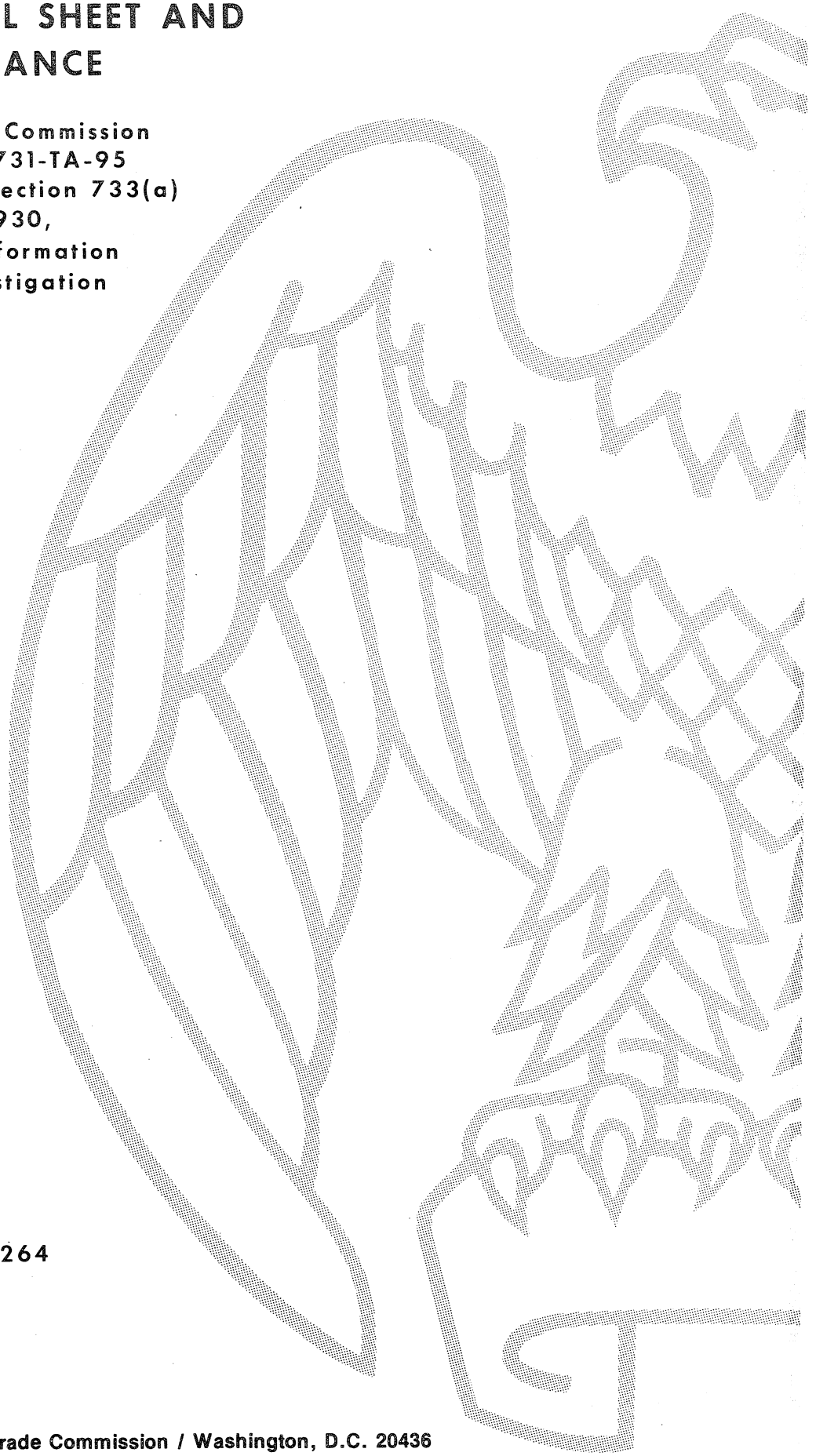
# STAINLESS STEEL SHEET AND STRIP FROM FRANCE

Determination of the Commission in Investigation No. 731-TA-95 (Preliminary) Under Section 733(a) of the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-95 (Preliminary)

STAINLESS STEEL SHEET AND STRIP FROM FRANCE

Determination

On the basis of the record 1/ developed in the subject investigation, 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 France of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated, which are alleged to be sold, or likely to be sold, in the United States at less than fair value (LTFV). 2/

Background

On May 10, 1982, petitions were filed with the Commission and the Department of Commerce by members of the Tool and Stainless Steel Industry Committee 3/ and the United Steelworkers of America alleging that imports of stainless steel sheet and strip from France are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. § 1673). Accordingly, effective May 10, 1982,

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

2/ Commissioners Frank and Haggart determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

3/ Member firms included Allegheny Ludlum Steel Corp., Armco Inc., Carpenter Technology Corp., Colt Industries, Inc. (Crucible Materials Group), Eastern Stainless Steel Co., Guterl Special Steel Corp., Jessop Steel Co., Jones & Laughlin Steel, Inc., Republic Steel Corp., Universal-Cyclops Specialty Steel Division, Cyclops Corp., and Washington Steel Corp.

the Commission instituted a preliminary antidumping investigation under section 733(a) of the Act (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise from France.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of May 19, 1982 (47 F.R. 21642). The conference was held in Washington, D.C., on June 7, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION

### Introduction

After considering the record in this investigation, we determine, pursuant to section 733(a) of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury 1/ by reason of imports of stainless steel sheet and strip from France which are allegedly being sold or are likely to be sold at less than fair value. Our determination is based primarily upon the deteriorating condition of the domestic industry, the growing market share of imports of sheet and strip from France, and the preliminary indications of underselling and lost sales caused by these imports. 2/

In the following analysis, we first define the domestic industry, then examine the state of the domestic industry in terms of the relevant economic indicators. Finally, we consider the causal relationship between the state of the domestic industry and the allegedly dumped imports from France.

### Domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers

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1/ Commissioners Frank and Haggart, having found material injury, do not reach the issue of threat of material injury.

2/ Commissioner Frank notes that the statute and legislative history require the Commission in its preliminary determinations in both antidumping and countervailing duty investigations to exercise only a low threshold test based upon the best information available to it at the time of such determination that the facts reasonably indicate that an industry in the United States could possibly be suffering injury, threat thereof or material retardation. H.R. Rep. No. 96-317, 96th Cong., 1st sess., 52 (1979).

whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the article under investigation. 4/

The products being imported are stainless steel 5/ sheet and strip. These are flat-rolled stainless steel products produced by passing slabs or sheet bars through a series of reducing rolls on continuous or hand mills. They are principally used in applications requiring resistance to oxidation and/or corrosion and are produced with a wide range of tolerances and finishes, depending on application. Stainless sheet and strip are generally considered to be finished products.

Stainless steel sheet and strip products imported from France and domestic products of the same grades and specifications are essentially identical in metallurgical composition, sizes, and quality. 6/ There are generally no stainless steel products that are imported from France that are not produced by domestic producers. Nor generally are there stainless steel

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3/ 19 U.S.C. 1677(4)(A).

4/ 19 U.S.C. 1677(10).

5/ Stainless steel is an alloy steel containing by weight less than 1 percent of carbon and over 11.5 percent of chromium. Although the alloy mix generally includes nickel, molybdenum, and manganese, which improve its performance under chemical or temperature stress, it is primarily the addition of chromium which makes the product corrosion resistant.

6/ Respondents argue that the quality of grades 430 and 434--which constitute the bulk of imports of sheet and strip from France--is better than that supplied by domestic producers. The best information available at this time is inconclusive on the issue of quality. See Report at A-38 (Purchaser 1) and Report at A-39 (Purchaser 5). However, there are indications that price, not quality, is the key factor in purchasing decisions. Report at A-37, Report at A-39 (Purchaser 2).

products that are imported from France that are not produced in sufficient quantity by domestic producers to satisfy consumer demand within the United States. 7/

Stainless steel sheet is often fabricated into food processing equipment, chemical fertilizer tanks, liquid gas storage tanks, hospital equipment, and military equipment. Stainless steel strip is used in automobiles, appliances, industrial equipment and military equipment. 8/

Sheet and strip 9/ are metallurgically identical, and both are under 0.1875 of an inch in thickness. The only difference between sheet and strip is width. Sheet is 24 inches or wider, whereas strip is less than 24 inches in width. 10/

Strip is often produced by "slitting," or slicing sheet at one of the last stages in the production process. Although certain producers manufacture both sheet and strip on the same mill equipment, 11/ other mills produce only strip. Many service center customers purchase sheet which they themselves slit into strip. Most of the petitioners produce both sheet and strip. 12/

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7/ The respondents allege that a U.S. purchaser has not been able to obtain a sufficient domestic supply of an alleged "modified" grade 434 product. We have obtained indications to the contrary. This issue will be further explored in any final investigation if appropriate.

8/ Staff Report at A-7.

9/ Hereinafter, the terms "sheet" or "strip" refer to stainless steel sheet or strip.

10/ This is the American Iron and Steel Institute (AISI) standard. The TSUSA defines sheet as having a minimum width over 12 inches, and strip as having a maximum width under 12 inches.

11/ The term "mill" refers to one piece of equipment or series of pieces of equipment that produce a certain product. Within one stainless steel plant, there may be several mills, each producing a different product or products.

12/ Report at A-10, Guterl Specialty Steel Corp. and Jessop Steel Co. produce sheet but not strip. Carpenter Technology Corp. produces strip but not sheet. Petition at 5-6.

Sheet and strip can be further differentiated. Both can be produced as hot-rolled or cold-rolled products. Hot-rolled sheet and strip are primarily intermediate products that are used to produce cold-rolled sheet and strip. Cold-rolled sheet or strip is hot-rolled sheet or strip that is subjected to the additional steps of pickling, high pressure rolling, and annealing to attain more uniform dimensions and a smoother surface.

Stainless steel sheet and strip are predominantly cold-rolled. 13/ Hot-rolled stainless steel sheet and strip as a finished product accounts for only approximately 5 percent of total domestic production of stainless steel sheet and strip and approximately 2 percent of imports from France. 14/ In addition, the information currently available to the Commission indicates that much of the hot-rolled product which is sold as a finished product is purchased for subsequent cold-rolling, 15/ and that the uses for hot-rolled and cold-rolled sheet and strip overlap. 16/

Based on the data presently available, no meaningful distinctions are evident between the characteristics and uses of the finished hot-rolled product and the cold-rolled product. 17/ Therefore, for the purposes of this

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13/ Report at A-7.

14/ Id.

15/ Petitioners' post conference brief at 2; Conference Transcript at 65. The hot-rolled product sold for this purpose is referred to in the industry as "reroller". Conference Transcript in inv. No. 731-TA-92 (West Germany) at 50.

16/ Conference Transcript in inv. No. 731-TA-92 (West Germany) at 50.

17/ In the carbon steel investigations, hot-rolled and cold-rolled sheet and strip were treated for the purposes of our preliminary determinations as two industries. (Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany, inv. Nos. 701-TA-86 through 144, 146, and 147 and 731-TA-53 through 86 (Preliminary) (USITC Publications 1221 and 1226) (February 1982). For the reasons mentioned above, in this stainless steel investigation such a differentiation does not appear to be appropriate.

preliminary determination, we determine that the like product is all stainless steel sheet and strip, whether hot-rolled or cold-rolled, and that the domestic industry is composed of the producers of stainless steel sheet and strip. 18/

Reasonable Indication of Material Injury

Section 733(a) of the Tariff Act of 1930 provides that the Commission shall make a determination as to whether there is a reasonable indication of material injury based on the best information available to it. Section 771(7) directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) the effect of imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products.

Condition of the domestic industry 19/

The domestic stainless steel sheet and strip industry is experiencing difficulties. The industry's production, shipments, capacity utilization, and employment have declined since 1979. Financial indicators for sheet and strip production also present a negative trend. Gross profits, operating profits, net profit before taxes, the ratio of operating profits to net sales, and cash flow all declined steadily--if not precipitously--between 1979 and 1981.

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18/ We emphasize that the definition of the domestic industry in this preliminary investigation is based on the information now available. Based on the record developed in any final investigation, a different definition of the domestic industry is not precluded.

19/ Our views regarding the condition of this industry are contained in the Commission's recent opinion, Stainless Steel Sheet and Strip from West Germany, 731-TA-92 (USITC Publication 1252) (June, 1982) at 10-11.

Volume of Imports 20/

As the condition of the domestic industry deteriorated and its share of the U.S. market declined during the period under investigation, the volume of imports of stainless steel sheet and strip from France rose, both in absolute and relative terms. In 1981, France was the third largest foreign supplier of stainless steel sheet and strip to the U.S. market. 21/ In the first quarter of 1982, it surpassed Japan to become the second largest foreign supplier after West Germany. 22/

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20/ Chairman Eckes and Commissioners Stern and Haggart have found a reasonable indication of material injury or threat of material injury on the basis of imports of sheet and strip from France alone. In the event that final investigations are conducted on this case and any other cases on stainless steel sheet and strip, they do not rule out cumulation if the record developed demonstrates that it is appropriate.

Commissioner Calhoun's views on cumulation are set forth in Certain Steel Products from Spain, inv. Nos. 701-TA-155 through 163 (Preliminary)(June, 1982) at 33-35.

Commissioner Frank believes that the factors and conditions of trade affecting the pertinent domestic industry would warrant cumulation of imports of stainless steel sheet and strip subject to this investigation with imports of stainless steel sheet and strip from West Germany subject to the recently concluded Commission's preliminary investigation No. 731-TA-92. However, in analyzing the data in the record developed in this investigation, he found a reasonable indication of material injury on the basis of imports of sheet and strip from France alone, and did not believe it necessary to cumulate at this time. In the event that final investigations are conducted in this case and any other cases for stainless steel sheet and strip, he does not preclude cumulation at that time of such imports if the record developed demonstrates that it is appropriate to do so. See his views on cumulation in the carbon steel investigations, Certain Steel Products from Belgium, Brazil, France, Italy Luxembourg, the Netherlands, Romania, the United Kingdom and West Germany, inv. Nos. 701-TA-86 through 144, 146 and 147 and 731-TA-53 through 86 (Preliminary)(USITC Publications 1221 and 1227)(February,1982) at 127-29.

