more properly considered stainless steel bar rather than stainless steel wire rod. To the contrary, witnesses for the domestic industry and wire rod purchasers testified that SSWR is not distinguished from stainless steel bar by diameter size or cross-sectional form. Instead, SSWR is generally considered to be a hot-rolled semi-finished product sold in coils while stainless steel bar is primarily a cold-rolled product that is produced and sold on a cut-to-length basis.²⁴

In addition, domestic producers produce all grades and sizes of SSWR (whether or not of large diameter or circular cross-section) in the same facilities and with the same employees²⁵ and all grades of SSWR are used to produce one or more of the traditional end product categories for SSWR: wire, bar or fasteners. Moreover, customers and producers generally consider the products to be part of the same market and industry,²⁶ and the record evidence indicates that the larger diameter and non-circular forms of SSWR are sold in the same channels of trade as all other forms of SSWR.²⁷ Further, although the record evidence suggests that larger diameter SSWR and non-circular forms of SSWR have a limited amount of

²⁰ Krupp Postconference Brief at 3-24. They assert that the cross-sectional form and diameter size of the cut-to-length products should determine in which domestic like product category they belong.

²¹ Petitioners’ Postconference Brief (Aug. 26, 1997) at 3-6. Petitioners in these investigations are Al Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc. and the United Steelworkers of America, AFL-CIO/CLC.

²² CR at I-10-11, PR at I-7.

²³ CR at I-4-5, PR at I-2, I-4.

²⁴ Tr. at 17-18 (Blot) & 109 (Kurisky).

²⁵ CR at I-5-6, PR at I-4-5.

²⁶ Tr. at 17-18 (Blot) & 109 (Kurisky).

²⁷ CR at I-10, PR at I-7.

interchangeability with SSWR of other sizes and shapes, we note that this limited amount of interchangeability is shared across the spectrum of grades and specifications of SSWR products.²⁸ Finally, although there appear to be some price differentials between large diameter or non-circular SSWR and other SSWR,²⁹ we do not find these differences significant enough to warrant finding the products to be separate domestic like products. On the whole, because the products in question share the same general physical characteristics and end uses, are perceived to be similar products, and are distributed in the same channels of trade and manufactured in the same production facilities, we find that they are part of the same domestic like product as all other forms of SSWR.

We also do not include cut-to-length products within the domestic like product. As indicated above, customer and producer testimony indicates that the cut-to-length nature of these products distinguish these products as stainless steel bar, and not SSWR products. In this regard, we note that customers and producers appear to consider stainless steel bar to be a very different product from SSWR.³⁰ Moreover, the cut-to-length nature of these products significantly limits the interchangeability of these products with SSWR, primarily because the cut-to-length feature of the products prevents it from being used in the production of stainless steel wire. In addition, although cut-to-length stainless steel products generally use the same equipment and employees for the melting and rolling stages of production as SSWR, cut-to-length products undergo the additional further manufacturing process involved in straightening and cutting the product. The record evidence also indicates that most cut-to-length products will undergo cold-rolling, further distinguishing them from SSWR.³¹ Because there are, on the whole, significant differences in physical characteristics, customer and producer perceptions and manufacturing processes between cut-to-length stainless steel products and SSWR, we do not find that the domestic like product should include cut-to-length stainless steel products.

2. Whether Grade 440C SSWR Should Be Considered to Be A Separate Domestic Like Product From All Other Forms of SSWR

Hitachi Metals America, Ltd., an importer of Japanese merchandise, argues that the Commission should find that grade 440 C SSWR is a separate domestic like product from other forms of SSWR. According to Hitachi, grade 440C SSWR is a unique and highly specialized product possessing very specific properties distinguishing it from other grades of SSWR. Hitachi asserts that grade 440C SSWR is not interchangeable with other grades of SSWR. Petitioners have not specifically addressed Hitachi's argument but contend that the Commission should find one domestic like product in these investigations, consisting of all SSWR.

On the whole, we find that grade 440C should be considered part of the same domestic like product as other forms of SSWR. Although Hitachi argues that grade 440C SSWR has physical and chemical properties that distinguish it from other grades of SSWR, it is a hot-rolled wire rod product of solid cross-

²⁸ Tr. at 108-109 (Coehlo).

²⁹ For example, the available record evidence suggests that the price of imported larger diameter SSWR is only 14.5 to 19.2 percent higher than that of smaller diameter SSWR. Krupp Postconference Brief at 13. Similarly, although the price of imported SSWR of non-circular form is higher than most circular forms of imported SSWR, the price level is close to that of high-nickel alloy SSWR imports (\$*** per kilogram v. \$*** per kilogram respectively.) *Id.*

³⁰ CR at I-10-11, PR at I-7-8; Tr. at 17-18 (Blot) & 90 (Kurisky); Petitioner's Postconference Brief at Att. 6.

³¹ CR at I-6-7, PR at I-4-5. There is no information available on the record with respect to the comparability of channels of distribution or prices with respect to cut-to-length stainless steel products and SSWR.

section that is produced in coils. Accordingly, we find that grade 440C SSWR shares the same physical characteristics with other grades of SSWR that distinguish SSWR from other forms of stainless steel products.³² In addition, although Hitachi asserts that grade 440C does not have the same end uses as other forms of SSWR, the available evidence indicates that grade 440C is used to produce cold drawn bar. Because other grades of SSWR are also used to produce cold-rolled bar,³³ we believe that grade 440C SSWR can be said to be used for similar end uses as other grades of SSWR. Moreover, the available evidence suggests that grade 440C is produced domestically in the same manufacturing facilities and by the same employees as other grades of SSWR.³⁴

Further, all domestic production of grade 440C SSWR is captively consumed and is therefore distributed in the same channels of trade as all other captively consumed domestic SSWR, which represents the majority of domestic production. Although several U.S. purchasers of Hitachi's grade 440C SSWR have stated that they do not consider grade 440C interchangeable with other grades of SSWR in the same end uses, we note that this appears to be a characteristic of all grades of SSWR in that individual grades are intended to be used by individual customers for specific end uses and are not generally considered interchangeable for those specific end uses.³⁵ Finally, while the available data suggest that prices of grade 440C SSWR are somewhat higher than more standard grades of SSWR,³⁶ we also note that the price of grade 440C SSWR is within the same price range as more expensive forms of SSWR.³⁷ On the whole, we find that grade 440C SSWR is part of the continuum of SSWR and thus is not a separate domestic like product from other forms of SSWR.

3. Conclusion

In sum, the record in these investigations indicates that there is a continuum of SSWR products that are produced in a wide variety of grades, specifications, shapes and sizes. This wide variety of grades is reflected in a variety of end uses. In light of these variations and the lack of a clear dividing line among the domestic like products by the respondents and other forms of SSWR, we find that there is one domestic like product in these investigations, consisting of all SSWR.

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."³⁸ In defining the domestic industry, the Commission's general practice has been to include in the industry all producers of the domestic like

³² Hitachi Postconference Brief at 3-9, Att. 1-2. In this regard, we note that grade 440C SSWR is one of the grades that comprise the 400 series of SSWR, all of which share the more specific physical characteristics of being non-hardenable, ferritic and magnetic chromium steels. CR at I-4, n. 4, PR at I-4, n.4. Hitachi does not contend that the other 400 series grades of SSWR should be included within the same domestic like product as grade 440C.

³³ CR at I-5, PR at I-4.

³⁴ CR at I-6-7, PR at I-4-5.

³⁵ Tr. at 108-109 (Coehlo).

³⁶ Hitachi reports that the price of its grade 440C is \$*** per pound while the price of the more standard grades of SSWR range from \$*** to \$*** per pound. Hitachi Postconference Brief at 8-9.

³⁷ Compare Hitachi Postconference Brief at 8-9 with Krupp Postconference Brief at 18.

³⁸ 19 U.S.C. §1677(4)(A).

product, including toll producers, whether the product is captively consumed, or sold in the domestic merchant market.³⁹ In these investigations, we find that the domestic industry consists of all four domestic producers of certain steel wire rod: Al Tech Specialty Steel Corp. (“Al Tech”), Carpenter Technology Corp. (“Carpenter”), Republic Engineered Steels (“Republic”) and Talley Metals Technology, Inc. (“Talley”)⁴⁰.

Two producers, Al Tech and Carpenter, are related parties in these investigations. Al Tech is a *** of Sammi Steel Co., Ltd (“Sammi”), a Korean producer of SSWR during the period of investigation, and ***.⁴¹ Carpenter owns a ***-percent share of Walsin Cartech Specialty Steel Corp., a producer of SSWR in Taiwan, and imported SSWR from Taiwan during the period of investigation.⁴² The Commission may exclude either or both of these producers from the domestic industry if “appropriate circumstances” exist.⁴³

We find that appropriate circumstances do not exist to exclude either company from the domestic industry. Carpenter accounted for *** percent of domestic production of SSWR in 1996 and was the largest domestic producer of SSWR. In addition, Carpenter’s domestic production greatly exceeded its imports of SSWR from Taiwan during the period of investigation, indicating that the company’s primary interest lies in domestic production and not in importing.⁴⁴ Finally, although financial data obtained in these investigations show that Carpenter’s operating income was generally ***, Carpenter’s operating income ratio was *** than the other three producers, indicating that it received no significant financial benefit from its imports.⁴⁵

Similarly, Al Tech accounted for *** percent of domestic production of SSWR in 1996 and is therefore a significant producer of SSWR.⁴⁶ Al Tech’s domestic production greatly exceeded the volume of its imports of subject merchandise from Korea during the period of investigation, which indicates that Al

³⁹ 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, Invs. Nos. 731-TA-736 and 737 (Final), USITC Pub. 2988 (Aug. 1996) at 7-8.

⁴⁰ CR at III-2, PR at III-2. A fifth domestic company, Nucor Steel, is in the process of beginning the production of SSWR in South Carolina. Nucor officials have indicated that the firm is currently only shipping stainless wire from that facility, however. *Id.* We intend to seek information from Nucor in any final phase of these investigations.

⁴¹ CR at III-2, n.2, PR at III-2, n.2.

⁴² CR at III-2, PR at III-2.

⁴³ 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 Engineered Process Gas Turbo-Compressor Systems from Japan, Inv. No. 731-TA-748 (Final), USITC Pub. 3042 (June 1997) at 10 n.26.

⁴⁴ CR at III-2, n. 3, PR at III-2, n.3.

⁴⁵ Table VI-2. Carpenter’s operating income to net sales ratio was *** percent in 1995 and *** percent in 1996, compared to levels of *** percent for Republic, *** percent and *** percent for Talley and *** percent and *** percent for Al Tech. *Id.* The average return in those two years was *** percent and *** percent. *Id.*

⁴⁶ CR at III-2, n. 2, PR at III-2, n.2.

Tech's primary interest lies in domestic production and not in importing.^{47 48} In addition, the financial data obtained in these preliminary investigations indicate that Al Tech generally had ***, suggesting that it has not received any significant financial benefit from its imports or its relationship with Sammi.⁴⁹

On the whole, we define the domestic industry to encompass all domestic producers of SSWR.⁵⁰

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.⁵¹ 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."⁵²

Several conditions of competition are pertinent to our analysis in these investigations. First, aggregate demand in the SSWR market depends primarily on the demand for downstream products in certain end use industries, such as the automotive, medical instruments and general manufacturing industries, that require the corrosion-resistant properties of SSWR. Overall demand for SSWR has increased in recent years due to general growth in the economy and the development of new applications for SSWR products.⁵³ Apparent U.S. consumption of SSWR increased overall during the period of investigation. Although total apparent consumption declined slightly in 1996 from the previous year's level, it remained significantly above 1994 levels.^{54 55}

⁴⁷ Id.

⁴⁸ For purposes of these preliminary phase investigations, Commissioner Crawford finds that both of these producers' primary interest lies in production, not importation. She does not join the remainder of this discussion.

⁴⁹ Table VI-2.

⁵⁰ We note, however, that a *** was accounted for by imports made by Carpenter or Sammi Al Tech, an importer related to Al Tech, which raises the question of whether these producers are "shielded" from the effects of these subject imports. CR at III-2, nn. 2-3, PR at III-2, nn. 2-3. We invite the parties to address in any final phase of these investigations whether this should affect our assessment that appropriate circumstances do not exist to exclude these producers as related parties.

⁵¹ 19 U.S.C. § 1677(7)(C)(iii).

⁵² Id.

⁵³ CR at II-2, PR at II-2.

⁵⁴ Table IV-3.

⁵⁵ Commissioner Crawford notes that, although only four domestic firms produced SSWR during the period of investigation, a fifth domestic firm, Nucor, has announced that it intends to enter the domestic SSWR market in the near future. Nucor's wire rod facility will incorporate a newly developed production technology. Nucor has not yet begun making commercial shipments of SSWR from this facility, however. CR at I-7-8 & III-2, n. 1, PR at I-5-6 & III-2, n. 1. She intends to examine in the final phase of these investigations the effect the entrance of Nucor will have on the U.S. market.

Second, the domestic industry captively consumes the majority of its domestic production of SSWR in the manufacture of wire and small-diameter bar.⁵⁶ Accordingly, we have considered whether the captive production provision requires us to focus our analysis on the merchant market when assessing market share and the factors affecting the financial performance of the domestic industry.^{57 58} Although we find that significant production of the domestic like product is both internally transferred and sold in the merchant market,⁵⁹ the record evidence clearly indicates that SSWR sold in the merchant market is generally used in the production of the same downstream products for which SSWR is internally consumed.⁶⁰ Accordingly, we find that the third criterion of the captive production provision is not satisfied and that the provision does not apply in these investigations. Even in circumstances, however, in which the

⁵⁶ CR at I-10, PR at I-7.

⁵⁷ 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 --

(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.

⁵⁸ Commissioner Newquist takes no position as to whether the captive production provision applies and thus does not join in the following discussion. He notes, however, that it is within his discretion to focus primarily on the merchant market and he does so here. See Beryllium Metal and High-Beryllium Alloys from Kazakhstan, Inv. No. 731-TA-746 (Final), USITC Pub. 3019 at 8, n. 40 (Feb. 1997). Although Commissioner Newquist has focused his analysis on the condition of the domestic industry dedicated to production for the merchant market, for purposes of unanimity, he joins his colleagues' discussion of the condition of the entire domestic industry. Commissioner Newquist notes that, as a general statement, the discussion of overall domestic performance trends reflect the condition of the domestic industry dedicated to production for the merchant market.

⁵⁹ During the period of investigation, petitioners internally consumed approximately *** percent of their total shipments of SSWR in the production of two downstream products, wire and small-diameter bar. Conversely, approximately *** percent of domestic production of SSWR was sold to the merchant market over the period of investigation. CR at I-10, PR at I-7.

⁶⁰ CR at III-3, PR at III-2. In this regard, three of the four domestic producers reported that they produced only wire and small-diameter bar products from captively consumed SSWR, that these downstream products compete with identical wire and bar products sold by their SSWR customers and that the SSWR they sell in the open market does not differ physically from the SSWR that is consumed captively. *Id.*

captive production provision does not apply, the Commission has discretion to consider the significant volume of captive production as a condition of competition.^{61 62}

As indicated above, we have considered the condition of the industry against the background of rising consumption. Total apparent U.S. consumption of SSWR, by volume, increased by 9.6 percent from 163,295 short tons in 1994 to 179,042 short tons in 1995 but declined by 1.8 percent in 1996 to 175,724 short tons.⁶³ Total apparent U.S. consumption, by value, followed the same trend, increasing by 29 percent from \$385.2 million in 1994 to \$499.8 million in 1995 and then decreasing by 5.2 percent to \$473.7 million in 1996. During the same period, the domestic industry's market share, by volume, fell from 67 percent in 1994 to 63.1 percent in 1996.⁶⁴

The domestic industry's production capacity was constant throughout the period, remaining at 154,781 short tons. The industry's production volume grew from 111,123 short tons in 1994 to 122,557 in 1995 but then fell to 112,379 short tons in 1996. The industry's production volume was 27,965 short tons during interim 1997, compared to 31,323 short tons in interim 1996. Accordingly, the industry's capacity utilization rose from 71.8 percent in 1994 to 79.2 percent in 1995 but fell to 72.6 percent in 1996. The industry's capacity utilization in interim 1997 was 72.3 percent, as compared to 80.9 percent in interim 1996.^{65 66}

The domestic industry's total U.S. shipments, by volume, grew from 109,368 short tons in 1994 to 120,211 short tons in 1995, but then declined to 110,874 short tons in 1996. During interim 1997, the industry's U.S. shipments were 27,467 short tons, as compared to 31,070 short tons in interim 1996. The industry's total U.S. shipments, by value, rose from \$274.5 million in 1994 to \$352.8 million in 1995, then fell to \$315.4 million in 1996. During interim 1997, the industry's U.S. shipments, by value, were \$72.3

⁶¹ Chairman Miller notes that she reached her determinations in these preliminary phase investigations based on an analysis of the total SSWR market. She does not, however, preclude an examination of the impact of subject imports on the merchant market alone in any final phase of these investigations.

⁶² Commissioner Crawford notes that the very large magnitude of captive production has raised numerous issues that indicate its influence as a condition of competition in the U.S. market. For example, purchasers assert that the domestic industry does not sell certain grades of SSWR on the open market because the purchasers compete with them in downstream markets. In addition, numerous purchasers, mostly wire producers, expressed concern that if SSWR imports are shut out of the market, foreign producers may shift their production to products (*i.e.*, wire) that compete with the wire producers. Given these possible "ripple" effects, Commissioner Crawford intends to explore further the influence of captive production as a condition of competition in any final phase of these investigations.

⁶³ Table IV-3.

⁶⁴ Commissioner Crawford joins her colleagues in these investigations in a discussion of the "condition of the industry" even though she does not make her determinations based on industry trends. Rather, she views the discussion as a factual recitation of the data collected concerning the statutory impact factors.

⁶⁵ CR at III-5, PR at III-4.

⁶⁶ Commissioner Crawford notes that, on the surface, a capacity utilization rate of 72.6 percent in 1996 seems low. Information on the record, however, indicates that it is possible that operating at "full" capacity means a capacity utilization rate substantially less than 100 percent in this industry. Therefore, *practical* capacity may, in fact, be reasonably close to a *nominal* capacity utilization rate of 70 - 80 percent. In any final phase of these investigations, Commissioner Crawford intends to explore the issue further, and requests the parties to present evidence and argument relevant to the domestic industry's *practical* capacity utilization rate as a condition of competition distinctive to this industry.

million, as compared to \$93.5 million in interim 1996.⁶⁷ The domestic industry's end-of-period inventories increased steadily from a level of 1,539 short tons in 1994 to 2,165 short tons in 1996. In interim 1997, the industry's end-of-period inventories were 1,993 short tons, compared to 1,913 short tons in interim 1996.⁶⁸

The average number of production and related workers employed by the domestic industry increased from 729 in 1994 to 760 in 1995 but fell to 724 in 1996. In interim 1997, the average number of production and related workers employed was 626, as compared to 743 in interim 1996. Hours worked increased from 1.6 million in 1994 to 1.7 million in 1995, but fell to 1.6 million in 1996. An approximate total of 345,000 hours were worked in interim 1997, as compared to 428,000 hours in interim 1996. Wages paid rose from \$32.0 million in 1994 to \$36.6 million in 1995 and 1996. Productivity rose from 70.6 short tons per hour in 1994 to 72.1 short tons per hour in 1995, then fell to 69.5 short tons per hour in 1996. Productivity was 81.1 short tons per hour in interim 1997, compared to 73.2 short tons per hour in interim 1996. Unit labor costs rose from \$287.87 per ton in 1994 to \$298.41 per ton in 1995 and \$326.05 per ton in 1996. In interim 1997, unit labor costs per ton were \$290.47, as compared to \$311.34 in interim 1996.⁶⁹

The domestic industry's net sales by volume grew from 110,852 short tons in 1994 to 122,021 short tons in 1995 but then fell to 112,289 short tons in 1996. The industry's net sales volume in interim 1997 was 28,137 short tons, as compared to 31,485 short tons in interim 1996. Net sales value rose from \$277.4 million in 1994 to \$357.4 million in 1995, then fell to \$226.1 million in 1996. In interim 1997, the industry's net sales value was \$73.9 million, as compared to \$94.8 million in interim 1996.⁷⁰ The domestic industry's unit sales value increased from \$2,503 per short ton in 1994 to \$2,929 per short ton in 1995, and then declined to \$2,854 per short ton in 1996. In interim 1997, the unit net sales value was \$2,627 per short ton, as compared to \$3,010 per short ton in interim 1996.⁷¹

The domestic industry's gross profits rose from \$24.9 million in 1994 to \$53.0 million in 1995, then fell to \$35.9 million in 1996. In interim 1997, the industry's gross profits were \$2.7 million, as compared to \$10.9 million in interim 1996. The domestic industry experienced a net operating loss of \$4.5 million in 1994 and net operating income of \$22.1 million in 1995. In 1996, the industry's net operating income decreased to \$6.1 million. In interim 1997, the industry experienced a net operating loss of \$4.3 million, compared to net operating income of \$3.5 million in interim 1996. The industry's operating income margin was a negative 1.6 percent in 1994 but rose to 6.2 percent in 1995. The margin then fell to 1.9 percent in 1996. During interim 1997, the industry's net operating margin was a negative 5.8 percent, as compared to 3.6 percent in interim 1996.⁷²

The domestic industry's ratio of cost of goods sold to net sales declined from 91 percent in 1994 to 85.2 percent in 1995 and increased to 88.8 percent in 1996. The ratio of SG&A expenses to net sales declined from 10.6 percent in 1994 to 8.6 percent in 1995 and then increased to 9.3 percent in 1996.⁷³

The value of U.S. producers' fixed assets dropped between 1994 and 1995, in book value terms, and increased in 1995. The industry's capital expenditures declined between 1994 and 1995 but then

⁶⁷ Table III-1.

⁶⁸ Table III-2.

⁶⁹ Table III-3.

⁷⁰ Table III-4.

⁷¹ Table VI-1.

⁷² Table VI-3.

⁷³ Table VI-1.

increased considerably in 1996. The domestic industry's research and development expenses dropped from \$7.6 million in 1994 to \$6.65 million in 1995 and then increased to \$7.3 million in 1996.^{74 75}

III. NEGLIGENCE

An injury investigation in its preliminary phase terminates by operation of law without an injury determination if the Commission finds that the subject imports from a country in question are negligible.⁷⁶ The provision defining "negligibility", 19 U.S.C. § 1677(24), provides that imports from a subject country that are less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or self-initiation, as the case may be, shall be deemed negligible.⁷⁷ Negligibility decisions are to be made with respect to imports "corresponding to a domestic like product identified by the Commission."⁷⁸

The German respondents contend that imports of subject merchandise from Germany were negligible during the 12-month period before the date of the filing of the petition.⁷⁹ Petitioners assert that German imports were not negligible during the period of investigation. We find that the subject imports from each of the subject countries, including Germany, accounted for more than three percent of total imports for consumption during the twelve month period prior to the filing of the petition.⁸⁰ Accordingly, we find that none of the imports from the subject countries, including Germany, is negligible.

⁷⁴ Table VI-7.

⁷⁵ Based on the foregoing, Commissioner Newquist finds that there is a reasonable indication that the domestic industry producing SSWR is vulnerable to the continuing adverse effects of allegedly LTFV imports. Commissioner Newquist thus proceeds directly to the "threat of material injury" discussion set forth in section V below. He does, however, join the following discussion of "negligibility" and generally joins the cumulation discussion set forth in section IV but only for purposes of threat of material injury.

⁷⁶ 19 U.S.C. § 1673d(b)(1).

⁷⁷ There are three exceptions to the negligible imports provision, none of which is applicable to these investigations. See 19 U.S.C. § 1677(24)(A)(ii). The statute allows the Commission to make "reasonable estimates on the basis of available statistics" of import levels for purposes of making negligibility determinations. 19 U.S.C. § 1677(24)(C). See also Statement of Administrative Action (SAA) at 186.

⁷⁸ 19 U.S.C. § 1677(24)(A)(i).

⁷⁹ Krupp Postconference Brief at 25-33. In making this argument, the German respondents contend that the Commission should calculate this percentage using imports for consumption (i.e., imports that enter the country and are subject to duties, including antidumping and countervailing duties) as the numerator, but using general imports (i.e., all imports into the territory of the United States, those that are entered into bonded warehouses and foreign trade zones or are temporary importations under bond and are not subject to duties) as the denominator. *Id.* at 26-27. Neither the statute nor the SAA indicates that the negligibility calculation should be based on a comparison of imports "for consumption" with "general" imports. Instead, the negligibility provision simply states that "imports" of a subject country should be compared with the "volume of all such merchandise imported into the United States" during the twelve-month negligibility period. 19 U.S.C. §1677(24). There is nothing in the provision that indicates that the Commission should use import data prepared on one basis, i.e., imports for consumption, as the numerator in the negligibility calculation, while using import data compared on a different basis, i.e., general imports, as the denominator for the calculation. Accordingly, we believe that the most reasonable construction of the provision is that the negligibility calculation should, to the extent possible, be based on a comparison of import data prepared on the same basis.

⁸⁰ CR at IV-5, PR at IV-3.

IV. CUMULATION

A. In General

Section 771(7)(G)(i) of the Act 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.⁸¹ In assessing whether imports compete with each other and with the domestic like product,⁸² the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;⁸³
- (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.⁸⁴

⁸¹ 19 U.S.C. § 1677(7)(G)(i). The statute contains four exceptions to cumulation, none of which applies in these investigations.

⁸² 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).

⁸³ Commissioner Crawford notes that the Court of International Trade has recognized repeatedly that analyses of substitutability may vary under different provisions of the statute, based upon the requirements of the relevant statutory provision. *E.g.*, U.S. Steel Group v. United States, 873 F.Supp. 673, 697 (1994); R-M Industries, Inc. v. United States, 848 F.Supp. 204, 210, n.9 (1994); BIC Corporation v. United States, 964 F.Supp. 391 (1997). 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 in cumulating subject imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.

⁸⁴ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

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.⁸⁵ Only a "reasonable overlap" of competition is required.⁸⁶

B. Whether the Subject Imports from Japan Should Be Cumulated with Subject Imports from Other Countries

The Japanese respondents argue that the subject imports from Japan should not be cumulated with other subject imports for purposes of the Commission's analysis. They contend that there is no reasonable overlap of competition between imports of subject merchandise from Japan and the domestic merchandise.⁸⁷ According to the Japanese respondents, the Japanese imports do not compete generally with the domestic merchandise in that over *** percent of domestic SSWR merchandise is consumed captively, only *** percent of Japanese imports were sold in the five standard grades of SSWR that comprise the "vast majority" of the domestic market, and competition in these five standard grades is limited by quality differences and lack of availability.⁸⁸ The petitioners argue that the Commission should cumulate all imports from the subject countries for purposes of its material injury analysis. They contend that SSWR from all sources is fungible in most common applications. They also contend that imported SSWR was sold simultaneously throughout the period of investigation in overlapping geographic markets and in the same distribution channels.⁸⁹

C. Conclusion

We find that there is a reasonable overlap of competition among the subject imports and between the subject imports and the domestic merchandise. Substantial volumes of imports from each of the subject countries, including Japan, were present in the U.S. market during each year of the period of investigation and during the first quarter of 1997.⁹⁰ During the period of investigation, imports were spread evenly throughout the United States and there is no indication that imports from any country were concentrated in any particular geographic region.⁹¹ In addition, although the majority of domestic production is consumed captively, the vast majority of both domestic and import open market shipments is sold directly to end users, consisting primarily of wire redrawers and small-diameter bar converters. Accordingly, imports and domestic merchandise are sold in similar channels of distribution on the open market.

⁸⁵ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

⁸⁶ 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).

⁸⁷ The Japanese respondents do not contend that there is no reasonable overlap of competition between the Japanese imports and other subject imports.

⁸⁸ Postconference Brief of Nippon Steel Corporation, Daido Steel Company and the Japan Special Steel Exporter's Association, dated Aug. 26, 1997, at Cumulation Attachment, at 4-20 ("Respondents' Joint Competition Brief"); Hitachi Postconference Brief at 2.

⁸⁹ Petitioners' postconference brief at 9-17.

⁹⁰ Tables IV-2 & IV-3.

⁹¹ CR at IV-2, PR at IV-1.

Finally, although there is some indication that there may be quality or availability differences between the domestic and imported merchandise,⁹² we find a reasonable degree of fungibility among the domestic merchandise and the subject imports, including those from Japan. In this regard, we note that the Japanese respondents themselves concede that approximately *** percent of the Japanese subject imports were imported in the five standard grades of SSWR that make up the overwhelming majority of the domestic market and domestic production.⁹³ In addition, the pricing data submitted by producers and importers indicate that over the period of investigation there were significant volumes of imports from all of the subject countries, including Japan, of the four standard SSWR products for which the Commission obtained pricing data.⁹⁴ Moreover, all of the domestic producers and most importers reported that domestic and imported SSWR, including that from Japan, are used interchangeably in the market place.⁹⁵

Accordingly, we find that there is a reasonable overlap of competition among the domestic merchandise and the subject imports and therefore cumulate imports from the subject countries for purposes of making our determinations.⁹⁶

V. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY SUBSIDIZED AND/OR LTFV IMPORTS^{97 98}

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether “further dumped or

⁹² CR at I-8-9 & II-3-4, PR at I-6 & II-3.

⁹³ Respondents’ Joint Causation Brief at Cumulation Attachment, pp. 6-9.

⁹⁴ CR at V-19, PR at V-15.

⁹⁵ CR at II-2-3, PR at II-2-3. The domestic producers report that they can produce all of the grades and specifications offered by the subject producers, including the Japanese producers, and that they believe their product achieves the same quality levels as the Japanese and other subject merchandise.

⁹⁶ Vice Chairman Bragg determines that the domestic industry is not materially injured by reason of the subject imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. See Additional Views of Vice Chairman Lynn M. Bragg.

⁹⁷ As part of our consideration of the impact of imports, the statute specifies that the Commission is to consider in an antidumping proceeding, “the magnitude of the dumping margin.” 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 of the Commission’s material injury analysis.” SAA at 180. The statute defines the “magnitude of the margin of dumping” to be used by the Commission in a preliminary determination as “the dumping margin or margins published by the administering authority [Commerce] in its notice of initiation of the investigation.” 19 U.S.C. § 1677(35)(C). In its notice of initiation, Commerce identified estimated dumping margins for Germany ranging from 17.17 percent to 21.28 percent; estimated dumping margins for Italy ranging from 33.29 to 46.79 percent; estimated dumping margins for Japan ranging from 14.53 to 29.49 percent; estimated dumping margins for Korea ranging from 23.81 to 28.44 percent; estimated dumping margins for Spain ranging from 31.00 percent to 63.39 percent; estimated dumping margins for Sweden ranging from 21.17 to 22.74 percent; and estimated dumping margins for Taiwan ranging from 9.61 to 16.74 percent. 62 Fed. Reg. 45224 (Aug. 26, 1997).

⁹⁸ Commissioner Newquist notes that, in his analytical framework, “evaluation of the magnitude of the alleged 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 threatened with material injury; and, if so, whether such threat of injury is by reason of the allegedly dumped subject imports.

subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”⁹⁹ The Commission may not make such a determination “on the basis of mere conjecture or supposition,”¹⁰⁰ and considers the threat factors “as a whole.”¹⁰¹ In making our determination, we have considered all statutory factors¹⁰² that are relevant to these investigations.¹⁰³

As a threshold question, we have cumulated all of the subject imports for purposes of our threat analysis. Under section 771(7)(H) of the Act, the Commission may “to the extent practicable” cumulatively assess the volume and price effects of subject imports from all countries as to which petitions were filed on the same day if the requirements for cumulation for material injury analysis are satisfied.¹⁰⁴ In section IV above, we determined that the requirements for cumulation for material injury analysis are satisfied in these investigations and we have determined to exercise our discretion to cumulate the subject imports for our threat analysis. In this regard, we have taken into account the fact that imports from a majority of the subject countries exhibited similar volume trends and that imports from all of the subject countries exhibited similar pricing trends during the period of investigation.¹⁰⁵

For purposes of our threat analysis, we have also taken into account the vulnerability of the domestic industry. During the last year-and-a-half of the period of investigation, the domestic industry’s financial condition has deteriorated to a significant extent. The industry’s net sales revenues, gross profits

⁹⁹ 19 U.S.C. § 1673b(a) and 1677(7)(F)(ii).

