

CERTAIN CARBON STEEL PRODUCTS FROM THE REPUBLIC OF KOREA

**Determinations of the Commission
in Investigations Nos. 701-TA-170,
701-TA-171, and 701-TA-173 (Final)
Under Section 705(b) of the
Tariff Act of 1930, Together
With the Information Obtained
in the Investigations**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 701-TA-170, 171, and 173 (Final)

CERTAIN CARBON STEEL PRODUCTS FROM THE REPUBLIC OF KOREA

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)(1)), that an industry in the United States is materially injured by reason of imports of the following products which have been found by the Department of Commerce to be subsidized by the Government of the Republic of Korea: hot-rolled carbon steel plate (investigation No. 701-TA-170 (Final)), 2/ hot-rolled carbon steel sheet (investigation No. 701-TA-171 (Final)), 3/ and galvanized carbon steel sheet (investigation No. 701-TA-173 (Final)). 4/ 5/

Background

The Commission instituted these investigations effective October 12, 1982, following preliminary determinations by the Department of Commerce that there was a reasonable basis to believe or suspect that subsidies were being provided to manufacturers, producers, or exporters of the subject carbon steel products in the Republic of Korea.

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i), 47 F.R. 6190, Feb. 10, 1982).

2/ For purposes of this investigation, hot-rolled carbon steel plate is provided for in items 607.6615, 607.9400, 608.0710, and 608.1100 of the Tariff Schedules of the United States Annotated (TSUSA).

3/ For purposes of this investigation, hot-rolled carbon steel sheet is provided for in items 607.6610, 607.6700, 607.8320, 607.8342, and 607.9400 of the TSUSA.

4/ For purposes of this investigation, galvanized carbon steel sheet is provided for in items 608.0710, 608.0730, 608.1100, and 608.1300 of the TSUSA.

5/ Commissioner Stern dissenting.

Notice of the institution of the Commission's investigations and of a public hearing 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 on October 27, 1982 (47 F.R. 47703). The hearing was held in Washington, D.C., on January 10, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

These views set forth the reasons supporting the determinations of the Commission in these three final countervailing duty investigations. The Commission unanimously found material injury with respect to hot-rolled carbon steel plate and hot-rolled carbon steel sheet. The Commission (Commissioner Stern dissenting) also found material injury with respect to galvanized carbon steel sheet.

Definition of the domestic industries

The domestic industry against which the impact of the imports under investigation is to be gauged is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 1/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" 2/

These investigations concern subsidized imports from Korea of three different types of steel products. These three types are: (1) hot-rolled carbon steel plate; (2) hot-rolled carbon steel sheet; and (3) galvanized carbon steel sheet. There is domestic production of each of these products. These same products were among the nine products which were the subject of the preliminary investigations involving certain steel products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United

1/ 19 U.S.C. § 1677(4)(A).

2/ 19 U.S.C. § 1677(10).

Kingdom, and West Germany. In those cases the Commission 3/ found that each of the different product categories under investigation constituted a separate like product and noted:

Each [product category] has physical characteristics of size, shape, or composition that are unlike those of the others. Moreover, they have varying uses, and products of one type generally do not compete with products of another type. As noted in the Commission determination in the 1980 steel products antidumping investigations, "Although raw steel constitutes much of the value of each of the . . . product groups under investigation, competition in the U.S. market between domestically produced steel products and the alleged LTFV [and subsidized] imports occurs in each of the . . . separate and distinct product groups." In these investigations the domestic producers have been able to identify production and profitability data in terms of each of the groups, allowing the Commission to examine the impact of imports on each group separately. 4/

The Commission recognized that within each of the nine product categories there may have been slightly different characteristics and uses for articles having different specifications, but the record contained no information to warrant making any meaningful distinctions among them. In the absence of "clear dividing lines among the products in each group," each was treated in its entirety as a separate like product. 5/ Thus, the Commission determined that there was a separate industry corresponding to each of the product groups.

3/ Commissioner Haggart was not a member of the Commission at that time.

4/ Investigations Nos. 701-TA-86 to 144, 701-TA-146, and 701-TA-147 (Preliminary), and Investigations Nos. 731-TA-53 to 86 (Preliminary), USITC Pubs. 1221 and 1226 (1982), at 14-15 (footnote omitted). Specific descriptions of the products, their characteristics and uses, and methods of manufacture may be obtained by reference to the Commission's Views and the Report in those investigations.

5/ Id. at 15-16.

In these three final investigations we have determined that the same analysis should apply. 6/ The record developed in these final investigations regarding the same imported products from Korea contains no additional information that would suggest a revision of the definitions. Moreover, no party has objected to these industry definitions. 7/ Thus, we determine that there are three domestic industries corresponding to the three product groups.

Condition of the domestic industries

1. Hot-rolled carbon steel plate

The U.S. industry producing hot-rolled carbon steel plate has been in decline during most of the period under investigation. Production and capacity have fallen since 1979. Production fell from 6.6 million tons in 1979 to 5.9 million tons in 1981, a decrease of 11 percent. This decline continued in the first three quarters of 1982 as production was only 2.1 million tons compared with 4.1 million tons in the same period of 1981. 8/ Paralleling the decline in production, U.S. producers' shipments of carbon steel plate decreased steadily from 1979 to 1981 and fell rapidly in the first three quarters of 1982. 9/ Production capacity shrank from 10.4 million tons in 1979 to 9.6 million tons in 1981. Despite the decline in capacity, the loss of production yielded a continued decline in capacity utilization from

6/ The conclusions presented here are identical to those for hot-rolled carbon steel plate and galvanized carbon steel sheet in Certain Carbon Steel Products from Spain, investigations Nos. 701-TA-155 to 701-TA-162 (Final), USITC Publication 1331 (December 1982). While hot-rolled carbon steel sheet was not covered by those investigations, the same analysis has been judged to be applicable to that product here.

7/ See, e.g., Tr. 4, 112, 113.

8/ Report at A-8.

9/ Id.

63.9 percent in 1979 to 61.9 percent in 1980 and 61.2 percent in 1981.

Capacity utilization fell greatly in the first three quarters of 1982 to 32.7 percent. 10/

Declining production has adversely affected employment and profitability levels as well. Employment of workers engaged in producing hot-rolled carbon steel plate fell from 20,625 in 1979 to 19,758 in 1980 and 18,378 in 1981, an 11 percent decline over the period. Employment and wages dropped sharply in January-September 1982 by approximately 40 percent from the levels in the corresponding period in 1981. 11/

U.S. producers' operating profits declined from \$93 million in 1979, to \$34 million in 1980, and increased to \$67 million in 1981. However, net sales dropped sharply in the first three quarters of 1982, and producers suffered operating losses totalling \$122 million during that period. The ratio of operating profits to net sales decreased irregularly from 3.8 percent in 1979 to 2.6 percent in 1981. During the first nine months of 1982, the ratio of operating losses to net sales was 11.8 percent as compared with a ratio of operating profit to net sales of 3.0 percent during the corresponding period in 1981.

2. Hot-rolled carbon steel sheet

The U.S. industry producing hot-rolled carbon steel sheet has been in decline during most of the period under investigation. This decline was particularly steep in the first nine months of 1982. Production fell from 12.7 million tons in 1979 to 9.9 million tons in 1980, then rose to 11.5

10/ Id. at A-8.