The respective views of Commissioners Calhoun, Stern and Frank on the issue of cumulation of imports subject to an investigation under section 301 of the Trade Act of 1930 are set forth in Stainless Steel Sheet and Strip from West Germany, inv. no. 731-TA-92 (Pub. No. 1252) (June, 1982) at 9-10 and 7, note 17.

21/ Report at A-28.

22/ Id.

Imports from France declined slightly from 7,676 tons in 1979 to 6,187 tons in 1980, then more than doubled to 13,805 tons in 1981. 23/ Imports in January-March 1982 amounted to 6,194 tons as compared with 2,427 tons for the first quarter of 1981. 24/ The ratio of imports from France to apparent U.S. consumption also rose from 0.9 percent in 1979 and in 1980 to 1.8 percent in 1981, and 3.6 percent in the first quarter of 1982, as compared with 1.2 percent in the first quarter of 1981. 25/

Effect of Imports on Prices

Although the data base is limited, there are indications that imports from France have been underselling the domestic product. The Commission investigation revealed significant margins of underselling for two product specifications of imports from France during the period under investigation. The margins for one specification ranged from 16 to 26 percent. 26/ Also, contacts with purchasers indicate that the imported products undersell domestic products by 5 to 30 percent. 27/

There are also indications of sales lost by domestic producers to imports from France. It was confirmed that two sales totalling 550 tons of sheet or strip were lost to imports from France on the basis of price. 28/

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23/ Id. at A-27 (Table 15).
24/ Id.
25/ Id. at A-27 (Table 15).
26/ Id. at A-36. The exact margins of underselling on the second specification are confidential information.
27/ Id. at A-38 (Purchaser 1) and A-39 (Purchasers 2 and 4).
28/ Id. at A-38-39 (Purchasers 1 and 3).

Reasonable Indication of a Threat of Material Injury 29/

The issue of whether there is a reasonable indication of a threat of material injury turns on the "likelihood of a particular situation developing into actual material injury.' 30/ The threat must be real and the injury imminent, not a mere possibility based on supposition and conjecture. 31/ In examining threat of material injury, the Commission looks for, among other factors, demonstrable trends in the following areas: (1) the rate of increase of the allegedly dumped exports to the U.S. market; (2) importers' inventories; (3) capacity in the exporting country to generate exports; and (4) the likelihood that such exports will be directed to the U.S. market taking into account the availability of other export markets. 32/

The steadily increasing rate of imports from France, both in absolute terms and in terms of the ratio of imports from France to domestic consumption, has already been noted. This is seen even more clearly in an examination of quarterly import penetration data for 1981 and 1982. In nearly

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29/ See note 1 at 3.

30/ H.R. Rep. No. 96-317, 96th Cong., 1st Sess. 47 (1979).

31/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1298, 93d Cong., 2d Sess. 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

32/ Should this case return for a final investigation, we expect to obtain information concerning French capacity to generate exports and the likelihood that such exports will be directed to the United States. In particular, petitioners argue that the government of France has targeted the specialty steel sector as one from which greater export performance will be encouraged in the next few years. Petitioners further argue that an EC minimum price policy which was instituted in October, 1981, has stifled competition among FC producers within the EC, and has thereby provided a significant incentive to compete via price in non-EC markets such as the United States in order to capture greater market shares. Conference Transcript at 26-28. We do not have sufficient information to evaluate these claims at this time. However, we invite fuller discussion of these issues should this case return for a final investigation.

every quarter, import penetration by the alleged LTFV imports has increased. 33/

Importers' inventories of stainless steel sheet and strip imported from France in December 1981 were more than double those in December, 1980. 34/ In addition, inventories reported in March 1982 were significantly greater those reported in December 1981, and more than three times greater than those reported in March 1981. 35/

Conclusion

Therefore, on the basis of the best available information, we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury 36/ by reason of imports of stainless steel sheet and strip from France, which are allegedly being sold or are likely to be sold at less than fair value.

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33/ Report at A-28.
34/ Id. at A-22.
35/ Id.
36/ See note 1 at 3.

# INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On May 10, 1982, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by members of the Tool & Stainless Steel Industry Committee (TSSIC) 1/ and the United Steelworkers of America. The petition alleged that imports of stainless steel sheet and strip from France, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated (TSUSA), are being, or are likely to be, sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of such merchandise. Accordingly, effective May 10, 1982, the Commission instituted preliminary antidumping investigation No. 731-TA-95 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from France of stainless steel sheet and strip allegedly sold, or likely to be sold, at LTFV. The statute directs that the Commission make its determination within 45 days of receipt of the petition, or, in this case, by June 24, 1982.

Notice of the institution of the Commission's investigation and of the 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, D.C., and by publishing the notice in the Federal Register of May 19, 1982 (47 F.R. 21642). 2/ The public conference was held in Washington, D.C., on June 7, 1982, at which time all interested parties were given the opportunity to present information for consideration by the Commission. 3/ The Commission voted on this investigation on June 17, 1982.

## Other Commission Investigations

On April 26, 1982, the Commission received a petition filed by members of the Tool & Stainless Steel Industry Committee and the United Steelworkers of America alleging that stainless steel sheet and strip from West Germany is being, or is likely to be, sold in the United States at LTFV and that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of such merchandise. Accordingly, effective April 26, 1982, the Commission instituted preliminary antidumping

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1/ Petitioning firms included Allegheny Ludlum Steel Corp.; Armco, Inc.; Carpenter Technology Corp.; Colt Industries, Inc. (Crucible Materials Group); Eastern Stainless Steel Co.; Guterl Special Steel Corp.; Jessop Steel Co.; Jones & Laughlin Steel, Inc.; Republic Steel Corp.; Universal-Cyclops Specialty Steel Division, Cyclops Corp.; and Washington Steel Corp.

2/ A copy of the Commission's notice of investigation and conference is presented in app. A. The Department of Commerce's notice of initiation of its antidumping investigation is presented in app. B.

3/ A list of witnesses appearing at the conference is presented in app. C.

investigation No. 731-TA-92 (Preliminary). The Commission voted unanimously in the affirmative on June 2, 1982, and notified the Secretary of Commerce on June 10, 1982, that there is reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports of stainless steel sheet and strip from West Germany. The petitioners as well as the products are the same in the instant case involving imports from France (731-TA-95 (Preliminary)) as they were in the case involving imports from West Germany (731-TA-92 (Preliminary)).

The Commission has also conducted a prior antidumping investigation concerning stainless steel sheet from France, in which it made a negative determination, 1/ and a series of investigations under sections 201 and 203 of the Trade Act of 1974. 2/ On January 16, 1976, the Commission determined in investigation No. TA-201-5 that stainless steel sheet and strip (as well as stainless and alloy tool steel bars, wire rods, and plates) were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. Subsequent to the Commission's determination, the President determined that import relief should be provided, and on June 11, 1976, issued Proclamation No. 4445. The proclamation provided for import relief in the form of quantitative restrictions for a 3-year period on (1) stainless steel sheet and strip, (2) stainless steel plate, (3) stainless steel bar, (4) stainless steel wire rod, and (5) alloy tool steel. The relief was to be phased down during the 3-year period (i.e., the quotas were to be increased by 3 percent annually). The quotas were on a country-by-country basis with respect to the larger source countries. 3/

Prior to proclaiming such relief, the President sought to negotiate orderly marketing agreements with the leading supplying nations of stainless and alloy tool steel. Only Japan expressed a willingness to negotiate such an agreement. The quantitative restrictions proclaimed with respect to the imports from Japan reflected the terms of an agreement signed with the Government of Japan on June 11, 1976. 4/ The agreement provided for the limitation of imports from Japan for a 3-year period beginning June 14, 1976.

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1/ Stainless Steel Sheet From France, Determination of No Injury or the Likelihood Thereof in Investigation No. AA1921-126..., TC Publication 615, 1973.

2/ Stainless Steel and Alloy Tool Steel, Report to the President on Investigation No. TA-201-5, . . ., USITC Publication 756, January 1976; Stainless Steel and Alloy Tool Steel, Report to the President on Investigation No. TA-203-3, . . ., USITC Publication 838, October 1977; and Stainless Steel and Alloy Tool Steel, Report to the President on Investigation No. TA-203-5. . ., USITC Publication 968, April 1979.

3/ There were six basic country or source quota categories: (1) Japan; (2) the European Community; (3) Canada; (4) Sweden; (5) all other countries entitled to col. 1 rates of duty; and (6) all other countries.

4/ See Agreement on Speciality Steel Imports, June 11, 1976, United States-Japan, T.I.A.S. No. 8442.

On May 25, 1977, the Special Representative for Trade Negotiations, now the United States Trade Representative (USTR), requested advice from the Commission under section 203(i)(2) concerning the probable economic effect on the industry concerned if the relief provided by Proclamation No. 4445, as modified by Proclamations Nos. 4477 and 4509, were to be terminated or reduced by--

(1) excluding from the quantitative restrictions imposed thereby any of the steel covered by Tariff Schedules of the United States (TSUS) items 923.20, 923.21, 923.22, 923.23, and 923.26; 1/ or

(2) increasing the quantitative restrictions for the second and third restraint periods for any of the steel covered by the aforementioned five TSUS items.

The Commission instituted investigation No. TA-203-3, Stainless Steel and Alloy Tool Steel, on June 17, 1977. As a result of the investigation, Commissioners Moore and Bedell advised the President on October 14, 1977, that the termination or reduction of the relief could have a serious adverse economic effect. Chairman Minchew advised that chipper knife or bandsaw steel could be removed from the quota without an adverse economic impact and that the quotas on the remaining articles could be increased by 6.7 percent, but should not be further increased or terminated, and Commissioner Ablondi advised that the termination or reduction of the relief would have no substantial adverse impact. Following receipt of this advice, the President issued Proclamation No. 4559 on April 5, 1978, modifying the import relief so as to exclude the so-called chipper knife steel and bandsaw steel from the quota on alloy tool steel covered in TSUS appendix item 923.26. The quotas applicable to the remaining articles provided for under TSUS item 923.26 for the European Community (EC) and Sweden, the primary sources of such alloy tool steel, were reduced to take into account this change in quota coverage. This modification became effective April 8, 1978.

On December 11, 1978, following receipt of a petition on November 30, 1978, filed by the Tool & Stainless Steel Industry Committee and the United Steelworkers of America, AFL-CIO, the Commission instituted an investigation (TA-203-5) under sections 203(i)(2) and (i)(3) of the Trade Act of 1974 for the purpose of gathering information in order that it might advise the President of its judgment as to the probable economic effect on the domestic industry concerning the termination of import relief in effect with respect to the stainless steel and alloy tool steel provided for in TSUS items 923.20 through 923.26, inclusive, of the appendix to the TSUS. Import relief in effect with respect to such articles was scheduled to terminate at the close of June 13, 1979, unless extended by the President.

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1/ These items were contained in the Appendix to the TSUS and represent temporary modifications proclaimed to implement import relief. The affected schedule 6 TSUS items were 608.52, 608.76, 608.78, 608.85, 608.88, 609.06, 609.07, and 609.08.

On April 24, 1979, Commissioners Alberger and Stern advised the President that the termination of the quantitative restrictions imposed on imports of stainless and alloy tool steel would have little if any adverse impact on the domestic industry producing such articles. Accordingly, Commissioners Alberger and Stern were of the view that there was no need to extend import relief. Commissioners Moore and Bedell advised the President that termination of the quantitative import restrictions would have a serious adverse economic effect on the domestic industry producing such articles. Commissioners Moore and Bedell were of the view that import relief should be extended in order that the domestic industry might more fully adjust to import competition. Commissioner Parker did not participate in the investigation.

On June 12, 1979, the President issued Proclamation 4665 (44 F.R. 34089) which extended the temporary quantitative limitations imposed by Proclamation 4445, as amended, for the period from June 14, 1979, through February 13, 1980. Such import relief was terminated on February 14, 1980.

## Other Investigations Concerning the Subject Products

On December 2, 1981, the Tool & Stainless Steel Industry Committee and the United Steelworkers of America filed a petition with the USTR pursuant to section 301 of the Trade Act of 1974, as amended, 19 U.S.C. § 2411 (Supp. III, 1979). The petition was filed on behalf of the specialty steel industry of the United States and challenged the bestowal of unreasonable and discriminatory subsidies by the Governments of Austria, Belgium, Brazil, France, Italy, Sweden, and the United Kingdom. The petition alleged that the dramatic increase in the import penetration of specialty steel products (stainless steel sheet and strip, plate, bar, wire rod, and alloy tool steel) from these countries is the direct result of these subsidies, and that these imports burdened or restricted U.S. commerce and caused or threatened to cause injury to the U.S. domestic industry. The petition further alleged that the use of these subsidies violated the obligations of these nations arising under the provisions of the General Agreement on Tariffs and Trade (GATT) and the Agreement on Interpretation and Application of articles IV, XVI and XXIII of the GATT (the "Subsidies Code").

On February 26, 1982, the USTR inititated investigations concerning the allegations made with respect to five of the seven countries named in the petition: Austria (301-27), France (301-28), Italy (301-29), Sweden (301-30), and the United Kingdom (301-31). 1/ At the same time, the USTR decided not to initiate investigations concerning the petitioners' allegations with respect to Brazil and Belgium.