¹⁰⁰ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon “positive evidence tending to show an intention to increase the levels of importation.” Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int’l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int’l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387 & 388 (Ct. Int’l Trade 1992), citing H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984).

¹⁰¹ While the language referring to imports being imminent (instead of “actual injury” being imminent and the threat being “real”) is a change from the prior provision, the SAA indicates the “new language is fully consistent with the Commission’s practice, the existing statutory language, and judicial precedent interpreting the statute.” SAA at 184.

¹⁰² The statutory factors have been amended to track more closely the language concerning threat of material injury determinations in the Antidumping and Subsidies Agreements, although “[n]o substantive change in Commission threat analysis is required.” SAA at 185.

¹⁰³ 19 U.S.C. § 1677(7)(F)(i). Factor VII regarding raw and processed agriculture products is also inapplicable to the products at issue. See 19 U.S.C. § 1677(7)(F)(i)(VII).

¹⁰⁴ 19 U.S.C. § 1677(7)(H).

¹⁰⁵ 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 (Aug. 1993). Commissioner Newquist also notes that, when assessing whether to cumulate for purposes of a threat of material injury analysis, he places little weight on whether imports from various subject countries are increasing at similar rates or have similar margins of underselling and pricing patterns. Nowhere does the statute require that these “factors” be examined in determining whether to cumulate for a threat analysis.

and operating income all declined from 1995 to 1996.¹⁰⁶ The industry's net sales revenues and profitability levels appear to have declined even further during the first three months of 1997.¹⁰⁷ In this regard, we note that *** experienced operating losses in full year 1996 but that *** of the four producers experienced losses in interim 1997.¹⁰⁸ These developments indicate the U.S. industry is vulnerable to the adverse future effects of subject imports in the imminent future.

Based on an evaluation of the relevant statutory factors, we find that the domestic industry is threatened with material injury by reason of the subject imports from Germany Italy, Japan, Korea, Spain, Sweden, and Taiwan. First, there has been a significant rate of increase in the volume and market penetration of the subject imports during the period of investigation. The cumulated imports' volume increased from 46,234 short tons in 1994 to 58,361 short tons in 1996, an increase of 26 percent over 1994 levels.¹⁰⁹ The volume of the subject imports was higher in interim 1997, as compared to interim 1996.¹¹⁰ Market share of the cumulated imports has increased as well, from a level of 28.3 percent in 1994 to 33.2 percent in 1996. The market share of the subject imports was also higher in interim 1997 when compared with interim 1996.¹¹¹ We find that these volume and market penetration increases indicate a likelihood of substantially increased imports in the imminent future.

Second, although capacity utilization rates vary among the subject countries, a number of the subject countries have underutilized capacity, thus allowing them to increase exports to the United States in the imminent future.¹¹² Moreover, we note that two of the subject countries, Germany and Taiwan, reported capacity increases during the period of investigation, with the producers in Taiwan in particular adding substantial capacity during that period.¹¹³ Finally, we note that all of the subject countries have exported significant amounts of SSWR to third country markets during the period of investigation,¹¹⁴ thus indicating that there is a potential for shifting portions of their production to the United States even for those producers who have reported high capacity utilization rates during the period of investigation.¹¹⁵

¹⁰⁶ CR at VI-1-5; PR at VI-1-4.

¹⁰⁷ *Id.*

¹⁰⁸ Table VI-1.

¹⁰⁹ Table VI-3.

¹¹⁰ The aggregate volume of subject imports in interim 1997 was 15,563 short tons, compared to 14,562 short tons in interim 1996. Table IV-3.

¹¹¹ The total market share held by the subject imports in interim 1997 was 35.1 percent as compared to 30.1 percent in interim 1996. Table at IV-3.

¹¹² For example, the capacity utilization rate for German producers was *** percent in 1996. Table VII-1. The capacity utilization rate for the Italian producers was 47.3 percent in 1996. Table VII-2. The capacity utilization rate for the Spanish producer was *** percent in 1996. Table VII-5. The capacity utilization rate for the Swedish producer was *** percent in 1996 while the capacity utilization rate for the producers in Taiwan was *** percent in that same year. Tables VII-6 & VII-7.

¹¹³ The German producers have increased their production capacity from *** short tons in 1994 to *** short tons in 1996. Table VII-1. The producers in Taiwan have increased their production capacity from *** short tons in 1994 to *** short tons in 1996. Table VII-7.

¹¹⁴ Tables VII-1-VII-7.

¹¹⁵ In this regard, for example, we note that the Japanese producers have nearly doubled their exports to the U.S. during the period of investigation, despite operating at capacity utilization rates in excess of *** percent during the period of investigation. Table VII-3.

The subject imports are also entering the market at prices that are likely to depress or suppress domestic prices to a significant degree. As we noted previously in our cumulation discussion in section IV, there is a relatively high degree of substitutability between the subject merchandise and the domestic merchandise. Indeed, the record evidence indicates that, given the same grade, size and specifications for a particular product, the subject merchandise is considered to be very nearly fungible with the domestic product.¹¹⁶ Moreover, the record indicates that price is at least a moderately important factor in the purchase decision and purchasers have selected the subject imports on the basis of price.¹¹⁷ The subject merchandise undersold domestic SSWR in the large majority of instances and domestic prices declined during the period of investigation.¹¹⁸ We believe that these declines can be attributed at least in part to price-suppressive or price-depressive effects of the subject merchandise and that the subject merchandise will continue to exert such pressures, thereby increasing demand for the subject merchandise.

Although U.S. importers' inventories of the subject merchandise remained at relatively low levels during the period of investigation,¹¹⁹ foreign producer inventories in several of the subject countries were significant and growing during the period of investigation.¹²⁰

Additionally, similar to the domestic producers, the subject foreign producers have the ability to produce a variety of steel products in the same facilities as those that are used to produce SSWR.¹²¹ Accordingly, we believe that this indicates that there is a potential for product shifting in those facilities.

Finally, although we find that subject imports have had only limited effects on the existing production and development efforts of the domestic producers,¹²² this does not cause us to change our conclusion that there is a reasonable indication that the subject imports threaten to cause material injury to the domestic industry.¹²³

In sum, based on the vulnerable condition of the industry, the significant increases in the volume and market share of subject imports, the likely price-suppressive or depressive effects of the subject imports on domestic prices, and the significant amount of underutilized capacity in the subject countries, we find that there is a reasonable indication that the domestic industry producing SSWR is threatened with material injury by reason of the subject imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.

¹¹⁶ TR. at 122 (Coelho).

¹¹⁷ TR. at 13 (Bailey), 22 (Blot), CR at V-28, PR at V-16.

¹¹⁸ The subject merchandise undersold the domestic merchandise in 206 out of 245 possible pricing comparisons. CR at V-19, PR at V-15. Indeed, each of the subject countries undersold the domestic merchandise in the large majority of possible pricing comparisons during the period. *Id.*

¹¹⁹ Table VII-8.

¹²⁰ For example, inventories in Germany, Japan, Sweden, and Taiwan all grew steadily throughout the period of investigation. Tables VII-1, VII-3, VII-6, and VII-7.

¹²¹ CR at I-5, PR at I-4.

¹²² The domestic industry's R&D expenditures remained relatively stable during the period, while their capital expenditures increased significantly. Table VI-7.

¹²³ We also note that Commerce has initiated a countervailing duty investigation for the purpose of examining whether three Italian producers (Cogne Acciai Speciali C.A.S., Acciaierie di Bolzano S.p.A. and Acciaierie Valbruna) have received a variety of subsidies from the Italian, EC and local governments, including debt forgiveness, equity infusions, R&D grants, and below-market loans, among other things. Commerce has not yet issued a determination with respect to these subsidies nor announced estimated subsidy rates. Notice of Initiation of Countervailing Duty Investigation, Certain Stainless Steel Wire Rod from Italy, 62 Fed. Reg. 45229, 45230 (Aug. 26, 1997).

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry producing SSWR is threatened with material injury by reason of the subject imports from Germany, Italy, Japan, Korea, Spain, Sweden and Taiwan.

ADDITIONAL VIEWS OF VICE CHAIRMAN LYNN M. BRAGG

NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV AND/OR SUBSIDIZED IMPORTS OF STAINLESS STEEL WIRE ROD

I join my colleagues in the sections of this opinion involving domestic like product and industry, the condition of the domestic industry, cumulation of subject imports, and threat of material injury to the domestic industry. I write separately, however, because when making affirmative threat determinations as I have in these investigations, I believe that it is necessary to first address the question of present material injury. For the reasons discussed below, I do not find a reasonable indication that the domestic industry producing stainless steel wire rod is presently experiencing material injury by reason of allegedly subsidized imports from Italy or LTFV imports from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.

In preliminary antidumping investigations, the Commission must determine whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.¹ 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 producers of the domestic like product, but only in the context of U.S. production operations.² Although the Commission may consider causes of injury to the industry other than the allegedly LTFV and subsidized imports,³ it is not to weigh causes.⁴

I. Volume of Subject Imports

As noted in the majority's opinion, domestic consumption and the volume and market share of subject imports increased over the investigation period. Measured by quantity, cumulated subject imports of stainless steel wire rod increased from 46.2 million tons in 1994 to 50.4 million tons in 1995, and then further increased to 58.4 million tons in 1996.⁵ The overall quantity of subject imports increased by 26.2 percent between 1994 and 1996. Subject imports further increased by 6.9 percent from 14.6 million tons during the first three months of 1996 to 15.6 million tons in the first three months of 1997. Measured by value, cumulated subject imports increased by 52.9 percent overall, from \$92.0 million in 1994, to \$125.4

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

² 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)(ii).

³ 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).

⁴ See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

⁵ For a discussion of factors I considered in cumulating imports from the subject countries for purposes of analyzing present material injury, see Views of the Commission.

million in 1995, and to \$140.7 million in 1996. The value of subject imports decreased by 14.3 percent from \$39.7 million to \$34.0 million between the first three months of 1996 and 1997.⁶

Cumulated subject imports as a share of the quantity of apparent U.S. consumption decreased slightly from 28.3 percent in 1994 to 28.2 percent in 1995, and then increased to 33.2 percent in 1996. This market share increased from 30.1 percent in interim 1996 to 35.1 percent in interim 1997.⁷ Subject import market share by value increased from 23.9 percent in 1994, to 25.1 percent in 1995, and to 29.7 percent in 1996. Interim market shares by value were 28.3 percent and 31.0 percent in 1996 and 1997, respectively.

Market share for the domestic industry, meanwhile, declined at a rate similar to the rate of increase in the subject import market share. In particular, between 1994 and 1996 subject import market share increased by 4.9 percentage points by quantity, and 5.8 percentage points by value, while over the same period, the domestic industry's market share declined by 3.9 percentage points by quantity, and 4.7 percentage points by value.⁸

For reasons discussed below in the impact section, I find that the volume of cumulated subject imports and the increase in these volumes of imports not to be sufficient to have had a significant present adverse impact on the domestic industry.

II. Price Effects of the Subject Imports

Pricing data on the record are somewhat inconclusive. Imports of the subject merchandise were priced consistently below the comparable domestic product over the period of investigation.⁹ Each of the domestic products, however, for which the Commission collected pricing data showed slight overall price increases between the first quarter of 1994 and the first quarter of 1997. Prices for these domestic products generally peaked in late 1995 or early 1996 and declined consistently thereafter through the first quarter of 1997.¹⁰ Unit values for domestic sales increased significantly from 1994 to 1995, but then declined from 1995 to 1996, and between interim periods. These unit value increases were generally able to match increases in costs through 1995. Thereafter, however, prices and unit values declined while overall costs increased.

For reasons discussed below in the impact section, I do not find that the subject imports depressed domestic prices or prevented price increases which otherwise would have occurred, to a significant degree.¹¹ The downward price and unit value trends late in the investigation period do, however, provide support for the finding that the domestic industry is threatened with material injury.

⁶ Table IV-3, CR at IV-7, PR at IV-5.

⁷ Table IV-3, CR at IV-8, PR at IV-6.

⁸ Id.

⁹ In 206 of a possible 245 comparisons, the subject imported products were priced below the comparable domestic products. CR at V-19, PR at V-15.

¹⁰ CR at V-7-14, PR at V-7-14.

¹¹ 19 U.S.C. § 1677(7)(C)(ii).

III. Impact of the Subject Imports on the Domestic Industry:¹²

After examining the financial and other performance indicators of the domestic industry over the period of investigation, I do not find any significant adverse impact attributable to the subject imports.

It is true that during the latter portion of the investigation period the domestic industry's condition deteriorated. The domestic industry's gross profits, however, more than doubled from 1994 to 1995, and in 1996 were 44.0 percent higher than in 1994. Operating income increased significantly from a negative \$4.5 million in 1994 to \$22.1 million in 1995, before declining to \$6.1 million in 1996.¹³ The domestic industry's production, U.S. shipments, and net sales followed a similar trend over the investigation period, increasing significantly from 1994 to 1995, before declining in 1996 to levels which were above those in 1994.

This sharp increase in profits and other industry indicators between 1994 and 1995 occurred when the market shares for both the domestic product and the cumulated subject imports showed virtually no change and the subject imports were priced consistently below the comparable domestic products. In 1996, as the cumulated subject import market share reached a peak for the full 3-year period in terms of both quantity and value, the domestic industry showed an operating profit of \$6.1 million. By contrast, in 1994 when cumulated subject import market share was at or very near the period low in terms of both volume and value, the domestic industry experienced an operating loss of \$4.5 million. This lack of correlation between the cumulated subject import volumes and values and the domestic industry's profitability demonstrates the absence of causation from a present injury perspective. Other industry indicators such as production, domestic shipments, and net sales showed a similar lack of connection to the levels of cumulated subject imports.

Based on the foregoing, I am not able to find a significant connection between the cumulated volumes or prices of subject imports, and the financial and operating condition of the domestic industry in the context of a present injury determination.

The deteriorating condition of the domestic industry over the latter portion of the period of investigation, however, suggests that in the future cumulated subject imports may have an adverse impact on the domestic industry. Most indicators of the domestic industry's condition--including, but not limited to production, U.S. shipments, net sales, gross profits, and operating income--declined between full year 1995 and 1996, and between interim 1996 and 1997. At the same time, the market share held by the cumulated subject imports continued to increase and domestic prices and unit sales values showed a general decline. These factors are consistent with my finding of a reasonable indication that the domestic industry is threatened with material injury by reason of imports of stainless steel wire rod from the subject countries.

¹² As part of its consideration of the impact of imports, the statute as amended by the Uruguay Round Agreements Act (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 URAA Statement of Administrative Action (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 180, H.R. Doc. No. 316, Vol. 1, 103d Cong., 2d Sess. (1994) 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. The estimated LTFV margins calculated by petitioner and revised by Commerce range from 17.17 percent to 21.28 percent for Germany; from 33.29 percent to 46.79 percent for Italy; from 14.53 percent to 29.49 percent for Japan; from 23.81 percent to 28.44 percent for Korea; from 31.00 percent to 63.39 percent for Spain; from 21.17 percent to 22.74 percent for Sweden; and from 9.61 percent to 16.74 percent for Taiwan. Petitioners did not calculate an ad valorem subsidy rate for Italy. 62 Fed. Reg. 45224 (August 26, 1997). I do 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).

¹³ Table VI-1, CR at VI-2, PR at VI-2.



ADDITIONAL VIEWS OF COMMISSIONER CAROL T. CRAWFORD

On the basis of information obtained in these preliminary investigations, I determine that there is a reasonable indication that the industry in the United States producing stainless steel wire rod ("SSWR") is materially injured by reason of imports of SSWR from Italy that are alleged to be subsidized and imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan that are allegedly sold in the United States at less-than-fair-value ("LTFV"). I join my colleagues in finding one like product, in the definition of the domestic industry, in finding that imports from Germany are not negligible, and in the decision to cumulate subject imports from all seven countries. I also join the discussion of the condition of the domestic industry. However, I do not concur in the majority's determination that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports. Rather, I determine that there is a reasonable indication that the industry in the United States producing SSWR is materially injured by reason of the subject imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. Because my analysis and determination differ from the majority, my separate views follow.

I. ANALYTICAL FRAMEWORK

In determining whether there is a reasonable indication that a domestic industry is materially injured by reason of the allegedly LTFV and subsidized imports, the statute directs the Commission to consider:

- (I) the volume of imports of the merchandise which is the subject of the investigation,
- (II) the effect of imports of that merchandise on prices in the United States for like products, and
- (III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States¹

In making its determination, the Commission may consider "such other economic factors as are relevant to the determination."² In addition, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry . . . within the context of the business cycle and conditions of competition that are distinctive to the affected industry."³

The statute directs that we determine whether there is a reasonable indication of "material injury by reason of" the allegedly dumped and subsidized imports. Thus we are called upon to evaluate the effect of the subject imports on the domestic industry and determine if there is a reasonable indication that they are causing material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the alleged dumping and subsidies. However, the statute does not require us to weigh or prioritize the factors that are independently causing material injury. Rather, the Commission is to determine whether there is a reasonable indication that any injury "by reason of" the allegedly dumped and subsidized imports is material. That is, the Commission must determine if there is a reasonable indication that the subject imports are causing material injury to the domestic industry. "When determining the effects of imports on the domestic industry, the Commission must consider all relevant

¹ 19 U.S.C. § 1677(7)(B)(i).

² 19 U.S.C. § 1677(7)(B)(ii).

³ 19 U.S.C. § 1677(7)(C)(iii).

factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry."⁴ It is important, therefore, to assess the effects of the allegedly dumped and subsidized imports in a way that distinguishes those effects from the effects of other factors unrelated to the dumping and subsidies. To do this, I compare the current condition of the industry to the industry conditions that would have existed without the dumping and subsidies, that is, had subject imports all been fairly priced. I then determine whether the change in conditions constitutes material injury. 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 my mode of analysis, expressly holding that my mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports.⁵

In my analysis of material injury, I evaluate the effects of the alleged dumping⁶ and subsidies on domestic prices, domestic sales, and domestic revenues. To evaluate the effects on domestic prices, I compare domestic prices that existed when the imports were allegedly dumped and subsidized with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects on the quantity of domestic sales,⁷ I compare the level of domestic sales that existed when imports were allegedly dumped and subsidized with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry's prices, sales, and overall revenues is critical to determining the state of the industry, because the impact on other industry indicators (e.g., employment, wages, etc.) is derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales, and revenue effects of the alleged dumping and subsidies, either separately or together, demonstrate that there is a reasonable indication that the domestic industry would have been materially better off if the imports had been priced fairly. If so, there is a reasonable indication that the domestic industry is materially injured by reason of the allegedly dumped and subsidized imports.

For the reasons discussed below, I determine that there is a reasonable indication that the domestic industry producing SSWR is materially injured by reason of the subject imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.

II. CONDITIONS OF COMPETITION

To understand how an industry is affected by unfair imports, we must examine the conditions of competition in the domestic market. The conditions of competition constitute the commercial environment in which the domestic industry competes with unfair imports, and thus form the foundation for a realistic assessment of the effects of the dumping and subsidies. This environment includes demand conditions, substitutability among and between products from different sources, and supply conditions in the market.

⁴ S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

⁵ United States Steel Group v. United States, 96 F.3d 1352, at 1361 (Fed.Cir. 1996), *aff'g* 873 F. Supp. 673, 694-695 (Ct. Int'l Trade 1994).

⁶ As part of its consideration of the impact of imports, the statute as amended by the URAA now specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V).

⁷ In examining the quantity sold, I take into account sales from both existing inventory and new production.

A. Demand Conditions

An analysis of demand conditions tells us what options are available to purchasers, and how they are likely to respond to changes in market conditions, for example an increase in the general level of prices in the market. Purchasers generally seek to avoid price increases, but their ability to do so varies with conditions in the market. The willingness of purchasers to pay a higher price will depend on the importance of the product to them (e.g., how large a cost factor), whether they have options that allow them to avoid the price increase, for example by switching to alternative products, or whether they can exercise buying power to negotiate a lower price. An analysis of these demand-side factors tells us whether demand for the product is elastic or inelastic, that is, whether purchasers will reduce the quantity of their purchases if the price of the product increases. For the reasons discussed below, I find that overall the demand for SSWR is fairly elastic.

Importance of the Product and Cost Factor. Key factors that measure the willingness of purchasers to pay higher prices are the importance of the product to purchasers and the significance of its cost. In the case of an intermediate product (e.g., an input), the importance will depend on its cost relative to the total cost of the downstream product in which it is used. When the price of the input is a small portion of the total cost of the downstream product in which it is used, changes in the price of the input are less likely to alter demand for the downstream product, and, by extension, demand for the input.

Record evidence shows that SSWR accounts for a relatively large cost share of the principal downstream product, domestic stainless steel wire, in which it is used.⁸ This large cost share, combined with the availability of downstream substitute products discussed below, indicates an elastic demand for SSWR.

Alternative Products. Another important factor in determining whether purchasers would be willing to pay higher prices is the availability of viable alternative products. Often purchasers can avoid a price increase by switching to alternative products. If such an option exists, it can impose discipline on producer efforts to increase prices.

Information on the record indicates that only limited alternative products that can substitute for SSWR are available, indicating that demand would be inelastic. However, the record also indicates that alternative downstream products (i.e., imported stainless steel wire) are available to substitute for the principal downstream product (i.e., domestic stainless steel wire) in which SSWR is used.⁹ The availability of downstream product substitutes imposes price constraints on SSWR, and thus indicates an elastic demand for SSWR.

Based on the fairly large cost share of SSWR in the principal downstream product in which it is used and the availability of alternative downstream products, I find that overall demand for SSWR is fairly elastic. That is, purchasers are likely to reduce the amount of SSWR they buy in response to a general increase in the price of SSWR.

B. Substitutability

Simply put, substitutability measures the similarity or dissimilarity of imported versus domestic products from the purchaser's perspective. Substitutability depends upon 1) the extent of product differentiation, measured by product attributes such as physical characteristics, suitability for intended use, design, convenience or difficulty of usage, quality, etc.; 2) differences in other non-price considerations such as reliability of delivery, technical support, and lead times; and 3) differences in terms and conditions of sale.

⁸ CR at II-3; PR at II-2.

⁹ Id.

Products are close substitutes and have high substitutability if product attributes, other non-price considerations, and terms and conditions of sale are similar.

While price is nearly always important in purchasing decisions, non-price factors that differentiate products determine the value that purchasers receive for the price they pay. If products are close substitutes, their value to purchasers is similar, and thus purchasers will respond more readily to relative price changes. On the other hand, if products are not close substitutes, relative price changes are less important and are therefore less likely to induce purchasers to switch from one source to another.

Because demand for SSWR is fairly elastic, overall purchases are likely to decline if the overall prices of SSWR increase. However, purchasers can avoid or mitigate the effects of price increases from one source by seeking other sources of SSWR or choosing among the available sources of SSWR. In addition to any changes in overall demand for SSWR, the demand for SSWR from different sources will decrease or increase depending on their relative prices and their substitutability. If SSWR from different sources is substitutable, purchasers are more likely to shift their demand when the price from one source (i.e., subject imports) increases. The magnitude of this shift in demand is determined by the degree of substitutability among the sources.

Purchasers have three potential sources of SSWR: domestically produced SSWR, subject imports, and nonsubject imports. Purchasers are more or less likely to switch from one source to another depending on the similarity, or substitutability, between and among them. I have evaluated the substitutability among SSWR from different sources as follows.

For purposes of these preliminary investigations, I find that subject imports from Germany, Italy, Korea, Spain, Sweden, and Taiwan, nonsubject imports, and domestic SSWR are all moderate substitutes for each other. Thus, a shift in demand away from these subject imports likely would increase demand for both nonsubject imports and domestic SSWR. On the other hand, I find that subject imports from Japan are, *at best*, moderate substitutes for the subject imports from the other six countries, nonsubject imports, and domestic SSWR. Thus, a shift in demand away from Japanese subject imports likely would result in a smaller increase in demand for nonsubject imports and domestic SSWR.

Approximately *** percent of domestic production is captively consumed, and thus a large majority of domestic SSWR does not compete with the subject imports. Therefore, the overall substitutability between domestic SSWR and the subject imports is reduced substantially. The substitutability is reduced further by certain nonprice factors discussed below.

I first evaluate the substitutability between domestic SSWR and subject imports from countries other than Japan. The vast majority of responding importers indicated that imports from Germany, Italy, Korea, Spain, Sweden and Taiwan and domestic SSWR are all basically substitutable for each other.¹⁰ The substitutability is somewhat reduced by differences in quality (e.g. domestic SSWR is not suitable for use in certain applications), availability, lead times and sizes.¹¹ However, one of the largest purchasers, ***, purchased the same grades of product from German, Italian, Japanese, Spanish and Taiwan sources, suggesting that there is considerable substitutability among these sources, even though *** domestic producers, ***, do not produce all grades.¹² Were it not for the magnitude of the captive consumption, I would conclude that subject imports from all countries other than Japan are fairly good substitutes for each other and domestic SSWR. However, given the magnitude of captive consumption, I find that there is only moderate substitutability among these sources.

¹⁰ CR at II-2; PR at II-3.

¹¹ CR at II-3; PR at II-3-4.

¹² CR at V-24; PR at V-16.

Japanese imports are the least substitutable with domestic SSWR and subject imports from the other six countries. The substitutability of Japanese imports compared to the other sources of SSWR is lower because Japanese SSWR is of higher quality and offers a wider product range.¹³ Furthermore, over *** of Japanese imports consists of specialized grades that apparently are not readily available from other sources,¹⁴ which further reduces substitutability. For these reasons, I find that Japanese imports are, *at best*, moderately substitutable for domestic SSWR and the other subject imports.

Nonsubject imports are only a minor factor in the market, and the record contains limited information regarding their substitutability with domestic SSWR and subject imports. However, nonsubject imports appear to be moderate or good substitutes for subject imports, as evidenced by the fact that subject imports have taken market share from nonsubject imports.¹⁵

For these reasons, I find that subject imports from Germany, Italy, Korea, Spain, Sweden, and Taiwan, nonsubject imports, and domestic SSWR are only moderate substitutes for each other. Therefore, I find that purchasers likely would have shifted their demand for these subject imports among the available sources of subject imports, as well as to purchases of both nonsubject imports and domestic SSWR had subject imports been fairly priced. On the other hand, I find that subject imports from Japan, nonsubject imports, and domestic SSWR are, *at best*, moderate substitutes for each other. Therefore, I find that purchasers likely would have shifted only part of their demand for Japanese subject imports to the other six sources of subject imports, nonsubject imports, and domestic SSWR had subject imports been priced fairly.

C. Supply Conditions

Supply conditions in the market are a third condition of competition. Supply conditions determine how producers would respond to an increase in demand for their product, and also affect whether producers are able to institute price increases and make them stick. Supply conditions include producers' capacity utilization, their ability to increase their capacity readily, the availability of inventories and products for export markets, production alternatives and the level of competition in the market. For the reasons discussed below, I find that the domestic supply of SSWR appears to be moderately elastic.

Capacity Utilization and Capacity. Unused capacity can exercise discipline on prices, if there is a competitive market, as no individual producer could make a price increase stick. Any attempt at a price increase by any one producer would be beaten back by its competitors who have the available capacity and are willing to sell more at a lower price. In 1996, 27.4 percent of the domestic industry's capacity to produce SSWR was not used and therefore was available to increase production.¹⁶ Available capacity was less than the total quantity of subject imports in 1996,¹⁷ which would indicate that the domestic industry cannot supply all of the demand for subject imports. However, Nucor Steel has announced that it intends to enter the domestic market in the near future, which likely will create additional available capacity that may increase the elasticity of supply. In the event of any final investigations, I intend to explore fully the effect of Nucor's entry into the market and the attendant effects on domestic supply and competition in the market.

On the surface, a capacity utilization rate of 72.6 percent seems low, indicating a fairly elastic supply. However, the record includes considerable testimony that purchasers have had difficulty in obtaining

¹³ CR at II-2 to II-3; PR at II-3.

¹⁴ Respondents' Joint Competition Brief, at Cumulation Attachment, at 4-20.

¹⁵ CR at IV-6; PR at IV-9.

¹⁶ Table III-1, CR at III-5; PR at III-4.

¹⁷ Tables III-1 and IV-2, CR at III-5 and IV-4; PR at III-4 and IV-4.

domestic SSWR, including testimony that domestic producers put some customers on allocation. Thus, it is possible that operating at "full" capacity means a capacity utilization rate substantially less than 100 percent. Therefore, *practical* capacity may, in fact, be reasonably close to a *nominal* capacity utilization rate of 70 - 80 percent. For purposes of these preliminary determinations, I have based my analysis of the elasticity of supply on the domestic industry's *nominal* capacity utilization rate. In the event of any final investigations, I intend to revisit this issue, and request the parties to present evidence and argument relevant to establishing the domestic industry's *practical* capacity utilization rate.

Inventories and Exports. The domestic industry had 2,165 short tons of SSWR in inventories available at the end of 1996, which it could have shipped into the U.S. market.¹⁸ Similarly, the domestic industry's exports are fairly small, and thus do not represent a significant source of supply of SSWR.¹⁹ Therefore, the domestic industry had only small amounts of available inventories and exports that could have filled the demand supplied by subject imports.

Level of Competition. The level of competition in the domestic market has a critical effect on producer responses to demand increases. A competitive market is one with a number of suppliers in which no one producer has the power to influence price significantly. Currently there are four commercial domestic producers of SSWR that compete among themselves in the domestic market. Nonsubject imports are not a substantial source of competition in this market, accounting for only 3.7 percent of consumption in 1996.²⁰ Notwithstanding the limited competition from nonsubject imports, there appears to be significant competition among the four current domestic producers. Furthermore, Nucor's entry into the domestic market in the near future will likely increase competition among domestic producers. Based on the above, I find that there is a significant level of competition in the U.S. market for SSWR.

Based on the level of competition in the U.S. market and the domestic industry's *nominal* ability to supply most of the demand for subject imports, for purposes of these preliminary investigations I find that the elasticity of domestic supply is moderate.

III. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS OF SSWR FROM GERMANY, ITALY, JAPAN, KOREA, SPAIN, SWEDEN, AND TAIWAN

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn.

A. Volume of Subject Imports

Cumulated subject imports increased from 46,234 short tons in 1994 to 50,408 short tons in 1995, and to 58,361 short tons in 1996. In the first 3 months of 1997, subject imports were 15,563 short tons. The value of subject imports was \$92.0 million in 1994, \$125.4 million in 1995, \$140.7 million in 1996, and

¹⁸ Table III-3, CR at III-9; PR at III-7.

¹⁹ Table III-2, CR at III-7; PR at III-5.

²⁰ Table IV-3, CR at IV-8; PR at IV-5.

\$34.0 million in interim 1997.²¹ By quantity, cumulated subject imports held a market share²² of 28.3 percent in 1994, 28.2 percent in 1995, 33.2 percent in 1996, and 35.1 percent in interim 1997. Their market share by value was 23.9 percent in 1994, 25.1 percent in 1995, 29.7 percent in 1996, and 31.0 percent in interim 1997.²³ Nonsubject imports are a minor presence in the market, by quantity accounting for 3.7 percent in 1996, and never exceeding 5.6 percent. While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share of cumulated subject imports and the conditions of competition in the domestic market, the volume of subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been priced unfairly. As discussed, both demand and supply conditions in the SSWR market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

If the subject imports had not been priced unfairly, their prices in the U.S. market likely would have increased. Thus, if subject imports had been fairly priced, they would have become more expensive relative to domestic SSWR. In such a case, if subject imports are good substitutes with other SSWR, purchasers would have shifted towards the relatively less expensive products.