11/ Id. at A-10, A-11.

million tons in 1981. However, production declined sharply in the first three quarters of 1982, falling to 6.0 million tons from 9.1 million tons in the same period of 1981. 12/ Paralleling the decline in production, U.S. producers' shipments of carbon steel sheet decreased irregularly from 1979 to 1981, then fell sharply in the first three quarters of 1982. 13/ Production capacity has remained roughly constant since 1979. Capacity utilization declined irregularly from 65.1 percent in 1979 to 59.1 percent in 1981. However, capacity utilization fell sharply in the first three quarters of 1982 to 40.9 percent, compared to 62.3 percent in the same period of 1981. 14/

Employment and profitability levels have declined as well. Employment of workers engaged in producing hot-rolled carbon steel sheet fell irregularly from 25,400 in 1979 to 22,404 in 1981, and dropped sharply to 18,567 in the first three quarters of 1982 compared to 25,033 in the same period of 1981. 15/

U.S. producers' operating profits declined from \$95 million in 1979 to losses of \$232 million and \$139 million in 1980 and 1981, respectively. The first three quarters of 1982 showed a dramatic increase in operating losses to \$335 million compared to \$79 million in the same period of 1981. The ratio of operating profits to net sales was 2.4 percent in 1979. In 1980 and 1981, the ratio of operating losses to net sales was 7.5 percent and 3.5 percent, respectively. During the first three quarters of 1982 the ratio of operating losses to net sales was 16.9 percent compared to 2.5 percent in the same period of 1981. 16/

12/ Id. at A-8.

13/ Id.

14/ Id.

15/ Id. at A-10.

16/ Id. at A-15.

3. Galvanized carbon steel sheet

The galvanized carbon steel sheet industry has experienced a downturn since 1979. Production fell from 4.7 million tons in 1979 to 3.7 million tons in 1980. Although production rose to 4.4 million tons in 1981, a sharp drop in production occurred in the first nine months of 1982, with only 2.8 million tons being produced, in contrast to 3.7 million tons produced in the same period in 1981. 17/ Shipments have similarly decreased. 18/ While capacity for producing galvanized sheet has remained roughly constant since 1979, capacity utilization fell from 70.4 percent in 1979 to 59.4 percent in 1980. After rebounding to 70.7 percent in 1981, capacity utilization fell to 60.9 percent in the first three quarters of 1982. 19/ Employment of production and related workers, which had peaked at 16,900 in the first three quarters of 1981, declined to 13,684 by the first three quarters of 1982 as production declined. 20/

From operating profits of \$135 million in 1979, the industry declined to losses of \$91 million in 1980, and \$29 million in 1981. In the first three quarters of 1982, the industry experienced a loss of \$190 million compared with a loss of \$3 million in the same period in 1981. The ratio of operating profits to net sales was 5.8 percent in 1979. The ratio of operating losses to net sales was 4.8 percent in 1980, 1.2 percent in 1981, and 12.5 percent in the first three quarters of 1982. 21/

17/ Id. at A-8.

18/ Id.

19/ Id.

20/ Id. at A-10.

21/ Id. at A-15.

Material Injury by Reason of Subsidized Imports 22/

1. Hot-Rolled Carbon Steel Plate

Imports from Korea increased from their 1979 level of 119,000 tons to 212,000 tons in 1980 and decreased to 115,000 tons in 1981. Imports declined slightly in absolute terms in the first three quarters of 1982 compared to the same period in 1981, but actually increased in relation to apparent U.S. consumption. The ratio of imports to apparent domestic consumption increased from 1.5 percent in 1979 to 2.8 percent in 1980, and decreased in 1981 to 1.5 percent. However, in January-September 1982, imports from Korea climbed to 2.4 percent of domestic consumption compared with 1.6 percent for the corresponding period in 1981.

With regard to the impact of pricing, price comparisons with products from Korea show a clear indication of underselling in three of the four geographic market areas for which data are available. Four instances of lost sales were confirmed in the preliminary investigation and an additional lost sale has been confirmed in this final investigation. 23/ In all these cases, the principal reason cited for the purchase of the Korean product was the lower price of the imports, which was reported to be as much as \$40 to \$100 below the price for the comparable domestic product. 24/

22/ Chairman Eckes and Commissioner Haggart have made their affirmative determinations regarding the various products from Korea on a case-by-case basis in accordance with their joint views in the Spanish investigations. See their views regarding causation, cumulation and conditions of trade contained in Certain Carbon Steel Products from Spain, Inv. Nos. 701-TA-155, 157, 158, 159, 160 and 162 (Final) USITC Pub. 1331 (December 1982). See also Commissioner Haggart's Additional Views in the same opinion.

23/ Report at A-36, A-40, and A-41.

24/ Commissioner Stern notes that information on pricing of Korean products indicates both underselling and overselling, depending on the geographic

(Footnote continued)

For the foregoing reasons, we find that there is material injury to the affected domestic industry by reason of the subject imports. 25/

2. Hot-Rolled Carbon Steel Sheet

Imports from Korea increased rapidly from their 1979 level of 28,000 tons to 72,000 tons in 1981. In the first three quarters of 1982, imports more than doubled to 106,000 tons compared to 42,000 tons for the same period in 1981. The ratio of imports to apparent U.S. consumption rose steadily from 0.2 percent in 1979 to 0.5 percent in 1981. In the first three quarters of 1982, the ratio of imports to apparent U.S. consumption more than tripled to 1.4 percent from 0.4 percent in the same period of 1981. 26/ The significant increase in Korean imports coincided with the severe downturn in domestic production and profitability in the first three quarters of 1982.

In this case, four instances of lost sales were confirmed in the preliminary investigation. 27/ In all of these cases, the principal reason cited for the purchase of the Korean product was the lower price of the

(Footnote continued)

market, the time period and the particular product. However, there were instances of underselling by margins in the range of 2 percent in the Houston, Los Angeles, and Philadelphia market areas which comprised most of the areas for which purchase price information was obtained. Commissioner Stern finds that the subsidies found by Commerce enable the subject imports to successfully compete with the domestic industry in a significant number of instances where they would otherwise be unable to do so.

25/ Commissioner Stern notes that she considered the impact of the subsidized imports of similar products from Spain which were the subject of the Commission's recent affirmative finding in Investigation No. 701-TA-155 (Final).

26/ Report at A-21, A-22.

27/ Id. at A-41.

imports. 28/ In addition four instances of lost revenues were confirmed in the preliminary investigation involving price reductions by domestic producers in order to meet competition from lower-priced imports from Korea.

For the foregoing reasons, we find that there is material injury to the affected domestic industry by reason of the subject imports. 29/

3. Galvanized carbon steel sheet

VIEWS OF CHAIRMAN ECKES AND COMMISSIONER HAGGART

Although imports from Korea fell from their 1979 level of 39,000 tons to 9,000 tons in 1980, they sharply increased to 40,000 tons in 1981. This increase in 1981 is almost entirely the result of the volumes entered in the latter half of the year. In addition, in the first three quarters of 1982 alone, imports increased sharply again to 27,000 tons compared to 16,000 tons for the same period of 1981. Import penetration followed a similar trend, reaching 0.6 percent of domestic consumption in the first nine months of 1982, compared with 0.3 percent in the corresponding period in 1981. On a quarterly basis, the increase in penetration of the U.S. market by imports from Korea is even more striking. Import penetration levels did not exceed 0.2 percent throughout 1980 and the first half of 1981. Since that time the quarterly

28/ Commissioner Stern notes that information on pricing of Korean products indicates both underselling and overselling, depending on geographic market, time period and particular product. However, there were several instances of underselling by margins in the range of 2 percent in the Los Angeles market area. Commissioner Stern finds that the subsidies found by Commerce enable the subject imports to successfully compete with the domestic industry in a significant number of instances where they would otherwise be unable to do so.

29/ Commissioner Stern notes that she considered the impact of imports of similar products from Belgium, France and Italy, which were the subject of the Commission's Investigations Nos. 701-TA-94, 701-TA-96 and 701-TA-97, respectively.

data range from 0.3 percent in the second quarter of 1982 to 1.5 percent in the last quarter of 1981. The significant increase in Korean imports coincided with the serious downturn in domestic production and profitability in the last quarter of 1981 and the first three quarters of 1982. 30/

Four allegations of sales lost by domestic firms to imports of galvanized sheet were confirmed in the preliminary and final investigations. 31/ Price was the most important factor in three of these lost sales while price and quality were both important in the fourth instance. In addition, in the preliminary investigation, one transaction was confirmed in which a domestic firm lost revenues by lowering its prices in order to meet price competition by Korean imports. 32/

For the foregoing reasons, we determine that imports of galvanized carbon steel sheet from Korea are causing material injury to the domestic industry.