Upon initiating these investigations, the USTR also began the process of consultation required by Section 303 of the Act 2/ and Article 12 of the Subsidies Code. If these consultations fail to result in a satisfactory

1/ 47 F.R. 10107.
2/ 19 U.S.C. § 2413.

resolution of the case, USTR may invoke the conciliation and formal dispute settlement provisions (Articles 17 and 18) of the Code. 1/ The Code provides certain time constraints for each of these steps in the process. At the same time, pursuant to Section 304 of the Act, the USTR is to recommend to the President what action, if any, he should take in this case by October 26, 1982. 2/

## Nature and Extent of Alleged Sales at LTFV

The petition alleges that stainless steel sheet and strip products imported from France are being sold in the United States at LTFV. The alleged dumping margin ranges from 5 to 39 percent on cold-rolled sheet, 1 to 42 percent on cold-rolled strip, and 13 to 18 percent on hot-rolled sheet. 3/

The petition submits an alleged margin for hot-rolled sheet only for February 1982. Petitioner states that there were no imports of this product from France between November 1981 and January 1982, and that there was no apparent margin for the month of October 1981.

Petitioners advise that they have been able to obtain specific information on actual sales and offers for sale in the U.S. market of certain products. The alleged LTFV margins on such sales range from 15.4 to 18.2 percent for T304 sheet coil; 24.1 to 32.8 percent for T316 sheet coil; 23.6 to 30.6 percent for T316L sheet coil; 1.5 to 12.9 percent for T430 BA sheet coil; and 0.1 to 19.1 percent for T430 2B sheet coil.

The petition further alleges that home-market sales of French stainless steel sheet and strip have been at less than the cost of production and thus, although substantial LTFV margins have been shown by petitioners using French prices, these actual home-market prices do not provide an adequate basis for foreign market value determination. The petition states that European steel producers' costs have risen much more rapidly than their prices since 1980, that the European specialty steel industry has been particularily hard hit by increased energy costs, and that a number of French producers have reported operating their flat-rolled specialty steel operations at a loss.

The petition notes that the Commission of the European Communities stated that the average gap between prices and costs in the specialty steel industry was 10 percent following the price rises in October 1981, which were designed to allow producers to recover more of their costs of production, and that price increases proposed for January 1, 1982, should eliminate the difference. 4/ The petition states that the French producers raised their prices on the average from 9 to 9.5 percent on January 1, 1982.

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1/ 19 U.S.C. § 2413.

2/ 19 U.S.C. § 2414.

3/ The petition asserts that conservative pricing assumptions were taken to insure comparability, and if more liberal assumptions had been taken, the margin would have been significantly higher.

4/ The petition cites as the source for this statement a Communication from the Commission concerning steel price policy, 24 O.J. Eur. Comm. (No. (294)3 (1981)).

Therefore, the petition alleges that all French domestic sales prior to January 1982 must have been below the cost of production. Further, the petition states that to the extent that cost increases for 1982 will not be covered by prices until the scheduled July price increases, sales of French steel products since January have been offered at prices below the cost of production.

Finally, the petition claims that French home-market prices, because of heavy Government subsidies, do not reflect costs of production based on free market considerations, thus further diminishing their value as a basis for determining LTFV margins. The petition states that substantial data on this point have been submitted to the Office of the United States Trade Representative in the case filed under section 301 of the Trade Act of 1974 by the specialty steel industry. 1/

## The Product

### Description and uses

Stainless steel 2/ sheet and strip are flat-rolled steel products produced by passing slabs or sheet bars through a series of reducing rolls on continuous or hand mills. They are principally used in applications requiring resistance to oxidation and/or corrosion and are produced with a wide range of physical and mechanical properties depending on application. Stainless steel sheet and strip are generally considered to be finished products and are distinguished from other flat-rolled products by their dimensions. The TSUSA defines sheets as "flat-rolled products whether or not corrugated or crimped, in coils or cut to length, under 0.1875 inch in thickness and over 12 inches in width," and strip as "a flat-rolled product whether or not corrugated or crimped, in coils or cut to length, under 0.1875 inch in thickness, and if cold-rolled, over 0.50 inch but not over 12 inches in width, or if not cold-rolled, not over 12 inches in width" (headnotes 3(g) and (h), subpt. B, pt. 2, schedule 6).

Stainless steel sheet and strip are primarily produced on continuous mills. In this production process, slabs are conditioned and rolled into coil form on a continuous hot-strip mill. The coil then is annealed, either through the continuous or batch anneal process, descaled, and cold reduced to a specified thickness. The product is subsequently further annealed, descaled, and may be cut to length. To obtain improved surface and mechanical properties and lighter gages, the material is cold-rolled. Cut lengths then can be flattened by roller leveling or stretcher leveling.

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1/ Petition seeking relief under sec. 301 of the Trade Act of 1974, on behalf of the members of the Tool & Stainless Steel Industry Committee and the United Steelworkers of America (Dec. 2, 1981). USTR investigation No. 301-28.

2/ Stainless steel is any alloy steel which contains by weight less than 1 percent of carbon and over 11.5 percent of chromium (headnote 2(h)(iv), subpt. B, pt. 2, schedule 6, of the TSUSA). It is generally manufactured from scrap metal and primarily produced by the electric-furnace process.

Stainless steel sheet and strip produced on hand mills is rolled from sheet bars. This process, although having been almost totally replaced by the continuous method, is important in producing certain grades of stainless steel that are difficult to roll on the continuous mill, and certain widths exceeding the limits of the continuous rolls. In this process, the product is rolled in lengths, annealed, and descaled. It may then be subjected to further operations, including cold-reduction, annealing, descaling, and light cold-rolling.

Although quality differences are sometimes alleged between imported and domestically produced stainless steel sheet and strip, they are fungible products when produced in the same grades and to the same specifications. Unlike carbon steel sheet and strip, stainless steel sheet and strip are essentially shipped as cold-rolled products. In 1981, hot-rolled sheet and strip accounted for only 2 percent of imports of stainless steel sheet and strip from France and only 5 percent of U.S. producers' shipments of such sheet and strip.

Stainless steel sheet is often fabricated into food-processing equipment, chemical fertilizer tanks, liquid gas storage tanks, hospital equipment, and military equipment. Stainless steel strip is used in automobiles, appliances, industrial equipment, and various defense applications.

U.S. tariff treatment

Imports of the stainless steel sheet and strip subject to this investigation are classified for tariff purposes under items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated (TSUSA). The current column 1 (most-favored-nation) rates of duty 1/ and column 2 duty rates 2/ are shown in table 1.

The rates of duty for imports of stainless steel sheet and strip, which are currently dutiable at column 1 rates ranging from 9.5 percent to 11.5 percent ad valorem plus additional duties on alloy content, 3/ have remained virtually unchanged during 1977-82. Imports of these items are not eligible for duty-free treatment under the Generalized System of Preferences (GSP), 4/

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1/ The col. 1 rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

2/ The rates of duty in col. 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ TSUSA, pt. 2, subpt. B, schedule 6, headnote 4.

4/ The GSP, under title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is expected to remain in effect until January 1985.

Table 1.--Stainless steel sheet and strip: U.S. rates of duty, by TSUS or TSUSA items, as of Jan. 1, 1982

| TSUSA item No. | | Article | Rates of duty 1/ | |
|---|---|---|---|---|
| 1979 | 1980-82 | | Col. 1 | Col. 2 |
| 608.8540 | 607.7610 | Stainless steel sheets, not pickled and not cold-rolled, not coated or plated with metal, not clad. | 9.5% ad val. + additional duties. | 28% ad val. + additional duties. |
| 608.8841 | 607.9010 | Stainless steel sheets, pickled but not cold-rolled, not coated or plated with metal, not clad. | 10% ad val. + additional duties. | 0.2¢ per lb + 28% ad val. + additional duties. |
| 608.8843 | 607.9020 | Stainless steel sheets, cold-rolled, not coated or plated with metal, not clad. | 10% ad val. + additional duties. | 0.2¢ per lb + 28% ad val. + additional duties. |
| 609.0720 | 608.4300 | Stainless steel strip, over 0.01 but not over 0.05 inch in thickness. | 10.5% ad val. + additional duties. | 33% ad val. + additional duties. |
| 609.0820 | 608.5700 | Stainless steel strip, over 0.05 inch in thickness. | 11.5% ad val. + additional duties. | 33% ad val. + additional duties. |

1/ Stainless steel sheet and strip are also subject to additional cumulative duties on alloy contents as follows:

| TSUS item No. | | Alloy content | Additional duties | |
|---|---|---|---|---|
| 1979 | 1980-82 | | Col. 1 | Col. 2 |
| 607.01 | 606.00 | Chromium content over 0.2 percent by weight. | 0.1% ad val. | 1% ad val. |
| 607.02 | 606.02 | Molybdenum content over 0.1 percent by weight. | 0.3% ad val. | 1% ad val. |
| 607.03 | 606.04 | Tungsten content over 0.3 percent by weight. | 0.4% ad val. | 1% ad val. |
| 607.04 | 606.06 | Vanadium content over 0.1 percent by weight. | 0.2% ad val. | 1% ad val. |

nor are least developed developing countries (LDDC's) granted preferential rates of duty. 1/

## Channels of distribution

In the U.S. market, sales of stainless steel sheet and strip by domestic producers and importers are made directly to end users or to steel service centers/distributors, which, in turn, sell to end users. Service centers/distributors were the single largest purchasers of domestically produced stainless steel sheet and strip in 1981, accounting for 44 percent of the total. The largest single end-user markets were the automotive and the appliances, utensils, and cutlery industries, which accounted for 17 percent and 7 percent, respectively, of domestic shipments in 1981. The major markets for stainless steel sheet and strip in 1981 are shown in table 2. These were identified on the basis of sales by producers to end users.

Table 2.--Stainless steel sheet and strip: Major U.S. consumer markets, 1981

(In tons)

| Market | Sheet | | Strip | | Total |
|---|---|---|---|---|---|
| | Hot-rolled | Cold-rolled | Hot-rolled | Cold-rolled | |
| Service centers/ distributors | 10,227 | 267,198 | 2,515 | 52,609 | 332,549 |
| Automotive | 2,341 | 85,802 | 77 | 42,163 | 130,383 |
| Construction | 1,169 | 23,378 | - | 10,121 | 34,668 |
| Machinery, industrial equipment, and tools | 1,027 | 20,017 | 23 | 9,481 | 30,548 |
| Appliances, utensils, and cutlery | 97 | 15,759 | - | 37,125 | 52,981 |
| Exports | 1,793 | 17,400 | 1,206 | 10,262 | 30,661 |
| Other | 12,537 | 75,452 | 5,377 | 53,040 | 146,406 |
| Total | 29,191 | 505,006 | 9,198 | 214,801 | 758,196 |

Source: Compiled from data of the American Iron & Steel Institute.

## U.S. Producers

Eleven firms are known to produce stainless steel sheet and strip in the United States. Of this total, eight produce both sheet and strip, two produce just sheet, and one produces only strip. The following tabulation, which was

1/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are products of least developed developing countries, enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for an item, the rate of duty provided in the column numbered 1 applies.

compiled from data obtained in response to the Commission's questionnaires, shows the principal domestic producers and each firm's share of total U.S. producers' shipments of stainless steel sheet and strip (as reported by the American Iron & Steel Institute (AISI)) in 1981:

| Firm | Market share (percent) |
|---|---|
| Allegheny Ludlum | *** |
| Armco | *** |
| Crucible | *** |
| Cyclops | *** |
| Eastern Stainless | *** |
| Jones & Laughlin | *** |
| Republic | *** |
| Washington | *** |

As indicated, domestic production of stainless steel sheet and strip is highly concentrated, with the four largest producers, * * *, together accounting for 63 percent of total producers' shipments in 1981. Domestic facilities are primarily concentrated in Pennsylvania, Ohio, and Maryland.

Allegheny Ludlum 1/ and Jones & Laughlin are among the largest domestic producers of stainless steel sheet and strip. Allegheny Ludlum produces its stainless steel hot-rolled coils at its Breckinridge, Pa., works and subsequently cold-finishes at Breckinridge and two other facilities. Jones & Laughlin's stainless steel melt shop is in Warren, Mich.; its hot-strip mill is in Cleveland; and its cold-finishing facilities are in Detroit (acquired from McLouth in July 1981) and Louisville, Ohio. 2/ Armco and Crucible have their entire stainless sheet and stripmaking facilities in single locations. Armco produces these products at its Butler, Pa., facilities, and Crucible produces the products at its Midland, Pa., plant. Crucible, which is a subsidiary of Colt Industries, announced on March 10, 1982, that it was seeking a potential purchaser of its Midland facility. The plant closed its melt shop indefinitely in April 1982, shut down its hot-strip mill in May, and will cease operations on its cold-finishing mills in July. * * *. It was announced on June 9, 1982, that Cyclops intends to purchase Crucible's plants.

Republic, * * *, melts steel in Canton, rolls slabs in Canton and Cleveland, rolls hot-rolled coils in Cleveland and Warren, and cold-finishes in Massillon, Ohio.

## U.S. Importers

The net importer file maintained by the U.S. Customs Service identified eight importers of stainless steel sheet and strip from France during October 1980-December 1981. The principal importers were * * *.

1/ Formerly a subsidiary of Allegheny Ludlum Industries (now Allegheny International). The firm became a private corporation in December 1980.

2/ Jones & Laughlin sold its Youngstown, Ohio, strip plant in November 1980.

## Apparent Consumption

Apparent U.S. consumption of stainless steel sheet and strip declined from 883,000 tons in 1979 to 654,000 tons in 1980, or by 26 percent (table 3). Consumption in 1981 was 786,000 tons, representing an increase from 1980 consumption of 20 percent. The share of the market supplied by U.S. producers increased slightly in 1980 as imports fell at a faster rate than producers' shipments. In 1981, however, domestic producers lost market share with imports increasing over 90 percent. The ratio of imports from all sources to apparent consumption declined from 6.9 percent in 1979 to 5.7 percent in 1980, but subsequently increased to 9.0 percent in 1981. Imports in January-March 1982 accounted for 17.0 percent of apparent consumption compared with 4.9 percent in January-March 1981. Table 3 shows that, by quarters, the ratio of imports to apparent consumption declined from 6.2 percent in January-March 1980 to 4.3 percent in October-December 1980, and then steadily increased to 14.6 percent in October-December 1981.