The alleged dumping margins²⁴ vary substantially by country, but generally are fairly high for a significant portion of the volume of subject imports. The Taiwan margins range from 9.61 percent to 16.74 percent, so Taiwan prices likely would have been only somewhat higher at fairly traded prices. Since imports from Taiwan are moderate substitutes for domestic SSWR, it is likely that much of their 7.6 percent market share in 1996 would have continued to be sold at fairly traded prices. Thus, there likely would have been only a minimal shift in demand away from imports from Taiwan to the domestic product. Similarly, there likely would have been only a minimal shift in demand away from the Japanese 6.3 percent market share to the domestic product. This primarily is due to lower substitutability, combined with alleged margins that are not terribly high, ranging from 14.53 percent to 29.49 percent.

Imports from the other five countries account for a market share of 19.3 percent, and have fairly high alleged margins, most of which exceed 21 percent at the low end of the range. Therefore, these subject imports would have been priced significantly higher at fairly traded prices. Even though domestic SSWR and subject imports from these countries are moderate substitutes, much of the demand for these subject imports likely would have shifted away from subject imports had they been fairly traded. Nonsubject imports

²¹ Table IV-2, CR at IV-4; PR at IV-4.

²² Because the captive production provision does not apply, market share is calculated based on total-market consumption.

²³ Table IV-3, CR at IV-8, PR at IV-5.

²⁴ The Department of Commerce also has initiated a subsidy investigation for imports from Italy, but no alleged subsidy margin has been calculated. The lack of a calculated subsidy margin does not affect my determinations in these preliminary investigations.

accounted for only 3.7 percent of the market in 1996,²⁵ representing only minor competition, and thus nearly all of this shift in demand would have gone to domestic SSWR. Given the fairly high margins and moderate substitutability, it is likely that much of the demand for these countries' 19.3 percent market share would have shifted to the domestic product. Combined with the minimal shifts in demand away from imports from Japan and Taiwan, it is likely that a substantial portion of the market share of cumulated subject imports would have shifted to the domestic product had the subject imports been fairly priced.

The elasticity of demand indicates that domestic suppliers should not have been able to increase prices in response to this shift in demand. Furthermore, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. Although competition from nonsubject imports is limited, there is significant competition among producers within the domestic industry. The domestic industry has available production capacity, as well as some inventories, with which producers would have competed for sales, had demand shifted away from subject imports.²⁶ This competition would have enforced price discipline in the market. In these circumstances, any effort by a domestic producer to raise its prices would have been beaten back by the competition. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of subject imports. Consequently, I find that subject imports are not having significant effects on prices for domestic SSWR.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider 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.²⁷ These factors together either encompass or reflect the volume and price effects of the dumped imports, and so I gauge the impact of the dumping through those effects.

The domestic industry would not have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. Therefore, any impact of allegedly dumped and subsidized imports on the domestic industry would have been on the domestic industry's output and sales.

As I have discussed above, competition from nonsubject imports is limited, and thus, had subject imports been priced fairly, the domestic industry would have captured most of the shift in demand away from subject imports. The increase in demand for the domestic product likely would have been substantial. Because domestic supply is moderately elastic,²⁸ the domestic producers could have increased their production and sales to satisfy the increased demand. The domestic industry likely would have 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 priced fairly. Consequently, the domestic industry likely would have been materially better off if the subject imports had been fairly traded.

²⁵ CR at IV-8; PR at IV-6.

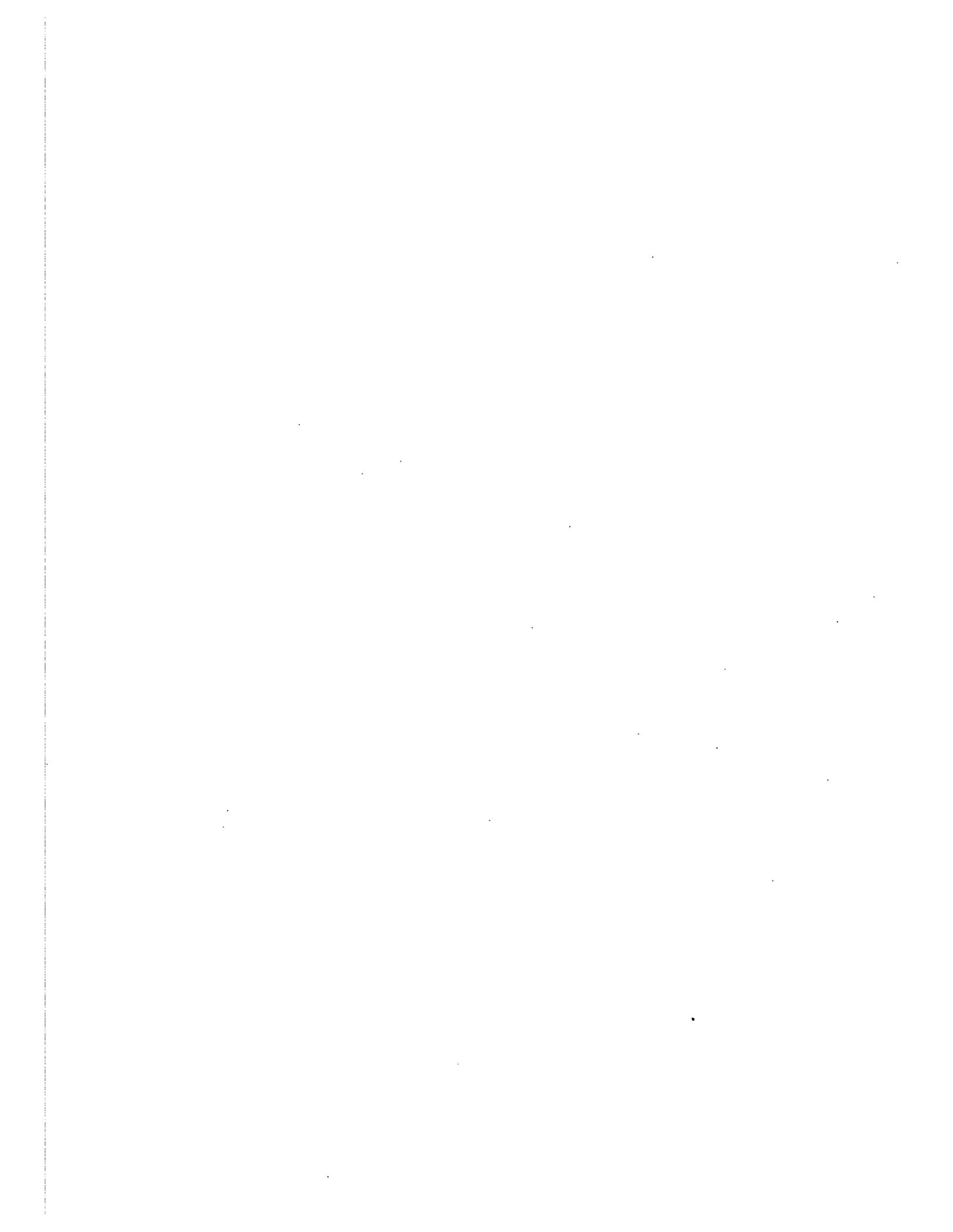
²⁶ The likely shift in demand to the domestic product would have been quite large, but likely less than the combined unused capacity, exports and inventories available in 1996. Thus the domestic industry would have had the *nominal* ability to satisfy the shift in demand.

²⁷ 19 U.S.C. § 1677(7)(C)(iii).

²⁸ As discussed above, the domestic industry's *practical* capacity utilization rate may, in fact, be reasonably close to its 1996 *nominal* capacity utilization rate. In such a case, domestic supply would be inelastic, and the domestic industry likely would not be able to increase its output and sales in response to an increase in demand for domestic SSWR.

IV. CONCLUSION

On the basis of the foregoing analysis, I determine that there is a reasonable indication that the domestic industry producing SSWR is materially injured by reason of allegedly subsidized imports from Italy and allegedly LTFV imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.



PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on July 30, 1997 by counsel on behalf of Al Tech, Dunkirk, NY; Carpenter, Reading, PA; Republic, Massillon, OH; Talley, Hartsville, SC; and the United Steelworkers of America, AFL-CIO/CLC, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of stainless steel wire rod¹ from Italy, and by reason of LTFV imports of stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. Information relating to the background of the investigations is provided below.²

<i>Date</i>	<i>Action</i>
July 30, 1997	Petition filed with Commerce and the Commission, ³ institution of Commission investigations (62 FR 42263, Aug. 6, 1997)
August 19	Commerce's notice of initiation (62 FR 45224, Aug. 26, 1997)
August 21	Commission's conference ⁴
September 15	Commission's vote
September 15	Commission determinations transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, tables C-1 and C-2. Except as noted, U.S. industry data are based on questionnaire responses of 4 firms that accounted for 100 percent of U.S. production of stainless steel wire rod during 1996. U.S. imports are based on official U.S. import statistics.

¹ For purposes of these investigations, stainless steel wire rod is defined as articles of stainless steel that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime, or oxalate. Stainless steel wire rod is made of alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Stainless steel wire rod is manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, is normally sold in coiled form, and is of solid cross section. Most stainless steel wire rod sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar, with the most common size of stainless steel wire rod being 5.5 millimeters (0.217 inches) in diameter. Stainless steel wire rod grades SF20T and K-M35FL are excluded from the scope of these investigations. Stainless steel wire rod is provided for in subheading 7221.00.00 of the HTS with a most-favored-nation tariff rate of 3.3 percent *ad valorem*, applicable to products of Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan.

² *Federal Register* notices cited in the tabulation are presented in app. A.

³ The petition alleged LTFV margins, as revised in Commerce's initiation notice, ranging from 17.17 to 21.28 percent for Germany, 33.29 to 46.79 percent for Italy, 14.53 to 29.49 percent for Japan, 23.81 to 28.44 percent for Korea, 31.00 to 63.39 percent for Spain, 21.17 to 22.74 percent for Sweden, and 9.61 to 16.74 percent for Taiwan. Petitioners did not calculate an *ad valorem* subsidy rate for Italy.

⁴ A list of witnesses appearing at the conference is presented in app. B.

PREVIOUS AND RELATED INVESTIGATIONS

Stainless steel wire rod, often in conjunction with other stainless and alloy steel products, has been the subject of numerous Commission investigations, in addition to investigation by other Federal agencies, dating back to the early 1970s. A summary of these investigations is provided in table I-1.

THE PRODUCT

The imported product subject to these investigations is stainless steel wire rod, a semifinished hot-rolled product made of alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Stainless steel wire rod is produced in solid cross sections of various shapes (including circles, rectangles, octagons, hexagons, triangles, and other shapes), and in irregularly wound coils for subsequent cold-drawing or cold-rolling. Stainless steel wire rod is normally sold in sizes ranging from 5 mm (0.20 inch) in diameter to 33 mm (1.312 inches) in diameter. The primary end users are wire redrawers, producers of small-diameter stainless steel bar, and fabricators which produce items such as fasteners, medical and dental instruments, and automotive parts.⁵

This section presents information on both imported and domestically-produced stainless steel wire rod, as well as information related to the Commission's "domestic like product" determination.⁶

Physical Characteristics and Uses

Stainless steel wire rod is an intermediate stainless steel product that is produced in a wide variety of sizes and grades, usually in accordance with specific customer requirements. According to petitioners, the most common size is 5.5 mm (0.217 inch) in diameter, of circular cross-sectional shape. This also represents the smallest size that is normally produced on a rolling mill and is the size that most wire-drawing machines are set up to draw.⁷

Stainless steel is distinguished from carbon and other lower grade alloy steels by its superior resistance to corrosion or oxidation at atmospheric or elevated temperatures.⁸ Petitioners note that, of the more than 80 grades of stainless steel, approximately 50 are used in wire rod production and about 10 of these account for about 80 percent of the total volume of stainless steel wire rod produced.⁹ According to petitioners, the predominant grades of stainless steel wire rod sold in the United States are grades 304, 304L,

⁵ See app. A for Commerce's *Federal Register* notices of initiation, which contains a description of the merchandise subject to its investigations.

⁶ 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.

⁷ Petition, pp. I-8-9. Talley officials estimate that *** percent of its wire rod production volume is of the 5.5 mm size. Field visit with Talley, Aug. 13, 1997.

⁸ The superior corrosion resistance is brought about by the addition of chromium to alloys of iron and carbon, in addition to other elements, such as copper, aluminum, silicon, nickel, and molybdenum. Stainless steels are generally subdivided according to whether or not they are hardenable by heat treatment (martensitic and ferritic), by cold work (austenitic), or by solution treatment and aging (precipitation hardening). Within these three subdivisions, there are numerous grades with different chemical compositions and thus different physical and mechanical properties.

⁹ Transcript, p. 63.

**Table I-1
Stainless steel wire rod: Previous and related investigations**

Item	Agency	Investigation No.	Date of issue	Report No.	Result
Stainless steel wire rod: France	USITC	AA 1921-110	1973	USITC 596	Affirmative
Stainless steel and alloy tool steel	USITC	TA-201-5	1976	USITC 756	Affirmative ¹
Stainless steel round wire	USITC	TA-201-13	1976	USITC 779	Negative
Stainless steel and alloy tool steel	USITC	TA-203-3	1977	USITC 838	Affirmative ²
Stainless steel round wire: Japan	USITC	AA-1921-INQ-17	1978	USITC 907	Affirmative
Stainless steel and alloy tool steel	USITC	332-94	1978	USITC 875, etc.	Report(s) to Congress
Stainless steel and alloy tool steel	USITC	TA-203-5	1979	USITC 968	Affirmative ³
Stainless steel and alloy tool steel	USTR	Sec. 301	1981-82	(⁴)	Sec. 201 investigation instituted ⁵
Stainless steel wire rod: Spain ⁶	USITC	701-TA-178 (F)	1983	USITC 1333	Affirmative ⁷
Stainless steel wire rod: Brazil ⁶	USITC	701-TA-181 (F)	1983	USITC 1398	Affirmative
Stainless steel	USITC	TA-201-48	1983	USITC 1377	Affirmative ⁸
Stainless steel and alloy tool steel	USTR	(⁴)	1984	(⁴)	VRAs negotiated ⁹
Stainless steel and alloy tool steel	USITC	TA-203-16	1987	USITC 1975	Affirmative ¹⁰
Stainless steel wire rod: India	USITC	731-TA-638 (F)	1993	USITC 2704	Affirmative
Stainless steel wire rod: Brazil & France	USITC	731-TA-636-637 (F)	1994	USITC 2721	Affirmative
Stainless steel bar: Brazil, India, Japan, & Spain	USITC	731-TA-678, 679, 681, & 682 (F)	1995	USITC 2856	Affirmative

¹ President Ford established a 3-year import restraint program for these products effective June 14, 1976 (41 FR 24101).

² Quantitative limits were eliminated on chipper knife steel and band saw steel; limits on stainless steel wire rod were unaffected.

³ Quantitative limits were extended; such limits were phased out effective Feb. 13, 1980.

⁴ Not applicable.

⁵ 47 FR 51717.

⁶ Also included stainless steel bar.

⁷ Negative regarding stainless steel bar.

⁸ President Reagan proclaimed import relief in the form of a 4-year quota program, expanding at an annual rate of 3 percent (48 F.R. 31177).

⁹ The VRAs, entered into with the Governments of Australia, Austria, Brazil, Czechoslovakia, the European Community, Finland, the German Democratic Republic, Hungary, Japan, Mexico, Poland, Portugal, the Republic of Korea, Romania, South Africa, Spain, Venezuela, and Yugoslavia, incorporated the quotas established under Inv. No. 201-TA-48. On July 25, 1989, President Bush extended these VRAs until Mar. 31, 1992.

¹⁰ Quantitative limits were retained on stainless steel wire rod, but were eliminated for stainless steel flat products.

Source: Cited Commission publications, except as noted.

316, 316L, 308, 308L, 302 spring, 302HQ, and 430.¹⁰ There are numerous additional grades, however, with complex chemical compositions that are sometimes referred to as specialty grades.¹¹

Petitioners have elected to exclude two grades from the scope of these investigations: SF20T and K-M35FL. These grades, which contain small amounts of lead, are apparently produced in Japan for an automotive parts producer named Autocam. U.S. producers say they choose not to produce these grades because their lead content poses environmental hazards. ***¹²

Stainless steel wire rod is an intermediate product used by industrial consumers to produce downstream products. The majority of rod is purchased by redrawers who produce stainless steel wire. A smaller proportion of larger diameter wire rod is used as semifinished material by converters producing small-diameter stainless steel bar.¹³ A third group of purchasers includes forgers and fabricators, who machine stainless steel wire rod into various downstream products, including, but not limited to, industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes.

Manufacturing Facilities and Production Employees

There are three basic steps in stainless steel wire rod production, regardless of grade or final diameter cross section: (1) the melting of steel and casting of billets, (2) hot-rolling the billets and coiling, and (3) finishing, which includes annealing and pickling. Inspection, packaging, and shipment follow these three stages of production. Petitioners and respondents agree that the production process employed domestically and by foreign producers is generally the same.

In the first stage, molten stainless steel is produced by melting stainless steel scrap and various alloying agents (including chromium, nickel, and molybdenum) in an electric arc furnace. Molten stainless steel is typically passed through a ladle metallurgy station, where its chemistry is refined to produce steel with specific properties according to end-use applications. It is then continuously cast into billets, a semifinished long product with a square cross section usually measuring 50 mm by 50 mm (2 inches by 2 inches).

In the second stage, stainless steel billets may be charged directly into the rolling mill or may be subjected to one or several conditioning operations (i.e., heating or annealing, grinding, turning, etc.) to prepare them for hot-rolling. The billets are then passed through a series of continuous heating and rolling operations until the billet has been reduced to a specific diameter and shape. Once the product has been reduced to the desired diameter, the wire rod is coiled in irregularly-wound coils and is subject to either blown air cooling or direct water-quench cooling.

¹⁰ The 300-series are nonhardenable, austenitic, and nonmagnetic chromium-nickel stainless steels, while the 400-series are nonhardenable, ferritic, and magnetic chromium steels. These essential characteristics influence how the steel is melted, as well as its ladle treatment, hot-rolling, and heat treatment. The manufacturing process of stainless steel wire rod is described in the following section.

¹¹ Counsel for HI Specialty, an importer of grade 440C stainless steel wire rod manufactured by Hitachi Metals, Ltd. of Japan, requested that the Commission find that grade 440C is a separate like product distinct from "traditional" stainless steel wire rod. They argue that the entirety of its 440C imports are captively consumed by its company to produce downstream products, and that the only U.S. producer of this grade, Carpenter, also uses it only to produce other non-subject downstream products. They did not, however, address the factors the Commission normally considers in making its like product determinations. Postconference brief of HI Specialty, Aug. 26, 1997.

¹² Petition, p. I-9; field visit with Talley, Aug. 13, 1997; transcript, pp. 69-70.

¹³ Producers of small diameter bar can often achieve greater efficiencies by decoiling and straightening stainless steel wire rod and then cold-finishing it, rather than by hot-rolling a billet to a straight-length small-diameter bar and then cold-finishing the product, according to the petitioners. Transcript, p. 18.

In the finishing stage, the coils are annealed (heat treated), and mechanically descaled (shot-blasted) and/or pickled (dipped in a series of acid baths) to improve surface quality. The coils of wire rod may also be coated with a lubricant containing copper, lime, or oxalate, a process which facilitates the drawing process.

Some stainless steel wire rod may be further subjected to a cold-drawing process to produce "sized" or shaved rod. In this process, the wire rod is straightened and cold-drawn after the initial hot-rolling, annealing, and pickling, and then is recoiled. This process imparts higher tolerances and minimizes surface imperfections.¹⁴

Of the four petitioners, only Carpenter and Republic are considered integrated producers, in that they melt their own steel and cast their own billets for rolling into wire rod. Al Tech's Watervliet, NY melt shop was closed in September 1996; since then ***. Talley does not have a melt shop; rather, it purchases billets to process on its rolling mills. In addition to producing wire rod, all four produced hot-rolled stainless steel bar during the period of investigation. While producers of stainless steel bar and wire rod utilized the same equipment and production employees for certain stages of production, bar and rod are considered separate product lines that are designated before production begins. The main difference is that wire rod is produced in coils as an intermediate product for distinct end uses (primarily redrawing), while stainless steel bar is produced in cut, straight lengths that may be utilized as either a semifinished or finished product.¹⁵

As bar and rod production begin the same way (i.e., the casting and rolling of billets), producers generally use the same equipment and employees for the melting and rolling stages of production. The number of rolls, or roughing stands, used may differ, however, depending on the final dimensions of the product.¹⁶ Once the product leaves the rolling stands and enters the finishing stages, it undergoes various operations specific to either bar or rod production. For example, when the product intended for wire rod exits the last roughing stand, it is coiled into concentric loops on a conveyor which moves the hot wire rod to the cooling deck. From there, the wire rod is inspected and prepared for shipment or, if it is destined for further in-house processing, it may be transported to another part of the plant for subsequent annealing, pickling, and coating. For product that is intended to become hot-rolled bar, the process differs; upon leaving the last rolling stand, the product may undergo annealing or another heat treatment, spot conditioning, straightening, or mechanical or chemical cleaning of surface oxides (shot-blasting, rough turning, or pickling). Hot-rolled stainless steel bar may be further processed into cold-finished stainless steel bar through additional operations, such as cold-rolling and cold-drawing, mechanical straightening, and grinding. These finishing operations result in superior dimensional tolerance and improved surface finish and mechanical properties.¹⁷

Nucor, traditionally a carbon steel producer, has recently entered the stainless steel market and is currently developing new wire production technology at its Lancaster, SC mill. The process involves continuously casting stainless steel wire rods for subsequent drawing into stainless steel wire. The technology, first developed in Sweden, eliminates the step of billet casting and rolling. While the process has not been fully commercialized, initial wire shipments have apparently been received favorably by wire

¹⁴ Field visit with Talley, Aug. 13, 1997.

¹⁵ Although stainless steel bar may be produced by hot-rolling and subsequent cold-finishing (extruded, turned, cold-drawn, or ground), rod is nearly always subjected to cold-drawing or cold-rolling and is chiefly used to produce wire. In previous investigations, stainless steel wire rod and stainless steel bar were determined by the Commission to be different like products. See *Stainless Steel Wire Rod from Brazil, France, and India*, Invs. Nos. 731-TA-636-638 (Preliminary), USITC Pub. 2599 (Feb. 1993), p. I-6.

¹⁶ The rolls in each stand can be set to produce the desired size and shape of the final product.

¹⁷ For further information on stainless steel bar production, see *Stainless Steel Bar from Brazil, India, Japan, and Spain*, Invs. Nos. 731-TA-678, 679, 681, and 682 (Final), USITC Pub. 2856 (Feb. 1995), pp. II-6-10.

consumers.¹⁸ Because the process is not fully developed, neither petitioners nor respondents could provide a detailed assessment of the new technology or its potential impact on the wire rod industry.

Interchangeability and Customer and Producer Perceptions

Both petitioners and respondents agree that imported and domestically produced wire rod, when compared by size and grade, are generally interchangeable. Customer and producer opinions contrasted sharply in terms of product availability and quality, however, as evidenced by testimony presented at the conference and written submissions. Petitioners claim that all grades of stainless steel wire rod are, or can be, produced in the United States.¹⁹ Purchasers, however, allege that on several occasions they have been unable to obtain stainless steel wire rod from U.S. producers to meet requisite grade, size, and quantity specifications. Because of this, purchasers have been forced to turn to imports to satisfy their stainless steel wire rod requirements.²⁰

First, purchasers allege that U.S. producers have been unwilling to sell them certain grades because purchasers compete with them in downstream markets. For example, some wire redrawers charge that Carpenter has refused to sell certain grades of stainless steel wire rod because their products compete with Carpenter's products in the downstream wire and small-diameter bar markets.²¹ The petitioners contest these claims, however, claiming that there is no evidence that domestic producers refuse to sell stainless steel wire rod to their downstream competitors. They believe this argument reflects the domestic industry's unwillingness to meet a low price demanded by a customer, rather than an outright refusal to sell.²²

Second, certain purchasers charge that the domestic industry is unable to supply wire rod with the specifications they require; such specialized grades only are available from certain subject foreign producers.²³ Petitioners noted, however, that while it may be true that any one producer does not produce all grades, among all four producers, all grades demanded by purchasers can be found.²⁴

Third, some purchasers claim that the domestically produced wire rod is of inferior quality compared with the product they can obtain from foreign sources. One purchaser noted that his company buys Japanese wire rod because it is consistently found to contain fewer surface defects; surface defects can cause early wire-fatigue failure or cracks in the high quality precision springs produced from rod, which are used in critical applications such as airbag sensors, M-16 rifles, and springs in aircraft engines.²⁵ Other purchasers note that the quality of wire rod produced by companies that roll purchased billets, such as Talley, has been

¹⁸ George W. Hess, "Nucor Casts Its Lot With Stainless Wire," *33 Metalproducing*, Apr. 1996, p. 43. Nucor noted that ***. Conversation with ***, Nucor, Sept. 4, 1997.

¹⁹ Petition, p. I-9; transcript, pp. 14, 70.

²⁰ During the conference, numerous purchasers, mostly representing the wire industry, expressed concern that if stainless steel wire rod imports are shut out of the U.S. market, foreign producers may shift production to the higher-value wire products, which they manufacture. Eventually, they say, the domestic rod producers could suffer if the domestic wire industry loses market share and in turn decreases its demand for wire rod. Transcript, p. 78.

²¹ Transcript, p. 103.

²² Petitioners' postconference brief, pp. 29-31.

²³ For example, ***.

²⁴ Petitioners' postconference brief, p. 33.

²⁵ The Sumiden representative claimed that his company's rejection ratio for domestic wire rod due to surface defects was 1.3 percent for 330 short tons, while the rejection ratio for Japanese wire rod was zero percent for 11,000 tons. He attributed the superior quality of the Japanese wire rod to significant capital investment, ranging from \$30 million to \$150 million, to improve and upgrade wire rod production equipment. Transcript, pp. 94-96.

inconsistent, given that its quality is tied to the mill that cast the billet.²⁶ Petitioners countered that two of the four producers are currently ISO-9000 certified, Al Tech's certification will be completed on Sept. 15, 1997, and Talley is continually improving its quality standards. Further, they note, if the foreign product were truly of superior quality, then foreign producers could command a premium price for their products, which has not occurred.²⁷

Purchasers also cited difficulty in obtaining domestically produced stainless steel wire rod in the heavier coil weights, claiming that it is desirable to purchase stainless steel wire rod in coils weighing at least 2,200 pounds to achieve commercially acceptable yields; the majority of coils supplied by the domestic industry average approximately 500-700 pounds. Redrawers claim that larger coils facilitate the drawing process, decreasing the downtime necessary for reloading coils and reducing the need for welding coils together, which in turn helps diminish the possibility of surface defects.²⁸ Petitioners stated, however, that three domestic producers, Carpenter, Republic, and Talley, can make coils weighing 2,200 pounds or more.²⁹

Channels of Distribution

Approximately 70 percent of domestically-produced stainless steel wire rod is captively consumed by U.S. producers in the manufacture of wire and small-diameter bar.³⁰ The bulk of the remainder is sold directly to independent wire redrawers and bar producers for the same purposes. Smaller quantities are sold to manufacturers of fabricated and forged products such as fasteners. The domestic industry reported that 88 percent of stainless steel wire rod shipments were sold directly to end users in 1996, and the remainder was sold to distributors. About 93 percent of subject imports were sold directly to end users in the same period. Stainless steel wire rod purchasers are located throughout the United States. Domestic producers and importers report no particular geographical concentration of their U.S. sales.

Price

The average unit value for open-market shipments of U.S.-produced stainless steel wire rod was \$2,713 per ton in 1996, compared with \$2,608 per ton for Germany, \$2,488 for Italy, \$2,553 for Japan, \$2,179 for Korea, \$2,283 for Spain, \$2,672 for Sweden, and \$2,285 for Taiwan.

Like Product Issues

Counsel for Krupp and Krupp-Hoesch requested that the Commission find two separate like products in these investigations: (1) "stainless steel wire rod of circular cross section less than 19 mm" and (2) "hot-rolled stainless steel bar of circular cross section 19 mm or more in diameter, or of non-circular cross section, regardless of size." Although the Commission generally analyzes like product issues in terms of six factors, the respondents focused on one (physical characteristics and uses), providing little to no information on the other five factors. They argue that products 19 mm (0.75 inch) or larger in diameter or those having non-circular shapes are actually hot-rolled bars and should be treated as separate like products in these

²⁶ Talley ***. Field visit with Talley, Aug. 13, 1997.

²⁷ Petitioners' postconference brief, pp. 28-29, 33.

²⁸ Transcript, p. 83.

²⁹ Transcript, p. 169, petitioners' postconference brief, p. 34.

³⁰ ***. Neither Republic nor Talley produces wire.

investigations.³¹ The two applicable HTS statistical reporting numbers are 7221.00.0045 and 7221.00.0075, respectively, which cover both bars and rods.³² The German respondents also seek to include certain cut-to-length rods within the like product containing stainless steel wire rod.³³

Petitioners contend that the physical characteristics of bar and rod are distinguished by the fact that bar is produced in straight lengths, and wire rod is always coiled. Independent industry sources appear to concur; according to the *ASM Specialty Handbook, Stainless Steels*, "Bar is a product supplied in straight lengths, whereas wire rod is a coiled hot-rolled product approximately round in cross section."³⁴ Further, wire rod is considered a semifinished product, because it is intended for further processing by various converters,³⁵ while bar is considered either a finished or semifinished product. Indeed, because of the differences in intended processing, size tolerances for bar are expressed to greater precision than those for rod.³⁶

Petitioners note that the range of stainless steel wire rod normally sold in the United States is between 5 mm (0.20 inch) and 33 mm (1.312 inches) in diameter;³⁷ Talley officials maintain that ***.³⁸ According to the petitioners, a coiled product is considered wire rod regardless of diameter. Once it has been cut into straight lengths, it is called bar.

In recent carbon steel wire rod cases the Commission defined the domestic like product to include coiled rod and bar products up to 19 mm in diameter.³⁹ Also, the AISI has noted that many hot-rolled small-diameter steel bars are coiled, similar to wire rod. AISI's discussion, however, does not distinguish between types of steel (i.e., carbon vs. stainless), referring only to "steel bars."⁴⁰

Little information has been presented regarding wire rod produced in shapes other than circular cross section (such as rectangles, ovals, squares, hexagons, etc.). Petitioners noted at the conference that while they maintain the capability to produce non-circular rods, there is not significant demand for such products among wire drawers; one exception noted was a rectangularly-shaped wire rod that could be used to produce cold-rolled flat wire. They suggested, however, that any demand for wire rod in shapes other than rounds would

³¹ See German respondents' postconference brief.

³² In 1996, Korea was the main source of imported stainless steel wire rod with diameters greater than 19 mm, followed by Italy and Germany. In terms of wire rod of non-circular shapes, Korea again was the top supplier, followed by Sweden and Germany.

³³ German respondents' postconference brief, pp. 21-24. HTS heading 7221 does not distinguish between bars and rods (see additional U.S. note 1(l) to chapter 72 of the HTS), and all goods of that heading are in coils at importation. Other stainless steel bars and rods fall in HTS heading 7222.

³⁴ J.R. David, Editor, *ASM Specialty Handbook, Stainless Steels*, Materials Park, OH: ASM International, 1994, p. 42.

³⁵ Both parties agree that the main end use for stainless steel wire rod is stainless steel wire, which is defined as a "round or shaped cold-reduced product in coils only produced by cold-finishing coiled rod." (Emphasis in original). *Steel Products Manual: Stainless and Heat Resisting Steels*, p. 7.

