



# **Stainless Steel Flanges from China and India: Conditions of Competition**

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**USITC Hearing**

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# Conditions of Competition

- Interchangeability
- Supply
- Demand
- Raw Material Prices
- Lag Effect

# Interchangeability

- Highly substitutable
  - A majority of U.S. producers, importers and purchasers reported that stainless steel flanges are always or frequently interchangeable regardless of source
- Compete head-to-head
  - Sell to same distributors in all configurations
- Produced to the same specifications
- Compete on the basis of price
  - The majority of purchasers (15 of 25) reported that they “usually” purchase stainless steel flanges that are offered at the lowest price, with 8 reporting that they “sometimes” do

# Supply Conditions

- U.S. producers have ample available capacity
  - Low capacity utilization
- No U.S. producer reported being unable to supply product

# Demand Conditions

- Demand is inelastic
  - Stainless steel flanges represent a small cost share of end-use products
- Demand increased over the POI, yet subject imports gained market share at the expense of the domestic industry
- Confirmed lost sales of over 13 million pounds

## Nickel Is Not the Primary Driver of Domestic Industry Prices

- Supply and demand sets the price for stainless steel flanges, not nickel
- Nickel is small cost component of stainless steel flanges
- Nickel is not an indexed component in the sales price of stainless steel flanges

## Imports Affect Domestic Producers' Profitability and Pricing, with a Lag Effect

- There are significant inventories of subject merchandise in the U.S. market
  - Unlike carbon, stainless product can stay in inventory indefinitely
- Distributors engage in opportunistic buying
  - Holding low-priced subject imports