VIEWS OF COMMISSIONER STEP

1. Imports from Korea

Imports fell from 39,000 tons in 1979 to 9,000 tons in 1980 but rose in 1981 to 40,000 tons. In January-September 1982 imports amounted to 27,000 tons, compared to 16,000 tons for the same period of 1981. The ratio of these imports from Korea to apparent U.S. consumption fell from 0.5 percent in 1979 to 0.1 percent in 1980 then rose to 0.6 percent in 1981. In the first three quarters of 1982 the market share was 0.6 percent compared to 0.3 percent for the like period of 1981. 33/

30/ Report at A-21 through A-24.

31/ Id. at A-41, A-42.

32/ Id. at A-45, A-46.

33/ Report at A-21, A-22.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On May 7, 1982, petitions were filed with the United States International Trade Commission and the Department of Commerce by the United States Steel Corp. (U.S. Steel) alleging that imports of certain carbon steel products from the Republic of Korea (Korea) were being subsidized by the Government of that country and that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of such merchandise. Accordingly, the Commission instituted and conducted preliminary countervailing duty investigations under section 701(a) of the Tariff Act of 1930 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 an industry in the United States is materially retarded, by reason of imports of such merchandise. 1/

Following preliminary determinations by the Department of Commerce on October 12, 1982, that there is a reasonable basis to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. § 1671) are being provided in Korea to manufacturers, producers, or exporters of certain carbon steel products, the Commission instituted the following final investigations under section 705(b) of the act (19 U.S.C. § 1671d(b)) to determine whether 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 Korea of the specified merchandise:

<u>Product</u>	<u>Investigation No.</u>
Hot-rolled carbon steel plate-----	701-TA-170 (Final)
Hot-rolled carbon steel sheet-----	701-TA-171 (Final)
Galvanized carbon steel sheet-----	701-TA-173 (Final)

Notice of the institution of the Commission's investigations and of a public hearing 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 October 27, 1982 (47 F.R. 47703). The hearing was held in Washington, D.C., on January 10, 1983. 2/

Effective December 27, 1982, the Department of Commerce made affirmative final countervailing duty determinations concerning all of the above-cited products from Korea. 3/ The applicable statute directs that the Commission make its determinations in these investigations before the 45th day after the

1/ A copy of the Commission's determinations in its preliminary investigations is shown in app. A.

2/ A copy of the Commission's notice and a list of witnesses appearing at the hearing are presented in app. B.

3/ A copy of Commerce's final determinations, as published in the Federal Register of Dec. 27, 1982 (47 F.R. 57535), is presented in app. C. A-1

day on which the administering authority (Commerce) makes its affirmative final subsidy determination, or in these cases, by February 9, 1983. The briefing and votes in the investigations were held on February 2, 1983.

Background and Discussion of Report Format

On January 11, 1982, petitions were filed with the Department of Commerce by 7 U.S. steel producers alleging that imports of certain steel products from 11 countries--Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom, West Germany, Spain, and the Republic of South Africa--were being subsidized by their respective Governments (countervailing duty petitions) and/or sold in the United States at less than fair value (LTFV) (antidumping petitions). On the basis of the petitions, the Department of Commerce instituted countervailing duty and/or antidumping investigations to determine whether such merchandise from the 11 cited countries was being subsidized and/or sold at LTFV.

With respect to imports of certain steel products from the first 10 countries cited above, the Commission instituted and conducted preliminary countervailing duty and/or antidumping investigations under sections 701(a) and 733(a), respectively, of the Tariff Act of 1930 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. A summary of the current status (as of Jan. 24, 1983) of each of these cases which involve the products covered by the instant investigations is presented in appendix D. The Commission did not institute investigations on products from the Republic of South Africa, since that country has not signed the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (GATT) (GATT Subsidies Code) and is, therefore, not considered a "country under the Agreement" and is not entitled to an injury determination by the Commission.

This report is designed to be used in conjunction with the staff reports to the Commission in the following recent investigations concerning imports of certain steel products:

- (1) Staff report to the Commission, dated February 12, 1982, entitled "Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom, and West Germany." This report is hereafter referred to as the February report.
- (2) Staff report to the Commission, dated September 23, 1982, entitled "Certain Carbon Steel Products from Belgium, France, Italy, Luxembourg, the United Kingdom, and the Federal Republic of Germany." This report is hereafter referred to as the September report.

Part I in the two cited staff reports contained general information on U.S. and foreign steel operations, as well as some summary information

on the specific products covered by the investigations. Parts II through X in the February report (pts. II through VI in the September report) presented detailed information on each of the products under investigation.

The cited staff reports are extensive, and much information contained therein is not repeated in this report. For example, the prior reports have sections in part I dealing with the steelmaking process; Western European and other foreign producers (other than Korea); channels of distribution; transportation costs; general information on U.S. producers, including their overall financial experience, capital expenditures, and research and development costs; and general information on pricing. Parts dealing with each of the products under investigation contain detailed sections on descriptions and uses of each product, tariff treatment, U.S. producers, importers, imports from countries other than Korea, and the ratio of such imports to apparent U.S. consumption and producers' shipments. Finally, the prior reports contain appendixes on the Trigger-Price Mechanism and the Davignon Plan.

For the specific carbon steel products from Korea herein under investigation, the following tabulation shows the most current information previously presented in the cited reports:

<u>Product</u>	<u>Report</u>
Hot-rolled plate-----	September (pt. II)
Hot-rolled sheet-----	September (pt. III)
Galvanized sheet-----	February (pt. V)

Nature and Extent of Subsidies

The Department of Commerce published its final countervailing duty determinations on the products subject to these investigations in the Federal Register of December 27, 1982. The programs that were found to confer benefits which constitute subsidies, based on an examination of those programs during 1981, were preferential export financing, preferential tax incentives for exporters, special tax exemptions for Government-owned firms, special tax incentives for steel producers, preferential utility rates and port charges for steel producers, tariff incentives, and Massan Free Export Zone or Foreign Capital Inducement Law benefits. The complete text of Commerce's determinations is presented in appendix C.

The final subsidy determinations are shown in the following tabulation (in percent ad valorem):

Hot-rolled carbon steel plate (all manufacturers, producers, or exporters)-----	1.88
Hot-rolled carbon steel sheet (all manufacturers, producers, or exporters)-----	1.88
Galvanized sheet:	
Pohang Iron & Steel Co., Ltd-----	1.74
Union Steel Manufacturing Co., Ltd-----	1.36
All other manufacturers, producers, or exporters---	1.74

The Products

The products covered in these investigations are as follows: Hot-rolled carbon steel plate, provided for in items 607.6615, 607.9400, 608.0710, and 608.1100 of the Tariff Schedules of the United States Annotated (TSUSA); hot-rolled carbon steel sheet, provided for in TSUSA items 607.6610, 607.6700, 607.8320, 607.8342, and 607.9400; and galvanized carbon steel sheet, provided for in TSUSA items 608.0710, 608.0730, 608.1100, and 608.1300. 1/

All of the above products are produced in rolling mills by passing semifinished steel products through a series of reducing rolls. A discussion of the steelmaking process and the relative importance of these products compared with all carbon steel and/or alloy steel products was presented in part I of the previously cited staff reports. Detailed descriptions of the specific products herein under investigation and discussions of their methods of production, principal markets, and U.S. tariff treatment were presented in parts II through X of the February report (pts. II through VI in the September report) in the sections entitled "The Product."