³⁶ *Stainless Steel Wire Rod from Brazil, France, and India*, p. I-6.

³⁷ Petition, p. I-11.

³⁸ Field visit with Talley, Aug. 13, 1997.

³⁹ *Certain Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela*, Invs. Nos. 701-TA-368-371 and 731-TA-763-766, (Preliminary), USITC Pub. 3037 (Apr. 1997), pp. 5-12; and *Certain Steel Wire Rod From Brazil and Japan*, Invs. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761 (Mar. 1994), p. II-6.

⁴⁰ AISI, *The Making of Steel*, undated publication, pp. 61 and 67-68.

would likely come from producers of small-diameter bars.⁴¹ The German respondents maintain, however, that unlike stainless steel wire rod sold in round form, the non-circular products are sold to end users for specific, non-wire applications, and differ in terms of price. In addition, they claim that different manufacturing facilities, production equipment, employees, and channels of distribution are used for non-circular products.⁴²

⁴¹ Transcript, pp. 53-55.

⁴² German respondents' postconference brief, pp. 16-21.

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

MARKET SEGMENTS

Most stainless steel wire rod sold on the open market is sold to redrawers that draw the rod into stainless wire. In addition, stainless steel wire rod is sold to end users, for the manufacture of many products including fasteners, automotive products, and welding electrodes.¹ Finally, smaller quantities of stainless steel wire rod are sold to distributors and bar manufacturers.

U.S. producers reported that, in 1996, 69 percent of shipments were to redrawers, 29 percent were to end users, and the remaining 2 percent were to distributors. None reported sales to bar manufacturers in 1996. Importers reported that, in 1996, 66 percent of shipments were to redrawers, 15 percent were to end users, 9 percent were to distributors, and 10 percent were to bar manufacturers.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, U.S. stainless steel wire rod producers are likely to respond to changes in demand with small to moderate changes in the quantity shipped to the U.S. market. Factors enhancing supply responsiveness include the moderate amount of excess capacity and production alternatives for stainless steel wire rod while the low level of inventories and the lack of significant alternate markets decrease the supply responsiveness.

Industry capacity

U.S. producers' capacity utilization rates increased from 71.8 percent in 1994 to 79.2 percent in 1995 and then declined to 72.6 percent in 1996. During the interim periods of 1996 and 1997, capacity utilization rates were 80.9 percent and 72.3 percent, respectively.

Export markets

U.S. producers' export shipments were small compared to shipments to the U.S. market. The percentage of the value of U.S. producers' export shipments relative to their total shipments increased slightly from *** percent in 1994 to 1.6 percent in 1996. The percentage of export shipments was 1.4 percent during the first quarter of 1996 compared to 2.2 percent during the first quarter of 1997.

Inventories

Inventories tend to be low in the stainless steel wire rod industry as most stainless steel wire rod is manufactured to customer specification. Inventory levels increased from 1.4 percent of U.S. producer's U.S. shipments in 1994 to 1.9 percent of such shipments in 1996. During the interim periods of 1996 and 1997, the ratio of inventories to shipments was 1.5 percent and 1.8 percent, respectively.

¹ Transcript, p. 18.

Production alternatives

As described in part III of the report, other products, particularly stainless and other alloy steel bar, are produced using the same equipment and workers as stainless steel wire rod.

U.S. Demand

Demand Characteristics

Demand for stainless steel wire rod depends mainly on the level of demand in end-use industries (such as automotive, medical, and general manufacturing) that require the corrosion-resistant properties of stainless steel wire rod. Overall demand for stainless steel wire rod has increased in recent years due to general growth in the economy and as stainless steel wire rod has been used in new applications replacing carbon steel products. Based on the available information regarding substitute products and the percentage cost of stainless steel wire rod in the cost of the products in which it is used, it is likely that changes in the price level of stainless steel wire rod will result in a modest change in the quantity of stainless steel wire rod demanded.

Substitute Products

Substitutability between stainless steel wire rod and other products is reportedly limited. Three of the 4 U.S. producers and 18 of 25 importers reported that there were no substitute products for stainless steel wire rod. Sized rod and stainless redraw wire were mentioned as possible substitutes, although these products are more expensive than stainless steel wire rod.

Cost Share

Stainless steel wire rod accounts for a relatively high percentage of the cost of stainless steel wire but a small percentage of the cost of the final products in which it is used.² While there are few substitutes for stainless steel wire rod, there may be some substitutability downstream as imported stainless steel wire could be substituted for U.S.-produced stainless steel wire.³ Therefore, changes in the price of stainless steel wire rod may affect demand for the product due to changes in demand for U.S.-produced stainless steel wire.

SUBSTITUTABILITY ISSUES

Comparison of Domestic Products and Subject Imports

U.S. producers reported that stainless steel wire rod from all sources is used interchangeably and three of four stated there were no significant differences in product characteristics or sales conditions between U.S.-produced stainless steel wire rod and imported stainless steel wire rod. *** stated that its technical support was a differentiating factor between its sales and sales of imported product.

² ***.

³ Respondents report that imported products account for over 50 percent of the U.S. market for stainless steel wire. Japanese respondents' postconference brief, exh. 15, p. 3.

Most importers stated that U.S.-produced and imported stainless steel wire rod are used interchangeably. Specifically, the number of importers which responded that they could be used interchangeably were as follows: Germany - 6 of 7, Italy - 8 of 10, Korea - 9 of 10, Spain - 6 of 6, Sweden - 4 of 6, and Taiwan - 11 of 12.⁴ With regard to Japan, 4 said the U.S.-produced and imported Japanese stainless steel wire rod were interchangeable, 4 stated they were not, and 4 answered both yes and no to this question. Differences cited for Japan include higher quality (including Nippon Steel's use of the DST process for improved annealing), use of Japanese product in critical applications such as nickel-coated spring wire where U.S.-produced wire cannot be used because of poor surface condition, lack of certain grades by U.S. producers, and coil size. Additionally, one importer of Japanese product reported that U.S. producers are unwilling to sell to them because they are a competitor in the wire business. While most importers reported that U.S.-produced and imported stainless steel wire rod are generally used interchangeably, 19 of 25 stated that differences in product characteristics or sales conditions were a significant factor in their sales of stainless steel wire rod.

Respondents cited a number of factors which limit substitutability between domestic and imported stainless steel wire rod. These include the large amount of stainless steel wire rod which is captively consumed by U.S. producers, availability, quality, differing coil sizes, and imports from companies related to U.S. producers.⁵ Petitioners argue that competition is not limited on the basis of such factors as quality, availability, coil sizes, and lead times.⁶

Respondents state that certain grades and sizes are unavailable from U.S. producers.⁷ They also state that U.S. producers are unwilling to sell to some wire and bar manufacturers.⁸ Some wire producers have reportedly been put on allocation by U.S. producers.⁹ Respondents also state that there are quality differences between U.S.-produced and imported stainless steel wire rod that limit use of U.S. product in certain applications.¹⁰

Respondents also argue that U.S.-produced stainless steel wire rod and imported product differ in terms of coil sizes. Wire producers stated that larger coils are more efficient in their downstream production

⁴ Although most importers stated that subject imports from all of the sources except Japan were interchangeable with the U.S. product, they did cite a number of factors which limit interchangeability. The German product was reported to have superior machinability. One importer stated that the Italian product has a wider range and capability in the AISI 400 series and cold-forming characteristics. Another importer of Italian product stated that U.S. producers do not have the capacity to supply the entire market, especially 400 grades. An importer of Korean product stated that Korean imports are believed to be better quality by some customers. An importer of Spanish product stated that imports from Spain are continuous coil whereas some U.S.-produced coils of the same weight are welded. The Swedish product reportedly differs from the U.S. product in terms of better quality and physical characteristics, product range, metallurgical cleanliness, analysis control, coil weight, and cold-forming characteristics. Larger coil weights and better cold-heading quality rod were reported for Korea, Japan, and Taiwan. Another importer stated that Sweden, Germany, and Taiwan supply 430 rod, which is not readily available from U.S. mills.

⁵ Japanese respondents' postconference brief, p. 2.

⁶ Petitioners' postconference brief, pp. 29-36.

⁷ Japanese respondents' postconference brief, pp. 12-15.

⁸ *Id.* at pp. 17-19.

⁹ AWWPA postconference brief, p. 10.

¹⁰ Japanese respondents' postconference brief, pp. 19-21.

and in some cases they cannot use coils that have been welded.¹¹ Imported coils are typically 2,200 pounds, whereas U.S. producers' coils are typically smaller.¹²

U.S. producers reported lead times of 6 to 10 weeks except for ***, which reported lead times of 16 to 18 weeks. Reported lead times for imports are as follows: Germany - 3 to 6 months, Italy - 2 to 5 months, Japan - 4 to 6 months, Korea - 2 to 4 months, Spain - 3 to 6 months, Sweden - 2 to 5 months, and Taiwan - 2 to 6 months.¹³ Several purchasers claim to have experienced problems with long lead times and shipment delays with U.S.-produced stainless steel wire rod.¹⁴

Comparison of Imports from Subject Countries

Most importers reported that subject imports from various sources, except for Japan, are generally used interchangeably. Several importers stated that Japanese product is of higher quality and offers a wider product range than other subject sources. Comments regarding comparisons of other subject country imports were mixed regarding quality issues and product range.

Comparison of Domestic Products and Subject Imports to Nonsubject Imports

U.S. producers and most importers reported that U.S.-produced stainless steel wire rod and imports from nonsubject sources are generally used interchangeably. Most also reported that subject and nonsubject imports are used interchangeably. Several stated, however, that some nonsubject stainless steel wire rod, particularly from Eastern European countries, is of lower quality, with lower coil weights and limited size ranges as compared to subject imports, while stainless steel wire rod from France and the United Kingdom were interchangeable with subject imports.

¹¹ AWWA postconference brief, pp. 13-15.

¹² *Id.* at p. 14.

¹³ Most stainless steel wire rod is delivered directly from the foreign mill. Only four importers reported that they inventory stainless steel wire rod in U.S. storage facilities.

¹⁴ Maryland Specialty Wire stated that it has been experiencing delivery delays of up to two months and ACS Industries stated that lead times are 3 to 6 months. Transcript, pp. 86, 98. ***.

PART III: CONDITION OF THE U.S. INDUSTRY

Section 771(7)(B) of the Act (19 U.S.C. § 1677(7)(B)) provides that in making its determinations in these investigations the Commission--

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and

may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

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

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.

In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

In examining the impact required to be considered under subparagraph (B)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to, (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in an antidumping investigation, the magnitude of the margin of dumping.

Information on the alleged margins of dumping and subsidies 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 4 firms that accounted for 100 percent of U.S. production of stainless steel wire rod during 1996.

U.S. PRODUCERS

Al Tech, Carpenter, Republic, and Talley, the four companies that are petitioners in these investigations, account for virtually all domestic production of stainless steel wire rod.¹ The firms, with their plant locations and shares of 1996 U.S. production, are shown in the tabulation below:

<u>Firm</u>	<u>Plant location</u>	<u>Percent of production</u>
Al Tech	Dunkirk, NY	***
Carpenter	Reading, PA	***
	Orangeburg, SC	
Republic	Massillon, OH	***
Talley	Hartsville, SC	***
		100.0

Al Tech is ***-percent owned by Sammi Al Tech of Torrance, CA, which ***.² Carpenter and Republic are independent, publicly-owned companies. Carpenter owns a ***-percent share in Walsin-CarTech, a stainless steel wire rod producer located in Taiwan.³ Talley is a wholly-owned subsidiary of Talley Manufacturing and Technology, Inc., a diversified conglomerate headquartered in Phoenix, AZ.

The petitioners' facilities produce several products on the same equipment and using the same workers as those used to produce stainless steel wire rod. Carpenter is a fully-integrated stainless long products manufacturer that produces, in addition to wire rod, cold-finished bars and coils made from stainless and other alloy steels. Republic produces not only stainless and other alloy steel bars, but also hot-rolled carbon steel bar and tool steel on the same facilities used for stainless steel wire rod production. Al Tech and Talley also produce stainless steel bar off the same rolling mill used to produce stainless steel wire rod. Other downstream products produced by the petitioning firms, such as stainless wire by Al Tech and Carpenter, are made on separate equipment and in separate facilities.

As indicated above in the section of this report entitled "The Product," several downstream products can be produced from stainless steel wire rod, such as small-diameter bar, wire, and various fabricated products. All four firms reported production of such products, with all four reporting production of stainless steel bar, and Al Tech and Carpenter reporting wire production as well.⁴ The percentage of stainless steel wire rod production devoted to production of downstream products varied from *** to *** percent. None of the producers reported that the downstream products produced from wire rod competed with stainless steel

¹ The Commission has learned of a possible fifth producer, Nucor, which allegedly recently began producing and shipping stainless steel wire rod in conjunction with its production of stainless steel wire in a plant in Lancaster, SC. As indicated above in the section of this report entitled "The Product," however, Nucor officials have indicated that ***.

² In 1994 and again in interim 1997, Al Tech ***. Sammi Al Tech, its related affiliate, ***.

³ Carpenter imports stainless steel wire rod from this facility. Such imports were equal to *** percent of Carpenter's domestic production in 1996, and accounted for *** percent of total 1996 imports of stainless steel wire rod from Taiwan.

⁴ Carpenter also reported ***.

wire rod in any applications. For such products, there are generally very few additional raw material costs other than the costs of the wire rod input.⁵

Except for ***, domestic producers noted that products they manufacture from stainless steel wire rod compete with identical products sold by their stainless steel wire rod customers. *** indicated that their sales to such customers have declined as a result. Again with the exception of ***, producers reported that the stainless steel wire rod they sell into the open market does not differ physically from that internally consumed in their downstream production operations. Moreover, producers were unanimous in stating that there is no possibility of substituting other materials for stainless steel wire rod in the production of their downstream products, although they noted that wire rod from all domestic suppliers, and many import sources, was essentially interchangeable for the purposes of such operations.⁶

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Data on U.S. firms' production capability, production levels, and capacity utilization for stainless steel wire rod are presented in table III-1. No responding producer reported any problem in obtaining labor, capital, or raw materials during the period examined.⁷

Total domestic production of stainless steel rod first increased from 1994 to 1995, then fell in 1996 to just slightly above its 1994 level, and declined again when the interim January-March periods are compared. Production declines in 1996 were experienced by all four domestic producers, whereas in the first quarter of 1997, most of the production falloff was experienced by ***, with *** actually recording increased production. As capacity for the entire industry was unchanged during the period examined, movements in capacity utilization were identical to those in production, with ***'s capacity utilization consistently higher than the other three firms.

Talley ***. ***.

Although not reflected in the capacity figures presented in the table, several producers experienced changes in their operations that may have had an impact on their production levels during the period examined. In September 1996, Al Tech ***.⁸ For its part, Republic ***.⁹ Finally, Talley ***.¹⁰

U.S. PRODUCERS' SHIPMENTS

All four responding producers reported data on their U.S. shipments (both commercial shipments and internally-transferred product) and export shipments of stainless steel wire rod. These data are presented in table III-2.

⁵ Carpenter noted that in all cases, ***.

⁶ Al Tech noted that ***.

⁷ Although no supply constraints were reported, petitioners noted that the prices of nickel and chromium, two key raw materials in the melt stage for stainless steel, fluctuated widely during the period examined, with increasing prices during 1995. Transcript, p. 67.

⁸ ***.

⁹ Conversation with ***.

¹⁰ Along with Al Tech, Talley is non-integrated in that it buys billets to its specifications from several suppliers, including the other petitioners. Talley noted that ***. Field visit with Talley, Aug. 13, 1997.

Table III-1

Stainless steel wire rod: U.S. capacity, production, and capacity utilization, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Capacity (short tons)</i>					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	154,781	154,781	154,781	38,695	38,695
<i>Production (short tons)</i>					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	111,123	122,557	112,379	31,323	27,965
<i>Capacity utilization (percent)</i>					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	71.8	79.2	72.6	80.9	72.3

Source: Compiled from data submitted in response to Commission questionnaires.

As seen in the table, both U.S. shipments as a whole and commercial shipments viewed separately increased markedly from 1994 to 1995, while falling in 1996. Commercial shipments fell in 1996 to below their 1994 level, whereas total U.S. shipments in 1996 remained slightly above their 1994 level. Value data show a similar pattern, although declines in shipment value in 1996 were less substantial than increases in 1995. Unit values rose overall over the three calendar years examined, but fell when the interim January-March periods are compared.

Table III-2

Stainless steel wire rod: U.S. producers' U.S. and export shipments, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-March--	
				1996	1997
<i>Quantity (short tons)</i>					
U.S. shipments:					
Commercial shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	33,370	39,817	32,930	9,610	8,699
Internal consumption:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	75,998	80,394	77,944	21,460	18,768
Total, U.S. shipments	109,368	120,211	110,874	31,070	27,467
Export shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	***	***	1,415	415	670
Total shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	***	***	112,289	31,485	28,137
<i>Value (1,000 dollars)</i>					
U.S. shipments:					
Commercial shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	79,505	111,215	89,327	28,070	22,095
Internal consumption:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	195,002	241,547	226,127	65,400	50,175
Total, U.S. shipments	274,507	352,762	315,454	93,470	72,270
Export shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	***	***	5,030	1,300	1,636
Total shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	***	***	320,484	94,770	73,906

Table continued on next page.

Table III-2--continued

Stainless steel wire rod: U.S. producers' U.S. and export shipments, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-March--	
				1996	1997
Unit value (<i>per ton</i>)					
U.S. shipments:					
Commercial shipments:					
Al Tech	\$***	\$***	\$***	\$***	\$***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	2,383	2,793	2,713	2,921	2,540
Internal consumption:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	2,566	3,005	2,901	3,048	2,673
Average, U.S. shipments	2,510	2,935	2,845	3,008	2,631
Export shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	***	***	3,555	3,133	2,442
Total shipments:					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	***	***	2,854	3,010	2,627

¹ Not applicable.

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

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of stainless steel wire rod during the period examined, as supplied by all four producers, are presented in table III-3. Total end-of-period inventories increased steadily from 1994 to 1996, and continued to rise slightly when the interim January-March periods are compared. As a ratio to preceding-period U.S. shipments, inventories also increased slowly and steadily throughout the period examined. These ratios were quite low throughout and, with the exception of ***, never exceeded 2 percent of preceding-period shipments. No responding firm reported any unusual occurrences having an impact on inventory levels.

Table III-3

Stainless steel wire rod: End-of-period inventories of U.S. producers, by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	1,539	2,075	2,165	1,913	1,993
<i>Ratio to U.S. shipments (percent)</i>					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	1.4	1.7	1.9	1.5	1.8

Note.--Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires.

Due to the wide variety of specifications that can exist for stainless steel wire rod, the carrying of large amounts of inventory in this industry is unusual.¹¹ In addition, wire rod is generally not handled through domestic firms' distribution systems, as would be the case for bar and wire products.¹² Parties in opposition to the petition alleged that this practice has resulted in lead times exceeding three months.¹³

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

All producers provided data on the number of PRWs engaged in the production of stainless steel wire rod, the total hours worked by such workers, and the wages paid to such workers during the period examined (table III-4). The data show increases in the number of PRWs and the hours worked by those PRWs between 1994 and 1995, with declines in 1996. Wages paid to those workers, however, increased consistently between 1994 and 1996. Hourly wages and unit labor costs also showed steady increases over the three-year period, while productivity demonstrated no clear pattern. When the first quarter of 1997 is compared to the corresponding period of 1996, declines are seen in the number of PRWs and in the wages paid to and hours

¹¹ Talley commented that ***. Field visit with Talley, Aug. 13, 1997; transcript, p. 55.

¹² Transcript, p. 57.

¹³ Transcript, pp. 80, 86.

Table III-4

Average number of production and related workers producing stainless steel wire rod, hours worked,¹ wages paid to such employees, and hourly wages, productivity, and unit labor costs,² by firms, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997³

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
Number of PRWs					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	729	760	724	743	626
Hours worked by PRWs (1,000 hours)					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	1,575	1,700	1,617	428	345
Wages paid to PRWs (1,000 dollars)					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Total	31,989	36,572	36,641	9,752	8,123
Hourly wages paid to PRWs					
Al Tech	\$***	\$***	\$***	\$***	\$***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	20.31	21.51	22.66	22.79	23.54
Productivity (short tons per hour)					
Al Tech	***	***	***	***	***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	70.6	72.1	69.5	73.2	81.1
Unit labor costs (per short ton)					
Al Tech	\$***	\$***	\$***	\$***	\$***
Carpenter	***	***	***	***	***
Republic	***	***	***	***	***
Talley	***	***	***	***	***
Average	287.87	298.41	326.05	311.34	290.47

¹ Includes hours worked plus hours of paid leave time.

² On the basis of total wages paid.

³ Firms providing employment data accounted for 100 percent of reported total U.S. shipments in 1996.

Source: Compiled from data submitted in response to Commission questionnaires.

worked by those PRWs, whereas hourly wages continued to increase. Productivity rose by 11 percent in interim 1997 when compared to interim 1996, while unit labor costs retreated by 7 percent.¹⁴

***. No other producer reported any plant shutdowns or changes in operations affecting overall employment levels.

¹⁴ As the table indicates, ***.

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

U.S. IMPORTERS

In these investigations the Commission sent importers' questionnaires to a total of 91 firms, comprising all firms alleged in the petition to be importing stainless steel wire rod into the United States, along with several firms that, based on a review of the CNIF, may have imported stainless steel wire rod during the period examined.¹

The Commission received usable data on imports of stainless steel wire rod from 37 companies. In addition, 26 firms reported that they did not import stainless steel wire rod from any source.² Accordingly, 26 firms failed to respond to the questionnaire, or submitted data that were unusable. None of these firms is believed to be a significant importer of the subject merchandise from the subject countries. The number of importers reporting data, by subject country, is shown in the following tabulation:

<u>Subject country</u>	<u>Number of Importers</u>
Germany	3
Italy	7
Japan	13
Korea	13
Spain	4
Sweden	5
Taiwan	12
Other sources	6
Total	37 ³

Most of the firms importing significant volumes of stainless steel wire rod functioned as distributors, which resold the product to large U.S. end users, primarily producers of wire and stainless steel fasteners. Several reporting importers, however, were end users, including wire redrawers, who used the imported rod in their downstream manufacturing operations. Such firms generally reported smaller quantities of the subject imports. Two of the four U.S. producers of stainless steel wire rod, ***, reported imports during the period examined.⁴

Importers are spread fairly evenly throughout the country, and there is no indication of any particular geographical concentration of imports. Several importers reporting data are subsidiaries of, or related to,

¹ Stainless steel wire rod is provided for subheading 7221.00.00 of the HTS. The CNIF indicated over 100 firms importing under this category. From these firms, the Commission selected those that made significant imports under this category and sent questionnaires to those firms. Imports were considered significant if they amounted to \$100,000 or more in any calendar year. The Commission also sent importers' questionnaires to the four firms that received a producer's questionnaire.

² In addition, 2 firms could not be reached with a questionnaire.

³ Total does not add because many importers imported from more than one subject country.

⁴ ***.

larger domestic or foreign companies. Most of these firms reported 100 percent ownership by their parent firms. These firms, and their parent companies, are presented in table IV-1.

Table IV-1 Stainless steel wire rod: Importers and their parent companies		
Firm	Parent company	Percent ownership
***	***	***
***	***	***
***	***	***
***	***	***
Avesta Sheffield	***	***
***	***	***
***	***	***
HI Specialty	***	***
***	***	***
***	***	***
Krupp-Hoesch	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***
Sandvik Steel	***	***
***	***	***
***	***	***
***	***	***
***	***	***
***	***	***

Source: Information submitted in response to Commission questionnaires.

U.S. IMPORTS

As noted in the preceding section, imports of stainless steel wire rod are provided for under HTS subheading 7221.00.00. Because this HTS subheading is very close to the scope of these investigations, data in this section regarding the quantity and value of U.S. imports of stainless steel wire rod are based on Commerce statistics.⁵ Data based on responses to Commission questionnaires are presented in appendix D.

Imports of stainless steel wire rod from the subject countries showed a steady increase during the period examined, with the majority of the increase occurring between 1995 and 1996 (table IV-2). In value terms, such imports also increased overall during the period, but with most of the increase occurring between 1994 and 1995. Thus, unit values fluctuated, first increasing in 1995 over their 1994 level, then declining in 1996 to a level greater than that of 1994. Of the seven countries subject to investigation, all but Germany and Spain showed overall increases in import volume during the 1994-96 period, and all subject sources except Spain demonstrated increases in import value during that period. Unit values of subject imports declined sharply when the interim 1996 and 1997 periods are compared, reflecting a marked decline in the value of such imports while their respective volumes were increasing slightly.

The shares of each subject country, based on Commerce statistics, in the volume of total imports for consumption in the most recent 12-month period (July 1996 through June 1997) for which data are available, are presented in the following tabulation:

<u>Subject Country</u>	<u>Share of Total Imports</u>
Germany	3.5
Italy	10.6
Japan	19.1
Korea	15.2
Spain	6.7
Sweden	13.3
Taiwan	23.4
Subtotal	91.8
Other sources	<u>8.2</u>
Total	100.0

APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES

Apparent U.S. consumption and respective market shares of imports and U.S. producers' shipments are shown in tables IV-3 and IV-4. The tables show the share of subject imports of stainless steel wire rod in the U.S. market. For purposes of this report, data on market penetration by imports are measured alternatively with regard to total shipments by U.S. producers, whether such shipments are sold on the commercial (merchant) market or are internally transferred (table IV-3), or with regard to merchant shipments only (table IV-4). Because the Commission received usable data from all known U.S. producers of stainless steel wire rod, data presented here on U.S. shipments are based on responses to Commission questionnaires. Data on the penetration of the U.S. market by imports of stainless steel wire rod are based on official U.S. import statistics.

⁵ A minor amount of the imports from Japan are grades SF20T and K-M35FL, which have been excluded from the scope of these investigations.

Table IV-2

Stainless steel wire rod: U.S. imports, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Germany	2,725	2,068	1,655	747	546
Italy	8,702	9,887	9,116	3,023	2,069
Japan	7,055	6,392	11,079	2,234	3,095
Korea	8,885	11,370	10,783	2,615	2,723
Spain	3,316	2,797	2,772	863	1,512
Sweden	6,735	7,706	9,634	2,439	2,214
Taiwan	8,816	10,188	13,322	2,641	3,403
Subtotal	46,234	50,408	58,361	14,562	15,563
Other sources	7,693	8,422	6,489	2,730	1,248
Total	53,927	58,831	64,850	17,292	16,811
<i>Value (1,000 dollars)</i>					
Germany	4,755	5,470	5,118	2,269	1,296
Italy	15,227	23,797	22,829	8,041	4,458
Japan	16,060	16,877	25,919	6,150	6,324
Korea	15,971	25,832	22,287	6,159	5,014
Spain	6,736	7,166	6,474	2,431	3,097
Sweden	15,958	22,702	29,931	8,341	6,710
Taiwan	17,336	23,586	28,151	6,271	7,071
Subtotal	92,042	125,431	140,710	39,661	33,970
Other sources	18,611	21,598	17,539	7,182	3,365
Total	110,653	147,029	158,249	46,843	37,336
<i>Unit value (per short ton)</i>					
Germany	\$1,745	\$2,645	\$3,092	\$3,037	\$2,375
Italy	1,750	2,407	2,504	2,660	2,155
Japan	2,276	2,640	2,339	2,752	2,043
Korea	1,797	2,272	2,067	2,356	1,841
Spain	2,032	2,562	2,336	2,816	2,047
Sweden	2,369	2,946	3,107	3,420	3,031
Taiwan	1,966	2,315	2,113	2,374	2,078
Average	1,991	2,488	2,411	2,724	2,183
Other sources	2,419	2,654	2,703	2,631	2,697
Average, all sources	2,052	2,499	2,440	2,709	2,221

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

Source: Compiled from Commerce data.

Table IV-3

Stainless steel wire rod: U.S. total-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997¹

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Producers' U.S. shipments	109,368	120,211	110,874	31,070	27,467
U.S. imports from--					
Germany	2,725	2,068	1,655	747	546
Italy	8,702	9,887	9,116	3,023	2,069
Japan	7,055	6,392	11,079	2,234	3,095
Korea	8,885	11,370	10,783	2,615	2,723
Spain	3,316	2,797	2,772	863	1,512
Sweden	6,735	7,706	9,634	2,439	2,214
Taiwan	8,816	10,188	13,322	2,641	3,403
Subtotal	46,234	50,408	58,361	14,562	15,563
All other sources	7,693	8,422	6,489	2,730	1,248
Total imports	53,927	58,831	64,850	17,292	16,811
Apparent U.S. consumption	163,295	179,042	175,724	48,362	44,278
<i>Value (1,000 dollars)</i>					
Producers' U.S. shipments	274,507	352,762	315,454	93,470	72,270
U.S. imports from--					
Germany	4,755	5,470	5,118	2,269	1,296
Italy	15,227	23,797	22,829	8,041	4,458
Japan	16,060	16,877	25,919	6,150	6,324
Korea	15,971	25,832	22,287	6,159	5,014
Spain	6,736	7,166	6,474	2,431	3,097
Sweden	15,958	22,702	29,931	8,341	6,710
Taiwan	17,336	23,586	28,151	6,271	7,071
Subtotal	92,043	125,430	140,709	39,662	33,970
All other sources	18,611	21,598	17,539	7,182	3,365
Total imports	110,653	147,029	158,249	46,843	37,336
Apparent U.S. consumption	385,160	499,791	473,703	140,313	109,606

Table continued on next page.

Table IV-3-continued

Stainless steel wire rod: U.S. total-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997¹

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<u>Share of quantity of U.S. consumption (percent)</u>					
Producers' U.S. shipments	67.0	67.1	63.1	64.2	62.0
U.S. imports from--					
Germany	1.7	1.2	0.9	1.5	1.2
Italy	5.3	5.5	5.2	6.3	4.7
Japan	4.3	3.6	6.3	4.6	7.0
Korea	5.4	6.4	6.1	5.4	6.2
Spain	2.0	1.6	1.6	1.8	3.4
Sweden	4.1	4.3	5.5	5.0	5.0
Taiwan	5.4	5.7	7.6	5.5	7.7
Subtotal	28.3	28.2	33.2	30.1	35.1
All other sources	4.7	4.7	3.7	5.6	2.8
Total imports	33.0	32.9	36.9	35.8	38.0
Total	100.0	100.0	100.0	100.0	100.0
<u>Share of value of U.S. consumption (percent)</u>					
Producers' U.S. shipments	71.3	70.6	66.6	66.6	65.9
U.S. imports from--					
Germany	1.2	1.1	1.1	1.6	1.2
Italy	4.0	4.8	4.8	5.7	4.1
Japan	4.2	3.4	5.5	4.4	5.8
Korea	4.1	5.2	4.7	4.4	4.6
Spain	1.7	1.4	1.4	1.7	2.8
Sweden	4.1	4.5	6.3	5.9	6.1
Taiwan	4.5	4.7	5.9	4.5	6.5
Subtotal	23.9	25.1	29.7	28.3	31.0
All other sources	4.8	4.3	3.7	5.1	3.1
Total imports	28.7	29.4	33.4	33.4	34.1
Total	100.0	100.0	100.0	100.0	100.0

¹ U.S. shipments include commercial shipments and internally transferred product.

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

Source: Compiled from Commerce data and from data submitted in response to Commission questionnaires.