## Consideration of Material Injury to an Industry in the United States

### U.S. production, capacity, and capacity utilization

U.S. production of stainless steel sheet and strip, as well as the capacity of domestic producers to manufacture such products and the utilization of that capacity, is shown in table 4. Capacity increased from 869,000 tons in 1979 to 950,000 tons in 1981; however, as production declined during that period, utilization of that capacity fell from 83.8 percent to 70.6 percent. Capacity utilization in January-March 1982 was only slightly higher than 50 percent.

An alternative measure of the utilization of productive capacity in an integrated steel industry is capacity to melt. As shown in the following tabulation, 1/ utilization of capacity to melt stainless steel declined from 83 percent in 1979 to 53 percent in January-March 1982:

| Period | Capacity to melt raw stainless steel (1,000 short tons) | Capacity utilization (percent) |
|---|---|---|
| 1979 | 2,485 | 83 |
| 1980 | 2,640 | 64 |
| 1981 | 2,606 | 64 |
| January-March-- | | |
| 1981 | 653 | 77 |
| 1982 | 657 | 53 |

1/ Compiled from data submitted to the Commission by petitioners.

Table 3.--Stainless steel sheet and strip: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1979-81, January-March 1981, January-March 1982, and, by quarters, 1980 and 1981

| Period | Shipments | Imports | Exports | Apparent consumption | Ratio of imports to-- | |
|---|---|---|---|---|---|---|
| | | | | | Shipments | Consumption |
| | 1,000 short tons | | | | Percent | |
| 1979 | 874 | 61 | 52 | 883 | 7.0 | 6.9 |
| 1980 | 700 | 37 | 83 | 654 | 5.3 | 5.7 |
| 1981 | 759 | 71 | 44 | 786 | 9.4 | 9.0 |
| January-March | | | | | | |
| 1981 | 207 | 10 | 11 | 206 | 4.8 | 4.9 |
| 1982 | 148 | 29 | 6 | 171 | 19.6 | 17.0 |
| 1980: | | | | | | |
| Jan.-Mar | 200 | 12 | 18 | 194 | 6.0 | 6.2 |
| Apr.-June | 169 | 9 | 22 | 156 | 5.3 | 5.8 |
| July-Sept | 142 | 7 | 27 | 122 | 4.9 | 5.7 |
| Oct.-Dec | 191 | 8 | 15 | 184 | 4.2 | 4.3 |
| 1981: | | | | | | |
| Jan.-Mar | 207 | 10 | 11 | 206 | 4.8 | 4.9 |
| Apr.-June | 229 | 17 | 12 | 234 | 7.4 | 7.3 |
| July-Sept | 180 | 21 | 13 | 188 | 11.7 | 11.2 |
| Oct.-Dec | 143 | 23 | 8 | 158 | 16.1 | 14.6 |

Source: Shipments, compiled from data of the American Iron & Steel Institute; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Table 4.--Stainless steel sheet and strip: U.S. production, practical capacity, 1/ and capacity utilization, 1979-81, January-March 1981, and January-March 1982

| Item | 1979 | 1980 | 1981 | January-March-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| Production 2/---1,000 short tons-- | 728 | 592 | 671 | 188 | 130 |
| Capacity----------do---- | 869 | 885 | 950 | 230 | 252 |
| Capacity utilization-----percent-- | 83.8 | 66.9 | 70.6 | 81.7 | 51.6 |

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably obtained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

2/ U.S. producers submitting usable data accounted for about 90 percent of total shipments of stainless steel sheet and strip in 1981, as reported by the American Iron & Steel Institute.

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

U.S. producers' shipments

During 1979-81, U.S. producers' shipments of stainless steel sheet and strip decreased from 874,000 tons to 759,000 tons, or by 13 percent. U.S. producers' net shipments, as reported by AISI, 1/ are shown in the following tabulation:

| Period | Quantity (1,000 short tons) |
|---|---|
| 1979---------- | 874 |
| 1980---------- | 700 |
| 1981---------- | 759 |
| January-March-- | |
| 1981---------- | 207 |
| 1982---------- | 148 |

U.S. producers' intracompany and intercompany shipments, domestic market shipments, and export shipments, as reported in response to the Commission's

1/ Such shipments include intracompany transfers and exports but exclude sales made to other steelmaking firms that report data to AISI.

questionnaires, are shown in table 5. 1/ These data show the decline in producers' shipments from 1979 to 1981 and indicate that producers' intracompany and intercompany shipments and exports remained relatively stable at 4 to 5 percent of total shipments in each of the periods shown.

Table 5.--Stainless steel sheet and strip: U.S. producers' shipments, 1/ by types, 1979-81, January-March 1981, and January-March 1982

| Item | 1979 | 1980 | 1981 | January-March-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| | Quantity (1,000 short tons) | | | | |
| Intracompany and intercompany shipments | 38 | 27 | 30 | 7 | 6 |
| Domestic market shipments | 686 | 556 | 623 | 172 | 135 |
| Export shipments | 32 | 31 | 28 | 7 | 5 |
| Total | 756 | 614 | 681 | 186 | 146 |
| | Value (million dollars) | | | | |
| Domestic market shipments | 1,295 | 1,102 | 1,226 | 337 | 255 |
| Export shipments | 47 | 50 | 46 | 11 | 8 |
| Total | 1,342 | 1,152 | 1,272 | 348 | 262 |
| | Unit value (per ton) | | | | |
| Domestic shipments | 1,888 | 1,982 | 1,968 | 1,959 | 1,889 |
| Export shipments | 1,469 | 1,613 | 1,643 | 1,571 | 1,600 |
| Average | 1,869 | 1,963 | 1,954 | 1,933 | 1,885 |

1/ U.S. producers submitting usable data accounted for about 90 percent of total shipments of stainless steel sheet and strip in 1981, as reported by the American Iron & Steel Institute.

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

## U.S. exports

Exports of stainless steel sheet and strip, as reported by the Department of Commerce, increased from 52,000 tons in 1979 to 83,000 tons in 1980, but then declined to 44,000 tons in 1981. Exports in January-March 1982 amounted to 6,000 tons, or about 45 percent less than exports in January-March 1981 (table 6). Principal export markets for domestically produced stainless steel

1/ Domestic producers responding to the Commission's questionnaires in this investigation accounted for about 90 percent of shipments reported by AISI in 1981.

Table 6.--Stainless steel sheet and strip: U.S. exports of domestically produced merchandise, by principal markets, 1979-81, January-March 1981, and January-March 1982

| Market | 1979 | 1980 | 1981 | January-March-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| | Quantity (1,000 short tons) | | | | |
| Canada | 30 | 17 | 18 | 4 | 3 |
| Mexico | 3 | 44 | 10 | 3 | 1 |
| United Kingdom | 2 | 2 | 3 | 1 | 1/ |
| Taiwan | 2 | 3 | 3 | 1 | 1 |
| Japan | 1 | 1 | 1 | 1/ | 1/ |
| All other | 14 | 16 | 9 | 2 | 1 |
| Total | 52 | 83 | 44 | 11 | 6 |
| | Value (1,000 dollars) | | | | |
| Canada | 50,973 | 40,035 | 40,605 | 8,771 | 5,605 |
| Mexico | 7,496 | 29,874 | 15,689 | 2,248 | 1,488 |
| United Kingdom | 4,479 | 6,518 | 4,868 | 1,487 | 566 |
| Taiwan | 2,337 | 5,908 | 4,002 | 955 | 635 |
| Japan | 981 | 1,482 | 2,856 | 374 | 374 |
| All other | 24,444 | 43,721 | 26,453 | 9,020 | 4,824 |
| Total | 90,710 | 127,538 | 94,473 | 22,855 | 13,492 |

1/ Less than 500 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce.

sheet and strip during 1981 were Canada and Mexico; 41 percent of aggregate exports went to Canada, and 23 percent went to Mexico.

## U.S. producers' inventories

Although end users and service centers/distributors perform much of the inventory function in the domestic market for stainless steel sheet and strip, end-of-period inventories reported by U.S. producers in response to the Commission's questionnaires represented between 23 and 25 percent of producers' total annual shipments in each year reported. Such inventories are shown in the following tabulation:

| As of Dec. 31-- | Quantity (1,000 short tons) |
|---|---|
| 1978 | 174 |
| 1979 | 173 |
| 1980 | 158 |
| 1981 | 158 |

U.S. employment, wages, and productivity

In domestic establishments producing stainless steel sheet and strip, the average employment of all persons, production and related workers producing all products, and production and related workers producing stainless steel sheet and strip followed a similar pattern of decreasing in 1980, then increasing slightly in 1981. Similar patterns of change can be seen in hours paid for production and related workers (table 7). The average number of production and related workers producing stainless steel sheet and strip declined from 7,965 in 1979 to 6,853 in 1980, before increasing in 1981 to 7,288. The average number of workers in January-March 1982 was almost 19 percent less than the number employed in the corresponding period of 1981. Wages and total compensation paid to workers are shown in table 8.

As shown in tables 7 and 8, labor productivity increased steadily during 1979-81. Productivity in January-March 1982 increased almost 15 percent compared with that in the corresponding period of 1981. Although hourly compensation increased over 30 percent from 1979 to 1981, unit labor costs increased only 18 percent, clearly showing the impact of productivity increases.

Financial experience of U.S. producers

Stainless steel sheet and strip operations.--Financial data were received from eight U.S. producers on their stainless steel sheet and strip operations, and are presented in table 9. These eight producers accounted for about 85 percent of U.S. production of stainless steel sheet and strip in 1981. Aggregate net sales of stainless steel sheet and strip declined from $1.3 billion in 1979 to $1.1 billion in 1980, or by 14 percent. Net sales increased by $111 million, or 10 percent, to $1.2 billion in 1981. In the interim period ended March 31, 1982, net sales dropped by 27 percent to $240 million, compared with net sales of $328 million for the corresponding period of 1981.

Gross profit declined by 68 percent, from $216 million in 1979 to $69 million in 1981. In the same period, the ratio of gross profit to net sales dropped from 16.9 to 5.7 percent as a result of increasing costs of goods sold as a share of net sales. Operating profit fell from $175 million in 1979, or 13.7 percent of net sales, to $19 million, or 1.6 percent of net sales, in 1981. Interest expense increased from $7 million (0.6 percent of net sales) in 1979 to $10 million (0.8 percent of net sales) in 1981. In the same period, net profit before taxes on income followed the same trend as did operating profit. In the interim period ended March 31, 1982, the profit picture worsened, as eight firms reported aggregate gross losses of $14 million compared with a gross profit of $22 million in the corresponding period of 1981. Four firms sustained operating and net losses in the interim period of 1982 compared with three in the interim period of 1981.

Cash flow from operations declined from $195 million in 1979 to $39 million in 1981. U.S. producers reported a deficit of $24 million in the interim period of 1982. To provide an additional measure of profitability, the ratios of net profit (loss) before income taxes to original cost and book

Table 7.--Average number of employees, total and production and related workers employed in establishments producing stainless steel sheet and strip, hours paid to production and related workers, 1/ and labor productivity, 2/ 1979-81, January-March 1981, and January-March 1982

| Period | Employment | | | Hours paid for production and related workers producing-- | | Labor productivity |
|---|---|---|---|---|---|---|
| | All persons | Production and related workers producing-- | | | | |
| | | All products | Stainless steel sheet and strip | All products | Stainless steel sheet and strip | |
| | | | | ----Thousands----- | | Tons per hour |
| 1979 | 40,608 | 31,301 | 7,965 | 62,902 | 16,207 | 0.0449 |
| 1980 | 37,763 | 28,564 | 6,853 | 51,943 | 12,574 | .0470 |
| 1981 | 38,050 | 28,881 | 7,288 | 53,336 | 13,447 | .0498 |
| Jan.-Mar.-- | | | | | | |
| 1981 | 37,689 | 28,789 | 7,545 | 13,891 | 3,762 | .0425 |
| 1982 | 33,706 | 24,785 | 6,130 | 10,799 | 2,592 | .0501 |

1/ Includes hours worked plus hours of paid leave time.

2/ U.S. producers submitting usable data accounted for about 90 percent of total shipments of stainless steel sheet and strip in 1981, as reported by the American Iron & Steel Institute.

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

Table 8.--Wages and total compensation 1/ paid to production and related workers in establishments producing stainless steel sheet and strip, hourly compensation, and unit labor costs, 1979-81, January-March 1981, and January-March 1982

| Period | Wages paid to production and related workers producing-- | | Total compensation paid to production and related workers producing-- | | Hourly compensation | Unit labor costs |
|---|---|---|---|---|---|---|
| | All products | Stainless steel sheet and strip | All products | Stainless steel sheet and strip | | |
| | ----------Million dollars---------- | | | | | Per ton |
| 1979 | 771 | 202 | 989 | 257 | $15.86 | $353 |
| 1980 | 710 | 176 | 943 | 234 | 18.61 | 395 |
| 1981 | 803 | 207 | 1,065 | 280 | 20.82 | 417 |
| Jan.-Mar.-- | | | | | | |
| 1981 | 204 | 56 | 270 | 77 | 20.47 | 481 |
| 1982 | 174 | 44 | 240 | 62 | 23.92 | 477 |



1/ The difference between total compensation and wages is an estimate of workers' benefits.