U.S. Producers

There are about 25 firms in the United States that produce, or are capable of producing, one or more of the steel products covered by these investigations. Table 1 shows the principal producers of each product and each firm's share of aggregate U.S. producers' shipments (as reported by the American Iron & Steel Institute (AISI)) of that product in 1981. The seven largest domestic producers of raw steel, 2/ which together account for about 75 percent of total U.S. production of raw steel, also accounted for 70 percent or more of total U.S. producers' shipments of hot-rolled plate, hot-rolled sheet, and galvanized sheet.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 65 firms that import from Korea one or more of the steel products subject to these investigations. The bulk of import shipments is concentrated in a few firms, some of which are general trading companies headquartered in Korea. None of the major importers, however, are owned by or affiliated with Korean steel producers. The major importers of the subject carbon steel products from Korea are listed in the tabulation on page A-6.

1/ For the Department of Commerce's description of the merchandise which is the subject of its investigations, see pp. A-68 and A-69 in app. C. The definitions of hot-rolled carbon steel sheet and galvanized carbon steel sheet include some products classified as "plate" in the TSUSA.

2/ U.S. Steel, Bethlehem Steel Corp. (Bethlehem), LTV Corp. (which owns Jones & Laughlin Steel, Inc. (J&L)), National Steel Corp. (National), Republic Steel Corp. (Republic), Inland Steel Co. (Inland), and Armco, Inc. (Armco).

Table 1.--Certain carbon steel products: Principal U.S. producers, 1981

(In percent)

Firm	Share of total U.S. producers' shipments (as reported by the AISI) in 1981		
	Hot-rolled carbon steel plate	Hot-rolled carbon steel sheet and strip	Galvanized carbon steel sheet
Armco-----	***	***	***
Bethlehem-----	***	***	***
Cyclops Corp-----	***	***	***
Gilmore Steel Corp-----	***	***	***
Inland-----	***	***	***
Interlake, Inc-----	***	***	***
J&L-----	***	***	***
Kaiser Steel Corp. (Kaiser)-----	***	***	***
Laclede Steel Co-----	***	***	***
Lukens Steel Co-----	***	***	***
National-----	***	***	***
Phoenix Steel Corp-----	***	***	***
Republic-----	***	***	***
Rouge Steel Co. (Ford)-----	***	***	***
U.S. Steel-----	***	***	***
Concentration ratios:			
Four largest producers			
shown above-----	72.6	52.6	54.4
Seven largest U.S. raw			
steel producers ^{1/} -----	81.1	73.5	71.4

^{1/} Armco, Bethlehem, Inland, J&L, National, Republic, and U.S. Steel.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from data of the American Iron & Steel Institute.

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

<u>Importing firm</u>	<u>Product</u>
* * *-----	Hot-rolled plate Hot-rolled sheet Galvanized sheet
* * *-----	Hot-rolled plate Hot-rolled sheet
* * *-----	Hot-rolled plate
* * *-----	Hot-rolled plate
* * *-----	Hot-rolled sheet Galvanized sheet
* * *-----	Galvanized sheet
* * *-----	Hot-rolled plate
* * *-----	Galvanized sheet
* * *-----	Galvanized sheet

Apparent U.S. Consumption

Apparent U.S. consumption of the carbon steel mill products subject to these investigations during 1978-81, January-September 1981, and January-September 1982 is shown in table 2. Consumption of hot-rolled plate decreased steadily during 1978-81; consumption of hot-rolled sheet and galvanized sheet fell sharply from 1978 to 1980, but then partially recovered in 1981. Apparent consumption of all three of these products fell sharply in January-September 1982 in comparison with consumption in the corresponding period of 1981, as follows: Hot-rolled plate, -44 percent; hot-rolled sheet, -30 percent; and galvanized sheet, -15 percent.

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, capacity utilization, shipments, exports, and producers' inventories

For each of the steel products covered by these investigations, table 3 shows data reported by domestic producers in response to the Commission's questionnaires on their production, capacity, capacity utilization, total shipments, export shipments, and end-of-period inventories during 1978-81, January-September 1981, and January-September 1982. ^{1/} In general, the trends among the various products were similar during the period covered.

^{1/} Table 2 shows aggregate U.S. producers' shipments (as reported by the AISI) and total U.S. exports (as reported by the U.S. Department of Commerce) of each of these products during those periods.

Table 2.--Certain carbon steel products: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, by products, 1978-81, January-September 1981, and January-September 1982

Product and period	Shipments	Imports	Exports	Apparent consumption	Ratio of imports to--			
					Shipments	Consumption		
Hot-rolled carbon steel plate:					-----1,000 short tons-----		-----Percent-----	
1978	6,588	^{1/} 1,982	118	8,452	30.1	23.4		
1979	6,803	1,252	169	7,886	18.4	15.9		
1980	6,242	1,571	162	7,651	25.2	20.5		
1981	5,772	^{2/} 1,827	169	7,430	31.7	24.6		
Jan.-Sept.--								
1981	4,577	^{2/} 1,425	132	5,870	31.1	24.3		
1982	2,461	910	58	3,313	37.0	27.5		
Hot-rolled carbon steel sheet:								
1978	14,114	3,343	78	17,379	23.7	19.2		
1979	14,494	2,676	69	17,101	18.5	15.6		
1980	10,870	1,937	92	12,715	17.8	15.2		
1981	12,051	2,161	120	14,092	17.9	15.3		
Jan.-Sept.--								
1981	9,601	1,387	59	10,929	14.4	12.7		
1982	6,350	1,299	28	7,621	20.4	17.0		
Galvanized carbon steel sheet:								
1978	6,414	2,313	54	8,673	36.1	26.7		
1979	6,300	2,139	41	8,398	34.0	25.5		
1980	5,167	1,350	36	6,481	26.1	20.8		
1981	5,802	1,304	50	7,056	22.5	18.5		
Jan.-Sept.--								
1981	4,672	864	41	5,495	18.5	15.7		
1982	3,846	856	15	4,687	22.3	18.3		

^{1/} Adjusted to exclude 167,500 tons of slab greater than 6 inches in thickness imported from Poland.

^{2/} Adjusted to exclude 13,600 tons of slab greater than 6 inches in thickness imported from Belgium/Luxembourg.

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 3.--Certain carbon steel products: U.S. producers' reported production, practical capacity, 1/ capacity utilization, shipments, exports, and end-of-period inventories, by products, 1978-81, January-September 1981, and January-September 1982

Product and period	Production	Capacity	Capacity utilization	Shipments		End-of-period inventories
				Total	Exports	
Hot-rolled carbon steel plate:	-1,000 short tons-		Percent	-----1,000 short tons-----		
1978-----	6,136	9,647	63.6	6,080	40	308
1979-----	6,651	10,404	63.9	6,623	62	321
1980-----	6,113	9,881	61.9	6,133	104	292
1981-----	5,890	9,632	61.2	5,537	86	263
Jan.-Sept.--						
1981-----	4,057	6,407	63.3	4,062	55	225
1982-----	2,093	6,407	32.7	2,115	20	146
Hot-rolled carbon steel sheet: <u>2/</u>						
1978-----	11,744	17,886	65.7	11,616	43	686
1979-----	12,658	19,456	65.1	12,765	136	619
1980-----	9,881	18,806	52.5	9,896	178	593
1981-----	11,466	19,417	59.1	11,408	126	676
Jan.-Sept.--						
1981-----	9,075	14,563	62.3	9,009	82	663
1982-----	5,957	14,563	40.9	5,984	75	565
Galvanized carbon steel sheet:						
1978-----	4,530	6,229	72.7	4,519	29	333
1979-----	4,698	6,673	70.4	4,666	24	377
1980-----	3,749	6,310	59.4	3,766	11	349
1981-----	4,400	6,226	70.7	4,299	13	450
Jan.-Sept.--						
1981-----	3,666	4,670	78.5	3,588	11	434
1982-----	2,843	4,670	60.9	2,866	5	343

1/ Capacity shown for the January-September periods is 75 percent of the annual reported capacity as of Sept. 30.