Table IV-4

Stainless steel wire rod: U.S. merchant-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997¹

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Producers' U.S. shipments	33,370	39,817	32,930	9,610	8,699
U.S. imports from--					
Germany	2,725	2,068	1,655	747	546
Italy	8,702	9,887	9,116	3,023	2,069
Japan	7,055	6,392	11,079	2,234	3,095
Korea	8,885	11,370	10,783	2,615	2,723
Spain	3,316	2,797	2,772	863	1,512
Sweden	6,735	7,706	9,634	2,439	2,214
Taiwan	8,816	10,188	13,322	2,641	3,403
Subtotal	46,234	50,408	58,361	14,562	15,562
All other sources	7,693	8,422	6,489	2,730	1,248
Total imports	53,927	58,831	64,850	17,292	16,811
Apparent U.S. consumption	87,297	98,648	97,780	26,902	25,510
<i>Value (1,000 dollars)</i>					
Producers' U.S. shipments	79,505	111,215	89,327	28,070	22,095
U.S. imports from--					
Germany	4,755	5,470	5,118	2,269	1,296
Italy	15,227	23,797	22,829	8,041	4,458
Japan	16,060	16,877	25,919	6,150	6,324
Korea	15,971	25,832	22,287	6,159	5,014
Spain	6,736	7,166	6,474	2,431	3,097
Sweden	15,958	22,702	29,931	8,341	6,710
Taiwan	17,336	23,586	28,151	6,271	7,071
Subtotal	92,043	125,430	140,709	39,662	33,970
All other sources	18,611	21,598	17,539	7,182	3,365
Total imports	110,653	147,029	158,249	46,843	37,336
Apparent U.S. consumption	190,158	258,244	247,576	74,913	59,431

Table continued on next page.

Table IV-4-continued

Stainless steel wire rod: U.S. merchant-market shipments of domestic product, U.S. imports, and apparent U.S. consumption, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997¹

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<u>Share of quantity of U.S. consumption (percent)</u>					
Producers' U.S. shipments	38.2	40.4	33.7	35.7	34.1
U.S. imports from--					
Germany	3.1	2.1	1.7	2.8	2.1
Italy	10.0	10.0	9.3	11.2	8.1
Japan	8.1	6.5	11.3	8.3	12.1
Korea	10.2	11.5	11.0	9.7	10.7
Spain	3.8	2.8	2.8	3.2	5.9
Sweden	7.7	7.8	9.9	9.1	8.7
Taiwan	10.1	10.3	13.6	9.8	13.3
Subtotal	53.0	51.1	59.7	54.1	61.0
All other sources	8.8	8.5	6.6	10.1	4.9
Total imports	61.8	59.6	66.3	64.3	65.9
Total	100.0	100.0	100.0	100.0	100.0
<u>Share of value of U.S. consumption (percent)</u>					
Producers' U.S. shipments	41.8	43.1	36.1	37.5	37.2
U.S. imports from--					
Germany	2.5	2.1	2.1	3.0	2.2
Italy	8.0	9.2	9.2	10.7	7.5
Japan	8.4	6.5	10.5	8.2	10.6
Korea	8.4	10.0	9.0	8.2	8.4
Spain	3.5	2.8	2.6	3.2	5.2
Sweden	8.4	8.8	12.1	11.1	11.3
Taiwan	9.1	9.1	11.4	8.4	11.9
Subtotal	48.4	48.6	56.8	52.9	57.2
All other sources	9.8	8.4	7.1	9.6	5.7
Total imports	58.2	56.9	63.9	62.5	62.8
Total	100.0	100.0	100.0	100.0	100.0

¹ U.S. shipments are limited to commercial (merchant-market) shipments.

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

Source: Compiled from Commerce data and from data submitted in response to Commission questionnaires.

Total U.S. Market

Apparent consumption of stainless steel wire rod, in terms of quantity, increased irregularly from 1994 to 1996, with a slight decline occurring between 1995 and 1996. Trends in the value of apparent consumption were similar, but more pronounced. When the interim January-March periods are compared, apparent consumption fell in terms of both volume and value.

As a share of consumption quantity, subject imports remained fairly flat between 1994 and 1995, then increased their share to over 33 percent in 1996. Subject import market share, in volume terms, was 35 percent in January-March 1997, compared to 30 percent in the corresponding 1996 period. In value terms, subject import market share was generally slightly lower throughout the period examined, and the increasing trend was steadier, peaking at 31 percent of the market in the first quarter of 1997.

U.S. Merchant Market

When viewed in terms of the merchant market only, market penetration by the subject imports increased overall, both in terms of quantity and value, yet, in quantity terms, subject imports lost market share in 1995 when compared with 1994 (table IV-4). When the interim January-March periods are compared, subject imports again gained market share in quantity terms; however, they took share primarily from nonsubject imports rather than from U.S. producers, whose share of the market dropped less than 2 percentage points. In terms of volume, Japan, Korea, Sweden, and Taiwan registered gains in market share over the three calendar years examined, with the other three subject countries losing share. In terms of value, the pattern was similar, except for gains in market share by Italy.

According to the petitioners, the market for stainless steel wire rod is projected to grow approximately 3 to 4 percent per year in the near future, with the most promising applications being in automotive parts (muffler hangers) and construction.⁶ Moreover, respondents noted that per capita consumption of stainless steel wire rod is lower in the United States than in other countries, resulting in greater opportunities for market expansion in the United States.⁷

⁶ Transcript, p. 50.

⁷ *Id.* at p. 136.

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

U.S. Inland Transportation Costs

U.S. producers reported that U.S. inland transportation costs account for 1 to 3 percent of the total delivered price of stainless steel wire rod. Likewise, nearly all importers reported that these transportation costs account for less than 3 percent of the delivered price.

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund for the seven subject countries during the period January 1994-March 1997 are shown in figure V-1.

Figure V-1

Exchange rates: Indexes of exchange rates of the currencies of Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, relative to the U.S. dollar, by quarters, Jan. 1994-Mar. 1997

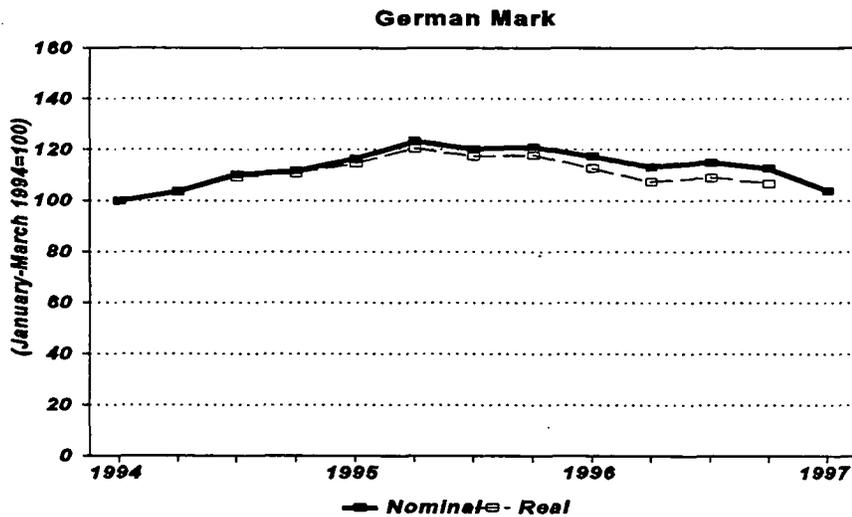


Figure continued on next page.

Figure V-1--continued

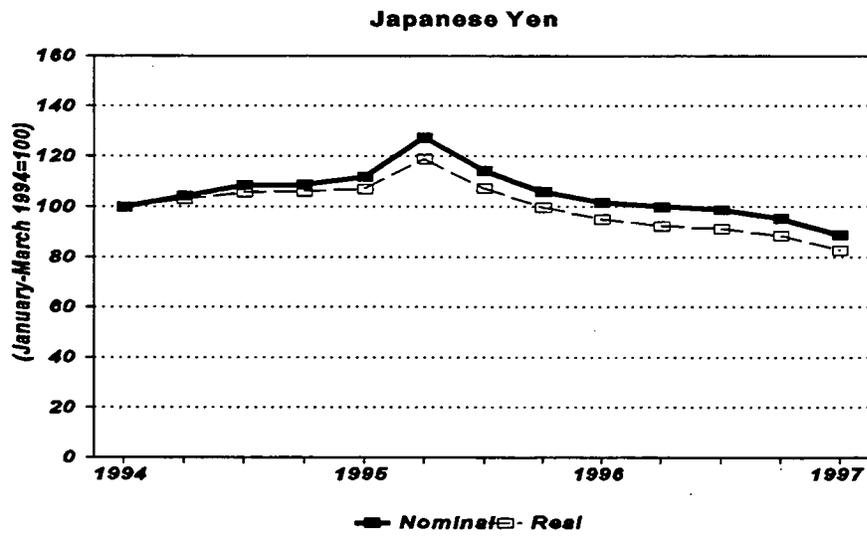
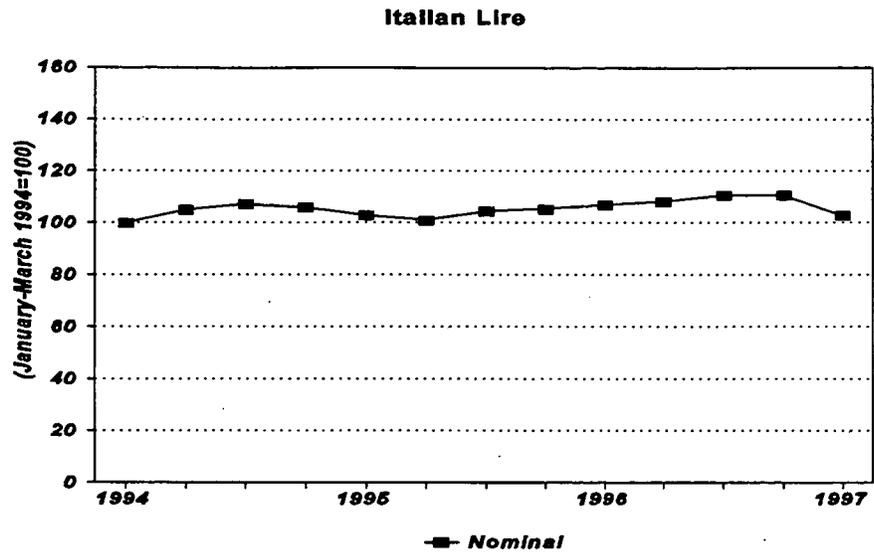


Figure continued on next page.

Figure V-1--continued

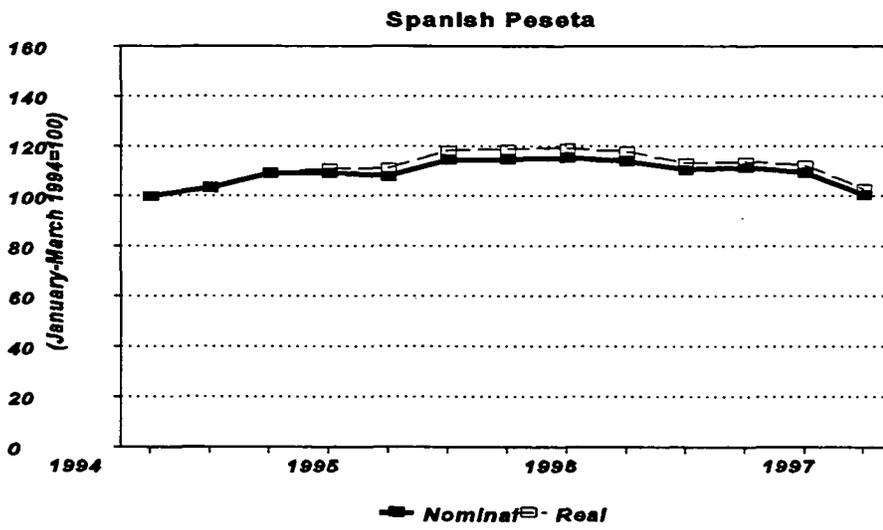
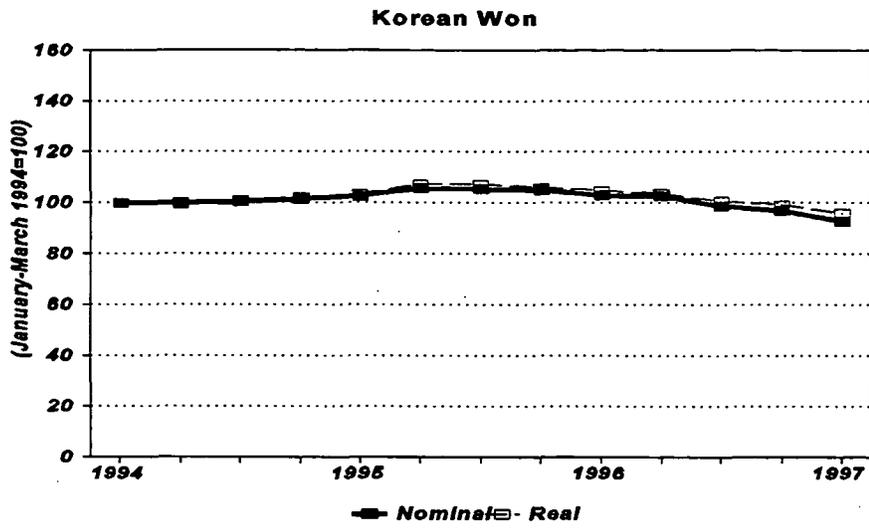
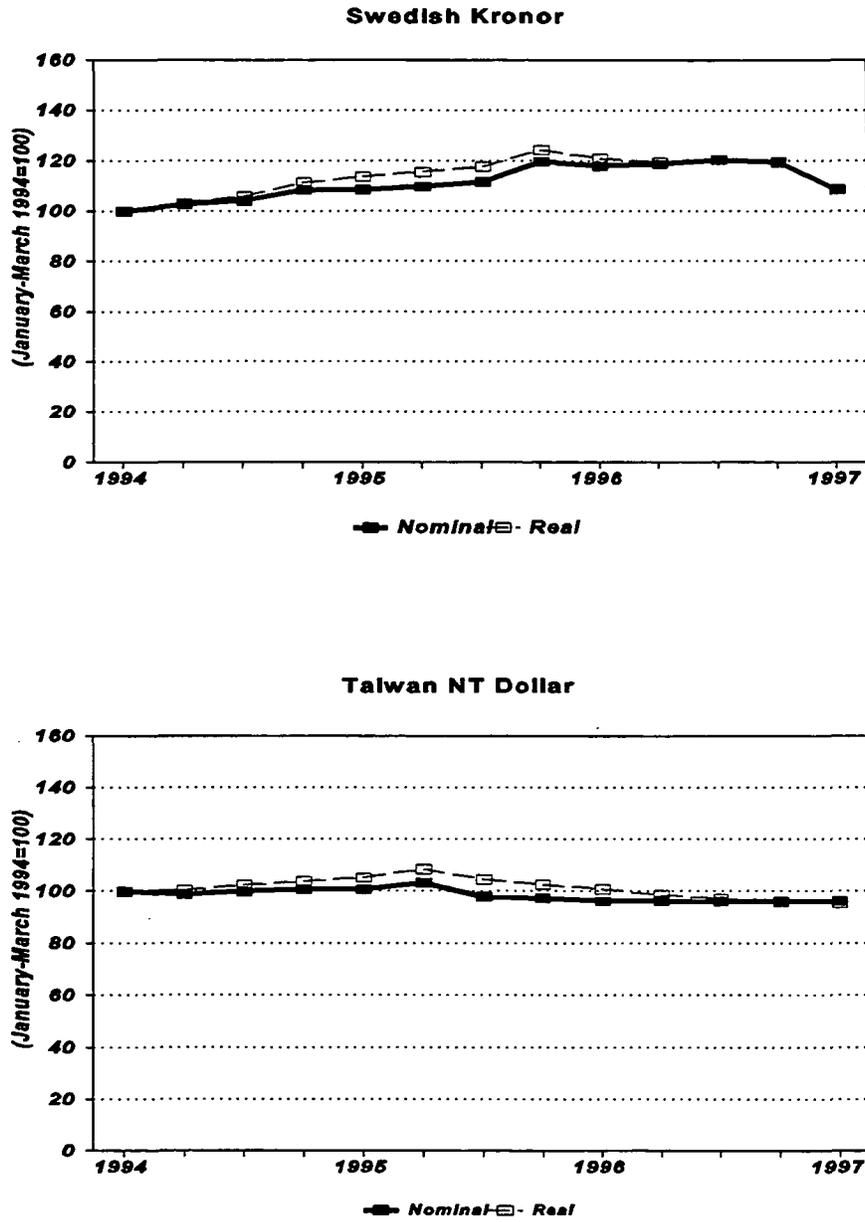


Figure continued on next page.

Figure V-1--continued



Note: Producer price data were not available for Italy.

Source: International Monetary Fund, *International Financial Statistics*, Aug. 1997; Central Bank of China, *Financial Statistics, Taiwan District, the Republic of China*, Apr. 1997.

PRICING PRACTICES

Four domestic producers and 24 importers provided information relevant to their selling practices for wire rod in the U.S. market. Domestic manufacturers primarily quote prices on an f.o.b. factory or f.o.b. warehouse basis. Importers reported quoting f.o.b. warehouse prices or delivered prices to their customers. Stainless steel wire rod is sold primarily on a spot basis. Suppliers quote prices according to product specifications determined by the purchaser. Specifications may include coil size, packaging, and other requirements.¹

U.S. producers add raw material surcharges to the price of the stainless steel wire rod at the time of shipment according to changes in prices of key raw materials, particularly nickel and chromium.² These surcharges are set according to fixed formulas used by each producer and are based on London Metal Exchange prices.³ Importers do not add these surcharges.⁴ Raw material prices for nickel and ferrochrome are shown in figure V-2.

PRICE DATA

The Commission requested the U.S. producers and importers to provide quarterly quantity and value data between January 1994 and March 1997 for the following 4 products:

Product 1: Grade AISI 304 wire rod, 5.5 mm (0.217 inch) diameter, hot-rolled, annealed, and pickled

Product 2: Grade AISI 302 spring wire rod, 5.5 mm (0.217 inch) diameter, hot-rolled, annealed, and pickled

Product 3: Grade AISI 302 heading quality wire rod, 5.5 mm (0.217 inch) diameter, hot-rolled, annealed and pickled

Product 4: Grade AISI 430 wire rod, 5.5 mm (0.217 inch) diameter, hot-rolled, annealed, and pickled

Pricing data are presented in tables V-1 to V-4 and figures V-3 to V-6.

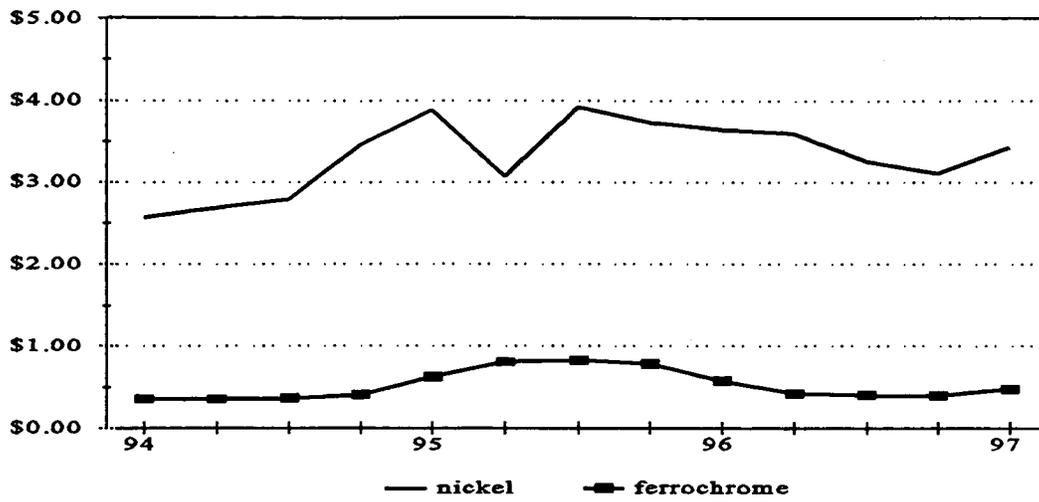
¹ Transcript, p. 120.

² *Id.* at p. 23.

³ *Id.* at p. 67.

⁴ Japanese respondents' postconference brief, p. 32.

Figure V-2
Nickel and ferrochrome prices (per pound), Jan. 1994-Mar. 1997



Source: London Metals Exchange and Metals Bulletin data, presented in Japanese respondents' postconference brief, exh. 7.

Table V-1

Product 1: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997

Period	United States		Germany			Italy			Japan		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:											
Jan.-Mar.	\$1.01	1,310	-	-	-	\$***	***	***	\$1.07	31	(5.7)
Apr.-June	1.01	2,832	\$***	***	***	***	***	***	1.08	204	(6.8)
July-Sept.	1.04	2,569	***	***	***	***	***	***	1.07	170	(2.8)
Oct.-Dec.	1.08	5,022	***	***	***	***	***	***	1.09	135	(1.0)
1995:											
Jan.-Mar.	1.18	2,392	***	***	***	***	***	***	1.13	107	4.9
Apr.-June	1.21	3,823	***	***	***	***	***	***	1.17	14	3.5
July-Sept.	1.33	2,944	***	***	***	***	***	***	1.20	214	10.0
Oct.-Dec.	1.35	1,355	***	***	***	***	***	***	1.40	92	(3.2)
1996:											
Jan.-Mar.	1.32	1,322	***	***	***	***	***	***	1.22	399	7.1
Apr.-June	1.24	2,101	-	-	-	***	***	***	1.09	872	12.4
July-Sept.	1.17	1,118	-	-	-	***	***	***	1.07	507	8.6
Oct.-Dec.	1.11	1,258	-	-	-	***	***	***	1.03	458	7.9
1997:											
Jan.-Mar.	1.09	2,123	-	-	-	***	***	***	0.95	1,072	13.3

Table continued on next page.

Table V-1--Continued

Product 1: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997

Period	Korea			Spain			Sweden			Taiwan		
	Price	Quantity	Margin									
	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>									
1994:												
Jan.-Mar.	\$0.84	542	17.6	\$***	***	***	\$***	***	***	\$0.94	2,118	7.0
Apr.-June	0.85	938	16.1	-	-	-	***	***	***	0.93	1,737	7.6
July-Sept.	0.86	1,567	18.0	***	***	***	***	***	***	0.95	3,318	9.2
Oct.-Dec.	0.89	2,092	17.9	***	***	***	***	***	***	0.98	3,900	9.4
1995:												
Jan.-Mar.	0.94	2,655	20.3	***	***	***	***	***	***	1.05	2,195	11.2
Apr.-June	1.10	1,923	9.4	***	***	***	***	***	***	1.13	1,341	7.0
July-Sept.	1.18	1,758	11.5	***	***	***	***	***	***	1.31	2,404	2.2
Oct.-Dec.	1.23	2,009	8.9	***	***	***	***	***	***	1.29	772	4.6
1996:												
Jan.-Mar.	1.18	1,118	10.3	***	***	***	***	***	***	1.16	2,930	11.8
Apr.-June	1.01	3,026	18.5	***	***	***	***	***	***	1.03	4,176	17.0
July-Sept.	1.00	1,887	14.8	***	***	***	***	***	***	1.04	2,874	11.3
Oct.-Dec.	0.96	1,454	13.9	***	***	***	***	***	***	0.94	3,991	15.6
1997:												
Jan.-Mar.	0.93	2,121	15.0	***	***	***	***	***	***	0.93	4,885	15.3

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-2

Product 2: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	United States		Germany			Italy			Japan		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:											
Jan.-Mar.	\$1.00	2,170	\$***	***	***	\$***	***	***	\$***	***	***
Apr.-June	0.99	3,099	***	***	***	***	***	***	***	***	***
July-Sept.	1.03	2,808	***	***	***	***	***	***	***	***	***
Oct.-Dec.	1.04	2,297	-	-	-	***	***	***	***	***	***
1995:											
Jan.-Mar.	1.10	3,546	-	-	-	***	***	***	***	***	***
Apr.-June	1.23	2,610	-	-	-	***	***	***	***	***	***
July-Sept.	1.29	2,235	-	-	-	***	***	***	***	***	***
Oct.-Dec.	1.35	2,201	***	***	***	***	***	***	***	***	***
1996:											
Jan.-Mar.	1.28	2,014	***	***	***	***	***	***	***	***	***
Apr.-June	1.19	1,959	-	-	-	***	***	***	***	***	***
July-Sept.	1.14	1,733	-	-	-	***	***	***	***	***	***
Oct.-Dec.	1.15	1,626	-	-	-	***	***	***	***	***	***
1997:											
Jan.-Mar.	1.12	922	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table V-2--Continued

Product 2: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	Korea			Spain			Sweden		
	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:									
Jan.-Mar.	\$***	***	***	-	-	-	\$***	***	***
Apr.-June	***	***	***	\$***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
1995:									
Jan.-Mar.	***	***	***	-	-	-	***	***	***
Apr.-June	***	***	***	-	-	-	***	***	***
July-Sept.	***	***	***	-	-	-	***	***	***
Oct.-Dec.	***	***	***	-	-	-	***	***	***
1996:									
Jan.-Mar.	***	***	***	-	-	-	***	***	***
Apr.-June	***	***	***	-	-	-	***	***	***
July-Sept.	-	-	-	-	-	-	***	***	***
Oct.-Dec.	***	***	***	-	-	-	***	***	***
1997:									
Jan.-Mar.	***	***	***	-	-	-	***	***	***

¹ There were 2 reported sales of this product from Taiwan. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-3

Product 3: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	United States		Italy			Japan		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:								
Jan.-Mar.	\$1.27	116	\$1.15	314	8.8	\$1.20	50	5.4
Apr.-June	1.02	190	1.12	78	(10.4)	1.10	117	(8.4)
July-Sept.	1.65	20	-	-	-	1.13	196	31.7
Oct.-Dec.	1.80	10	1.13	264	37.4	1.38	51	23.4
1995:								
Jan.-Mar.	1.72	32	1.09	68	36.3	1.25	20	27.1
Apr.-June	1.46	297	1.26	294	14.1	1.24	43	14.9
July-Sept.	1.65	148	1.36	96	17.7	1.45	40	12.2
Oct.-Dec.	1.67	99	1.46	256	12.4	1.57	17	5.6
1996:								
Jan.-Mar.	1.91	32	1.40	110	26.6	1.36	139	28.5
Apr.-June	1.47	116	-	-	-	1.27	561	13.5
July-Sept.	1.84	32	1.25	30	32.3	1.19	462	35.4
Oct.-Dec.	1.35	100	1.17	118	13.6	1.15	279	14.6
1997:								
Jan.-Mar.	1.32	99	1.07	98	19.3	1.16	314	12.6

Table continued on next page.

Table V-3--Continued

Product 3: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	Korea			Taiwan		
	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:						
Jan.-Mar.	-	-	-	-	-	-
Apr.-June	-	-	-	-	-	-
July-Sept.	\$1.01	147	38.9	-	-	-
Oct.-Dec.	-	-	-	-	-	-
1995:						
Jan.-Mar.	1.14	344	33.8	\$1.04	77	39.2
Apr.-June	1.28	348	12.5	1.14	21	21.8
July-Sept.	1.42	71	13.8	1.39	118	15.4
Oct.-Dec.	-	-	-	1.48	18	11.0
1996:						
Jan.-Mar.	-	-	-	1.28	60	33.0
Apr.-June	-	-	-	1.10	10	25.0
July-Sept.	-	-	-	1.11	19	40.0
Oct.-Dec.	1.00	160	25.5	1.02	171	24.5
1997:						
Jan.-Mar.	-	-	-	1.05	129	20.2

¹ There were no reported sales of this product from Spain or Sweden. There was only one reported sale from Germany; ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4

Product 4: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	United States		Germany			Italy		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:								
Jan.-Mar.	\$***	***	\$***	***	***	\$***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
1995:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
1996:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	-	-	-	***	***	***
Oct.-Dec.	***	***	-	-	-	***	***	***
1997:								
Jan.-Mar.	***	***	***	***	***	***	***	***

Table continued on next page.

Table V-4--Continued

Product 4: Weighted-average net U.S. delivered prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, Jan. 1994-Mar. 1997¹

Period	Japan			Korea			Sweden		
	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>	<i>per pound</i>	<i>1,000 pounds</i>	<i>percent</i>
1994:									
Jan.-Mar.	\$0.87	53	***	\$***	***	***	\$***	***	***
Apr.-June	0.87	125	***	***	***	***	***	***	***
July-Sept.	0.88	115	***	***	***	***	***	***	***
Oct.-Dec.	0.91	80	***	***	***	***	***	***	***
1995:									
Jan.-Mar.	0.94	58	***	-	-	-	***	***	***
Apr.-June	0.97	106	***	-	-	-	***	***	***
July-Sept.	1.03	119	***	***	***	***	***	***	***
Oct.-Dec.	1.32	41	***	***	***	***	***	***	***
1996:									
Jan.-Mar.	1.22	421	***	***	***	***	***	***	***
Apr.-June	0.98	237	***	***	***	***	***	***	***
July-Sept.	0.97	361	***	-	-	-	***	***	***
Oct.-Dec.	0.92	170	***	-	-	-	***	***	***
1997:									
Jan.-Mar.	0.86	180	***	-	-	-	***	***	***

¹ There were no reported sales of this product from Spain. There was only one reported sale of Taiwan product; ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-3

Weighted-average net delivered prices (per pound) of product 1, by quarters, Jan. 1994-Mar. 1997

* * * * *

Figure V-4

Weighted-average net delivered prices (per pound) of product 2, by quarters, Jan. 1994-Mar. 1997

* * * * *

Figure V-5

Weighted-average net delivered prices (per pound) of product 3, by quarters, Jan. 1994-Mar. 1997

* * * * *

Figure V-6

Weighted-average net delivered prices (per pound) of product 4, by quarters, Jan. 1994-Mar. 1997

* * * * *

Reported pricing data for the four products accounted for 28 percent of U.S. producers' open-market shipments of stainless steel wire rod during January 1994-March 1997 and the following percentages of shipments from subject countries: Germany - 27 percent, Italy - 24 percent, Japan - 40 percent, Korea - 45 percent, Spain - 16 percent, Sweden - 61 percent, and Taiwan - 61 percent.

Prices increased from the first quarter of 1994 through the fourth quarter of 1995 and then declined thereafter. Contributing to these price trends were raw material prices which exhibited a similar price pattern except that raw material prices increased in the first quarter of 1997 while U.S.-producers' prices for three of the four products declined. Also, apparent consumption increased significantly from 1994 to 1995 and then declined somewhat from 1995 to 1996, and declined in the first quarter 1997 compared to the first quarter of 1996. Imports were priced lower than U.S.-produced products in 206 of 245 possible comparisons and were priced higher in the other 39 comparisons. The average margin of underselling was 10.5 percent; the average margin of overselling was 3.7 percent. The following tabulation shows a summary of underselling/overselling information by country.

Country	Underselling		Overselling	
	Number of quarters	Average margin	Number of quarters	Average margin
Germany	21	11.7	5	6.7
Italy	44	11.6	6	5.6
Japan	33	8.6	19	8.3
Korea	38	14.7	0	-
Spain	13	9.3	2	2.7
Sweden	32	4.9	7	2.5
Taiwan	25	12.4	0	-

LOST SALES AND LOST REVENUES

U.S. producers reported 75 lost sales allegations totaling \$1.9 million and 4.8 million pounds and 24 lost revenues allegations totaling \$154,200 and 1.5 million pounds. The totals of lost sales and lost revenues allegations by country are shown below:

Lost sales⁵

<u>Country</u>	<u>Number</u>	<u>Volume</u> (1,000 pounds)	<u>Value</u> (\$1,000)
Germany.....	10	400	545
Italy.....	14	610	671
Japan.....	25	2,180	2,695
Korea.....	7	240	252
Spain.....	3	120	148
Taiwan.....	17	1,240	1,480

Lost revenues

<u>Country</u>	<u>Number</u>	<u>Volume</u> (1,000 pounds)	<u>Value</u> (\$1,000)
Italy.....	2	80	38.8
Japan.....	6	220	54.8
Korea.....	11	900	47.0
Taiwan.....	3	200	12.0

The specifics of these allegations are shown in tables V-5 and V-6. A discussion of purchaser comments based on the allegations follows. The Commission received information regarding the allegations from 10 of the 17 purchasers named in the allegations. These purchasers account for 58 of 75 of the lost sales allegations and 8 of 22 of the lost revenue allegations.