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

Table 9.--Selected financial data of 8 U.S. producers on their operations producing stainless steel sheet and strip, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981 and Mar. 31, 1982

| Item | 1979 | 1980 | 1981 | Interim accounting years ended Mar. 31 | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| Net sales----------million dollars-- | 1,277 | 1,099 | 1,210 | 328 | 240 |
| Cost of goods sold----------do---- | 1,061 | 995 | 1,141 | 306 | 254 |
| Gross profit----------do---- | 216 | 104 | 69 | 22 | (14) |
| General, selling, and administrative expenses----------million dollars-- | 41 | 41 | 50 | 14 | 15 |
| Operating profit (loss)---------do---- | 175 | 63 | 19 | 8 | (29) |
| Interest expenses----------do---- | 8 | 9 | 10 | 5 | 6 |
| Other income or (expense)-------do---- | 5 | 7 | 5 | 2 | 2 |
| Net profit (loss) before income taxes----------do---- | 173 | 61 | 14 | 5 | (33) |
| Depreciation and amortization expense included above-----million dollars-- | 22 | 23 | 25 | 7 | 9 |
| Cash flow (deficit) from operations 1/----------do---- | 195 | 84 | 39 | 12 | (24) |
| Fixed assets employed in productive facilities: | | | | | |
| Original cost------million dollars-- | 619 | 635 | 711 | 565 | 715 |
| Book value----------do---- | 256 | 253 | 311 | 224 | 309 |
| As a share of net sales: | | | | | |
| Gross profit (loss)--------percent-- | 16.9 | 9.5 | 5.7 | 6.7 | (5.8) |
| Operating profit (loss)-------do---- | 13.5 | 5.7 | 1.6 | 2.4 | (12.1) |
| Net profit (loss) before income taxes----------percent-- | 13.5 | 5.6 | 1.2 | 1.5 | (13.8) |
| Ratio of net profit (loss) before income taxes to-- | | | | | |
| Original cost of fixed assets-do---- | 27.9 | 9.6 | 2.0 | .9 | (4.6) |
| Book value of fixed assets----do---- | 67.6 | 24.1 | 4.5 | 2.2 | (10.7) |
| Number of firms reporting operating and net losses---------- | 0 | 2 | 3 | 3 | 4 |

1/ Net profit (loss) before income taxes plus depreciation and amortization.

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


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value of fixed assets employed in the production of stainless steel sheet and strip are also presented in table 9. These ratios followed the same trend as did the ratios of net profit (loss) before taxes on income to net sales.

Overall stainless steel operations.--Selected financial data for overall stainless steel and/or stainless steel products operations provided by the same eight U.S. producers discussed in the previous section are presented in table 10. The overall stainless steel operations generally reflected similar trends in net sales, cost and expenses, and operating and net profit (loss), as did the operations on stainless steel sheet and strip discussed earlier.

Net sales of stainless steel products declined from $4.4 billion in 1979 to $4.1 billion in 1980, and then increased to $4.6 billion in 1981. In the interim period of 1982, net sales dropped by 21 percent to $1.1 billion compared with $1.4 billion in the corresponding period of 1981. Sales revenue derived from the sale of stainless steel sheet and strip declined from 28.7 percent of overall stainless steel sales in 1979 to 26.6 percent in 1981, and from 23.4 percent in the interim period of 1981 to 21.8 percent in the corresponding period of 1982.

Operating profit fell by 58 percent from $424 million in 1979 to $177 million in 1981. In the same period, the operating margin declined from 9.5 to 3.9 percent. In the interim period of 1982, U.S. producers reported aggregate operating losses of $53 million, or a negative 4.8 percent of net sales, compared with an operating profit of $78 million, or a positive 5.6 percent of net sales, for the corresponding period of 1981. The gross profit margin, net profit margin, and return on fixed assets followed trends similar to that of the operating profit margin. The number of firms reporting operating losses increased from one in 1980 to five in the interim period of 1982.

Capital expenditures and research and development expenses.--Seven U.S. producers provided data on capital expenditures made in connection with their stainless steel and/or stainless steel products operations, capital expenditures made in connection with their stainless steel sheet and strip operations, and research and development expenses for their stainless steel sheet and strip operations. This information is presented in table 11.

Total capital expenditures for overall stainless steel operations increased significantly from $36.5 million in 1979 to $95.1 million in 1981. Over 70 percent of total capital expenditures were for machinery, equipment, and fixtures. In partial year 1982, capital expenditures amounted to $29.2 million.

Total capital expenditures for stainless steel sheet and strip more than tripled from $18.7 million in 1979 to $70.6 million in 1981. * * *. Capital expenditures for stainless steel sheet and strip amounted to $5.8 million in partial year 1982.

Research and development expenses associated with the improvement and/or development of new or improved manufacturing methods, and pure research for stainless steel sheet and strip increased from $4.2 million in 1979 to $5.3 million in 1981. U.S. producers spent $1.8 million on research and development in partial year 1982.

Table 10.--Selected financial data of 8 U.S. producers on their overall stainless steel and/or stainless steel products operations, accounting years 1979-81 and interim accounting years ended Mar. 31, 1981, and Mar. 31, 1982

| Item | 1979 | 1980 | 1981 | Interim accounting years ended Mar. 31-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| Net sales----------million dollars-- | 4,449 | 4,059 | 4,551 | 1,402 | 1,102 |
| Cost of goods sold----------do---- | 3,876 | 3,697 | 4,193 | 1,259 | 1,085 |
| Gross profit----------do---- | 573 | 362 | 358 | 143 | 17 |
| General, selling, and administrative expenses----------million dollars-- | 149 | 152 | 181 | 65 | 70 |
| Operating profit (loss)---------do---- | 424 | 210 | 177 | 78 | (53) |
| Interest expense----------do---- | 32 | 40 | 28 | 9 | 14 |
| Other income or (expense)-------do---- | 6 | 7 | 5 | 2 | 2 |
| Net profit (loss) before income taxes million dollars-- | 398 | 177 | 154 | 71 | (65) |
| Depreciation and amortization expense included above-----million dollars-- | 124 | 130 | 140 | 39 | 42 |
| Cash flow (deficit) from operations 1/: million dollars-- | 522 | 307 | 294 | 110 | (23) |
| Fixed assets employed in productive facilities: | | | | | |
| Original cost------million dollars-- | 963 | 1,006 | 1,090 | 904 | 1,123 |
| Book value----------do---- | 417 | 430 | 493 | 378 | 511 |
| As a share of net sales: | | | | | |
| Gross profit (loss)--------percent-- | 12.9 | 8.9 | 7.9 | 10.2 | 1.5 |
| Operating profit (loss)-------do---- | 9.5 | 5.2 | 3.9 | 5.6 | (4.8) |
| Net profit (loss) before income taxes----------percent-- | 8.9 | 4.4 | 3.4 | 5.1 | (5.9) |
| Ratio of net profit (loss) before income taxes to-- | | | | | |
| Original cost of fixed assets percent-- | 41.3 | 17.6 | 14.1 | 7.9 | (5.8) |
| Book value of fixed assets----do---- | 95.4 | 41.2 | 31.2 | 18.8 | (12.7) |
| Numbers of firms reporting operating losses---------- | 0 | 1 | 2 | 2 | 5 |
| Numbers of firms reporting net losses---------- | 0 | 1 | 2 | 2 | 4 |
| Ratio of stainless steel sheet and strip sales to stainless steel products sales----------percent-- | 28.7 | 27.0 | 26.6 | 23.4 | 21.8 |

1/ Net profit (loss) before income taxes plus depreciation and amortization.

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


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Table 11.--Capital expenditures for facilities used primarily in the production, warehousing, and marketing of stainless steel and/or stainless steel products, and stainless steel sheet and strip, and research and development expenses for stainless steel sheet and strip, 1979-82

(In thousands of dollars)

| Item | 1979 | 1980 | 1981 | 1982 1/ |
|---|---|---|---|---|
| Capital expenditures: | | | | |
| Stainless steel and/or stainless steel products: | | | | |
| Land or land improvements | 504 | 1,151 | 1,225 | 1,417 |
| Building or leasehold improvements | 10,194 | 9,312 | 20,239 | 3,213 |
| Machinery, equipment, and fixtures | 25,850 | 45,456 | 73,661 | 24,561 |
| Total | 36,548 | 55,919 | 95,125 | 29,191 |
| Stainless steel sheet and strip: | | | | |
| Land or land improvements | 186 | 235 | 706 | 116 |
| Building or leasehold improvements | 6,752 | 4,852 | 15,009 | 1,158 |
| Machinery, equipment, and fixtures | 11,721 | 25,894 | 54,925 | 4,543 |
| Total | 18,659 | 30,981 | 70,640 | 5,817 |
| Research and development expenses for stainless steel sheet and strip | 4,218 | 5,213 | 5,330 | 1,778 |

1/ Data reported by 2 producers were for their fiscal years that end on (June 30). Hence, data for these firms cover the period from July 1, 1981, to June 30, 1982.

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

## Consideration of Threat of Material Injury to an Industry in the United States

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of allegedly LTFV imports, the rate of increase of U.S. market penetration by such imports, the amounts of such imports held in inventory in the United States, and the capacity of producers in France to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of stainless steel sheet and strip and of their U.S. market penetration is presented in the section entitled "Consideration of

the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly LTFV Imports." Discussions of importers' inventories and foreign producers' capacity to generate exports follow.

U.S. importers' inventories

End-of-period inventories of stainless steel sheet and strip imported from France, as reported in response to questionnaires of the U.S. International Trade Commission, 1/ are shown in the following tabulation:

| Period | Quantity (short tons) |
|---|---|
| 1978 | *** |
| 1979 | *** |
| 1980 | *** |
| 1981 | *** |
| January-March-- | |
| 1981 | *** |
| 1982 | *** |

Inventories rose sharply in 1982, and U.S. purchasers have informed the Commission that French products are currently available with immediate delivery from U.S. inventories.

Capacity of French producers to generate exports and the availability of export markets other than the United States

According to information provided by the U.S. Department of State, there are three known French producers of stainless steel sheet and strip: Ugine-Gueugnon, Peugeot Loire, and the Chatillon division of Usinor. Ugine-Gueugnon produces numerous stainless steel products, including hot- and cold-rolled sheet and strip, and this company was the principal exporter of French stainless steel sheet and strip in 1980 and 1981. Peugeot Loire is a small producer of cold-rolled sheet and strip and Chatillon produces slabs and cold-rolled sheet.

France's production of stainless steel sheet and strip declined by 16 percent during 1979-81, from 330,974 tons in 1979 to 279,124 tons in 1981. Utilization of France's capacity to produce stainless steel sheet and strip also steadily declined, dropping from 67 percent in 1979 to 54 percent in 1981. This resulted from slightly increased stainless sheet and strip-making capacity during this period and sharply reduced production. As shown in table 12, France exported 55 to 60 percent of the stainless steel sheet and strip it produced during this period. The major export market was the EC, which accounted for over 50 percent of exports in 1979 and 1980, and 42 percent of

1/ Importers submitting usable data accounted for about 96 percent of imports from France, as reported by the Department of Commerce. * * *.

exports in 1981. Exports to the United States steadily increased, climbing from 3,408 tons in 1979 to 18,164 tons in 1981, and the share of French stainless steel sheet and strip exports destined for the United States rose from 2 percent in 1979 to 11 percent in 1981.

Table 12.--Stainless steel sheet and strip: France's production, capacity, capacity utilization, and exports, 1979-81

| Item | 1979 | 1980 | 1981 |
|---|---|---|---|
| Production---------short tons-- | 330,974 | 325,493 | 279,124 |
| Capacity-----------------do---- | 490,524 | 501,547 | 518,081 |
| Capacity utilization--percent-- | 67.5 | 64.9 | 53.9 |
| Exports to-- | | | |
| United States----short tons-- | 3,408 | 6,853 | 18,164 |
| EC countries----------do---- | 95,777 | 93,422 | 67,953 |
| Other countries--------do---- | 83,347 | 85,473 | 77,463 |
| Total----------------do---- | 182,532 | 185,748 | 163,580 |

Source: Compiled from information obtained from U.S. Department of State.

## Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly LTFV Imports

### U.S. imports and market penetration

Imports from all sources.--From June 1976 to February 1980, imports of stainless steel sheet and strip, as well as other stainless steel products, were subject to quantitative restrictions. Imports of sheet and strip from all sources and from France and West Germany during this period are shown in the following tabulation (in short tons): 1/

| | France | West Germany | Total, all sources |
|---|---|---|---|
| 1976---------- | 14,736 | 2,277 | 78,299 |
| 1977---------- | 15,419 | 1,441 | 70,470 |
| 1978---------- | 9,133 | 8,570 | 80,708 |
| 1979---------- | 7,676 | 3,844 | 61,299 |
| 1980---------- | 6,187 | 305 | 37,219 |

1/ Data for 1976-78 include imports of stainless steel strip provided for in TSUS items 608.26 and 608.29, which are not subject to this investigation. Imports of these products from West Germany during 1976-80 were nil.

Imports of the stainless steel sheet and strip products subject to this investigation fell sharply from 61,299 tons in 1979 to 37,219 tons in 1980 (table 13). A possible explanation for this sharp decline could be the lingering impact of quantitative restrictions. The operation of the quota program caused importers of stainless steel from the EC to compete for a share of the total import volume allowed under the quota. As each quota period began, importers would enter as much material as they could, since once the quota was filled, further entry was barred. This procedure forced foreign producers to find other markets for their stainless steel during the periods that the U.S. quota was filled. It is possible that this procedure, coupled with declining consumption in the United States and somewhat stronger demand in home and third country markets, resulted in the decline of imports in 1980. Imports, however, increased sharply in 1981 to 70,631 tons, representing an almost 90-percent increase from the quantity of imports in 1980. Imports in January-March 1982 were 178 percent greater than those reported in January-March 1981. The principal sources of imports in 1981 were West Germany (22 percent), Japan (20 percent), and France (20 percent).