2/ Includes operations on strip.

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

Production, capacity utilization, and producers' shipments fell very sharply in January-September 1982 in comparison with the corresponding economic indicators in January-September 1981; capacity generally remained unchanged and producers' end-of-period inventories decreased.

U.S. employment, wages, and productivity

Table 4 shows, for 1978-81 and January-September of 1981 and 1982, the average number of total employees and the average number of, and hours worked by, all production and related workers in U.S. establishments in which each of the steel products covered in these investigations was produced. The table also shows the average number of production and related workers engaged specifically in producing each subject product, the hours worked by such employees, and their productivity. Wages and total compensation paid to production and related workers in U.S. establishments producing the subject products, 1/ and unit labor costs in the production of such items are shown in table 5. Employment of, hours worked by, and wages paid to production and related workers engaged in producing each of the steel products under investigation during January-September 1982 tended to follow changes in U.S. production and shipments of those products; that is, such indicators fell sharply from levels prevailing in the corresponding period of 1981.

Financial experience of U.S. producers

Profit-and-loss data relative to 17 U.S. steel producers' 2/ overall corporate operations for accounting years 1978-81 are shown in table 6. Net sales of all products rose irregularly from \$44.1 billion in 1978 to a peak of \$55.2 billion in 1981. In the aggregate, the proportion of these firms' overall corporate sales revenue derived from the sale of various types of steel products declined from 75 percent in 1978 to 69 percent in 1980, but then increased to 72 percent in 1981.

Net sales of all steel products by the 17 producers increased irregularly from \$33.3 billion in 1978 to \$39.5 billion in 1981 (table 7). Operating profit on steel operations for these firms declined from \$1.7 billion in 1978 to \$723 million in 1980, and then rose to \$1.6 billion in 1981. The ratio of operating profit to net sales dropped from 5.0 percent in 1978 to 2.0 percent in 1980, and then doubled to 4.1 percent in 1981; the ratio of operating profit to identifiable assets followed the same trend. Capital expenditures for steel-related projects increased from \$1.8 billion in 1978 to \$2.4 billion in 1980, and then slipped to \$2.1 billion in 1981. One firm reported operating losses in 1978, two firms reported losses in 1979 and 1980, and one firm did so in 1981.

1/ Comparative hourly compensation costs for production workers engaged in iron and steel manufacturing, including foundry operations, in the United States and Korea are shown in app. E.

2/ These 17 producers accounted for an estimated 82 percent of raw steel production in the United States in 1980. Data for 1981 are for 16 producers; data were not available for 1 firm currently operating under ch. XI of the Federal Bankruptcy Act.

Table 4.--Average number of employees, total and production and related workers, in U.S. establishments producing certain carbon steel products, hours paid ^{1/} for the latter, and labor productivity, by products, 1978-81, January-September 1981, and January-September 1982

Product and period	Employment			Hours paid for production and related workers producing--		Labor productivity
	All persons	Production and related workers producing--		All products	Subject product	
		All products	Subject product			Products
Hot-rolled carbon steel plate:				-----Thousands-----		Tons per hour
1978-----	160,761	134,868	19,177	278,353	39,119	0.1564
1979-----	179,131	149,083	20,625	304,976	41,806	.1577
1980-----	147,360	121,025	19,758	238,302	38,726	.1565
1981-----	144,830	119,999	18,378	238,343	36,527	.1596
Jan.-Sept.--						
1981-----	142,196	123,483	16,455	186,532	25,373	.1582
1982-----	107,232	90,776	9,198	132,116	13,759	.1500
Hot-rolled carbon steel sheet: ^{2/}						
1978-----	204,012	175,323	23,103	359,685	47,440	.2370
1979-----	222,786	189,715	25,400	385,182	51,596	.2356
1980-----	187,466	157,279	20,432	306,920	39,970	.2369
1981-----	192,471	163,161	22,404	320,041	44,338	.2480
Jan.-Sept.--						
1981-----	200,041	173,180	25,033	260,024	37,710	.2334
1982-----	141,755	118,404	18,567	170,480	27,293	.2126
Galvanized carbon steel sheet: ^{3/}						
1978-----	174,049	148,821	13,123	304,678	26,475	.1654
1979-----	194,005	164,433	13,883	333,511	27,652	.1647
1980-----	164,190	137,014	12,046	267,232	23,209	.1568
1981-----	167,624	141,245	13,919	276,726	27,107	.1567
Jan.-Sept.--						
1981-----	174,749	150,959	16,900	226,139	25,414	.1442
1982-----	129,090	108,222	13,684	155,578	19,760	.1439

^{1/} Includes hours worked plus hours of paid leave time.

^{2/} Includes operations in producing strip.

^{3/} Data were obtained from seven firms for 1978-81 and from eight firms for the January-September periods.

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

Table 5.--Wages and total compensation ^{1/} paid to production and related workers in U.S. establishments producing certain carbon steel products, and unit labor costs in the production of such items, by products, 1978-81, January-September 1981, and January-September 1982

Product and period	Wages paid to production and related workers producing--		Total compensation paid to production and related workers producing--		Hourly compensation	Unit labor cost
	All products	Subject product	All products	Subject product		
-----Million dollars-----						
Hot-rolled carbon steel plate:						Per ton
1978-----	3,018	420	3,827	538	\$13.74	\$87.86
1979-----	3,695	501	4,691	637	15.24	96.61
1980-----	3,258	517	4,260	673	17.39	111.10
1981-----	3,621	530	4,748	691	18.93	118.62
Jan.-Sept.--						
1981-----	2,700	359	3,513	459	18.08	114.26
1982-----	2,156	207	2,999	277	20.17	134.45
Hot-rolled carbon steel sheet: ^{2/}						
1978-----	3,980	542	5,046	685	14.45	60.98
1979-----	4,759	657	6,011	830	16.09	68.22
1980-----	4,254	573	5,557	747	18.68	78.83
1981-----	4,766	691	6,239	900	20.30	81.81
Jan.-Sept.--						
1981-----	4,579	574	5,965	742	19.68	84.33
1982-----	2,924	444	3,922	607	22.24	104.64
Galvanized carbon steel sheet: ^{3/}						
1978-----	3,358	297	4,271	379	14.31	86.56
1979-----	4,092	345	5,209	440	15.91	96.60
1980-----	3,683	324	4,830	425	18.31	116.78
1981-----	4,140	411	5,444	540	19.94	127.28
Jan.-Sept.--						
1981-----	3,320	293	4,347	489	19.25	133.49
1982-----	2,553	240	3,571	431	21.80	151.47

^{1/} Includes wages and contributions to social security and other employee benefits.

^{2/} Includes operations in producing strip.

^{3/} Data were obtained from seven firms for 1978-81 and from eight firms for the January-September periods.

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

Table 6.--Selected financial data on the overall corporate operations of 17 U.S. steel producers, 1/ accounting years 1978-81

Item	1978	1979	1980	1981 <u>2/</u>
Net sales-----million dollars--:	44,090	52,677	51,164	55,214
Cost of goods sold and operating expenses-----million dollars--:	41,862	50,375	49,796	52,606
Operating profit-----do-----:	2,228	2,302	1,368	2,608
Other income-----do-----:	345	600	1,158	1,838
Interest expense-----do-----:	(688)	(724)	(723)	(713)
Net profit before taxes on income-----million dollars--:	1,885	2,178	1,803	3,733
Depreciation and amortization expense included above million dollars--:	1,530	1,755	1,827	1,913
Cash flow from operations---do---:	3,415	3,933	3,630	5,646
Total assets-----million dollars--:	35,646	37,340	40,197	42,761
Net investment in assets <u>3/</u> million dollars--:	27,725	28,897	31,006	33,097
Shareholders' equity-----do-----:	16,172	16,660	16,860	19,656
Ratio of operating profit to net sales-----percent--:	5.1	4.4	2.7	4.7
Ratio of net profit before taxes on income to-- Net sales-----percent--:	4.3	4.1	3.5	6.8
Total assets-----do-----:	5.3	5.8	4.5	8.7
Net investment in assets---do---:	6.8	7.5	5.8	11.3
Shareholders' equity-----do-----:	11.7	13.1	10.7	19.0
Number of firms reporting operating losses-----:	1	1	4	0
Number of firms reporting net losses-----:	2	1	2	0
Ratio of steel sales to total company sales-----percent--:	75	74	69	72

1/ These 17 producers accounted for an estimated 82 percent of total U.S. production of raw steel in 1980 as reported by the American Iron & Steel Institute.