Table V-5
Stainless steel wire rod: U.S. producers' lost sales allegations

* * * * *

Table V-6
Stainless steel wire rod: U.S. producers' lost revenue allegations

* * * * *

* * * * *

⁵ No lost sales were reported for Sweden. Two instances of lost revenues totaling 80,000 pounds and \$1,600 were cited; however, customer names were not listed for these sales.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Four producers,⁶ accounting for all of the U.S. production of stainless steel wire rod in 1996, provided financial data. A significant share of production of stainless steel wire rod is internally transferred for production of downstream products.

The producers were requested to provide the results of operations for trade and transfers combined and for trade-only operations. The producers were also requested to value the transfers at fair market value. The producers assigned SG&A expenses to the transfers in the same proportion as SG&A was to trade sales. The purpose is to present the estimated profitability based on the total actual shipments and the total actual related costs. This, in effect, is a projection of the profitability of all shipments, including transfers. The per-unit revenue and costs for each firm are different and, because the amount of market sales and transferred wire rod is not proportional among the firms, the per-unit profits and profitability ratios differ between (1) all sales, including transfers, and (2) market sales only.

OPERATIONS ON STAINLESS STEEL WIRE ROD

The results of stainless steel wire rod operations of the U.S. producers are presented in table VI-1. Total sales quantities and values and operating income increased from 1994 to 1995 but all decreased in 1996 and continued to decrease in interim 1997 compared to interim 1996. As shown in the results of operations summary data by firm in table VI-2, each firm had ***. Per-ton sales values for the combined firms, as shown in table VI-3, increased from 1994 to 1995 but then decreased in 1996 and also interim 1997 compared to interim 1996. Operating income per ton followed a similar pattern.

The variance analysis showing the effects of prices and volume on the producer's net sales of stainless steel wire rod and of costs and volume on their total cost is shown in table VI-4. The analysis shows that the substantial increase in operating income between 1994 and 1995 was attributable to higher average prices (price variance), that more than out-weighted the also higher net cost/expense variance. This is further suggested by the per-short-ton increase in net sales of approximately \$400 during this period, as the comparable costs/expenses increased by just over \$200. Between 1995 and 1996, per-short-ton prices dropped by \$75, and costs/expenses increased by about \$50. This resulted, together with lower volumes, in an operating income decline of approximately \$16 million. A comparison of the interim periods indicates that an improvement in the net costs/expenses of about \$125 per short ton could not offset the decline in volumes and a per-short-ton drop in average price of over \$380, resulting in a drop in operating income to a loss of approximately \$4.2 million.

The unit and variance analysis may be affected by the mix of the various grades and sizes of stainless steel wire rod within a company and between companies.

OPERATIONS ON STAINLESS STEEL WIRE ROD (TRADE ONLY)

The results of the U.S. producers trade-only stainless steel wire rod operations are presented in table VI-5. Total sales quantities and values and operating income increased from 1994 to 1995 but all decreased in 1996 and continued to decrease in interim 1997 compared to interim 1996. As shown in the results of operations summary data by firm in table VI-6, ***. Per-ton sales values for the combined firms increased from 1994 to 1995 but then decreased in 1996 and also in interim 1997 compared to interim 1996. Operating income per ton followed a similar pattern.

⁶ Al Tech and Talley have fiscal yearends of Dec. 31. Carpenter and Republic have fiscal yearends of June 30; however, both companies provided their data on a calendar year basis. ***.

Table VI-1
Results of operations of U.S. producers in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
	<i>Quantity (short tons)</i>				
Trade sales	34,854	41,627	34,345	10,025	9,369
Company transfers	75,998	80,394	77,944	21,460	18,768
Total sales	110,852	122,021	112,289	31,485	28,137
	<i>Value (\$1,000)</i>				
Trade sales	82,389	115,841	94,357	29,370	23,731
Company transfers	195,002	241,547	226,127	65,400	50,175
Total sales	277,391	357,388	320,484	94,770	73,906
Cost of goods sold	252,448	304,436	284,564	83,910	71,194
Gross profit	24,943	52,952	35,920	10,860	2,712
SG&A expenses	29,463	30,846	29,778	7,407	6,973
Operating income or (loss)	(4,520)	22,106	6,142	3,453	(4,261)
Interest expense	6,044	6,070	6,495	1,871	962
Other expense	1,456	2,269	1,908	856	1,694
Other income items	308	364	375	177	15
Net income or (loss)	(11,712)	14,131	(1,886)	903	(6,902)
Depreciation/amortization	11,377	12,385	12,251	4,777	5,483
Cash flow	(335)	26,516	10,365	5,680	(1,419)
	<i>Ratio to net sales (percent)</i>				
Cost of goods sold	91.0	85.2	88.8	88.5	96.3
Gross profit	9.0	14.8	11.2	11.5	3.7
SG&A expenses	10.6	8.6	9.3	7.8	9.4
Operating income or (loss)(1)	(1.6)	6.2	1.9	3.6	(5.8)
Net income or (loss)	(4.2)	4.0	(0.6)	1.0	(9.3)
	<i>Number of firms reporting</i>				
Operating losses	2	0	1	0	3
Data	4	4	4	4	4

(1) ***

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2

Results of operations of U.S. producers (by firm) in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * *

Table VI-3 Results of operations (per short ton) of U.S. producers in the production of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997					
Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
Net sales	\$2,502	\$2,929	\$2,854	\$3,010	\$2,627
Cost of goods sold	2,277	2,495	2,534	2,665	2,530
Gross profit	225	434	320	345	96
SG&A expenses	266	253	265	235	248
Operating income or (loss)	(41)	181	55	110	(151)
Source: Compiled from data submitted in response to Commission questionnaires.					

**CAPITAL EXPENDITURES, R&D EXPENSES,
AND INVESTMENT IN PRODUCTIVE FACILITIES**

Capital expenditures, R&D expenses, and the original cost and book value of property, plant, and equipment used in the production of stainless steel wire rod are shown in table VI-7. Capital expenditures followed an opposite trend of operations, decreasing in 1995 and increasing in 1996 and interim 1997 when compared to their respective prior periods. R&D expenses were erratic, decreasing in 1995, increasing in 1996, and then decreasing in interim 1997 compared to their respective prior periods. The original cost and book value of fixed assets mirrored the trend of capital expenditures.

CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and/or Taiwan on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix E.

Table VI-4

Variance analysis for stainless steel wire rod operations, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.
	1994-96	1994-95	1995-96	1996-97
	Value (\$1,000)			
Trade sales:				
Price variance	13,171	17,442	(1,219)	(3,717)
Volume variance	(1,203)	16,010	(20,265)	(1,922)
Total trade sales variance	11,968	33,452	(21,484)	(5,639)
Company transfers:				
Price variance	26,132	35,265	(8,059)	(7,021)
Volume variance	4,993	11,280	(7,361)	(8,204)
Total transfer variance	31,125	46,545	(15,420)	(15,225)
Total net sales:				
Price variance	39,497	52,048	(8,400)	(10,787)
Volume variance	3,596	27,949	(28,504)	(10,077)
Total net sales variance	43,093	79,997	(36,904)	(20,864)
Cost of sales:				
Cost variance	(28,843)	(26,552)	(4,409)	3,793
Volume variance	(3,273)	(25,436)	24,281	8,923
Total cost variance	(32,116)	(51,988)	19,872	12,716
Gross profit variance	10,977	28,009	(17,032)	(8,148)
SG&A expenses:				
Expense variance	67	1,586	(1,392)	(354)
Volume variance	(382)	(2,969)	2,460	788
Total SG&A variance	(315)	(1,383)	1,068	434
Operating income variance	10,662	26,626	(15,964)	(7,714)
Summarized as:				
Price variance	39,497	52,048	(8,400)	(10,787)
Net cost/expense variance	(28,777)	(24,967)	(5,801)	3,440
Net volume variance	(59)	(455)	(1,763)	(367)
Note: Unfavorable variances are shown in parentheses; all others are favorable.				
Source: Compiled from data submitted in response to Commission questionnaires.				

Table VI-5
Results of operations of U.S. producers in the production of stainless steel wire rod—trade only, 1994-96,
Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
<i>Quantity (short tons)</i>					
Net sales	34,854	41,627	34,345	10,025	9,369
<i>Value (\$1,000)</i>					
Net sales	82,389	115,841	94,357	29,370	23,731
Cost of goods sold	76,047	102,247	87,189	26,485	23,048
Gross profit	6,342	13,594	7,168	2,885	683
SG&A expenses	7,320	8,199	7,479	1,907	2,080
Operating income or (loss)	(978)	5,395	(311)	978	(1,397)
<i>Ratio to net sales (percent)</i>					
Cost of goods sold	92.3	88.3	92.4	90.2	97.1
Gross profit	7.7	11.7	7.6	9.8	2.9
SG&A expenses	8.9	7.1	7.9	6.5	8.8
Operating income or (loss)(1)	(1.2)	4.7	(0.3)	3.3	(5.9)
<i>Value (per short ton)</i>					
Net sales	2,364	2,783	2,747	2,930	2,533
Cost of goods sold	2,182	2,456	2,539	2,642	2,460
Gross profit	182	327	209	288	73
SG&A expenses	210	197	218	190	222
Operating income or (loss)	(28)	130	(9)	98	(149)
<i>Number of firms reporting</i>					
Operating losses	3	1	1	1	3
Data	4	4	4	4	4
(1) ***					
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-6

Results of operations of U.S. producers (by firm) in the production of stainless steel wire rod—trade only, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * *

Table VI-7

Value of assets, capital expenditures, and R&D expenses of U.S. producers of stainless steel wire rod, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * *

PART VII: THREAT CONSIDERATIONS

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

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

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

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider these factors] . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²

Information on the nature of the alleged subsidies was presented earlier in 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. No foreign producer reported that it was subject to any antidumping findings or orders concerning stainless steel wire rod in any WTO-member countries. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" and any other threat indicators, if applicable, follows.

THE INDUSTRY IN GERMANY

In the petition, Krupp was identified as the only firm known to be producing stainless steel wire rod in Germany. Following the filing of the petition, however, the Commission was notified of the existence of an additional producer, BGH, which had commenced shipping to the United States in early 1997. Both Krupp and BGH, through counsel, submitted timely responses to the Commission's foreign producer questionnaire in these investigations. Data provided in those responses are presented in table VII-1.

Table VII-1

Stainless steel wire rod: German capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

* * * * *

As can be seen from the table, capacity to produce stainless steel wire rod rose consistently between 1994 and 1996, reflecting in 1996 the ***. Production, however, declined sharply in 1996, primarily resulting from ***.³ Both capacity and production increased in January-March 1997, when compared to the corresponding 1996 period. Capacity utilization levels were cut nearly in half in 1996, while increasing when the interim periods are compared. Home market shipments accounted for over three-quarters of total shipments throughout the period examined. As a share of total shipments, exports to third countries, except for January-March 1997, consistently exceeded exports to the United States. Projected data generally show

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, "... the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

³ Krupp currently accounts for *** percent of total German production of stainless steel wire rod.

strong increases in capacity, production, and especially exports, with a slight predicted reorientation of sales away from the United States and toward third-country markets in 1998.⁴

THE INDUSTRY IN ITALY

According to information in the petition, there are four firms currently offering stainless steel wire rod produced in Italy for export to the United States: Cogne, Valbruna, Bolzano, and Rodacciai. Of these firms, Cogne is the largest, accounting for *** percent of Italian stainless steel wire rod production, with Valbruna and Bolzano accounting for between *** and *** percent of such production, respectively. These firms all produce downstream products from stainless steel wire rod, primarily stainless steel bars, with wire rod accounting for between 17 and 40 percent of total sales. Three of the four firms named in the petition (except for Rodacciai) were represented by counsel, and provided data in response to the Commission's foreign producer questionnaire.⁵ These data are presented in table VII-2.

As seen from the table, Italian production of stainless steel wire rod grew slightly from 1994 to 1995, then declined sharply in 1996, and when the interim periods are compared.⁶ Such production is expected to expand a bit in calendar years 1997 and 1998, however. Capacity, while fluctuating, remained constant overall over the period examined, resulting in a net decline in capacity utilization.⁷ Shipments to both the United States and the home market showed a modest decline over the 3 calendar years, with home market shipments declining much faster than shipments to the United States.⁸ As a result, shipments to the United States rose from 11 percent of total shipments in 1994 to 13 percent of such shipments in 1996. Export patterns are not expected to change substantially from 1997 to 1998, although total exports are forecast to drop sharply and capacity utilization is forecast to increase slightly.

THE INDUSTRY IN JAPAN

The Commission received data on the industry in Japan, through counsel, from five firms: (1) Daido (2) Nippon Koshuha, (3) Nippon Steel, (4) Pacific, and (5) Sumitomo. In 1996 these firms accounted for ***, ***, ***, ***, and *** percent of Japanese production of stainless steel wire rod, respectively. The Commission did not receive a response to its questionnaire from Aichi, the remaining firm identified in the petition as producing the subject merchandise in Japan, although this firm did submit certain data in conjunction with respondents' postconference brief. In addition, the Commission received a response through counsel on behalf of Sanyo that was not used, as the data were submitted on a fiscal-year rather than calendar-year basis.⁹ Data submitted by responding firms (excepting Aichi and Sanyo) are presented below in table VII-3.

⁴ Krupp noted that ***. Krupp also noted that ***.

⁵ Based on the estimates by Cogne, Bolzano, and Valbruna noted above, Rodacciai accounts from between *** and *** percent of Italian stainless steel wire rod production.

⁶ Production data are slightly understated as Valbruna ***. Valbruna estimates that historically, ***.

⁷ The fluctuation in capacity is due to ***.

⁸ Valbruna and Bolzano indicated that ***.

⁹ Sanyo's response indicated that it accounted for *** percent of 1996 Japanese production of stainless steel wire rod.

Table VII-2

Stainless steel wire rod: Italian capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

Item	1994	1995	1996	Jan.-Mar.--		Projected--	
				1996	1997	1997	1998
<u>Quantity (short tons)</u>							
Capacity	148,649	143,138	148,649	37,162	37,162	148,649	148,649
Production	90,934	105,166	70,265	24,588	20,000	84,298	89,103
End-of-period inventories	17,782	12,917	13,908	13,503	13,460	13,579	13,329
Shipments:							
Home market	46,494	54,660	26,589	9,599	6,417	32,818	36,023
Exports to--							
The United States	10,113	10,480	9,135	3,474	2,105	6,844	6,844
All other markets	34,076	44,891	33,550	10,928	11,925	44,964	46,486
Total exports	44,189	55,371	42,685	14,402	14,030	51,808	53,330
Total shipments	90,683	110,031	69,274	24,001	20,447	84,626	89,353
<u>Ratios and shares (percent)</u>							
Capacity utilization	61.2	73.5	47.3	66.2	53.8	56.7	59.9
Inventories to production	19.6	12.3	19.8	13.7	16.8	16.1	15.0
Inventories to all shipments	19.6	11.7	20.1	14.1	16.5	16.0	14.9
Share of total quantity of shipments:							
Home market	51.3	49.7	38.4	40.0	31.4	38.8	40.3
Exports to--							
The United States	11.2	9.5	13.2	14.5	10.3	8.1	7.7
All other markets	37.6	40.8	48.4	45.5	58.3	53.1	52.0

Note: Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-3

Stainless steel wire rod: Japanese capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

Item	1994	1995	1996	Jan.-Mar.--		Projected--	
				1996	1997	1997	1998
<u>Quantity (short tons)</u>							
Capacity	318,661	329,949	307,843	74,883	79,778	314,141	313,841
Production	286,980	314,745	279,244	66,546	75,158	305,605	303,940
End-of-period inventories	9,571	12,478	11,677	9,552	8,842	11,477	11,577
Shipments:							
Home market	210,658	225,956	205,798	54,452	56,872	224,733	225,623
Exports to--							
The United States	5,704	5,317	10,023	1,877	3,819	10,966	9,213
All other markets	75,861	80,566	64,224	13,143	17,302	70,107	69,004
Total exports	81,565	85,883	74,247	15,020	21,121	81,073	78,217
Total shipments	292,223	311,839	280,045	69,472	77,993	305,806	303,840
<u>Ratios and shares (percent)</u>							
Capacity utilization	90.1	95.4	90.7	88.9	94.2	97.3	96.8
Inventories to production	3.3	4.0	4.2	3.6	2.9	3.8	3.8
Inventories to all shipments	3.3	4.0	4.2	3.4	2.8	3.8	3.8
Share of total quantity of shipments:							
Home market	72.1	72.5	73.5	78.4	72.9	73.5	74.3
Exports to--							
The United States	2.0	1.7	3.6	2.7	4.9	3.6	3.0
All other markets	26.0	25.8	22.9	18.9	22.2	22.9	22.7

Note: Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires.

After a small increase in 1995, Japanese capacity to produce stainless steel wire rod declined in 1996 to a level lower than that of 1994.¹⁰ Production followed an identical trend, as capacity utilization, while showing no clear pattern, remained over 90 percent. Despite the declines in capacity, the share of total shipments going to the U.S. market increased, as home market shipments fell slightly while shipments to the United States increased over 80 percent. The share of exports to the United States as a share of total shipments, although generally increasing throughout the 3-year period and when the interim periods are compared, was consistently lower than the share of third-country exports in total shipments. This pattern is expected to continue in calendar years 1997 and 1998.

¹⁰ Because of its dominance of the market, ***. Nippon Steel noted that ***. Data for 1996 are also affected by ***.

THE INDUSTRY IN KOREA

The petition named three firms producing stainless steel wire rod in Korea: Dongbang, Sammi, and POSCO. During the period examined, as part of the bankruptcy proceeding involving Sammi, POSCO purchased Sammi's production facilities and formed a new company, Changwon. The Commission received data from counsel on behalf of Dongbang and Changwon, but, owing to the bankruptcy of Sammi and the fact that it was not represented by counsel, did not receive information from Sammi. Data provided by Dongbang, which in 1996 accounted for approximately *** percent of Korean production of stainless steel wire rod, are presented in table VII-4.¹¹

Table VII-4

Stainless steel wire rod: Dongbang's capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

* * * * *

Dongbang reported ***. Shipments to the United States ***. The distribution of shipments across markets ***.

Unlike other foreign producers, Dongbang's production ***. Changwon noted in its response that ***.

THE INDUSTRY IN SPAIN

The sole known Spanish producer of stainless steel wire rod is Roldan, with its head office in Madrid, Spain. Roldan produces stainless steel wire rod, cold-drawn bar, and smooth-turned stainless bar, with *** percent of its total sales accounted for by stainless steel wire rod.¹² Data on Roldan were supplied by its counsel, and are shown in table VII-5.

Table VII-5

Stainless steel wire rod: Spanish capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

* * * * *

Roldan's capacity ***. Production levels ***. Exports to the United States ***. Such exports are expected to ***.

Roldan noted that ***. Further, it indicated that ***.

THE INDUSTRY IN SWEDEN

Fagersta is the sole Swedish firm producing merchandise subject to these investigations. Stainless steel wire rod accounts for over *** percent of this firm's total sales. Data on Fagersta, as provided by counsel, are presented in table VII-6.

¹¹ Changwon, which began production in the Sammi facilities in Apr. 1997, supplied projections for 1997 and 1998. These data, which are not included in table VII-4, ***.

¹² Roldan estimates that ***.

Table VII-6

Stainless steel wire rod: Swedish capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998

* * * * *

Although Fagersta's capacity *** throughout the period examined, and is expected to ***, its production ***. As a result, capacity utilization ranged between *** and *** percent during this period. The distribution of Fagersta's export shipments ***, although the share of shipments going to the U.S. market ***. That share is projected to ***.

Fagersta noted that ***.¹³ ***.

THE INDUSTRY IN TAIWAN

The petition listed three manufacturers and/or exporters of stainless steel wire rod located in Taiwan: Walsin-CarTech, Yieh Hsing, and Yieh United. The Commission received data from the first two of these companies, supplied by their respective counsel. Data supplied accounted for *** percent of 1996 Taiwan production of stainless steel wire rod, and are presented in table VII-7.

Table VII-7

Stainless steel wire rod: Taiwan's capacity, production, inventories, capacity utilization, and shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997 and 1998¹

* * * * *

Both reporting firms appear to be recent start-up operations, with Walsin-CarTech a joint venture operation with Carpenter, a U.S. producer and petitioner.¹⁴ In light of this, rapid increases in capacity, production, and shipments (regardless of market) are seen between 1994 and 1996. When the interim January-March periods are compared, all these indicators show continued increases except for capacity, which remained unchanged.¹⁵ As a share of total shipments, shipments to the United States increased over the period examined, but at a slower rate than sales to third-country markets, and never exceeded *** percent during the period.

U.S. IMPORTERS' INVENTORIES

Of the 37 firms reporting imports of stainless steel wire rod from the subject countries, 11 carried end-of-period inventories of those imports during the period examined (table VII-8). Aggregate end-of-period inventories of imports from all seven countries moved upward from 1994 to 1995, then declined in 1996 and again when the interim periods are compared. As a ratio to preceding-period shipments, end-of-period inventories from the subject sources were generally quite low, and showed the same pattern as their absolute volume over the period examined.

¹³ This program involves ***.

¹⁴ The extent to which Yieh Hsing is truly a start-up operation is unclear. It noted that ***. ***.

¹⁵ Yieh Hsing noted that ***. Further, petitioners alleged at the conference that Yieh Hsing plans to install a new wire rod and bar mill that would increase capacity by approximately 264,000 tons by 2001. Transcript, p. 38.

Table VII-8

Stainless steel wire rod: End-of-period inventories of U.S. importers, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Germany	***	***	***	***	***
Italy	741	1,505	687	1,164	454
Japan	306	389	332	482	304
Korea	***	***	***	***	***
Spain	***	***	***	***	***
Sweden	263	376	503	372	341
Taiwan	430	858	569	381	409
Total, subject sources	1,781	3,128	2,100	2,504	1,548
Other sources	272	501	534	477	400
Total	2,053	3,629	2,634	2,981	1,948
<i>Ratio to U.S. shipments of imports (percent)</i>					
Germany	***	***	***	***	***
Italy	10.3	16.9	7.2	8.1	5.5
Japan	5.5	7.8	3.2	5.6	2.4
Korea	***	***	***	***	***
Spain	***	***	***	***	***
Sweden	6.6	8.2	8.9	8.1	5.4
Taiwan	6.1	11.0	4.7	3.4	2.7
Average, subject sources	5.0	7.5	4.0	4.6	2.6
Other sources	3.6	9.0	10.6	6.4	6.5
Average, all imports	4.7	7.7	4.6	4.8	2.9

Note.-- Ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires.

In its questionnaire the Commission requested importers to list any expected deliveries of stainless steel wire rod from the subject countries after March 31, 1997. Data provided in response to this request are presented in the tabulation below:

<u>Subject country</u>	<u>Quantity</u> <u>(short tons)</u>
Germany	***
Italy	***
Japan	***
Korea	***
Spain	***
Sweden	***
Taiwan	***
Unspecified	***
Total	<u>37,542</u>

APPENDIX A
FEDERAL REGISTER NOTICES

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 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 June 12, 1997, a petition was filed with the Commission and the Department of Commerce by the Coalition for Fair Atlantic Salmon Trade, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and LTFV imports of fresh Atlantic salmon from Chile. Accordingly, effective June 12, 1997, the Commission instituted countervailing and antidumping duty investigations Nos. 701-TA-372 and 731-TA-768 (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 June 20, 1997 (62 F.R. 33678). The conference was held in Washington, DC, on July 3, 1997, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on July 28, 1997. The views of the Commission are contained in USITC Publication 3052 (August 1997), entitled "Fresh Atlantic Salmon from Chile: Investigations Nos. 701-TA-372 and 731-TA-768 (Preliminary)."

Issued: July 31, 1997.

By order of the Commission.
Donna R. Koehnke,
Secretary.
[FR Doc. 97-20681 Filed 8-5-97; 8:45 am]
BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-373 and Nos. 731-TA-769 through 775 (Preliminary)]

Stainless Steel Wire Rod From Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan

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 an investigation and commencement of preliminary phase countervailing duty investigation No. 701-TA-373 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) (the Act) 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 Italy of stainless steel wire rod, provided for in subheading 7221.00.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of Italy.

The Commission also gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731-TA-769 through 775 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) 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 Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan of stainless steel wire rod, provided for in subheading 7221.00.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value.

Unless the Department of Commerce extends the time for initiation pursuant to section 702(c)(1)(B) or 732(c)(1)(B) of the Act (19 U.S.C. 1671a(c)(1)(B) or 19 U.S.C. 1673a(c)(1)(B)), the Commission

must reach preliminary determinations in these investigations in 45 days, or in this case by September 15, 1997. The Commission's views are due at the Department of Commerce within five business days thereafter, or by September 22, 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:** July 30, 1997.

FOR FURTHER INFORMATION CONTACT: Jonathan Seiger (202-205-3183), Office of Investigations, U.S. International Trade Commission, 500 E Street S.W., 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

This investigation is being instituted in response to a petition filed on July 30, 1997, by counsel on behalf of Al Tech Specialty Steel Corp., Dunkirk, NY; Carpenter Technology Corp., Reading, PA; Republic Engineered Steels, Massillon, OH; Talley Metals Technology, Inc., Hartsville, SC; and the United Steelworkers of America, AFL-CIO/CLC.

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 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 this investigation

upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these 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 this investigation for 9:30 a.m. on August 21, 1997, at the U.S. International Trade Commission Building, 500 E Street S.W., Washington, DC. Parties wishing to participate in the conference should contact Jonathan Seiger (202-205-3183) not later than August 19, 1997, to arrange for their appearance. Parties in support of the imposition of antidumping or countervailing duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before August 26, 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: July 31, 1997.

By order of the Commission.

Donna R. Koehnke,
Secretary.

[FR Doc. 97-20676 Filed 8-5-97; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-345]

Shifts in U.S. Merchandise Trade in 1997

AGENCY: United States International Trade Commission.

EFFECTIVE DATE: July 25, 1997.

ACTION: Opportunity to submit written statements in connection with the 1998 report.

SUMMARY: The Commission has prepared and published annual reports on U.S. trade shifts in selected industries/commodity areas under Investigation No. 332-345 since 1993. The Commission plans to publish the next report in July 1998, which will cover shifts in U.S. trade in 1997 compared with trade in 1996.

The report structure and content is anticipated to be similar to the report issued in July 1997. Comments and suggestions regarding this issue are welcome in written submissions as specified below. The latest version of the report covering 1996 data (USITC Publication 3051, July 1997) may be obtained from the ITC's Internet server (<http://www.usitc.gov> or <ftp://ftp.usitc.gov>). A printed report may be requested by contacting the Office of the Secretary at 202-205-2000 or by fax at 202-205-2104.

FOR FURTHER INFORMATION CONTACT: Questions about the trade shifts report may be directed to the project leader, David Lundy, Office of Industries (202-205-3439) or the assistant project leader, Cheryl Badra Qassis, Office of Industries (202-205-3436). For information on the legal aspects, please contact Mr. William Gearhart, Office of General Counsel (202-205-3091). The media should contact Ms. Margaret O'Laughlin, Public Affairs Officer (202-205-1819). Hearing impaired

individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202-205-1810).

Background

The initial notice of institution of this investigation was published in the *Federal Register* of September 8, 1993 (58 FR 47287). The Commission expanded the scope of this investigation to cover service trade in a separate report, which it announced in a notice published in the *Federal Register* of December 28, 1994 (59 FR 66974). The merchandise trade report has been published in the current series under investigation No. 332-345 annually since September 1993. The report, originally entitled "U.S. Trade Shifts in Selected Commodity Areas, 1992 Annual Report," has been changed to "Shifts in U.S. Merchandise Trade in 1997" to more concisely identify the contents of the report.

As in past years, each report will summarize and provide analyses of the major trade developments that occurred in the preceding year, and is expected to be published in July of each year. The reports will also provide summary trade information and basic statistical profiles of nearly 300 industry/commodity groups.

Written Submissions

No public hearing is planned. However, interested persons are invited to submit written comments concerning the July 1998 report. Commercial or financial information which a submitter desires the Commission to treat as confidential must be provided on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules and Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available in the Office of the Secretary of the Commission for inspection by interested persons. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on December 30, 1997. All submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436.

Issued: July 28, 1997.

In this case, we received no requests for review for five consecutive review periods. Furthermore, no domestic interested party, as defined under § 353.2(k)(3), (k)(4), (k)(5), or (k)(6) of the Department's regulations, has expressed opposition to revocation. Based on these facts, we have concluded that the antidumping duty order on aspheric ophthalmoscopy lenses from Japan is no longer of any interest to interested parties. Accordingly, we are revoking this antidumping duty order in accordance with 19 CFR § 353.25(d)(4)(iii).

Scope of the Order

Imports covered by the revocation are shipments of aspheric ophthalmoscopy lenses from Japan. This merchandise is currently classifiable under Harmonized Tariff Schedules (HTS) item number 9018.50.00. The HTS number is provided for convenience and customs purposes. The written description remains dispositive.

This revocation applies to all unliquidated entries of aspheric ophthalmoscopy lenses from Japan entered, or withdrawn from warehouse, for consumption on or after April 1, 1997. Entries made during the period April 1, 1996, through March 31, 1997, will be subject to automatic assessment in accordance with 19 CFR § 353.22(e). The Department will instruct the Customs Service to proceed with liquidation of all unliquidated entries of this merchandise entered, or withdrawn from warehouse, for consumption on or after April 1, 1997, without regard to antidumping duties, and to refund any estimated antidumping duties collected with respect to those entries. This notice is in accordance with 19 CFR § 353.25(d).

Dated: August 18, 1997.

Richard W. Moreland,

Acting Deputy Assistant Secretary for AD/CVD Enforcement.

[FR Doc. 97-22686 Filed 8-25-97; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-428-824, A-475-820, A-588-843, A-580-829, A-469-807, A-401-806, and A-583-828]

Initiation of Antidumping Investigations: Stainless Steel Wire Rod From Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan

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

EFFECTIVE DATE: August 26, 1997.

FOR FURTHER INFORMATION CONTACT: James Maeder, at (202) 482-3330; James Terpstra, at (202) 482-3965; or Erik Warga, at (202) 482-0922. 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 regulations published in the *Federal Register* on May 19, 1997 (62 FR 27296).

The Petition

On July 30, 1997, the Department of Commerce ("the Department") received a petition filed in proper form by AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and United Steelworkers of America ("petitioners"). The Department received supplemental information to the petition on August 6 and 14, 1997.

In accordance with section 732(b) of the Act, petitioners allege that imports of stainless steel wire rod from

Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan 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) and (D) of the Act and they have demonstrated sufficient industry support (see discussion below).

Scope of Investigations

For purposes of these investigations, certain stainless steel wire rod ("SSWR") comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, and are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches diameter. Two stainless steel grades SF20T and K-M35FL are excluded from the scope of the investigation. The chemical makeup for the excluded grades are as follows:

SF20T

Carbon	0.05 max	Chromium	19.00/21.00.
Manganese	2.00 max	Molybdenum	1.50/2.50.
Phosphorous	0.05 max	Lead	added (0.10/0.30).
Sulfur	0.15 max	Tellurium	added (0.03 min).
Silicon	1.00 max.		

K-M35FL

Carbon	0.015 max	Nickel	0.30 max.
Silicon	0.70/1.00	Chromium	12.50/14.00.
Manganese	0.40 max	Lead	0.10/0.30.

Phosphorous	0.04 max	Aluminum	0.20/0.35.
Sulfur	0.03 max.		