Table 13.--Stainless steel sheet and strip: U.S. imports for consumption, by principal sources, 1979-81, January-March 1981, and January-March 1982

| Source | 1979 | 1980 | 1981 | January-March-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| | Quantity (short tons) | | | | |
| West Germany | 3,844 | 305 | 15,489 | 1,173 | 7,001 |
| Japan | 35,260 | 15,365 | 14,287 | 2,366 | 4,310 |
| France | 7,676 | 6,187 | 13,805 | 2,427 | 6,194 |
| Canada | 2,473 | 6,794 | 6,493 | 1,558 | 1,155 |
| Spain | 15 | 96 | 5,003 | 0 | 1,979 |
| United Kingdom | 1,094 | 643 | 3,840 | 482 | 2,237 |
| Finland | 1,416 | 1,690 | 3,592 | 584 | 677 |
| Republic of Korea | 1,354 | 66 | 3,062 | 696 | 1,337 |
| Sweden | 7,083 | 4,801 | 2,926 | 801 | 1,824 |
| Belgium/ Luxembourg | 71 | 1,188 | 1,484 | 219 | 1,612 |
| All other countries | 1,011 | 85 | 649 | 1 | 296 |
| Total, all sources | 61,299 | 37,219 | 70,631 | 10,305 | 28,622 |

Table 13.--Stainless steel sheet and strip: U.S. imports for consumption, by principal sources, 1979-81, January-March 1981, and January-March 1982--Continued

| Source | 1979 | 1980 | 1981 | January-March-- | |
|---|---|---|---|---|---|
| | | | | 1981 | 1982 |
| | Value (1,000 dollars) | | | | |
| West Germany | 5,574 | 532 | 27,070 | 2,432 | 10,700 |
| Japan | 54,095 | 25,905 | 22,237 | 3,406 | 6,538 |
| France | 10,569 | 9,443 | 21,770 | 3,709 | 9,395 |
| Canada | 3,017 | 9,186 | 8,513 | 2,189 | 1,602 |
| Spain | 19 | 214 | 8,493 | - | 3,430 |
| United Kingdom | 1,540 | 1,146 | 7,720 | 940 | 3,813 |
| Finland | 2,005 | 2,904 | 5,457 | 943 | 1,024 |
| Republic of Korea | 1,923 | 110 | 4,502 | 1,078 | 1,949 |
| Sweden | 15,822 | 15,701 | 9,818 | 3,081 | 4,766 |
| Belgium/ Luxembourg | 124 | 3,320 | 2,692 | 471 | 2,477 |
| All other countries | 1,304 | 191 | 788 | 7 | 422 |
| Total, all sources | 95,991 | 68,653 | 119,059 | 18,256 | 46,117 |
| | Unit value (per hundredweight) | | | | |
| West Germany | $72.49 | $87.23 | $87.39 | $103.65 | $76.42 |
| Japan | 76.71 | 84.30 | 77.82 | 71.98 | 75.85 |
| France | 68.84 | 76.32 | 78.85 | 76.43 | 75.84 |
| Canada | 61.00 | 67.60 | 65.56 | 70.26 | 69.37 |
| Spain | 64.88 | 111.80 | 84.88 | - | 86.66 |
| United Kingdom | 70.38 | 89.11 | 100.50 | 97.45 | 85.25 |
| Finland | 70.79 | 85.93 | 75.97 | 80.78 | 75.67 |
| Republic of Korea | 71.01 | 83.00 | 73.50 | 77.46 | 72.88 |
| Sweden | 111.70 | 163.53 | 167.76 | 192.37 | 130.62 |
| Belgium/ Luxembourg | 86.60 | 139.72 | 90.71 | 107.64 | 76.82 |

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 14 shows imports of stainless steel sheet and strip, by quarters, during the period January 1980 to March 1982. As indicated, imports from all sources declined during January-September 1980 to a low of 7,319 tons, and then increased in all subsequent quarters, to a peak of 28,622 tons in January-March 1982.

Table 14.--Stainless steel sheet and strip: U.S. imports for consumption, by principal sources and by quarters, January 1980-March 1982

(In short tons)

| Source | 1980 | | | | 1981 | | | | January-March 1982 |
|---|---|---|---|---|---|---|---|---|---|
| | January-March | April-June | July-September | October-December | January-March | April-June | July-September | October-December | |
| West Germany | 35 | 132 | 81 | 57 | 1,173 | 3,197 | 6,187 | 4,932 | 7,001 |
| Japan | 6,560 | 3,665 | 2,952 | 2,188 | 2,366 | 4,072 | 4,014 | 3,835 | 4,310 |
| France | 1,799 | 1,835 | 1,137 | 1,416 | 2,427 | 3,018 | 4,490 | 3,870 | 6,194 |
| Canada | 1,721 | 1,846 | 1,561 | 1,665 | 1,558 | 2,094 | 1,394 | 1,448 | 1,155 |
| Spain | 9 | 86 | 0 | 0 | 0 | 152 | 1,503 | 3,347 | 1,979 |
| United Kingdom | 63 | 77 | 255 | 247 | 482 | 940 | 1,110 | 1,308 | 2,237 |
| Finland | 305 | 372 | 301 | 713 | 584 | 862 | 423 | 1,724 | 677 |
| Republic of Korea | 13 | 53 | 0 | 0 | 696 | 1,546 | 496 | 324 | 1,337 |
| Sweden | 1,036 | 931 | 982 | 1,851 | 801 | 520 | 356 | 1,249 | 1,824 |
| Belgium/Luxembourg | 890 | 298 | 0 | 0 | 219 | 421 | 425 | 419 | 1,612 |
| All other countries 1/ | 8 | 27 | 50 | 2 | 1 | 49 | 237 | 362 | 296 |
| Total, all sources | 12,439 | 9,322 | 7,319 | 8,139 | 10,306 | 16,872 | 20,635 | 22,818 | 28,622 |

1/ Austria, Brazil, Denmark, Ireland, Italy, Mexico, the Netherlands, New Zealand, Republic of South Africa, and Switzerland.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The ratio of imports from all countries to apparent U.S. consumption increased from 6.9 percent in 1979 to 9.0 percent in 1981 (table 15). The import-to-consumption ratio in January-March 1982 was 16.7 percent. The ratio of quarterly imports from all sources to apparent U.S. consumption increased from 6.0 percent in January-March 1980 to 14.4 percent in October-December 1981 (table 16).

Table 15.--Stainless steel sheet and strip: U.S. imports for consumption, by selected countries, 1979-81, January-March 1981, and January-March 1982

| Period | Imports from France | Imports from West Germany | Imports from all other EC countries 1/ | Imports from all other countries | Total |
|---|---|---|---|---|---|
| | Quantity (short tons) | | | | |
| 1979 | 7,676 | 3,844 | 1,721 | 48,056 | 61,299 |
| 1980 | 6,187 | 305 | 1,861 | 28,867 | 37,219 |
| 1981 | 13,805 | 15,489 | 5,644 | 35,692 | 70,631 |
| January-March-- | | | | | |
| 1981 | 2,427 | 1,173 | 701 | 6,006 | 10,305 |
| 1982 | 6,194 | 7,001 | 4,133 | 11,294 | 28,622 |
| | Percent of total apparent U.S. consumption | | | | |
| 1979 | 0.9 | 0.4 | 0.2 | 5.4 | 6.9 |
| 1980 | .9 | .1 | .3 | 4.4 | 5.7 |
| 1981 | 1.8 | 2.0 | .7 | 4.5 | 9.0 |
| January-March-- | | | | | |
| 1981 | 1.2 | .6 | .3 | 2.9 | 5.0 |
| 1982 | 3.6 | 4.1 | 2.4 | 6.6 | 16.7 |

1/ United Kingdom, Belgium/Luxembourg, Italy, and Denmark.

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Table 16.--Stainless steel sheet and strip: U.S. imports for consumption, by selected sources and by quarters, January 1980-March 1982

| Period | Imports from France | Imports from West Germany | Imports from all other EC countries 1/ | Imports from all other countries | Total |
|---|---|---|---|---|---|
| | Quantity (short tons) | | | | |
| 1980: | | | | | |
| Jan.-Mar | 1,799 | 35 | 956 | 9,649 | 12,439 |
| April-June | 1,835 | 132 | 378 | 6,977 | 9,322 |
| July-Sept | 1,137 | 81 | 280 | 5,821 | 7,319 |
| Oct.-Dec | 1,416 | 57 | 246 | 6,420 | 8,139 |
| 1981: | | | | | |
| Jan.-Mar | 2,427 | 1,173 | 701 | 6,005 | 10,306 |
| April-June | 3,018 | 3,197 | 1,393 | 9,264 | 16,872 |
| July-Sept | 4,490 | 6,187 | 1,631 | 8,327 | 20,635 |
| Oct.-Dec | 3,870 | 4,932 | 1,921 | 12,095 | 22,818 |
| 1982: Jan.- | | | | | |
| Mar | 6,194 | 7,001 | 4,133 | 11,294 | 28,622 |
| | Percent of total apparent U.S. consumption | | | | |
| 1980: | | | | | |
| Jan.-Mar | 0.9 | 2/ | 0.5 | 5.0 | 6.0 |
| April-June | 1.2 | 0.1 | .2 | 4.5 | 6.0 |
| July-Sept | .9 | .1 | .2 | 4.8 | 6.0 |
| Oct.-Dec | .8 | 2/ | .1 | 3.5 | 4.4 |
| 1981: | | | | | |
| Jan.-Mar | 1.2 | .6 | .3 | 2.9 | 5.0 |
| April-June | 1.3 | 1.4 | .6 | 4.0 | 7.2 |
| July-Sept | 2.4 | 3.3 | .9 | 4.4 | 11.0 |
| Oct.-Dec | 2.4 | 3.1 | 1.2 | 7.7 | 14.4 |
| 1982: Jan.- | | | | | |
| Mar | 3.6 | 4.1 | 2.4 | 6.6 | 16.7 |

1/ The United Kingdom, Belgium/Luxembourg, Italy, and Denmark.
2/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Imports from France.--France was the third largest foreign supplier of stainless steel sheet and strip to the United States in 1981. Imports from France declined slightly from 7,676 tons in 1979 to 6,187 tons in 1980, then increased to 13,805 tons in 1981. Imports in January-March 1982 amounted to 6,194 tons, representing an increase of 155 percent compared with imports in the corresponding period of 1981; France surpassed Japan in January-March 1982, becoming the second largest foreign supplier after West Germany. The ratio of imports from France to apparent U.S. consumption was 0.9 percent in 1979 and 1980, 1.8 percent in 1981, and 3.6 percent in January-March 1982.

Imports from France, by quarters, during January 1980-March 1982 increased from 1,799 tons in January-March 1980 to 6,194 tons in January-March 1982. Imports from France in January-March 1980 constituted 0.9 percent of apparent U.S. consumption; in January-March 1982, such imports represented 3.6 percent of consumption (see the following figure).

Counsel for French producers stated at the staff conference that the high levels of imports from France in 1981 and January-March 1982 were due to the miscalculation of the expected performance of the U.S. economy. He further stated that due to the 14 to 20 week leadtime, the French producers cannot quickly react to changes in the marketplace. 1/ The reasons for the French producers' long leadtime were given at the staff conference as (a) more time is needed for transportation and crossing of borders and (b) French producers generally do not maintain or ship from inventory, rather they choose to start the production process upon receipt of an order. 2/

From the petition and statements made at the conference it appears that importers of French stainless steel sheet and strip generally concentrate sales in a few high-volume grades, such as 304, 316, the lower carbon "L" versions thereof, 430, and 434. These are generally considered by U.S. producers to be their more profitable, "bread and butter" grades. 3/

* * * * * * *

## Prices

Demand factors affecting price.--Demand for stainless steel sheet and strip 4/ depends on the level of business activity in user industries. The automotive sector is the largest single user, accounting for 17 percent of sheet and strip purchases in 1981. Other large user markets include machinery, industrial equipment, tools and electrical equipment, construction and contractors' products, and appliances, utensils and cutlery (mostly strip). Compared with other stainless steel products (plate, bar, and rod), sheet and strip are used more extensively in consumer durable-goods industries. In 1981, 44 percent of U.S.-produced sheet and strip reached users through service centers/distributors rather than directly from the mill. 5/

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1/ Transcript of staff conference, inv. No. 731-TA-95 (Preliminary), pp. 83 and 84.

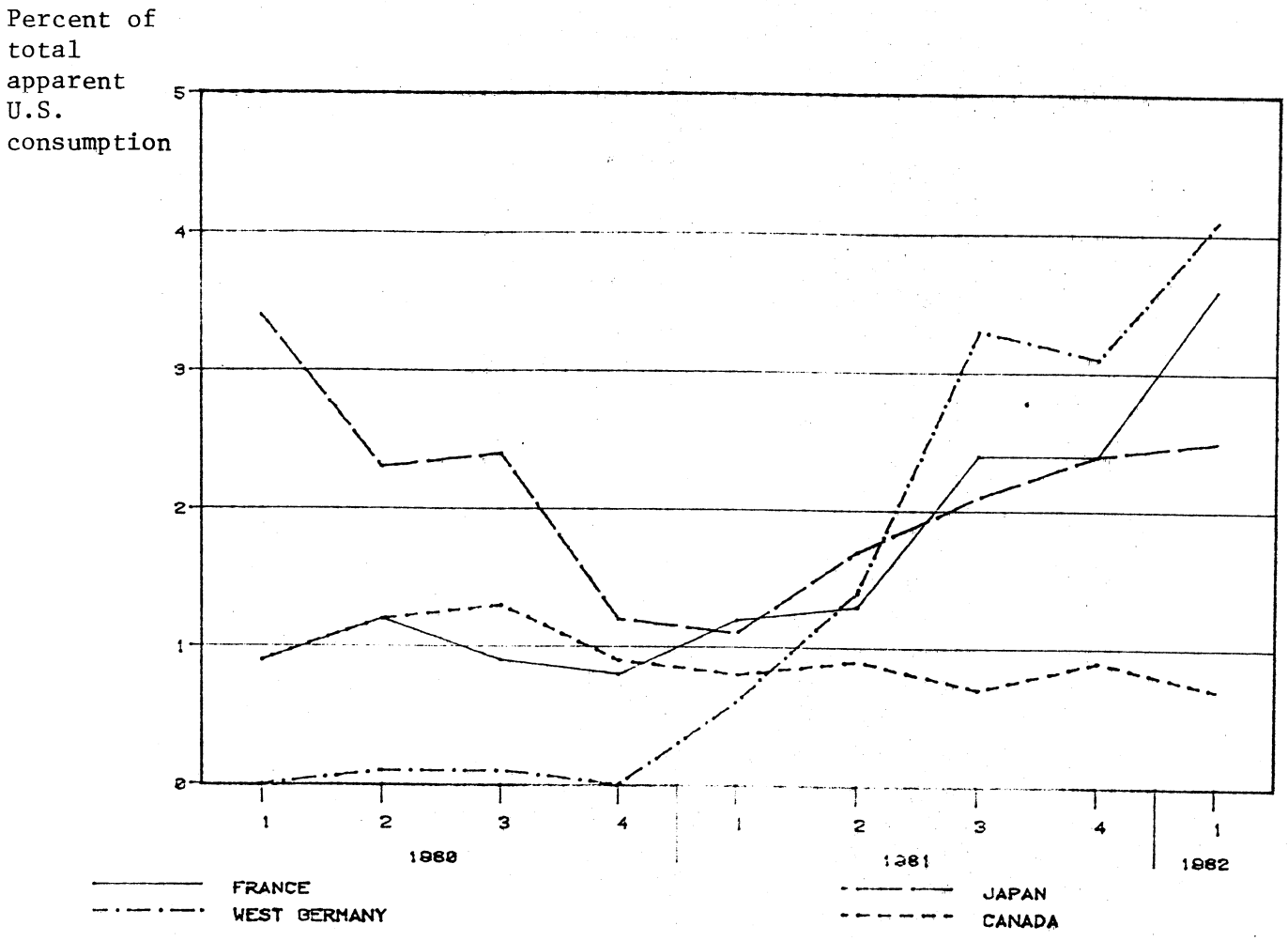
2/ Id., pp. 123, 124, and 126.