2/ Data are for 16 producers. Data were not available for 1 producer currently operating under ch. XI of the Federal Bankruptcy Act.

3/ Total assets minus current liabilities.

Source: Compiled from data extracted from annual reports to stockholders and/or 10-K forms of U.S. producers.

Table 7.--Selected financial data on the steel-manufacturing operations of 17 U.S. producers, 1/ accounting years 1978-81

Item	1978	1979	1980	1981 <u>2/</u>
Net sales-----million dollars--:	33,274	38,926	35,441	39,531
Cost of goods sold and operating expenses-----million dollars--:	31,608	37,330	34,718	37,921
Operating profit-----do----	1,666	1,596	723	1,610
Depreciation and amortization expense included above million dollars--:	1,255	1,439	1,477	1,573
Cash flow from operations <u>3/</u> million dollars--:	2,921	3,035	2,200	3,183
Identifiable assets million dollars--:	24,693	25,767	26,898	26,817
Capital expenditures-----do----	1,787	2,307	2,386	2,103
Ratio of operating profit to--				
Net sales-----percent--:	5.0	4.1	2.0	4.1
Identifiable assets-----do----	6.7	6.2	2.7	6.0
Ratio of capital expenditures to cash flow from operations percent--:	61.2	76.0	108.5	66.1
Number of firms reporting operating losses-----:	1	2	2	1

1/ These 17 producers accounted for an estimated 82 percent of total U.S. production of raw steel in 1980 as reported by the American Iron & Steel Institute.

2/ Data are for 16 producers. Data were not available for 1 producer currently operating under ch. XI of the Federal Bankruptcy Act.

3/ Operating profit plus depreciation and amortization. These figures are not directly comparable with the cash flow figures in table 6.

Source: Compiled from data extracted from annual reports to stockholders and/or 10-K forms of U.S. producers.

Profit-and-loss data relative to U.S. producers' operations on the steel products subject to these investigations are shown in table 8 for accounting years 1978-81, January-September 1981, and January-September 1982. For all such products, the financial returns to domestic producers deteriorated very sharply in January-September 1982 compared with such returns in the corresponding period of 1981. Producers reported aggregate net operating losses during January-September 1982 on each of the carbon steel products included in these investigations. Such losses ranged from \$122 million on plate to \$335 million on hot-rolled sheet. The ratio of operating losses to net sales during January-September 1982 ranged from 11.8 percent on plate to 16.9 percent on hot-rolled sheet.

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

In its examination of the question 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 in subsidized imports, the rate of increase in U.S. market penetration by such imports, the amounts of imports held in inventory in the United States, and the capacity of producers in countries subject to the investigations to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports from Korea of the products covered by these investigations 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 Subsidized Imports." Discussions of importers' inventories of such merchandise imported from Korea and the information available on that country's capacity to generate exports follow.

U.S. importers' inventories

End-of-period inventories of imports from Korea of the carbon steel products covered by these investigations, as reported in response to the Commission's questionnaires, are shown in table 9. Such inventories of hot-rolled plate have trended downward since 1980. Importers' inventories of hot-rolled sheet and galvanized sheet as of June 30, 1982, although not at peak levels for the entire period covered, were larger than yearend 1981 inventories and end-of-period stocks on most other dates shown.

Table 8.--Profit-and-loss experience of U.S. producers on their operations producing certain carbon steel products, by products, accounting years 1978-81, January-September 1981, and January-September 1982

Product and period	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Operating profit or (loss)	Ratio of operating profit or (loss) to net sales
<u>Million dollars</u>						
Hot-rolled carbon steel plate:						<u>Percent</u>
1978-----	2,106	1,955	151	69	82	3.9
1979-----	2,466	2,302	164	71	93	3.8
1980-----	2,538	2,428	110	76	34	1.3
1981-----	2,602	2,452	150	83	67	2.6
Jan.-Sept.--						
1981-----	1,929	1,814	115	56	59	3.0
1982-----	1,031	1,100	(69)	53	(122)	(11.8)
Hot-rolled carbon steel sheet: <u>1/</u>						
1978-----	3,346	3,102	244	82	162	4.8
1979-----	4,014	3,827	187	92	95	2.4
1980-----	3,083	3,228	(145)	87	(232)	(7.5)
1981-----	3,980	4,009	(29)	110	(139)	(3.5)
Jan.-Sept.--						
1981-----	3,135	3,127	8	87	(79)	(2.5)
1982-----	1,981	2,234	(253)	82	(335)	(16.9)
Galvanized carbon steel sheet:						
1978-----	2,046	1,885	161	53	108	5.3
1979-----	2,338	2,147	191	56	135	5.8
1980-----	1,914	1,948	(34)	57	(91)	(4.8)
1981-----	2,383	2,345	38	67	(29)	(1.2)
Jan.-Sept.--						
1981-----	1,902	1,854	48	51	(3)	(.2)
1982-----	1,517	1,651	(134)	56	(190)	(12.5)

1/ Includes operations on strip.

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

Table 9.--U.S. importers' inventories of certain carbon steel products from Korea, by products, as of specified dates during 1979-81, Mar. 31, 1982, and June 30, 1982

Product and date	Quantity	Ratio of inventories
	Short tons	to reported imports from Korea 1/ Percent
Hot-rolled carbon steel plate:		
Dec. 31, 1979-----	***	***
Dec. 31, 1980-----	***	***
Mar. 31, 1981-----	***	***
June 30, 1981-----	***	***
Dec. 31, 1981-----	***	***
Mar. 31, 1982-----	***	***
June 30, 1982-----	***	***
Hot-rolled carbon steel sheet:		
Dec. 31, 1979-----	***	***
Dec. 31, 1980-----	***	***
Mar. 31, 1981-----	***	***
June 30, 1981-----	***	***
Dec. 31, 1981-----	***	***
Mar. 31, 1982-----	***	***
June 30, 1982-----	***	***
Galvanized carbon steel sheet:		
Dec. 31, 1979-----	***	***
Dec. 31, 1980-----	***	***
Mar. 31, 1981-----	***	***
June 30, 1981-----	***	***
Dec. 31, 1981-----	***	***
Mar. 31, 1982-----	***	***
June 30, 1982-----	***	***

1/ Ratios were computed from annualized imports.

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

The Korean steel industry

Korea was the 17th largest producer of raw steel in the world in 1981. Korea produced approximately 12 million tons of raw steel in 1981, about 26 percent greater than its production in 1980 and more than double its annual production prior to 1979, as shown in the following tabulation:

	<u>Quantity</u> <u>(1,000 short tons)</u>
1972-----	646
1973-----	1,275
1974-----	2,146
1975-----	2,198
1976-----	3,875
1977-----	4,792
1978-----	5,477
1979-----	8,389
1980-----	9,433
1981-----	11,853

The Korean steel industry is dominated by one firm, Pohang Iron & Steel Co. (POSCO), of which 32 percent is owned by the Government of Korea, and 40 percent is owned by the Korean Development Bank. POSCO is Korea's only fully integrated steel mill. Its production of raw steel in 1981 totaled 9.0 million tons, which represented a 39-percent increase over its output in 1980, and was sufficient to rank POSCO as the 13th largest steel producer in the world. POSCO produces and exports all of the flat-rolled carbon steel products which are the subjects of these investigations.