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

As we discussed in the preamble to the new regulations (62 FR at 27323), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by September 15, 1997. Comments should be addressed to Import Administration's Central Records Unit at Room 1874, U.S. Department of Commerce, Pennsylvania Avenue and 14th Street, N.W., Washington, D.C. 20230. This period of scope consultation is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

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. While both the Department and the ITC must apply the same

statutory provision regarding the domestic like product (section 771(10) of the Act), 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 domestic 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 which 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 domestic 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 to be 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 and uses, between the product under investigation and other coiled steel products. The Department has, therefore, adopted the domestic like product definition set forth in the petition. In this case, petitioners established industry support substantially above the statutory requirement. 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

¹See *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).

available under section 776 of the Act, we may re-examine the information and revise the margin calculations, if appropriate.

Germany

Petitioners identified Krupp Edelstahlprofile ("Krupp") as the sole exporter and producer of SSWR from Germany. Petitioners based export price on recent U.S. sales by Krupp during June 1997 for the SSWR grades most commonly exported to the United States from Germany. Petitioners calculated net U.S. prices by subtracting an estimate of the costs incurred to transport the SSWR rod from the factory to the U.S. port. Petitioners did not subtract costs incurred to transport the SSWR from the U.S. port to the customer's location in the United States.

Petitioners calculated the cost of international freight based upon the average difference in the CIF values and the U.S. Customs values reported in the official U.S. import statistics. Petitioners subtracted amounts for U.S. import duties based on the 1997 import duty rate. Petitioners also subtracted amounts for the U.S. harbor maintenance fee and for the U.S. merchandise processing fee.

With respect to normal value ("NV"), petitioners obtained prices for recent sales of SSWR by Krupp to customers in Germany from foreign market research. Petitioners calculated net home market prices for sales made in Germany by subtracting an amount for delivery costs as obtained through foreign market research from the reported gross home market sales prices.

In addition, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of SSWR in the home market were made at prices below the fully allocated cost of production ("COP"), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales below cost investigation.

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"), selling, general, and administrative expenses ("SG&A"), and packing. To calculate COP, petitioners based COM, with the exception of depreciation, on their own production experience, adjusted for known differences between costs incurred to produce SSWR in the United States and costs incurred for producing the merchandise in Germany.

To calculate depreciation, petitioners relied upon Krupp's 1996 consolidated financial statements. To derive the direct materials, energy, direct labor and factory overhead costs, petitioners obtained cost data from two U.S. producers and relied upon the average costs of those producers. One of the U.S. producers manufactures its own billets while the other purchases all billets consumed. The foreign market research obtained by the petitioner indicated that Krupp produces its own billets. Therefore, we recalculated the submitted COM based on the cost data of the U.S. company that produces its own billets.

To calculate SG&A, petitioners relied upon expense rates of nineteen German companies, only one of which appears to be involved in the metal manufacturing industry. We recalculated SG&A using the reported rate for the company that appears to be in an industry similar to that which manufactures steel products. Petitioners calculated financing expenses using Krupp's 1996 consolidated audited financial statements. Petitioners added the average packing costs reported by the U.S. producers to COP. Based upon the comparison of the adjusted prices of the foreign like product in the home market to the calculated COP, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act (see Initiation Checklist, dated August 19, 1997). Accordingly, with respect to the German case, the Department is initiating a county-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, petitioners also based NV for sales in Germany on constructed value ("CV"). For purposes of this initiation, we accepted CV as the appropriate basis for NV. Petitioners calculated CV using the same COM, SG&A, and interest expense figures used to compute German home market costs. We adjusted the CV as noted above in the discussion of COP. Consistent with section 773(e)(2) of the Act, petitioners also added to CV an amount for profit. Profit was based upon Krupp's 1996 consolidated audited financial statements.

The revised average dumping margins in the petition, based on the comparisons between Krupp's U.S. prices and the revised constructed values, range from 17.17 percent to 21.28 percent.

Italy

Petitioners identified four exporters and producers of SSWR: Cogne Acclai

Speciali SrL ("Cogne"); Rodacciai; Acciaierie Valbruna SrL ("Valbruna"); and Acciaierie di Bolzano ("Bolzano"). Petitioners based export price on actual U.S. sales by Cogne and by Valbruna/Bolzano during November 1996 for the SSWR grades most commonly exported to the United States from Italy. Petitioners calculated net U.S. prices by subtracting an estimate of the costs incurred to transport the stainless wire rod from the factory to the customer's location in the United States.

Petitioners calculated the cost of international freight based upon the average difference in the CIF values and the U.S. Customs values reported in the official U.S. import statistics. Petitioners estimated U.S. inland freight costs based on the distance from the U.S. port of entry to the U.S. customer's location. Petitioners subtracted amounts for U.S. import duties and customs user fees. Petitioners also subtracted amounts for the U.S. harbor maintenance fee and for the U.S. merchandise processing fee. Petitioners added duty drawback to the U.S. prices for comparisons that involved grades of SSWR that include molybdenum or titanium based on information obtained from foreign market research.

With respect to NV, petitioners obtained home market prices through foreign market research. Petitioners calculated net home market prices for sales in Italy by subtracting the estimated delivery costs reported in the foreign market research. Petitioners converted home market prices quoted in lire per kilogram to U.S. dollars per pound by using a conversion ratio of one kilogram equals 2.2046 pounds and the Italian lire/U.S. dollar exchange rate in effect during the period in which the U.S. sales occurred. The exchange rates used to make currency conversions were the rates published in the *International Financial Statistics* for November 1996, the month of the U.S. sales.

Petitioners made a circumstance of sale adjustment for imputed credit expenses by subtracting home market credit expenses and by adding U.S. imputed credit expenses to the net home market prices calculated in the petition. Petitioners calculated home market imputed credit expenses based on the average payment period, reported in the foreign market research, of 90 days, and the average lending rate in Italy published by the *International Financial Statistics* for the fourth quarter of 1996. Petitioners calculated U.S. imputed credit expenses based on payment terms reported in the foreign market research of 60 days and the average lending rate in the United States published in the *International Financial*

Statistics. Petitioners did not adjust the reported prices for differences in packing costs because petitioners assumed that packing costs were the same for home market sales and for U.S. sales.

According to the foreign market research, Italian producers impose a surcharge per kilogram for wire rod with a diameter of 6 millimeters to 13 millimeters. Petitioners subtracted this amount from NV as a difference-in-merchandise adjustment when the price comparisons involved a U.S. sale of wire rod with a diameter of less than 6 millimeters and wire rod sold in Italy with a diameter between 6 millimeters and 13 millimeters.

Comparison of NV and net U.S. prices for sales of SSWR from Italy results in estimated dumping margins that range from 33.29 percent to 46.79 percent.

Japan

Petitioners identified four exporters and producers of SSWR: Aichi Steel Works Ltd.; Daido Steel Co. Ltd. ("Daido"); Nippon Steel Corp. ("Nippon"); and Sumitomo Metal Industries Ltd. Petitioners based export prices on actual, port-of-export, prices for U.S. sales made by Nippon and Daido to unaffiliated Japanese trading companies during the fourth quarter of 1996 for the SSWR grades most commonly exported to the United States from Japan. Petitioners calculated net U.S. prices by subtracting amounts to deliver the subject merchandise from the factory to the port of export. This information was obtained from foreign market research.

Petitioners did not calculate imputed credit expenses for the U.S. sales because the foreign market research indicated letter of credit payments terms for U.S. sales. Petitioners converted U.S. prices quoted in yen per metric ton to U.S. dollars per metric ton based on the average exchange rate published in the *International Financial Statistics* for the fourth quarter of 1996, the period in which U.S. sales occurred.

With respect to NV, petitioners obtained from the foreign market research home market price quotations for actual sales from Nippon and Daido to unrelated distributors in Japan. These prices were quoted in Japanese yen on a delivered basis. Petitioners calculated net home market prices by subtracting an amount for average delivery costs incurred by Nippon and Daido. Petitioners converted home market prices quoted in yen per metric ton to U.S. dollars per metric ton based on the average exchange rate published in the *International Financial Statistics* for the

fourth quarter of 1996, the period in which U.S. sales occurred.

Petitioners made a circumstance of sale adjustment for imputed credit expenses by subtracting home market credit expenses from the reported home market prices. Petitioners did not add U.S. imputed credit expenses to the net home market prices since the foreign market research showed letter of credit payment terms for U.S. sales. Petitioners calculated home market imputed credit expenses based on the average payment period reported in the foreign market research of 115 days, and the average annual lending rate in Japan for the first quarter of 1996, the most current annual lending rate published by the *International Financial Statistics* for Japan. Petitioners also adjusted the reported prices for differences in packing costs by subtracting home market packing costs and by adding packing costs incurred for U.S. sales to the reported net home market sales price.

Comparison of NV and net U.S. prices for sales of SSWR from Japan results in estimated dumping margins that range from 14.53 percent to 29.49 percent.

Korea

Petitioners identified three Korean exporters and producers of SSWR: Pohang Iron & Steel Co. Ltd. ("Posco"); Dongbang Special Steel Co. Ltd. ("Dongbang"); and Sammi Steel Co. Ltd. ("Sammi").

Petitioners based export price on actual, port-of-export, prices for U.S. sales made by Posco to unaffiliated trading companies during the fourth quarter of 1996, for the stainless steel wire rod grades most commonly exported to the United States from Korea, which they obtained from foreign market research. In addition, petitioners calculated net U.S. prices by subtracting from export prices amounts to deliver the subject merchandise from the factory to the port of export based on information obtained from foreign market research. Petitioners added to these prices amounts for duty drawback. Petitioners also converted the reported U.S. prices from Korean won per metric ton to U.S. dollars per metric ton based on the average exchange rate published in the *International Financial Statistics* for the fourth quarter of 1996, the period in which the U.S. sales occurred.

With respect to NV, the petitioners obtained actual, delivered home market prices for Posco from the foreign market research. Petitioners calculated net home market prices for sales made in Korea by subtracting amounts for discounts and rebates and delivery costs as obtained through foreign market

research, and by subtracting imputed credit expenses from the reported gross home market sales prices. Petitioners calculated imputed credit expenses based on the average payment period reported in the foreign market research of 75 days, and the average lending rate in Korea published by the *International Financial Statistics* for the fourth quarter of 1996. Petitioners also adjusted the reported prices for differences in packing costs by subtracting home market packing costs from the reported home market prices and by adding packing costs incurred for U.S. sales to the reported home market prices. Petitioners converted home market prices from Korean won per metric ton to U.S. dollars per metric ton by using the Korean won/U.S. dollar exchange rate in effect during the period in which the U.S. sales occurred. The exchange rates used to make currency conversions were the rates published in the *International Financial Statistics* for the fourth quarter 1996.

Comparison of NV and net U.S. prices for sales of SSWR from Korea results in estimated dumping margins that range from 23.81 percent to 28.44 percent (see Initiation Checklist, dated August 19, 1997).

Spain

Petitioners identified Roldan, S.A. ("Roldan") as the sole exporter and producer of SSWR from Spain. Petitioners based export price on information obtained through foreign market research for recent sales by Roldan for the SSWR grades most commonly exported to the United States from Spain. Petitioners calculated net U.S. prices by subtracting estimated costs for ocean freight and insurance and for U.S. duties and fees from reported U.S. prices. Petitioners did not subtract costs incurred to transport the stainless steel wire rod from the factory to the port of export and from the U.S. port to the customer's location in the United States.

Petitioners calculated the cost of international freight based upon the average difference in the CIF values and the U.S. Customs values reported in the official U.S. import statistics. Petitioners subtracted amounts for U.S. import duties and customs user fees. Petitioners also subtracted amounts for the U.S. harbor maintenance fee and for the U.S. merchandise processing fee. Petitioners did not calculate imputed credit expenses for Roldan's U.S. sales because petitioners did not have information concerning the payment terms for these sales.

With respect to NV, petitioners obtained home market prices through

foreign market research. Petitioners calculated net home market prices for sales made in Spain by subtracting an amount for delivery costs as obtained through foreign market research from the reported gross home market sales prices.

In addition, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of SSWR 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.

Pursuant to section 773(b)(3) of the Act, COP consists of the COM, SG&A, and packing. To calculate COP, petitioners based COM, with the exception of depreciation, on their own production experience, adjusted for known differences between costs incurred to produce SSWR in the United States and costs incurred for producing the merchandise in Spain. To calculate depreciation the petitioner relied upon the 1996 consolidated financial statement from Roldan's parent company Acerinox.

To calculate Roldan's SG&A and financing expenses petitioners also relied upon the 1996 consolidated financial statements from Acerinox. Petitioners maintain that they relied upon Acerinox's consolidated financial statements because they were unable to obtain Roldan's financial statements. Since steel production appears to be the primary business activity of the consolidated Acerinox Group, we considered it reasonable to rely on its financial data for determining these costs for purposes of the petition. Petitioners added to the COP the average packing costs reported by the U.S. producers. Based upon the comparison of the adjusted prices of the foreign like product in the home market to the calculated COP, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, with respect to the Spanish case, the Department is initiating a country-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, petitioners also based NV on CV. For purposes of this initiation, we are accepting CV as the appropriate basis for NV. Petitioners calculated CV using the same COM, SG&A, and interest expense figures used to compute Spain's home market costs. Consistent with section 773(e)(2) of the Act, petitioners also added to CV an amount for profit. Profit was based upon

the consolidated audited financial statements of Acerinox.

Comparison between Roldan's U.S. prices and the constructed values results in dumping margins that range from 31.00 to 63.39 percent.

Sweden

Petitioners identified Fagersta Stainless AB ("Fagersta") as the sole exporter and producer of SSWR from Sweden. Fagersta is a joint venture company formed by the two of the largest steel producing companies in Sweden: Avesta Sheffield AB and Sandvik Steel. Petitioners based export price on U.S. sales by Avesta Sheffield AB during November 1996 of the SSWR most commonly exported to the United States from Sweden. Petitioners calculated net U.S. prices by subtracting from export prices an estimate of the costs incurred to transport the SSWR from the factory to the customer's location in the United States.

Petitioners estimated the cost of international freight based upon the weighted average difference for certain U.S. ports between the CIF values and the FOB values reported in the official U.S. import statistics for November 1996 for imports from Sweden. Petitioners estimated U.S. inland freight costs based on the distance from the U.S. port of entry to the U.S. customer's location. Petitioners subtracted amounts for U.S. import duties, for the U.S. harbor maintenance fee, and for the U.S. merchandise processing fee. Petitioners added duty drawback to the U.S. prices for comparisons that involved grades of SSWR that include molybdenum or titanium based on an amount obtained through foreign market research.

With respect to NV, petitioners obtained home market prices from foreign market research. The foreign market research provided information on the base prices, surcharges, discounts, payment terms and estimated sale-by-sale delivery costs for each of the home market sales. Petitioners added the surcharges to the reported base prices, and subtracted the discounts and estimated sale-by-sale delivery costs. Petitioners converted home market prices quoted in Swedish kronor per kilogram to U.S. dollars per pound by using a conversion ratio of one kilogram to 2.2046 pounds and the Swedish kronor/U.S. dollar exchange rate in effect during the month in which the U.S. sales occurred. The exchange rates used to make currency conversions were the rates published in the *International Financial Statistics* for November 1996, the month in which of the U.S. sales occurred.

Petitioners made a circumstance of sale adjustment for imputed credit expenses by subtracting home market credit expenses and by adding U.S. imputed credit expenses to the net home market prices calculated in the petition. Petitioners calculated home market imputed credit expenses based on the average payment period reported in the foreign market research, and the average lending rate in Sweden published in the *International Financial Statistics* for the fourth quarter of 1996. Petitioners calculated U.S. imputed credit expenses based on payment terms included in the foreign market research, of 60 days and the average lending rate in the United States published in the *International Financial Statistics*. Petitioners did not adjust for differences in packing costs because petitioners assumed that packing costs were the same for home market and U.S. sales.

Comparison of NV and net U.S. prices for sales of SSWR from Sweden results in estimated dumping margins that range from 21.17 percent to 22.74 percent.

Taiwan

Petitioners identified three Taiwan exporters and producers of SSWR: Walsin-CarTech Specialty Steel Corp.; Yieh Hsing; and Yieh United Steel Corp.

Most of the domestic production of SSWR is sold to unaffiliated end-users and includes delivery charges to the customer. Petitioners obtained prices for U.S. sales by Yieh Hsing during November 1996 for the grades of SSWR that are most commonly exported to the United States from Taiwan. Petitioners used export prices as the basis for U.S. prices because the SSWR was sold prior to the date of importation and to an unaffiliated U.S. distributor. Petitioners provided port of export prices for Yieh Hsing's U.S. sales. Petitioners subtracted foreign inland freight from the reported U.S. prices. Petitioners did not calculate imputed credit expenses for the U.S. sales since letter of credit payment terms were available for these sales.

Petitioners provided information showing that the volume of the home market sales is sufficient to form a basis for NV and provided prices for actual recent sales from the SSWR producers to unaffiliated customers in Taiwan.

Petitioners calculated net NV by subtracting amounts for delivery costs and imputed credit expenses from the reported gross home market price. Petitioners based credit expenses on the average payment period of 85 days and the average borrowing rate reported in the foreign market research. Additionally, petitioners adjusted NV for differences in packing costs between

the U.S. and domestic sales. Finally, petitioners converted home market prices in New Taiwan dollars per metric ton to U.S. dollars per metric ton by using the New Taiwan dollar/U.S. dollar exchange rate in effect during the month in which the U.S. sales occurred. For conversion purposes, petitioners used the monthly average exchange rates published by the Federal Reserve rather than the monthly average exchange rates published by the International Monetary Fund (IMF) because Taiwan is not a member country of the IMF; thus, there are no IMF-published exchange rates for Taiwan.

In addition, petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of SSWR 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 Taiwan-wide sales below cost investigation.

Pursuant to section 773(b)(3) of the Act, COP consists of the COM, SG&A, and packing. To calculate COP, the petitioners calculated COM primarily using foreign market research.

To calculate SG&A and finance expenses petitioners relied on amounts reported in Yieh Hsing's 1996 financial statements and other financial data. We recalculated Yieh Hsing's SG&A and finance expenses to reflect the amounts reported in its 1996 financial statements. Petitioner based packing costs on data obtained from foreign market research. Based upon the comparison of the adjusted prices of the foreign like product in the home market to the calculated COP, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act (see Initiation Checklist, dated August 19, 1997). Accordingly, the Department is initiating a Taiwan-wide cost investigation.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, petitioners also based NV for sales in Taiwan on CV. For this initiation, we are accepting CV as an appropriate basis for NV. Petitioners calculated CV using the same COM, SG&A, and interest expense figures used to compute Taiwan home market costs. Consistent with section 773(e)(2) of the Act, petitioners also added to CV an amount for profit. Profit was based upon Yieh Hsing's 1996 consolidated audited financial statements.

Comparison of NV and net U.S. price of SSWR from Taiwan results in an estimated dumping margin of 16.74 percent. Comparisons between Yieh Hsing's U.S. prices and the constructed

values result in dumping margins that range from 9.61 percent to 10.05 percent.

Fair Value Comparisons

Based on the data provided by petitioners, there is reason to believe that imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan are being, or are likely to be, sold at less than fair value.

Initiation of Antidumping Investigations

We have examined the petition on SSWR 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 SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan 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 for the antidumping duty investigations by January 6, 1998.

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 Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan. 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 September 15, 1997, whether there is a reasonable indication that imports of SSWR from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan are causing material injury, or threatening to cause material injury, to a U.S. industry. Any negative ITC determination will result in the particular investigation being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

Dated: August 19, 1997.

Robert S. LaRussa,
Assistant Secretary for Import
Administration.

[FR Doc. 97-22690 Filed 8-25-97; 8:45 am]
BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[C-475-821]

Notice of Initiation of Countervailing Duty Investigation: Certain Stainless Steel Wire Rod ("SSWR") from Italy

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

EFFECTIVE DATE: August 26, 1997.

FOR FURTHER INFORMATION CONTACT: Kathleen Lockard or Kelly Parkhill, Office of CVD/AD Enforcement VI, International Trade Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone (202) 482-2786.

Initiation of Investigation

The Applicable Statute and Regulations

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 ("URAA") effective January 1, 1995 ("the Act"). In addition, unless otherwise indicated, all citations to the Department's regulations are to the current regulations as amended by the regulations published in the *Federal Register* on May 19, 1997 (62 FR 27295).

The Petition

On July 30, 1997, the Department of Commerce (the Department) received a petition filed in proper form by AL Tech Speciality Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and United Steelworkers of America, AFL-CIO/CLC (the petitioners). Supplements to the petition were filed on August 6, 13, 14, and 15, 1997.

In accordance with section 701(a) of the Act, the petitioners allege that producers and/or exporters of SSWR in Italy 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. While both the Department and the ITC must apply the same statutory provision regarding the domestic like product (section 771(10) of the Act), 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 domestic 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 which 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 domestic 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, below. The Department has no basis on the record to find the petition's definition of the domestic like product to be inaccurate. In this regard, we have found no basis on which to reject petitioners' representations that there are clear dividing lines, in terms of

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).

characteristics and uses, between the product under investigation and other coiled steel products. The Department has, therefore, adopted the domestic like product definition set forth in the petition. In this case, petitioners established industry support substantially above the statutory requirement. Accordingly, the Department determines that the petition is filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act.

Scope of Investigation

For purposes of this investigation, certain SSWR comprises products that

are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, and are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled,

and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches in diameter. Two stainless steel grades SF20T and K-M35FL are excluded from the scope of the investigation. The chemical makeup for the excluded grades are as follows:

SF20T			
Carbon	0.05 max	Chromium	19.00/21.00
Manganese	2.00 max	Molybdenum	1.50/2.50
Phosphorous	0.05 max	Lead	Added (0.10/0.30)
Sulfur	0.15 max	Tellurium	Added (0.03 min)
Silicon	1.00 max		
K-M35FL			
Carbon	0.015 max	Nickel	0.30 max
Silicon	0.70/1.00	Chromium	12.50/14.00
Manganese	0.40 max	Lead	0.10/0.30
Phosphorous	0.04 max	Aluminum	0.20/0.35
Sulfur	0.03 max		

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

As we discussed in the preamble to the new regulations (62 FR at 27323), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments by September 15, 1997. Comments should be addressed to Import Administration's Central Records Unit at Room 1874, U.S. Department of Commerce, Pennsylvania Avenue and 14th Street, NW., Washington, DC 20230. This period of scope consultation is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Consultations

On August 13, 1997, pursuant to Section 702(b)(4)(A)(ii) of the Act, the Department held consultations with

representatives of the European Commission ("EC") and the Government of Italy ("GOI") with respect to the petition.

Injury Test

Because Italy is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, the U.S. International Trade Commission ("ITC") must determine whether imports of the subject merchandise from Italy materially injure, or threaten material injury to, a U.S. industry.

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 Investigation

The Department has examined the petition on SSWR from Italy 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 a countervailing duty investigation to determine whether producers and/or exporters of SSWR from Italy receive subsidies.

Company Histories

Petitioners have made specific subsidy allegations with respect to three Italian SSWR producers: Cogne Acciai Speciali CAS S.r.l. ("Cogne"), Acciaierie di Bolzano S.p.A. ("Bolzano") and Acciaierie Valbruna S.r.l. ("Valbruna").

Cogne was a subsidiary of the ILVA Group (or its precursors) until 1993, at which time it was privatized and sold to the Marzorati Group. ILVA and its precursors were subsidiaries of the Istituto per la Ricostruzione Industriale ("IRI"), which, in turn, was owned by the GOI. In a stock swap approved in 1991, 22.4 percent of Cogne was transferred to Falck, the privately-owned parent company of Bolzano, in return for shares accounting for 44.8 percent of Bolzano. In 1993, ILVA reacquired Falck's shares of Cogne and returned the Bolzano shares to Falck.

Bolzano was 100 percent owned and controlled by Falck between 1982-1991 and 1993-1995. In a stock swap approved in 1991, 44.8 percent of Bolzano was acquired by ILVA, and Falck's share of the company dropped to 55.2 percent. As discussed above, Falck

reacquired these shares in 1993 when it returned the shares of Cogne to ILVA. In 1995, Bolzano was sold to Valbruna.

Valbruna is owned and controlled by the Gruppo Amenduni. Valbruna now owns and controls 100 percent of Bolzano.

Equityworthiness

In the July 30, 1997 petition, petitioners alleged that ILVA was unequityworthy from 1982 through 1994; Cogne was unequityworthy from 1982 through 1996; Bolzano was unequityworthy from 1990 through 1996; and Falck was unequityworthy from 1992 through 1994. However, on August 13, 1997, petitioners clarified that they are not alleging any previously uninvestigated equity infusions other than the equity infusion provided to ILVA in 1992 and approved by the EC in 1993. As petitioners only allege corresponding equity infusions for ILVA in 1982, 1984 through 1988, and 1991 through 1993, we will not examine ILVA's equityworthiness in 1983 and 1989 through 1990.

Creditworthiness

Petitioners allege ILVA was uncreditworthy from 1982 through 1994; Cogne was uncreditworthy from 1982 through 1996; Bolzano was uncreditworthy from 1990 through 1996; and Falck was uncreditworthy from 1992 through 1994. We will investigate ILVA's creditworthiness from 1982 through 1994, Cogne's creditworthiness from 1994 through 1996, Bolzano's creditworthiness from 1995 through 1996 and Falck's creditworthiness from 1992 through 1994 to the extent government equity infusions, loans or loan guarantees were provided in those years.

Programs

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

Government of Italy Programs

1. Debt Forgiveness: Finsider-to-ILVA Restructuring (predecessor companies)
2. Equity Infusions to ILVA and Precursor Companies
3. Debt Forgiveness: 1981 Restructuring Plan
4. 1992 Equity Infusions to ILVA (Approved by the EC in 1993)
5. ILVA Pre-Privatization Assistance and Debt Forgiveness
6. R&D Grants
7. Law 481/94 and Precursors
8. Decree Law 120/89

9. Deliberazione: Law 46 Grants for Technological Innovation
10. Law 675
 - a. Interest Grants on Bank Loans
 - b. Mortgage Loans
 - c. Interest Contributions on IRI Loans
 - d. Personnel Retraining Aid
11. Law 193/84 Programs
12. Grants and Loans for Reduction of Production Capacity: Laws 46 and 706
13. Law 796/76 Exchange Rate Guarantees
14. Law 227/77 Export Loans and Remission of Taxes
15. Law 394/81 Export Marketing Grants and Loans
16. Law 451/94 Early Retirement Assistance
17. Subsidies for Operating Expenses and "Easy Term" Funds

Regional Programs of the Government of Italy

1. Law 488/92 and Legislative Decree 96/93
2. Law 341/95 and Circolare 50175/95

Programs of Regional Governments

1. Valle d'Aosta Regional Assistance Associated With the Sale of Cogne Including Laws 1/96 and 28/96
2. Valle d'Aosta Regional Law 16/88 Modifying Law 33/73
3. Valle d'Aosta Regional Law 64/92
4. Valle d'Aosta Regional Law 12/87
5. Valle d'Aosta Regional Law 3/92
6. Bolzano/Trentino Alto-Adige Regional Assistance Associated with the Sale of Bolzano
7. Provincial Grants/Loans Provided to Bolzano²
8. Bolzano Law 44/92

European Commission Programs

1. European Coal and Steel Community (ECSC) Article 54 Loans
2. Interest Rebates on ECSC Article 54 Loans
3. ECSC Article 56 Loans
4. European Social Fund
5. European Regional Development Fund
6. Resider Program
7. 1993 European Commission Steel Funds

We are not including in our investigation the following programs alleged to be benefitting producers and exporters of the subject merchandise in Italy:

1. Grants to ILVA: The petitioners allege that, in a previous investigation of

²We note that the EC has ordered repayment of the Provincial Grants/Loans provided to Bolzano. During consultations, the EC stated that the assistance will be repaid even though the EC decision is under appeal. In the investigation, we intend to look into the possibility that the assistance has been repaid.

steel products, the Department countervailed various programs that provided grants to ILVA; however, the amounts of the grants exceeded those authorized by the GOI and the EC. (See *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy*, 58 FR 37327 (July 9, 1993) ("Certain Steel"). Because there was no verification of ILVA's response in that investigation, we countervailed the excess as miscellaneous grants based on best information available (BIA).

However, in a subsequent investigation, it was verified that these miscellaneous grants were included in Law 675/77 programs. See *Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy*, 59 FR 18357 (April 18, 1994) ("Electrical Steel"). Since the Department is initiating an investigation on these Law 675/77 programs, this alleged subsidy is already captured. As such, we are not initiating separately on "grants to ILVA."

2. Interest Subsidies under Law 617/81: The petitioners allege that, in 1982, IRI issued two trillion lire worth of bonds. It then re-lent these funds to its subsidiaries. Of that amount, over 900 billion lire was provided to ILVA's predecessor company, Nuovo Italsider. Under Law 617/81, the GOI promised to pay 11 percent of the total interest costs of the loans. In *Certain Steel*, this program was countervailed as a non-recurring grant based on BIA. In *Electrical Steel*, this program was determined not to be used because none of the loans were outstanding during the POI in that investigation. Because, as determined in *Electrical Steel*, the loans on which these interest payments had been made were no longer outstanding in 1992, we are not initiating on this program.

3. Law 675: Value Added Tax (VAT) Reductions: The petitioners allege that VAT Reductions under law 675 were countervailed in *Certain Steel*; however, in *Electrical Steel*, this program was found to be targeted to southern Italy. Since none of the producers of subject merchandise are located in southern Italy, and petitioners have not provided any information that demonstrates that firms outside of southern Italy are eligible for benefits under this program, we are not initiating on this program.

4. Other Government Loans: Petitioners request that the Department investigate financing provided by the GOI to producers of subject merchandise. Several of the producers of subject merchandise have received loans from the GOI or GOI-owned banks. However, petitioners have not presented sufficient information to

indicate that these loans are at noncommercial rates, or otherwise provide a benefit to producers of subject merchandise. Of the loans identified by petitioners, one loan appears to have been on preferential terms to a producer of subject merchandise. However, that loan was provided under law 46, which we have included in this investigation. Therefore, we are not initiating on this allegation regarding "other government loans."

5. Government Loan Guarantees: Petitioners allege that several third party loan guarantees listed in the producers' annual reports are likely to have been provided by the government at preferential rates. Petitioners claim that these guarantees may be the same, or similar to, loan guarantees countervailed by the Department in *Certain Steel*.

The Department countervailed government loan guarantees provided by IRI and Finsider in *Certain Steel* based on BIA. However, in *Electrical Steel*, these loan guarantees were found to have been provided only by Finsider, not IRI. Since Finsider was in liquidation, and therefore could not have paid the loan even if required to, the Department found that these loan guarantees provided no benefit.

Petitioners have not provided any information that indicates that the guarantees listed in the company's annual reports are provided by the government at preferential rates, nor have they provided any information demonstrating that these guarantees, if provided by the government, were done so on a specific basis. Therefore, we are not initiating on these loan guarantees.

6. Bolzano/Trentino-Alto Adige Law 9/91: Petitioners allege that Law 9/91, which provides easy term loans to stimulate local economic activity, provides countervailable benefits to producers of subject merchandise. Loans under this law are available to companies in tourism, agriculture, crafts and services. Petitioners have not shown that producers of subject merchandise would be eligible for benefits under this provision. Moreover, they have not provided sufficient information to indicate that Law 9/91 would be specific. Therefore, we are not initiating on this program.

7. Trentino-Alto Adige Law 8/95: Petitioners allege that the region of Trentino-Alto Adige provides various incentives under Law 8/95 to promote local industry, commerce, services, crafts and tourism. However, they have not provided sufficient information to indicate that the incentives provided under this law are specific. Therefore,

we are not initiating on Law 8/95 of the region of Trentino-Alto Adige.

