UNITED STATES TARIFF COMMISSION
Washington, D.C.

[AA1921-28]

TC Publication 94 June 19, 1963

HOT-ROLLED CARBON STEEL WIRE RODS FROM LUXEMBOURG

Determination of No Injury or Likelihood Thereof

On March 21, 1963, the Tariff Commission received advice from the Treasury Department that "hot-rolled carbon steel wire rods from Luxembourg are being, or are likely to be, sold in the United States at less than fair value as that term is used in the Antidumping Act." Accordingly, the Commission on the same date, instituted an investigation under section 201(a) of the Antidumping Act, 1921, as amended, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Public notice of the institution of the investigation and of a public hearing to be held in connection therewith was published in the Federal Register (28 F.R. 3003). The hearing was held on May 9, 1963.

In arriving at a determination in this case, due consideration was given by the Commission to all written submissions from interested parties, all testimony adduced at the hearing, and all information obtained by the Commission's staff.

On the basis of the investigation, the Commission has unanimously 1/ determined that an industry in the United States is not being, and is not likely to be injured, or prevented from being established, by reason of the importation of hot-rolled carbon steel wire rods from Luxembourg, sold at less than fair value, within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons 2/

The wire rods here considered are semifinished articles made by passing heated billets through a series of reducing rolls. Most wire rods range between 7/32 and 47/64 inches in diameter and are generally marketed in coils. The characteristics of wire

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1/ Commissioners Schreiber and Dowling did not participate in this determination because of absence.

2/ The basis for the Commission's decision in this case is essentially the same as in the case pertaining to imports of steel wire rods from Belgium, the report on which was also issued today. The Commission calls attention, however, to the following differences between the two cases: (1) Treasury's finding of sales below fair value in the Belgian case was based on the difference between prices for Belgian rods sold in Belgium and those exported to the United States, whereas Treasury's finding in the Luxembourg case was based on the difference between prices for Luxembourg rods sold in third markets and those sold in the United States; (2) Treasury found the "margin of difference" (see footnote p. 4) to be much smaller in the Luxembourg case than in the Belgian; and (3) all of the imports from Luxembourg sold at less than fair value consisted of Thomas quality rods, whereas more than 10 percent of the imports from Belgium sold at less than fair value consisted of open-hearth quality.

and wire products made from such rods depend not only upon the drawing and other operations employed but also upon the kind of steel from which the rods are made.

The bulk of the steel produced in the United States for use in making wire rods is made by the basic open-hearth process, but some is made by other processes. Steel for wire rods is produced by the same processes abroad, but some such steel, particularly in European countries, is made by the Thomas, or basic Bessemer, process. The Thomas process has never been used commercially in the United States.

Thomas wire rods are not as suitable as open-hearth wire rods for conversion into the finer gages of wire or for conversion into wire used for certain purposes. For this reason, as well as for others, prices of Thomas wire rods generally are significantly lower than those of open-hearth rods. It is estimated that in the period 1960-62 Thomas rods accounted for about 17 percent of steel wire rods imported from all countries, for all of those imported from Luxembourg, and for 35 to 45 percent of those imported from Belgium, Luxembourg, West Germany, and France combined. 1/

1/ The Treasury Department found sales of hot-rolled carbon steel wire rods at less than fair value not only from Luxembourg but also from Belgium (notice received Mar. 19, 1963), from West Germany (Apr. 2, 1963), and from France (May 29, 1963). The Treasury concluded its investigation of imports of wire rods from Japan on May 6, 1963, after having found no evidence of sales from that source at less than fair value. There are no other wire rod cases pending before the Treasury Department at this time.

"Average unit value" price comparisons between imported and domestic wire rods must be interpreted with caution because, inter alia, (1) imports from the aforementioned four countries consist mostly of industrial quality rods, principally of the open-hearth variety but in considerable proportion of Thomas rods; (2) imports from Japan consist solely of open-hearth rods, including industrial and extra-quality grades; and (3) domestic rods consist principally of open-hearth rods having a wide range of qualities.

In assessing the impact on domestic industry of imports of Luxembourg hot-rolled carbon steel wire rods sold at less than fair value (LTFV), the Commission took into account the following factors:

1. The ratio of the combined LTFV imports from Belgium, Luxembourg, West Germany, and France to total U.S. imports;

2. The ratio of aggregate imports from those four countries to imports from all countries (including imports not sold at less than fair value from such countries);

3. The share of total LTFV imports supplied by Luxembourg;

4. The "margin of difference" 1/ applicable to the LTFV imports from Luxembourg;

1/ The "margin of difference" is the difference between the foreign market value of an article and the price at which that article is sold for export to the United States. The margins found by the Treasury Department to exist in the present case are not public information.