According to the Korean Iron & Steel Association, three firms in Korea produce hot-rolled carbon steel plate; one (POSCO) produces hot-rolled carbon steel sheet; and three produce galvanized sheet. Data on Korean production, capacity to produce, and exports of these products are given in table 10. From 1979 to 1981, Korea increased its capacity to produce hot-rolled carbon steel sheet by 193 percent and its capacity to produce galvanized sheet by 130 percent. Capacity to produce hot-rolled carbon steel plate remained unchanged. These capacity increases resulted in increased Korean production and exports of hot-rolled carbon steel sheet and galvanized sheet. Although Korea's reported capacity to produce hot-rolled carbon steel plate remained unchanged during the period shown in table 10, its production of such merchandise more than doubled from 1978 to 1981, and exports rose sharply. Representatives of the Korean Iron & Steel Association stated that there are no further major expansions of capacity contemplated until the 1990's, when a second integrated steel mill facility is planned.

The United States is a significant market for the Korean exports which are the subjects of these investigations, although the share of exports to the United States in total Korean exports of these products has declined since 1978. The U.S. market is likely to remain an important outlet for such exports because of recent restrictions negotiated on Korean exports of the

Table 10.--Certain carbon steel products: Korea's consumption, production, rated capacity, 1/ capacity utilization, and exports, by products, 1978-81, January-September 1981, and January-September 1982

Product and item	1978	1979	1980	1981	Jan.-Sept.--	
					1981	1982
Hot-rolled plate:						
Consumption						
1,000 short tons--:	1,156	1,036	808	1,434	832	779
Production-----do----	906	1,580	1,649	1,946	1,430	1,490
Capacity-----do----	1,953	1,953	1,953	1,953	1,465	1,465
Capacity utilization						
percent--:	46.4	80.9	84.4	99.6	97.6	101.7
Exports to--						
United States						
1,000 short tons--:	90	165	196	106	89	66
Japan-----do----	29	260	440	373	279	400
EC-----do----	0	49	23	4	4	9
Canada-----do----	4	28	25	32	28	7
Australia-----do----	1	11	22	14	11	2
All other-----do----	49	227	274	254	213	360
Total-----do----	173	740	980	783	624	844
Exports to the United States as a share of--						
Production--percent--:	9.9	10.4	11.9	5.4	6.2	4.4
Total exports--do----	52.0	22.3	20.0	13.5	14.3	7.8
Hot-rolled sheet:						
Consumption						
1,000 short tons--:	3,174	3,224	3,258	4,749	2,487	2,662
Production-----do----	1,998	2,001	2,284	4,818	3,418	3,965
Capacity-----do----	1,797	1,797	5,266	5,266	3,950	3,950
Capacity utilization						
percent--:	111.2	111.4	43.4	91.5	86.5	100.4
Exports 2/ to--						
United States						
1,000 short tons--:	48	26	23	96	57	106
Japan-----do----	11	72	97	565	234	669
EC-----do----	0	29	0	29	9	93
Canada-----do----	0	0	1	20	19	4
Australia-----do----	3/	3/	1	4	2	14
All other-----do----	95	96	228	490	333	442
Total-----do----	154	223	350	1,204	654	1,328
Exports to the United States as a share of--						
Production--percent--:	2.4	1.3	1.0	2.0	1.7	2.7
Exports-----do----	31.2	11.7	6.6	8.0	8.7	8.0

See footnotes at end of table.

Table 10.--Certain carbon steel products: Korea's consumption, production, rated capacity, 1/ capacity utilization, and exports, by products, 1978-81, January-September 1981, and January-September 1982--Continued

Product and item	1978	1979	1980	1981	Jan.-Sept.--	
					1981	1982
Galvanized sheet:						
Consumption						
1,000 short tons--:	117	155	139	183	94	109
Production-----do----	188	202	209	338	223	266
Capacity <u>4/</u> -----do----	196	196	451	451	338	338
Capacity utilization						
percent--:	95.9	103.1	46.3	74.9	66.0	78.7
Exports to--						
United States						
1,000 short tons--:	63	36	7	51	41	31
Japan-----do----	2	0	0	<u>3/</u>	<u>3/</u>	24
EC-----do----	0	4	11	4	0	0
Canada-----do----	0	2	2	6	3	2
Australia-----do----	8	4	11	29	21	33
All other-----do----	<u>3/</u>	8	42	67	54	91
Total-----do----	73	54	73	157	119	181
Exports to the United States as a share of--						
Production--percent--:	33.5	17.8	3.3	15.1	18.4	11.7
Exports-----do----	86.3	66.7	9.6	32.5	34.5	17.1

1/ The methodology by which "rated capacity" was obtained was not made known by the source of these data; hence, such data may not be directly comparable with capacity data in other sections of this report. Capacity shown for the January-September periods is 75 percent of reported annual rated capacity.

2/ Includes exports of coils.

3/ Less than 500 short tons.

4/ On Jan. 1, 1982, Ilssin Steel Co., Ltd., one of three Korean producers of galvanized sheet, went bankrupt and suspended operations; Ilssin's annual capacity to produce galvanized sheet was *** tons. On Oct. 26, 1982, POSCO acquired the facilities of the bankrupt firm and formed a new subsidiary, Dong Jin Steel Co., Ltd., in order to resume production of the galvanized sheet, cold-rolled sheet, and pipe and tube formerly made by Ilssin. It is not known whether production of these items has resumed.

Source: Korean Iron & Steel Association.

subject products with certain other trading partners. 1/

Consideration of the Causal Relationship Between Alleged Material Injury
or the Threat Thereof and Subsidized Imports

U.S. imports and market penetration

U.S. imports of each of the carbon steel products covered by these investigations, from all sources and from Korea, during 1978-81, January-September 1981, and January-September 1982 are shown in table 11. The ratios of such imports to apparent U.S. consumption and to U.S. producers' shipments are shown in table 12. In addition, table 13 shows the ratios of imports to consumption and producers' shipments, by quarters, during January 1980-September 1982. 2/ As summarized in the following tabulation showing imports from Korea in 1981 and their share of apparent U.S. consumption, the largest volume product imported from that country (and the product having the greatest penetration of the domestic market) was hot-rolled carbon steel plate:

<u>Product</u>	<u>Imports</u> (1,000 short tons)	<u>Ratio of imports</u> <u>to consumption</u> (percent)
Hot-rolled plate-----	115	1.5
Hot-rolled sheet-----	72	.5
Galvanized sheet-----	40	.6

1/ Metal Bulletin, Oct. 16, 1981, p. 37; Feb. 23, 1982, p. 29. Also see the petition, p. 37. Korean producers are reported to have agreed to raise prices on exports of cold-rolled and galvanized sheet to Australia in order to avoid charges of dumping and in return for continuing to enjoy preferential tariff treatment for developing countries in that market. It is also reported that POSCO has agreed to limit exports of hot-rolled coil to Japan. (However, counsel for the Korean interests stated at the Commission's hearing (transcript, p. 69) that "there are no formal nor informal agreements restricting Korean exports of steel to Japan . . ." In addition, Korean exports of the subject products to the European Community (EC) are subject to quantitative restrictions, which are negotiated periodically between the EC and the Government of Korea. (In a letter of Jan. 5, 1983, to the Commission, counsel for the Korean interests stated that the quota arrangements on Korean steel exports to the EC are not product specific and that Korea has never filled its quota to the EC.) Finally, U.S. Steel stated at the Commission's hearing (transcript, p. 14) that "Canada's deterrent litigation involving a dumping complaint against plate from Korea as well as other countries can be expected to have an effect (on Korean exports) . . ."

2/ Tables 11, 12, and 13 in this report present data for each subject product only on aggregate imports and imports from Korea. For data on, and discussions of, imports of such products from other principal suppliers, see the relevant parts of the two previously cited staff reports.