8. Veneto Law 39/87: Petitioners allege that Law 39/87 of the Veneto region provides countervailable benefits to producers of subject merchandise. This law establishes a registry for financial assistance in the province. Based on the information contained in the petition, this law seems to be simply an administrative measure that requires companies to register with the province before applying for assistance.

Petitioners have provided no basis to believe that Law 39/87 provide any benefits; therefore, we are not initiating on this program.

9. Veneto Law 16/93: Petitioners allege that Law 16/93 of the Veneto region provides countervailable benefits to producers of subject merchandise. This law established various initiatives designed to promote the economic and social development of Veneto's eastern region. However, based on evidence in the petition, Valbruna, the only producer of subject merchandise located in the Veneto Region, is not located in the eastern portion of the region and there is no indication that other parts of the region are eligible for benefits. As no producers of subject merchandise appear eligible for benefits under this law, we are not initiating on this program.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act and section 351.203(c)(2) of the Department's regulations, copies of the public version of the petition have been provided to the representatives of the GOI and the EC. We will attempt to provide copies of the public version of the petition to all the exporters named in the petition.

ITC Notification

Pursuant to section 702(d) of the Act and section 351.203(c)(1) of the Department's regulations, we have notified the ITC of this initiation.

Preliminary Determination by the ITC

The ITC will determine by September 15, 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 Italy of SSWR. Any ITC determination which is negative will result in the investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 702(c)(2) of the Act and section

351.203(c)(1) of the Department's Regulations.

Dated: August 19, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 97-22687 Filed 8-25-97; 8:45 am]

BILLING CODE 3510-05-P

DEPARTMENT OF COMMERCE

International Trade Administration

University of New Mexico Notice of Decision on Application for Duty-Free Entry of Scientific Instrument

This decision is made pursuant to Section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897; 15 CFR part 301). Related records can be viewed between 8:30 A.M. and 5:00 P.M. in Room 4211, U.S. Department of Commerce, 14th and Constitution Avenue, N.W., Washington, D.C.

Docket Number: 97-043. **Applicant:** University of New Mexico, Albuquerque, NM 87131-6041. **Instrument:** X-Ray Photoelectron Spectrometer, Model AXIS HSi. **Manufacturer:** Kratos Analytical, United Kingdom. **Intended Use:** See notice at 62 FR 32766, June 17, 1997.

Comments: None received. **Decision:** Approved. No instrument of equivalent scientific value to the foreign instrument, for such purposes as it is intended to be used, was being manufactured in the United States at the time of purchase (December 19, 1996).

Reasons: The foreign instrument provides magnetic charge equalization for uniform charge compensation across the sample surface. The U.S. Department of Energy advises that (1) this capability is pertinent to the applicant's intended purpose and (2) it knows of no domestic instrument or apparatus of equivalent scientific value to the foreign instrument for the applicant's intended use at the time of purchase.

We know of no other instrument or apparatus of equivalent scientific value to the foreign instrument which is being manufactured in the United States.

Frank W. Creel,

Director, Statutory Import Programs Staff.

[FR Doc. 97-22691 Filed 8-25-97; 8:45 am]

BILLING CODE 3510-05-P

APPENDIX B
CALENDAR OF THE PUBLIC CONFERENCE



CALENDAR OF PUBLIC CONFERENCE

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

Subject : STAINLESS STEEL WIRE ROD FROM GERMANY, ITALY,
JAPAN, KOREA, SPAIN, SWEDEN, AND TAIWAN

Invs. Nos. : 701-TA-373 & 731-TA-769 through 775 (Preliminary)

Date and Time : August 21, 1997 - 9:30 a.m.

The session was held in connection with the investigations in the Main Hearing Room (room 101) of the U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C.

In support of imposition of antidumping duties:

Collier, Shannon, Rill & Scott
Washington, D.C.
On behalf of

Al Tech Specialty Steel Corp.
Carpenter Technology Corp.
Republic Engineered Steels
Talley Metals Technology, Inc.
United Steelworkers of America, AFL-CIO/CLC

Donald Bailey, President and CEO, Talley Metals Technology
Edward Blot, Vice President - Sales and Marketing, Republic Engineered Steels
Jim Gugino, Market Manager, Wire & Rod Products, Al Tech Specialty Steel Corp.
William A. Pendleton, Director, Corporate Affairs, Carpenter Technology Corp.

David A. Hartquist, Esq.)
Laurence Lasoff, Esq.)--OF COUNSEL
Robin Gilbert, Esq.)

Dr. Patrick J. Magrath, Managing Director, Georgetown Economic Services
Michael T. Kerwin, Georgetown Economic Services

In opposition to imposition of antidumping duties:

PANEL ONE

Holland & Knight
Washington, D.C.
On behalf of

American Wire Producers Association (AWPA)

Kimberly A. Korbelt, Executive Director, AWPA
George A. Kurisky, Vice President, Product Development, Maryland Specialty Wire,
Inc.
Robert C. Olson, Executive Vice President, Sumiden Wire Products Corp.
Brian Burr, Plant Manager, Sumiden Wire Products Corp.
Cheryl C. Coelho, Product Manager, E.C.D., Inc.
Stig G. Forsberg, Vice President and General Manager, Sandvik Steel Corp.
Dennis R. Kuhns, President, Handy & Harman Specialty Wire Group
Dean Gerbel, Director of Materials, National Standard Co.

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

Mark Jaegel, Tri-Star Metals, Inc. (not an AWPA member)

PANEL TWO

Rogers & Wells
Washington, D.C.
On behalf of

Acciaierie Valbruna S.r.l.
Cogne Acciai Speciali S.r.l.
Cogne Specialty Steel USA, Inc.
Fagersta Stainless AB
Avesta Sheffield, Inc.
Sandvik Steel Co.

William Silverman, Esq.)--OF COUNSEL
Richard Ferrin, Esq.)--OF COUNSEL

In opposition to imposition of antidumping duties--Continued:

PANEL TWO - CONTINUED

Capital Trade, Inc.
Washington, D.C.
On behalf of

Cogne Acciai Speciali SrL
Acciaierie Valbruna SrL
Acciaierie di Bolzano
Krupp Edelstahlprofile
Nippon Steel Corp.
Dongbang Special Steel Co.
Changwon Steel Co., Ltd.
Roldan, S.A.
Fagersta Stainless, AB
Walsin Specialty Steel Corp.

Daniel Klett, Principal

Willkie, Farr, & Gallagher
Washington, D.C.
On behalf of

Nippon Steel Corp.
Daido Steel Co., Ltd.
Japan Special Steel Importers' Association

James P. Durling, Esq.)--OF COUNSEL

Howrey & Simon
Washington, D.C.
On behalf of

Hi Specialty America Division, Hitachi Metals America, Ltd.

Michael A. Hertzberg, Esq.)--OF COUNSEL

In opposition to imposition of antidumping duties--Continued:

PANEL TWO - CONTINUED

O'Melveny & Myers
Washington, D.C.
On behalf of

Roldan, S.A.

Teresa E. Dawson, Esq.)--OF COUNSEL

Hogan & Hartson
Washington, D.C.
On behalf of

Krupp Edelstahlprofile GmbH
Krupp Hoesch Steel Products, Inc.

Lewis E. Leibowitz, Esq.)--OF COUNSEL

Akin, Gump, Strauss, Hauer, & Feld
Washington, D.C.
On behalf of

Dongbang Special Steel Co.
Changwon Steel Co., Ltd.

Spencer Griffith, Esq.)--OF COUNSEL

DeKieffer & Horgan
Washington, D.C.
On behalf of

BGH Edelstahl Freital GmbH

John J. Kenkel, Esq.)--OF COUNSEL

Ablondi & Foster
Washington, D.C.
On behalf of

Walsin Cartech Specialty Steel Corporation

Sturgis M. Sobin, Esq.)--OF COUNSEL

APPENDIX C
SUMMARY DATA



Table C-1

Stainless steel wire rod: Summary data concerning the U.S. market (imports based on Commerce data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(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	January-March		1994-96	1994-95	1995-96	Jan.-Mar. 1996-97
				1996	1997				
U.S. consumption quantity:									
Amount	163,295	179,042	175,724	48,362	44,278	7.6	9.6	-1.9	-8.4
Producers' share (1)	67.0	67.1	63.1	64.2	62.0	-3.9	0.2	-4.0	-2.2
Importers' share (1):									
Germany	1.7	1.2	0.9	1.5	1.2	-0.7	-0.5	-0.2	-0.3
Italy	5.3	5.5	5.2	6.3	4.7	-0.1	0.2	-0.3	-1.6
Japan	4.3	3.6	6.3	4.6	7.0	2.0	-0.8	2.7	2.4
Korea	5.4	6.4	6.1	5.4	6.2	0.7	0.9	-0.2	0.7
Spain	2.0	1.6	1.6	1.8	3.4	-0.5	-0.5	0.0	1.6
Sweden	4.1	4.3	5.5	5.0	5.0	1.4	0.2	1.2	-0.0
Taiwan	5.4	5.7	7.6	5.5	7.7	2.2	0.3	1.9	2.2
Subtotal	28.3	28.2	33.2	30.1	35.1	4.9	-0.2	5.1	5.0
Other sources	4.7	4.7	3.7	5.6	2.8	-1.0	-0.0	-1.0	-2.8
Total imports	33.0	32.9	36.9	35.8	38.0	3.9	-0.2	4.0	2.2
U.S. consumption value:									
Amount	385,160	499,791	473,703	140,313	109,606	23.0	29.8	-5.2	-21.9
Producers' share (1)	71.3	70.6	66.6	66.6	65.9	-4.7	-0.7	-4.0	-0.7
Importers' share (1):									
Germany	1.2	1.1	1.1	1.6	1.2	-0.2	-0.1	-0.0	-0.4
Italy	4.0	4.8	4.8	5.7	4.1	0.9	0.8	0.1	-1.7
Japan	4.2	3.4	5.5	4.4	5.8	1.3	-0.8	2.1	1.4
Korea	4.1	5.2	4.7	4.4	4.6	0.6	1.0	-0.5	0.2
Spain	1.7	1.4	1.4	1.7	2.8	-0.4	-0.3	-0.1	1.1
Sweden	4.1	4.5	6.3	5.9	6.1	2.2	0.4	1.8	0.2
Taiwan	4.5	4.7	5.9	4.5	6.5	1.4	0.2	1.2	2.0
Subtotal	23.9	25.1	29.7	28.3	31.0	5.8	1.2	4.6	2.7
Other sources	4.8	4.3	3.7	5.1	3.1	-1.1	-0.5	-0.6	-2.0
Total imports	28.7	29.4	33.4	33.4	34.1	4.7	0.7	4.0	0.7
U.S. imports:									
Germany:									
Quantity	2,725	2,068	1,655	747	546	-39.2	-24.1	-20.0	-26.9
Value	4,755	5,470	5,118	2,269	1,296	7.6	15.0	-6.4	-42.9
Unit value	\$1,745.21	\$2,644.85	\$3,091.63	\$3,036.87	\$2,374.56	77.1	51.5	16.9	-21.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Italy:									
Quantity	8,702	9,887	9,116	3,023	2,069	4.8	13.6	-7.8	-31.5
Value	15,227	23,797	22,829	8,041	4,458	49.9	56.3	-4.1	-44.6
Unit value	\$1,749.87	\$2,406.76	\$2,504.34	\$2,659.98	\$2,154.53	43.1	37.5	4.1	-19.0
Ending inventory quantity	741	1,505	687	1,164	454	-7.3	103.1	-54.4	-61.0
Japan:									
Quantity	7,055	6,392	11,079	2,234	3,095	57.0	-9.4	73.3	38.5
Value	16,060	16,877	25,919	6,150	6,324	61.4	5.1	53.6	2.8
Unit value	\$2,276.35	\$2,640.26	\$2,339.44	\$2,752.42	\$2,043.48	2.8	16.0	-11.4	-25.8
Ending inventory quantity	306	389	332	482	304	8.5	27.1	-14.7	-36.9
Korea:									
Quantity	8,885	11,370	10,783	2,615	2,723	21.4	28.0	-5.2	4.2
Value	15,971	25,832	22,287	6,159	5,014	39.5	61.7	-13.7	-18.6
Unit value	\$1,797.48	\$2,271.91	\$2,066.90	\$2,355.70	\$1,840.99	15.0	26.4	-9.0	-21.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Spain:									
Quantity	3,316	2,797	2,772	863	1,512	-16.4	-15.6	-0.9	75.2
Value	6,736	7,166	6,474	2,431	3,097	-3.9	6.4	-9.7	27.4
Unit value	\$2,031.50	\$2,562.15	\$2,335.75	\$2,816.02	\$2,047.45	15.0	26.1	-8.8	-27.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Sweden:									
Quantity	6,735	7,706	9,634	2,439	2,214	43.0	14.4	25.0	-9.2
Value	15,958	22,702	29,931	8,341	6,710	87.6	42.3	31.8	-19.6
Unit value	\$2,369.34	\$2,946.14	\$3,106.84	\$3,419.64	\$3,030.87	31.1	24.3	5.5	-11.4
Ending inventory quantity	263	376	503	372	341	91.3	43.0	33.8	-8.3
Taiwan:									
Quantity	8,816	10,188	13,322	2,641	3,403	51.1	15.6	30.8	-80.2
Value	17,336	23,586	28,151	6,271	7,071	62.4	36.1	19.4	-77.7
Unit value	\$1,966.31	\$2,315.21	\$2,113.15	\$2,374.23	\$2,078.03	7.5	17.7	-8.7	-12.5
Ending inventory quantity	430	858	569	381	409	32.3	99.5	-33.7	7.3

Table continued on next page.

Table C-1--Continued

Stainless steel wire rod: Summary data concerning the U.S. market (imports based on Commerce data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(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	January-March		1994-96	1994-95	1995-96	Jan.-Mar. 1996-97
				1996	1997				
U.S. imports - Continued									
Subtotal:									
Quantity	46,234	50,408	58,361	14,562	15,563	26.2	9.0	15.8	6.9
Value	92,042	125,431	140,710	39,661	33,970	52.9	36.3	12.2	-14.3
Unit value	\$1,990.79	\$2,488.29	\$2,411.03	\$2,723.53	\$2,182.84	21.1	25.0	-3.1	-19.9
Ending inventory quantity	1,740	3,128	2,091	2,399	1,508	20.2	79.8	-33.1	-37.1
Other sources:									
Quantity	7,693	8,422	6,489	2,730	1,248	-15.6	9.5	-23.0	-54.3
Value	18,611	21,598	17,539	7,182	3,365	-5.8	16.1	-18.8	-53.1
Unit value	\$2,419.20	\$2,564.39	\$2,702.75	\$2,631.04	\$2,696.53	11.7	6.0	5.4	2.5
Ending inventory quantity	272	501	534	477	400	96.3	84.2	6.6	-16.1
All sources:									
Quantity	53,927	58,831	64,850	17,292	16,811	20.3	9.1	10.2	-2.8
Value	110,653	147,029	158,249	46,843	37,336	43.0	32.9	7.6	-20.3
Unit value	\$2,051.91	\$2,499.19	\$2,440.22	\$2,708.93	\$2,220.97	18.9	21.8	-2.4	-18.0
Ending inventory quantity	2,053	3,629	2,634	2,981	1,948	28.3	76.8	-27.4	-34.7
U.S. producers':									
Average capacity quantity	154,781	154,781	154,781	38,695	38,695	0.0	0.0	0.0	0.0
Production quantity	111,123	122,557	112,379	31,323	27,965	1.1	10.3	-8.3	-10.7
Capacity utilization (1)	71.8	79.2	72.6	80.9	72.3	0.8	7.4	-6.6	-8.7
U.S. shipments:									
Quantity	109,368	120,211	110,874	31,070	27,467	1.4	9.9	-7.8	-11.6
Value	274,507	352,762	315,454	93,470	72,270	14.9	28.5	-10.6	-22.7
Unit value	\$2,509.94	\$2,934.52	\$2,845.16	\$3,008.37	\$2,631.16	13.4	16.9	-3.0	-12.5
Export shipments:									
Quantity	***	***	1,415	415	670	***	***	***	61.4
Value	***	***	5,030	1,300	1,636	***	***	***	25.8
Unit value	\$***	\$***	\$3,554.77	\$3,132.53	\$2,441.79	***	***	***	-22.1
Ending inventory quantity	1,539	2,075	2,165	1,913	1,993	40.7	34.8	4.3	4.2
Inventories/total shipments (1)	1.4	1.7	1.9	1.5	1.8	0.5	0.3	0.2	0.3
Production workers	729	760	724	743	626	-0.7	4.3	-4.7	-15.7
Hours worked (1,000s)	1,575	1,700	1,617	428	345	2.7	7.9	-4.9	-19.4
Wages paid (\$1,000s)	31,989	36,572	36,641	9,752	8,123	14.5	14.3	0.2	-16.7
Hourly wages	\$20.31	\$21.51	\$22.66	\$22.79	\$23.54	11.6	5.9	5.3	3.3
Productivity (pounds per hour)	70.6	72.1	69.5	73.2	81.1	-1.5	2.2	-3.6	10.8
Unit labor costs	\$287.87	\$298.41	\$326.05	\$311.34	\$290.47	13.3	3.7	9.3	-6.7
Net sales:									
Quantity	110,852	122,021	112,289	31,485	28,137	1.3	10.1	-8.0	-10.6
Value	277,391	357,388	320,484	94,770	73,906	15.5	28.8	-10.3	-22.0
Unit value	\$2,502.35	\$2,928.91	\$2,854.10	\$3,010.00	\$2,626.65	14.1	17.0	-2.6	-12.7
Cost of goods sold (COGS)	252,448	304,436	284,564	83,910	71,194	12.7	20.6	-6.5	-15.2
Gross profit or (loss)	24,943	52,952	35,920	10,860	2,712	44.0	112.3	-32.2	-75.0
SG&A expenses	29,463	30,846	29,778	7,407	6,973	1.1	4.7	-3.5	-5.9
Operating income or (loss)	(4,520)	22,106	6,142	3,453	(4,261)	(2)	(2)	-72.2	(2)
Capital expenditures	19,313	15,085	40,132	4,882	10,198	107.8	-21.9	166.0	108.9
Unit COGS	\$2,277.34	\$2,494.95	\$2,534.21	\$2,665.08	\$2,530.26	11.3	9.6	1.6	-5.1
Unit SG&A expenses	\$265.79	\$252.79	\$265.19	\$235.25	\$247.82	-0.2	-4.9	4.9	5.3
Unit operating income or (loss)	(\$40.78)	\$181.17	\$54.70	\$109.67	(\$151.44)	(2)	(2)	-69.8	(2)
COGS/sales (1)	91.0	85.2	88.8	88.5	96.3	-2.2	-5.8	3.6	7.8
Operating income or (loss)/ sales (1)	-1.6	6.2	1.9	3.6	-5.8	3.5	7.8	-4.3	-9.4

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

(2) Undefined.

Note: Financial data are reported on a calendar year basis.

Source: Compiled from Commerce data and data submitted in response to Commission questionnaires.

Table C-2

Stainless steel wire rod: Summary data concerning the U.S. market (imports based on questionnaire data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	(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)					Period changes			
	Reported data								Jan.-Mar.
	1994	1995	1996	January-March		1994-96	1994-95	1995-96	1996-97
			1996	1997					
U.S. consumption quantity:									
Amount	152,863	167,639	168,040	46,680	44,099	9.9	9.7	0.2	-5.5
Producers' share (1)	71.5	71.7	66.0	66.6	62.3	-5.6	0.2	-5.7	-4.3
Importers' share (1):									
Germany	***	***	***	***	***	***	***	***	***
Italy	4.7	5.3	5.7	7.7	4.7	1.0	0.6	0.4	-3.0
Japan	3.6	3.0	6.2	4.6	7.3	2.6	-0.7	3.3	2.7
Korea	4.8	6.4	6.0	5.1	5.5	1.2	1.6	-0.4	0.4
Spain	***	***	***	***	***	***	***	***	***
Sweden	2.6	2.7	3.4	2.5	3.6	0.8	0.1	0.6	1.1
Taiwan	4.6	4.7	7.3	6.0	8.7	2.6	0.0	2.6	2.7
Subtotal	23.5	25.0	31.0	29.4	34.2	7.5	1.5	6.0	4.8
Other sources	4.9	3.3	3.0	4.0	3.5	-1.9	-1.6	-0.3	-0.5
Total imports	28.5	28.3	34.0	33.4	37.7	5.6	-0.2	5.7	4.3
U.S. consumption value:									
Amount	369,979	474,604	456,822	135,731	108,661	23.5	28.3	-3.7	-19.9
Producers' share (1)	74.2	74.3	69.1	68.9	66.5	-5.1	0.1	-5.3	-2.4
Importers' share (1):									
Germany	***	***	***	***	***	***	***	***	***
Italy	3.7	4.2	5.2	7.0	4.2	1.4	0.5	1.0	-2.8
Japan	3.8	3.0	5.8	4.5	6.6	2.1	-0.8	2.9	2.1
Korea	3.7	5.2	4.8	4.3	4.4	1.1	1.6	-0.4	0.1
Spain	***	***	***	***	***	***	***	***	***
Sweden	2.6	2.6	3.3	2.4	3.6	0.7	0.1	0.7	1.2
Taiwan	3.9	4.4	6.1	5.3	7.0	2.2	0.5	1.7	1.7
Subtotal	20.3	22.0	27.4	26.6	29.3	7.1	1.6	5.5	2.7
Other sources	5.5	3.7	3.5	4.5	4.2	-2.0	-1.8	-0.2	-0.3
Total imports	25.8	25.7	30.9	31.1	33.5	5.1	-0.1	5.3	2.4
U.S. shipments of imports:									
Germany:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Italy:									
Quantity	7,170	8,913	9,541	3,607	2,073	33.1	24.3	7.1	-42.5
Value	13,872	20,109	23,739	9,500	4,588	71.1	45.0	18.0	-51.7
Unit value	\$1,934.82	\$2,256.25	\$2,488.05	\$2,633.61	\$2,213.75	28.6	16.6	10.3	-15.9
Ending inventory quantity	741	1,505	687	1,164	454	-7.3	103.1	-54.4	-61.0
Japan:									
Quantity	5,531	4,959	10,443	2,165	3,227	88.8	-10.3	110.6	49.1
Value	13,950	14,086	26,661	6,114	7,128	91.1	1.0	89.3	16.6
Unit value	\$2,522.25	\$2,840.22	\$2,553.00	\$2,824.41	\$2,208.62	1.2	12.6	-10.1	-21.8
Ending inventory quantity	306	389	332	482	304	8.5	27.1	-14.7	-36.9
Korea:									
Quantity	7,303	10,729	10,064	2,379	2,426	37.8	46.9	-6.2	2.0
Value	13,515	24,894	21,929	5,841	4,749	62.3	84.2	-11.9	-18.7
Unit value	\$1,850.55	\$2,320.32	\$2,178.94	\$2,455.26	\$1,957.46	17.7	25.4	-6.1	-20.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Spain:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Sweden:									
Quantity	3,973	4,586	5,637	1,151	1,585	41.9	15.4	22.9	37.8
Value	9,528	12,551	15,064	3,318	3,922	58.1	31.7	20.0	18.2
Unit value	\$2,397.88	\$2,737.11	\$2,672.34	\$2,883.96	\$2,474.45	11.4	14.1	-2.4	-14.2
Ending inventory quantity	263	376	503	372	341	91.3	43.0	33.8	-8.3
Taiwan:									
Quantity	7,090	7,815	12,189	2,803	3,826	71.9	10.2	56.0	36.5
Value	14,255	20,648	27,846	7,158	7,610	95.3	44.8	34.9	6.3
Unit value	\$2,010.77	\$2,642.01	\$2,284.60	\$2,554.09	\$1,989.40	13.6	31.4	-13.5	-22.1
Ending inventory quantity	430	858	569	381	409	32.3	99.5	-33.7	7.3

Table continued on next page.

Table C-2—Continued

Stainless steel wire rod: Summary data concerning the U.S. market (imports based on questionnaire data), 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(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	January-March		1994-96	1994-95	1995-96	Jan.-Mar. 1996-97
				1996	1997				
Subtotal:									
Quantity	35,963	41,880	52,122	13,740	15,086	44.9	16.5	24.5	9.8
Value	75,149	104,187	125,241	36,136	31,832	66.7	38.6	20.2	-11.9
Unit value	\$2,089.62	\$2,487.74	\$2,402.85	\$2,629.90	\$2,110.01	15.0	19.1	-3.4	-19.8
Ending inventory quantity	1,740	3,128	2,091	2,399	1,508	20.2	79.8	-33.1	-37.1
Other sources:									
Quantity	7,532	5,548	5,044	1,870	1,546	-33.0	-26.3	-9.1	-17.3
Value	20,323	17,655	16,127	6,125	4,559	-20.6	-13.1	-8.7	-25.6
Unit value	\$2,698.22	\$3,182.17	\$3,197.26	\$3,275.93	\$2,948.90	18.5	17.9	0.5	-10.0
Ending inventory quantity	272	501	534	477	400	96.3	84.2	6.6	-16.1
All sources:									
Quantity	43,495	47,428	57,166	15,610	16,632	31.4	9.0	20.5	6.5
Value	95,472	121,842	141,368	42,261	36,391	48.1	27.6	16.0	-13.9
Unit value	\$2,195.01	\$2,568.98	\$2,472.94	\$2,707.28	\$2,187.98	12.7	17.0	-3.7	-19.2
Ending inventory quantity	2,053	3,629	2,634	2,981	1,948	28.3	76.8	-27.4	-34.7
U.S. producers:									
Average capacity quantity	154,781	154,781	154,781	38,695	38,695	0.0	0.0	0.0	0.0
Production quantity	111,123	122,557	112,379	31,323	27,965	1.1	10.3	-8.3	-10.7
Capacity utilization (1)	71.8	79.2	72.6	80.9	72.3	0.8	7.4	-6.6	-8.7
U.S. shipments:									
Quantity	109,368	120,211	110,874	31,070	27,467	1.4	9.9	-7.8	-11.6
Value	274,507	352,762	315,454	93,470	72,270	14.9	28.5	-10.6	-22.7
Unit value	\$2,509.94	\$2,934.52	\$2,845.16	\$3,008.37	\$2,631.16	13.4	16.9	-3.0	-12.5
Export shipments:									
Quantity	***	***	1,415	415	670	***	***	***	61.4
Value	***	***	5,030	1,300	1,636	***	***	***	25.8
Unit value	***	***	\$3,554.77	\$3,132.53	\$2,441.79	***	***	***	-22.1
Ending inventory quantity	1,539	2,075	2,165	1,913	1,993	40.7	34.8	4.3	4.2
Inventories/total shipments (1) ..	1.4	1.7	1.9	1.5	1.8	0.5	0.3	0.2	0.3
Production workers	729	760	724	743	626	-0.7	4.3	-4.7	-15.7
Hours worked (1,000s)	1,575	1,700	1,617	428	345	2.7	7.9	-4.9	-19.4
Wages paid (\$1,000s)	31,989	36,572	36,641	9,752	8,123	14.5	14.3	0.2	-16.7
Hourly wages	\$20.31	\$21.51	\$22.66	\$22.79	\$23.54	11.6	5.9	5.3	3.3
Productivity (pounds per hour) ..	70.6	72.1	69.5	73.2	81.1	-1.5	2.2	-3.6	10.8
Unit labor costs	\$287.87	\$298.41	\$326.05	\$311.34	\$290.47	13.3	3.7	9.3	-6.7
Net sales:									
Quantity	110,852	122,021	112,289	31,485	28,137	1.3	10.1	-8.0	-10.6
Value	277,391	357,388	320,484	94,770	73,906	15.5	28.8	-10.3	-22.0
Unit value	\$2,502.55	\$2,928.91	\$2,854.10	\$3,010.00	\$2,626.65	14.1	17.0	-2.6	-12.7
Cost of goods sold (COGS)	252,448	304,436	284,564	83,910	71,194	12.7	20.6	-6.5	-15.2
Gross profit or (loss)	24,943	\$2,952	35,920	10,860	2,712	44.0	112.3	-32.2	-75.0
SG&A expenses	29,463	30,846	29,778	7,407	6,973	1.1	4.7	-3.5	-5.9
Operating income or (loss)	(4,520)	22,106	6,142	3,453	(4,261)	(2)	(2)	-72.2	(2)
Capital expenditures	19,313	15,085	40,132	4,882	10,198	107.8	-21.9	166.0	108.9
Unit COGS	\$2,277.34	\$2,494.95	\$2,534.21	\$2,665.08	\$2,530.26	11.3	9.6	1.6	-5.1
Unit SG&A expenses	\$265.79	\$252.79	\$265.19	\$235.25	\$247.82	-0.2	-4.9	4.9	5.3
Unit operating income or (loss) ..	(\$40.78)	\$181.17	554.70	\$109.67	(\$151.44)	(2)	(2)	-69.8	(2)
COGS/sales (1)	91.0	85.2	88.8	88.5	96.3	-2.2	-5.8	3.6	7.8
Operating income or (loss)/ sales (1)	-1.6	6.2	1.9	3.6	-5.8	3.5	7.8	-4.3	-9.4

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

(2) Undefined.

Note: Financial data are reported on a calendar year basis.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D

**DATA ON IMPORTS OF STAINLESS STEEL WIRE ROD
AS REPORTED IN RESPONSE TO COMMISSION QUESTIONNAIRES**

Table D-1

Stainless steel wire rod: U.S. imports, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	1994	1995	1996	Jan.-Mar.--	
				1996	1997
<i>Quantity (short tons)</i>					
Germany	***	***	***	***	***
Italy	7,667	9,677	8,723	3,266	1,840
Japan	5,517	5,042	10,386	2,258	3,199
Korea	7,339	10,693	10,064	2,470	2,426
Spain	***	***	***	***	***
Sweden	3,956	4,699	5,764	1,147	1,423
Taiwan	7,485	8,243	11,920	2,326	3,666
Subtotal	36,865	43,235	51,114	13,117	14,535
Other sources	7,288	5,830	5,113	1,849	1,421
Total	44,153	49,065	56,227	14,966	15,956
<i>Value (1,000 dollars)</i>					
Germany	***	***	***	***	***
Italy	13,781	21,671	20,613	8,259	3,915
Japan	13,244	13,801	23,068	5,885	6,331
Korea	13,314	24,275	21,202	5,909	4,488
Spain	***	***	***	***	***
Sweden	9,278	12,558	14,967	3,186	3,358
Taiwan	14,151	19,618	25,336	5,612	7,158
Subtotal	73,673	103,649	115,135	33,050	29,075
Other sources	17,693	16,631	15,240	5,784	3,843
Total	91,366	120,280	130,375	38,834	32,918
<i>Unit value (per short ton)</i>					
Germany	\$***	\$***	\$***	\$***	\$***
Italy	1,798	2,240	2,363	2,529	2,128
Japan	2,401	2,737	2,221	2,607	1,979
Korea	1,814	2,270	2,107	2,392	1,850
Spain	***	***	***	***	***
Sweden	2,345	2,673	2,597	2,779	2,360
Taiwan	1,891	2,380	2,126	2,413	1,953
Average	1,998	2,397	2,252	2,520	2,000
Other sources	2,428	2,853	2,981	3,129	2,704
Average, all sources	2,069	2,451	2,319	2,595	2,063

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

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX E

**EFFECTS OF IMPORTS ON PRODUCERS'
EXISTING DEVELOPMENT AND PRODUCTION
EFFORTS, GROWTH, INVESTMENT, AND
ABILITY TO RAISE CAPITAL**

Responses of U.S. producers to the following questions:

1. Since January 1, 1994, has your firm experienced any actual negative effects on its return on investment or its employment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of investments as a result of imports of stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and/or Taiwan?

Al Tech--***

Carpenter--***

Republic--***

Talley--***

2. Does your firm anticipate any negative impact of imports of stainless steel wire rod from Germany, Italy, Japan, Korea, Spain, Sweden, and/or Taiwan?

Al Tech--***

Carpenter--***

Republic--***

Talley--***