3/ Id., pp. 59-61.

4/ In the remainder of this section, all references to "sheet" and "strip" will mean stainless steel sheet and stainless steel strip.

5/ American Iron & Steel Institute, AIS 16-S, 1981. For sheet, this percentage was 52 percent, and for strip, 25 percent.

Figure -- Stainless steel sheet and strip: Market penetration by U.S. imports from the 4 major sources, by quarters, January 1980-March 1982.




Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Changes in the market for stainless steel are demonstrated by indexes of business activity. A business activity index often used as an indicator of aggregate demand for stainless steel is the index of industrial production for durable manufactures. 1/ The index, compiled from the Bureau of Labor Statistics index of industrial production of durable manufactures, shows that industrial production steadily decreased from January-March 1979 to July-September 1980, by a total of 11.8 percent. The index of production increased from 88.2 in July-September 1980 to 96.9 in April-June 1981, before declining to 87.0 in January-February 1982, as presented in the following tabulation:

| Period | Index (Jan.-Mar. 1979=100.0) |
|---|---|
| 1979: | |
| January-March | 100.0 |
| April-June | 99.3 |
| July-September | 98.8 |
| October-December | 98.5 |
| 1980: | |
| January-March | 97.7 |
| April-June | 90.7 |
| July-September | 88.2 |
| October-December | 93.8 |
| 1981: | |
| January-March | 95.7 |
| April-June | 96.9 |
| July-September | 96.6 |
| October-December | 91.1 |
| 1982: | |
| January-February | 87.0 |

An increase or decrease in the business activity of user industries has generally resulted in a correspondingly greater increase or decrease in stainless steel consumption. 2/ Testimony indicated that this could be due to changes in inventory positions between producers and distributors or end users. 3/ In a recessionary market, stainless steel purchasers may postpone the replacement of stainless steel inputs by drawing down existing inventories.

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1/ Because there are diverse markets for sheet and strip, a different business activity indicator should ideally be used for each market for stainless steel.

2/ Stainless Steel and Alloy Tool Steel, inv. No. TA-203-3. It was estimated that there was a business activity elasticity of 2.0 for the stainless steel industry. This means that a 1.0-percent increase (decrease) in business activity of stainless steel user industries would lead to a 2.0-percent increase (decrease) in stainless steel consumption.

3/ Transcript of the conference, inv. No. 731-TA-92 (Preliminary), May 17, 1982, pp. 108 and 109.

The aggregate demand for stainless steel was estimated in an earlier Commission investigation to be relatively price inelastic. 1/ Demand for stainless steel may have become more elastic with the increased use of substitute products for stainless steel since 1977.

Demand will not be equally price elastic for all applications for stainless steel. For example, where stainless steel is necessary to solve engineering problems, there are fewer viable, less costly substitutes, and demand would be more price inelastic. Where the use of stainless steel is not so critical (such as in decorative uses), and substitutes can be used, demand is more elastic. Another factor affecting elasticity is stainless steel's cost in relation to the total cost of the product in which it is used. In those applications where the stainless steel component constitutes a small proportion of the total cost, demand is generally more price inelastic. In addition, demand for either domestic stainless steel alone or imported stainless steel alone would be more price elastic than the aggregate demand, because each is a close substitute for the other.

Transaction prices.--U.S. producers of stainless steel sheet and strip publish list prices on an f.o.b. mill basis. 2/ Base prices depend on the alloy content of the stainless steel, with chromium a necessary addition, and nickel and molybdenum, two metals which are often added. There are extra charges for sheet and strip cut to length rather than coiled, for nonstandard widths, for special edging, for smaller quantities, and for packaging. Actual market prices may vary from list prices, depending on market conditions.

The Commission requested data on average net selling prices for specific stainless steel sheet and strip products from domestic producers and importers. Additionally, in order to facilitate direct comparison of prices, the Commission requested data on delivered prices paid by stainless steel purchasers.

Trends in prices.--The Commission asked domestic producers and importers for their average net selling prices for specific types of stainless steel sheet and stainless steel strip. 3/ These are average prices charged in many different transactions and do not include delivery charges. They are useful for comparing trends, however, and should reflect any discounting that may have occurred, including discounts for freight equalization.

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1/ Stainless Steel and Alloy Tool Steel, inv. No. TA-203-3. The elasticity was measured at -0.8. A 1-percent increase (decrease) in the price of stainless steel would result in a 0.8-percent decrease (increase) in the quantity of stainless steel demanded.

2/ Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, where a producer supplying a customer located closer to a competing producer will absorb any differences in freight costs. Thus, the more distant producer charges the customer's account only for freight costs as if the product were shipped from the closer producer.

3/ See product list for specifications, app. D.

Price data on stainless steel sheet were received from six domestic producers for three sample specifications of sheet. During January 1980-March 1982, the average price charged service centers/distributors for products 1 and 2 decreased, whereas prices for product 3 increased (table 17). 1/ For the same products, the domestic price for sales to end users increased for products 1 and 3 and decreased for product 2 (table 18).

Table 17.--Indexes of weighted average net selling prices of stainless steel sheet for sales of imports from France and for sales of domestic producers to service center/distributor customers, by types and by quarters, January 1980-March 1982 1/

(January-March 1980=100.0, except as noted)

| Period | Product 1 2/ | | Product 2 | | Product 3 | |
|---|---|---|---|---|---|---|
| | Domestic | French 3/ | Domestic | French 4/ | Domestic 5/ | French 3/ |
| 1980: | | | | | | |
| Jan.-Mar----- | 100.0 | 6/ | 100.0 | 6/ | 100.0 | 100.0 |
| Apr.-June---- | 98.4 | 6/ | 98.9 | 6/ | *** | *** |
| July-Sept---- | 96.3 | 7/ 100.0 | 95.6 | 6/ | *** | *** |
| Oct.-Dec----- | 92.1 | *** | 88.6 | 6/ | *** | *** |
| 1981: | | | | | | |
| Jan.-Mar----- | 98.8 | *** | 92.2 | 7/ 100 | *** | *** |
| Apr.-June---- | 98.7 | *** | 87.9 | *** | *** | *** |
| July-Sept---- | 101.7 | *** | 86.4 | *** | *** | *** |
| Oct.-Dec----- | 98.1 | *** | 81.0 | *** | *** | *** |
| 1982: Jan.- | | | | | | |
| Mar---------- | 93.5 | *** | 73.6 | *** | *** | *** |

1/ See product list for specifications, app. D.

2/ The French product for which prices are given is 60 inches wide, rather than the requested width of 48 inches. The importer estimated that the 60-inch sheet was priced about 5 percent higher than 48-inch sheet. Nevertheless, this difference should not significantly affect the comparison of domestic and import price trends.

3/ These prices represent sales by one importer, which accounted for * * * percent of imports of sheet and strip from France in 1981.

4/ These prices represent sales by one importer, which accounted for * * * percent of imports of sheet and strip from France in 1981.

5/ These prices represent sales by one producer, which accounted for * * * percent of U.S. sheet and strip production in 1981.

6/ No price reported in this quarter.

7/ These are the first quarters for which import price data are available and the indexes are not directly comparable with other indexes in the same quarter. They should be viewed as a base to measure price changes in following quarters.

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



1/ The Commission collected price data for three specifications of stainless steel sheet. A list of these specifications is presented in app. D.

Table 18.--Indexes of weighted-average net selling prices of stainless steel sheet from U.S. producers to end-user customers, by types 1/ and by quarters, January 1980-March 1982 2/

(January-March 1980=100.0)

| Period | Product 1 | Product 2 3/ | Product 3 3/ |
|---|---|---|---|
| 1980: | | | |
| January-March | 100.0 | 100.0 | 100.0 |
| April-June | 101.0 | *** | *** |
| July-September | 106.4 | *** | *** |
| October-December | 119.9 | *** | *** |
| 1981: | | | |
| January-March | 102.7 | *** | *** |
| July-September | 104.0 | *** | *** |
| July-September | 102.8 | *** | *** |
| October-December | 118.5 | *** | *** |
| 1982: January-March | 113.9 | *** | *** |

1/ See product list for specifications, app. D.

2/ Importers provided no price data for sales to end users; * * * percent of sales from the importers were to service centers in 1981.

3/ Domestic prices represent sales from one producer, which accounted for * * * percent of U.S. sheet and strip production in 1981.

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

Price data were received from two importers for sales to service centers/distributors 1/ of French stainless steel sheet. These importers accounted for * * * percent of imports of French stainless steel sheet and strip from 1979 to January-March 1982. Prices for the three specifications decreased from January-March 1981 to January-March 1982, by a weighted-average of 9 percent. The price decrease was greatest for product 2 (* * * percent).

Price data for stainless steel strip were received from one domestic producer for sales to service centers/distributors, and from four domestic producers for sales to end users (tables 19 and 20). 2/ Domestic prices for sales to service centers/distributors generally increased from January-March 1980 to January-March 1982. For the three sample specifications this increase averaged * * * percent. Price increases were greatest in 1981, but declined for all specifications in January-March 1982. Prices for sales of strip to

1/ Importers provided no price data for sales of sheet and strip to end-users. In 1981, * * * percent of sales from the importers were to service centers/distributors.

2/ Domestic producers sell most stainless steel strip (75 percent) directly to end users rather than through service centers/distributors.

Table 19.--Indexes of weighted average net selling prices of stainless steel strip for sales of imports from France and for sales of domestic producers to service center/distributor customers, by types and by quarters, January 1980-March 1982 1/

(January-March 1980=100.0)

| Period | Product 4 2/ | Product 5 3/ | | Product 6 3/ | |
|---|---|---|---|---|---|
| | Domestic 4/ | Domestic 4/ | French 5/ | Domestic 4/ | French 5/ |
| 1980: | | | | | |
| Jan.-Mar | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Apr.-June | *** | *** | *** | *** | *** |
| July-Sept | *** | *** | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | *** | *** |
| 1981: | | | | | |
| Jan.-Mar | *** | *** | *** | *** | *** |
| Apr.-June | *** | *** | *** | *** | *** |
| July-Sept | *** | *** | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | *** | *** |
| 1982: Jan.-Mar | *** | *** | *** | *** | *** |

1/ See product list for specifications, app. D.

2/ Importers provided no price data for this specification.

3/ The French product for which prices are given is 15 to 24 inches wide, rather than the requested width of 4 to 12 inches. The importer estimated that 15 to 24-inch "sheet coils" are generally cut into strips and are sold for about 10 percent less than 4 to 12-inch strip. Nevertheless, this difference should not significantly affect the comparison of domestic and import price trends.

4/ These prices represent sales by one producer, which accounted for * * * percent of U.S. sheet and strip production in 1981.

5/ These prices represent sales by one importer, which accounted for * * * percent of French sheet and strip imports in 1981.

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

end users were generally stronger than for sales to service centers/distributors, and increased by a weighted-average of 10.5 percent over the period. 1/

The largest importer of this product provided price data for sales to service centers/distributors for two of the three sample strip specifications. For product 5, prices increased * * * percent from January-March 1980 to January-March 1982; for product 6, prices decreased * * * percent over the same period.

1/ Because imported strip from France is generally wider than 12 inches, it is usually sold to service centers/distributors for slitting into narrower widths, and little is sold directly to end users.

Table 20.--Indexes of weighted-average net selling prices of stainless steel strip from U.S. producers to end-user customers, by types 1/ and by quarters, January 1980-March 1982 2/

(January-March 1980=100.0)

| Period | Product 4 | Product 5 | Product 6 |
|---|---|---|---|
| 1980: | | | |
| January-March | 100.0 | 100.0 | 100.0 |
| April-June | 100.8 | 100.0 | 105.4 |
| July-September | 99.5 | 101.5 | 97.7 |
| October-December | 100.8 | 106.2 | 104.4 |
| 1981: | | | |
| January-March | 100.3 | 104.5 | 113.9 |
| July-September | 106.8 | 105.7 | 109.7 |
| July-September | 109.7 | 111.1 | 117.0 |
| October-December | 112.7 | 111.1 | 115.7 |
| 1982: January-March | 109.5 | 111.6 | 117.0 |

1/ See product list for specifications, app D.
2/ Importers provided no price data for sales to end users.