5. The U.S. market prices of the rods imported from Luxembourg at less than fair value in relation to the corresponding prices of comparable rods imported from Japan and all other suppliers of imported wire rods entered at not less than fair value;

6. The comparative volume of sales of the above-mentioned rods from Luxembourg, from Japan, and from other foreign countries;

7. The existing and prospective capacity of rod mills in Luxembourg;

8. Domestic producers' prices of steel wire rods sold in the open market during the past several years;

9. The volume of aggregate sales of domestic steel wire rods during the same period; and

10. The trend in recent years of U.S. production of wire rods, including that used by captive mills.

The Commission recognizes that the large quantities of imported wire rods marketed in the United States at prices substantially below those for domestic rods have disturbed the integrated domestic producers of wire rods, wire, and wire products. Such disturbance cannot properly be taken into account under the Antidumping Act unless attributable in significant part to imports of wire rods sold at less than fair value. LTFV imports, however, have not been a significant factor in the situation. The significant factor has been the large volume of imports of wire rods from countries that have not been found to be selling at less than fair value, particularly those from Japan, which Treasury specifically found were not being sold at less than fair value.

Whether importers of rods from Japan or other countries, including Luxembourg, initiated price reductions at any particular time or place in the United States is immaterial in view of the dominant proportion of the total imports that were sold at fair value and at prices little, if any, different from those that were sold at less than fair value.

The Commission's finding that injury to the domestic industry could not be assigned to LTFV imports of wire rods from Luxembourg is applicable whether the domestic industry is conceived of in narrow terms or in broad terms. Therefore the Commission does not feel called upon to delineate the precise scope of the industry. The Commission deems it appropriate, however, to comment on certain concepts advanced by complainants 1/ concerning the scope of the domestic industry that they claim is being, or is likely to be, injured by the LTFV imports of rods from Luxembourg.

The complainants contend that this industry is coextensive with the production of wire rods for sale in the market, i.e., they exclude the portion used by the manufacturers in their own integrated mills. Further, they contend that each of four

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1/ Bethlehem Steel Co., Colorado Fuel and Iron Corp., Detroit Steel Corp., Armco Steel Corp., Jones and Laughlin Steel Corp., Republic Steel Corp. Youngstown Sheet and Tube Co. joined in the complaint on Nov. 14, 1962, and the Pittsburgh Steel Co., on Feb. 8, 1963. These eight concerns accounted for less than half of the domestic production and also less than half of the total shipments (open market sales) of hot-rolled carbon steel wire rods in 1962. At least nine other domestic producers, including the largest single domestic producer, did not join in the complaint.

geographic areas of the United States that they describe (the bounderies of which vary seasonally) constitute a separate "industry" within the meaning of the Antidumping Act.

With regard to "captive" production, the Commission observes that no domestic producer of wire rods is without facilities for using rods in a captive wire mill. Some 70 to 75 percent of the total domestic production of such rods is in fact used in captive mills, with the result that only 25 to 30 percent of the domestic production is sold to "arms-length" customers. Moreover, the determination of the quantity of rods to be produced and the proportion thereof to be used in captive mills, as well as the pricing policies relating to market sales, are almost fully within the managerial discretion of the domestic producers. The Commission consequently finds no merit in the complainants' contention that the output of an article by integrated producers does not embrace the totality of such output but merely the share sold in the market.

With regard to the "regional industry" claim, the Commission recognizes the propensity of users to buy from the lowest priced suppliers. It recognizes also that domestic producers of such articles as wire rods can generally supply nearby users at lower costs than can the more distant domestic producers. Nevertheless, virtually all such domestic producers, in greater or lesser degree, regularly penetrate one another's "natural" markets.

Moreover, both the buyers and sellers in each of such markets take vigilant note of the happenings in each of the other of such markets. Accordingly, in the case of wire rods, the Commission finds no merit in the "regional industry" concept.

The foregoing observations on industry concepts advanced by the complainants should not be construed as Commission subscription to those advanced by the importers.

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The Commission's determination and statement of reasons are published pursuant to section 201(c) of the Antidumping Act, 1921, as amended.

By the Commission:

Donn N. Bent

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Secretary