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

Purchase prices.--The Commission asked purchasers to furnish the delivered prices they paid in 1981 and in January-March 1982 for imported and domestic stainless steel sheet and strip. Purchasers were asked for prices, including delivery charges, paid in specific transactions. To insure that these prices would be comparable, the purchasers were identified by their location, and questionnaires were sent to firms located in six metropolitan areas: Atlanta, Chicago, Detroit, Houston, Los Angles, and Philadelphia. These data were used to compare the levels of importers' and domestic producers' prices. 1/

Of the 27 purchasers responding to this questionnaire, 22 reported purchasing stainless steel sheet and strip. Price data were reported by 15 purchasers for the domestic product and by 5 purchasers for the imported French product. 2/ Margins of underselling computed from these responses are presented in table 21. The data are limited to two specifications of sheet sold in the Chicago area. Margins of underselling ranged from 16 to 26 percent for product 3, and generally declined over the period. For another specification, 3/ margins of underselling were * * * percent from January to June 1981, and * * * percent in July-September 1981.

1/ Comparable price data were only received for the Chicago area.
2/ Because price comparisons were made on a regional basis, the data represent prices from a small number of firms.
3/ One purchaser reported both domestic and import prices for a specification which was not listed on the questionnaire.

Table 21.--Average margins by which imports of stainless steel sheet and strip from France undersold the U.S. product based on average net delivered purchase prices for the largest purchases of such imports and domestic products by service center/distributor customers in Chicago, by quarters, January 1981-March 1982 1/

| Period | Product 3 | | 2/ | |
|---|---|---|---|---|
| | Per ton | Percent | Per ton | Percent |
| 1981: | | | | |
| January-March | $515 | 26 | *** | *** |
| April-June | 502 | 25 | *** | *** |
| July-September | 402 | 21 | *** | *** |
| October-December | 309 | 16 | 3/ | 3/ |
| 1982: January-March | 321 | 17 | 3/ | 3/ |

1/ See product list for specifications, app D.

2/ These margins represent prices paid by one service center/distributor for purchases of domestic and French 430 grade stainless steel sheet, in coils 0.014 inch in thickness by 13 to 37 inches in width.

3/ There are no price comparisons for these periods.

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

Nonprice factors.--Purchasers were asked to indicate the importance of four nonprice factors in their purchasing decisions on a scale of 5 (high) to 1 (low). These factors were reliability of the vendor firm, proximity of the vendor, quality of the product, and service availability. Twenty-two purchasers of stainless steel sheet and strip responded to this question, indicating that quality (4.50) was the most important nonprice consideration, followed by reliability (4.23), service (3.42), and proximity (2.26). Eighteen firms indicated that they had not paid a premium for a nonprice factor. The other firms indicated that they paid premiums for such factors as quality, availability, and delivery time.

Exchange-rate fluctuations.-- From January-March 1979 to January-March 1982, the French franc depreciated by 31.2 percent. The franc generally appreciated relative to the U.S. dollar through April-June 1980, but declined thereafter, reaching its lowest level in January-March 1982. The following tabulation shows indexes for the French franc's exchange rate 1/ to the U.S. dollar:

1/ Compiled from official statistics of the International Monetary Fund.

| Period | Index (Jan.-Mar. 1979=100.0) |
|---|---|
| 1979: | |
| January-March | 100.0 |
| April-June | 100.3 |
| July-September | 104.8 |
| October-December | 106.9 |
| 1980: | |
| January-March | 95.9 |
| April-June | 105.1 |
| July-September | 102.3 |
| October-December | 95.2 |
| 1981: | |
| January-March | 86.7 |
| April-June | 75.2 |
| July-September | 77.2 |
| October-December | 74.8 |
| 1982: January-March | 68.8 |

It is possible that a portion of the decline in French prices in the latest quarters reflects the depreciation of the franc in earlier quarters since orders for sheet are generally placed several months before actual importation. On the other hand, the stronger dollar may have the effect of increasing the French producers' cost for imported raw materials (especially alloys) that are denominated in dollars.

Lost sales

Petitioners made both general and specific allegations regarding lost sales. The general allegations related to those types of supplier-purchaser relationships wherein the suppliers are not bidding on specific items or quantities against a foreign producer, but where they believe they have lost position to a foreign competitor.

Petitioners claim margins of price undercutting by French producers of up to 11 percent on grade 304, up to 32 percent on grade 316, and up to 36 percent on grade 430.

The specific allegations of lost sales are listed below:

Purchaser 1.--This service center claims to be * * *. The allegation specified * * * tons of lost sales to French products (approximately * * * percent of total imports for the period). The allegation was confirmed. This purchaser is currently able to buy French products from the importers' inventory (immediate delivery) at 10 percent below domestic prices. If ordered from French mills in mill-run quantity (20 tons or more, 12 to 15-week delivery), the price is 25 to 30 percent below the best domestic offer. This purchaser also stated that the French 430 grade is of better quality and is

preferred among foreign or domestic products if prices are comparable and further noted that currently both 300 and 400 series stainless steel sheet and strip are available from both France and Germany.

Purchaser 2.--The alleged purchase of * * * tons of * * * grade French product was confirmed. This purchaser stated that due to the availability of lower priced foreign stainless sheet from those service centers that deal mainly in foreign products, those service centers that traditionally sell domestic steel are now forced into buying the cheaper foreign material if they want to keep their customers. The origin of his stainless sheet products in the past years was * * * percent domestic and * * * percent foreign; it was * * * percent domestic and * * * percent foreign in 1981 and January-April 1982. The price difference between domestic and French products - according to this purchaser - is 20 to 25 percent.

Purchaser 3.--The specific allegation of the purchase of * * * tons of French product was neither denied nor confirmed by this firm.

Purchaser 4.--The purchase of * * * tons of grade * * * French product was alleged. The purchaser stated that the order * * *. However, another individual employed by this purchaser noted that the French producers competed more on a price basis in the past year than traditionally. * * *'s inventory position seems to be good and it can offer delivery within a few days at prices at least 5 to 10 percent better than domestic suppliers.

Purchaser 5.--This purchaser buys grade * * * French product because of the price differential. Quality difference for firm is not significant. Contracting for French products for delivery 6 months hence has been reduced by this purchaser due to "unstable market conditions." His strategy will be to buy less foreign product while future prices are not sufficiently predictable.

# APPENDIX A

## U.S. INTERNATIONAL TRADE COMMISSION
## NOTICE OF INVESTIGATION

[Investigation No. 731-TA-95 (Preliminary)]

## Stainless Steel Sheet and Strip From France

**AGENCY:** International Trade Commission.

**ACTION:** Institution of a preliminary antidumping investigation and scheduling of a conference to be held in connection with the investigation.

**SUMMARY:** The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-95 (Preliminary) to determine, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from France of stainless steel sheet, provided for in items 607.7610, 607.9010, and 607.9020 of the Tariff Schedules of the United States Annotated (TSUSA), and stainless steel strip (over 0.01 inch in thickness), provided for in TSUSA items 608.4300 and 608.5700 which are alleged to be sold in the United States at less than fair value.

**EFFECTIVE DATE:** May 10, 1982.

**FOR FURTHER INFORMATION CONTACT:** Mr. Daniel F. Leahy, Jr., Office of Investigations, U.S. International Trade Commission; telephone 202-523-1369.

**SUPPLEMENTARY INFORMATION:**

### Background

This investigation is being instituted following receipt of a petition filed by members of the Tool and Stainless Steel Industry Committee and the United Steelworkers of America. The Commission must make its determination in the investigation within 45 days after the date of receipt of petition, or by June 24, 1982 (19 CFR 207.17 (1981)). The investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207 (1981), as amended by 47 FR 6190 (Feb. 10, 1982)), and particularly subpart B thereof.

### Written Submissions

Any person may submit to the Commission on or before June 9, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and fourteen copies of such statements must be submitted (19 CFR 201.8 (1981), as amended by 47 FR 6188 (Feb. 10, 1982)).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data will be available for public inspection.

### Conference

The Director of Operations of the Commission has scheduled a conference in connection with the investigation for 10:00 a.m., e.d.t., on June 7, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the

conference should contact the investigator for the investigation, Mr. Daniel Leahy, telephone 202-523-1369, not later than June 1, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation 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.

For further information concerning the conduct of the investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR Part 207, as amended by 47 FR 6188 (Feb. 10, 1982)), and part 201, subparts A through E (19 CFR Part 201, as amended by 47 FR 6188 (Feb. 10, 1982)). Further information concerning the conduct of the conference will be provided by Mr. Leahy.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12 (1981)).

Issued: May 13, 1982.

By order of the Commission.

Kenneth R. Mason,

*Secretary.*

[FR Doc. 82-13650 Filed 5-18-82 8:45 am]

BILLING CODE 7020-02-M

# APPENDIX B

## U.S. DEPARTMENT OF COMMERCE
## NOTICE OF INVESTIGATION

## Initiation of Antidumping Investigation; Certain Stainless Steel Sheet and Strip Products From France

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Initiation of antidumping investigation.

**SUMMARY:** On the basis of a petition filed in proper form with the Department of Commerce, we are initiating an antidumping investigation to determine whether certain stainless steel sheet and strip products from France are being, or are likely to be, sold in the United States at less than fair value. We are notifying the International Trade Commission ("ITC") of this action so that it may determine whether imports of certain stainles steel sheet and strip products are materially injuring, or are threatening to materially injure, a U.S. industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before June 24,1982, and we will make ours on or before October 18, 1982.

**EFFECTIVE DATE:** June 8, 1982.

**FOR FURTHER INFORMATION CONTACT:** Leon McNeill, Office of Investigations, Import Administration, International Trade Administation, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-1273.

**SUPPLEMENTARY INFORMATION:**

### Petition

On May 10, 1982, we received a petition filed by counsel on behalf of eleven U.S. specialty steel producers and on behalf of the United Steelworkers of America. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports from France of certain stainless steel sheet and strip products 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 Tarriff Act of 1930, as amended (19 U.S.C. 1673) (the "Act") and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry. The petition further alleges that these products are being sold in France at less than the cost of production in the home market. An amendment to the petition was filed on May 24, 1982, which provided price data on hot-rolled stainless steel strip coil. Further amendments to the petition were filed on May 28, 1982, which provided additional information relative to the allegation that stainless steel sheet and strip products are being sold in France at less than the cost of production.

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### Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets

forth the allegations necessary for initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain stainless steel sheet and strip products and have found that it meets these requirements. However, we have dismissed the sales below cost of production allegation on the basis that the petition failed to provide adequate documentation and analysis to support such allegation. If the petitioners make a timely submission of the required information, we will initiate an investigation to determine if stainless steel sheet and strip products are being sold in France at less than the cost of production.

Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether certain stainless steel sheet and strip products from France are being, or are likely to be, sold in the U.S. at less than fair value. If the investigation proceeds normally, we will make our preliminary determination by October 18, 1982.

## Scope of the Investigation

The products covered by this investigation are certain stainless steel sheet and strip products. For a further description of these products see the appendix appearing with this notice.

## Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided that the ITC confirms it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

## Preliminary Determination by ITC

The ITC will determine by June 24, 1982, whether there is a reasonable indication that imports of certain stainless steel sheet and strip products from France are materially injuring, or are threatening to materially injure, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, the investigation will proceed according to statutory procedures.

Gary N. Horlick,

*Deputy Assistant Secretary for Import Administration.*

June 1, 1982.

## Appendix—Product Description: Certain Stainless Steel Sheet and Strip Products

For the purpose of this investigation, the term "certain stainless steel sheet and strip products" covers hot or cold-rolled stainless steel sheet or strip, excluding hot or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the *Tariff Schedules of the United States Annotated.*

Hot-rolled stainless steel sheet covers hot-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inches in width. Hot-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

Cold-rolled stainless steel sheet covers cold-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless steel is a flat-rolled stainless steel product whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; under 0.1875 inch in thickness and over 0.50 inch in width but not over 12 inches in width. Cold-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included in this investigation.

[FR Doc. 82-15528 Filed 6-7-82; 8:45 am]

BILLING CODE 3510-25-M

# APPENDIX C

## LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-95 (Preliminary)

STAINLESS STEEL SHEET AND STRIP FROM FRANCE

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation on Monday, June 7, 1982, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of antidumping duties

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

The Stainless Steel and Alloy Tool Steel Industry Committee and the United Steelworkers of America

Richard D. Mercer, Vice President, Commercial, Allegheny Ludlum Steel Corp.
Bruce P. Malashevich, Vice President, Economic Consulting Services, Inc.
James E. Syphard, Jr., Vice President-Sales, Eastern Stainless Steel Co.
Jack N. Barnett, Director of Sales, Stainless Steel Division, Armco, Inc.

David A. Hartquist)
Paul C. Rosenthal ) --OF COUNSEL

In opposition to the imposition of antidumping duties

Covington & Burling--Counsel
Washington, D.C.
on behalf of

Chatillon, Peugot-Loire, and Ugine Gueugnon (French producers)

Yves Jullien, Export Sales Manager, Ugine Gueugnon
Fred Signer, Intsel Corp.

Harvey M. Applebaum )
O. Thomas Johnson, Jr.) --OF COUNSEL
Lyn M. Schlitt )

# APPENDIX D

# PRODUCT LIST

PRODUCT LIST

**PRODUCT 1:** Stainless steel cold-rolled sheets, AISI grade 304, 2B finish, 16 gauge in thickness, 48" in width, and coiled.

**PRODUCT 2:** Stainless steel cold-rolled sheets, AISI grade 316, 2B finish, 16 gauge in thickness, 48" in width, and coiled.

**PRODUCT 3:** Stainless steel cold-rolled sheets, AISI grade 430, BA finish, 20 gauge in thickness, 48" in width, and coiled.

**PRODUCT 4:** Stainless steel cold-rolled strips, AISI grade 304, 2 finish, 24 gauge in thickness, 4" to 12" in width, and coiled.

**PRODUCT 5:** Stainless steel cold-rolled strips, AISI grade 430, BA finish, 24 gauge in thickness, 4" to 12" in width, and coiled.

**PRODUCT 6:** Stainless steel cold-rolled strips, AISI grade 434, BA finish, 24 gauge in thickness, 4" to 12" in width, and coiled.