Table 11.--Certain carbon steel products: U.S. imports for consumption from all sources and from Korea, by products, 1978-81, January-September 1981, and January-September 1982

Product and period	Imports from all sources			Imports from Korea		
	Quantity	Value	Unit	Quantity	Value	Unit
	: : 1,000 : short tons	: : Million : dollars	: : Per : ton	: : 1,000 : short tons	: : Million : dollars	: : Per : ton
Hot-rolled carbon steel plate:						
1978-----	1/ 2,150	517	\$241	72	19	\$258
1979-----	1,252	386	308	119	36	300
1980-----	1,571	512	326	212	68	320
1981-----	2/ 1,841	677	368	115	41	359
Jan.-Sept.--						
1981-----	2/ 1,439	525	365	92	33	354
1982-----	910	316	347	81	28	347
Hot-rolled carbon steel sheet:						
1978-----	3,343	774	231	67	14	203
1979-----	2,676	737	275	28	7	260
1980-----	1,937	557	288	34	9	276
1981-----	2,161	679	314	72	22	305
Jan.-Sept.--						
1981-----	1,387	435	314	42	13	305
1982-----	1,299	400	308	106	32	300
Galvanized carbon steel sheet:						
1978-----	2,313	841	363	76	24	320
1979-----	2,139	892	417	39	15	386
1980-----	1,350	597	443	9	4	395
1981-----	1,304	604	463	40	17	436
Jan.-Sept.--						
1981-----	864	401	464	16	8	458
1982-----	856	391	457	27	12	455

1/ Includes 167,500 tons of slab greater than 6 inches in thickness imported from Poland.

2/ Includes 13,600 tons of slab greater than 6 inches in thickness imported from Belgium/Luxembourg.

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

Note.--Unit values computed from unrounded data.

Table 12.--Certain carbon steel products: Ratios of imports, total and from Korea, to apparent U.S. consumption and to U.S. producers' shipments, by products, 1978-81, January-September 1981, and January-September 1982

(In percent)					
Product and period	Ratio of imports from all sources to--			Ratio of imports from Korea to--	
	Apparent U.S. consumption	U.S. producers' shipments		Apparent U.S. consumption	U.S. producers' shipments
Hot-rolled carbon steel plate:					
1978 1/-----	23.4	30.1		0.9	1.1
1979-----	15.9	18.4		1.5	1.7
1980-----	20.5	25.2		2.8	3.4
1981 2/-----	24.6	31.7		1.5	2.0
Jan.-Sept.--					
1981 2/-----	24.3	31.1		1.6	2.0
1982-----	27.5	37.0		2.4	3.3
Hot-rolled carbon steel sheet:					
1978-----	19.2	23.7		.4	.5
1979-----	15.6	18.5		.2	.2
1980-----	15.2	17.8		.3	.3
1981-----	15.3	17.9		.5	.6
Jan.-Sept.--					
1981-----	12.7	14.4		.4	.4
1982-----	17.0	20.4		1.4	1.7
Galvanized carbon steel sheet:					
1978-----	26.7	36.1		.9	1.2
1979-----	25.5	34.0		.5	.6
1980-----	20.8	26.1		.1	.2
1981-----	18.5	22.5		.6	.7
Jan.-Sept.--					
1981-----	15.7	18.5		.3	.3
1982-----	18.3	22.3		.6	.7

1/ Adjusted to exclude 167,500 tons of slab greater than 6 inches in thickness imported from Poland.

2/ Adjusted to exclude 13,600 tons of slab greater than 6 inches in thickness imported from Belgium/Luxembourg.

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

Note.--Ratios computed from unrounded data.

Table 13.--Certain carbon steel products: Ratios of imports, total and from Korea, to apparent U.S. consumption and to U.S. producers' shipments, by products and by quarters, January 1980-September 1982

(In percent)					
Product and period	Ratio of imports from all sources to--		Ratio of imports from Korea to--		
	Apparent U.S. consumption	U.S. producers' shipments	Apparent U.S. consumption	U.S. producers' shipments	
Hot-rolled carbon steel plate:					
1980:					
Jan.-Mar-----	16.3	19.2	2.4		2.8
Apr.-June-----	21.7	26.6	2.6		3.2
July-Sept-----	21.5	26.7	3.0		3.7
Oct.-Dec-----	23.1	29.2	3.1		3.9
1981:					
Jan.-Mar-----	20.3	25.0	1.5		1.8
Apr.-June-----	24.5	31.3	1.8		2.3
July-Sept. 1/-----	28.3	38.1	1.4		1.9
Oct.-Dec-----	25.8	33.6	1.5		1.9
1982:					
Jan.-Mar-----	22.3	28.1	1.4		1.7
Apr.-June-----	30.9	44.2	3.0		4.4
July-Sept-----	31.5	44.1	3.5		4.8
Hot-rolled carbon steel sheet:					
1980:					
Jan.-Mar-----	14.6	17.1	.3		.4
Apr.-June-----	18.4	22.1	.3		.3
July-Sept-----	16.6	19.6	.3		.4
Oct.-Dec-----	12.4	14.1	.2		.2
1981:					
Jan.-Mar-----	7.6	8.2	.4		.4
Apr.-June-----	12.4	14.1	.3		.3
July-Sept-----	17.8	21.5	.5		.6
Oct.-Dec-----	24.5	31.6	.9		1.2
1982:					
Jan.-Mar-----	19.3	23.8	1.5		1.8
Apr.-June-----	16.2	19.2	1.2		1.5
July-Sept-----	15.4	18.0	1.5		1.7

See footnote at end of table.

Table 13.--Certain carbon steel products: Ratios of imports, total and from Korea, to apparent U.S. consumption and to U.S. producers' shipments, by products and by quarters, January 1980-September 1982--Continued

(In percent)

Product and period	Ratio of imports from all sources to--		Ratio of imports from Korea to--	
	Apparent U.S. consumption	U.S. producers' shipments	Apparent U.S. consumption	U.S. producers' shipments
	:	:	:	:
Galvanized carbon steel sheet:	:	:	:	:
1980:	:	:	:	:
Jan.-Mar-----:	24.1	31.7	0.2	0.2
Apr.-June-----:	24.0	31.5	.2	.3
July-Sept-----:	19.4	23.7	.1	.1
Oct.-Dec-----:	15.9	18.7	.1	.1
1981:	:	:	:	:
Jan.-Mar-----:	10.3	11.4	.2	.2
Apr.-June-----:	14.6	17.0	.2	.2
July-Sept-----:	22.4	28.6	.5	.7
Oct.-Dec-----:	28.1	38.9	1.5	2.1
1982:	:	:	:	:
Jan.-Mar-----:	21.2	26.8	.8	1.0
Apr.-June-----:	15.6	18.4	.3	.3
July-Sept-----:	18.3	22.3	.7	.8
:	:	:	:	:

^{1/} Ad justed to exclude 13,600 tons of slab greater than 6 inches in thickness imported from Belgium/Luxembourg.

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

Note.--Ratios computed from unrounded data.

Prices

Market conditions in industries that require steel as an input, such as automobiles, construction, energy, and utilities, have long affected demand in the steel industry. For example, demand for carbon steel sheet products depends heavily on the automobile industry. The automobile industry, which has always been sensitive to the business cycle, has been greatly influenced since the 1970's by an accompanying structural change resulting from its efforts to produce small cars because of declining demand for large cars. The production of smaller, lighter cars has reduced the demand for carbon steel sheet products and, in turn, has had a dampening effect on carbon steel sheet prices.

Demand for carbon steel plate and its respective price depend largely on the level of activity in the construction industry. The construction industry, in turn, is highly influenced by the business cycle, particularly

movement in the interest rate, and the level of Government spending. Because of falling construction levels, demand for carbon steel plate declined in 1980 and 1981 and fell sharply in January-September 1982. As demand for plate falls, competition and discounting increase, and the price of plate softens. Public nonresidential building construction, measured by value put in place, was down 9.2 percent in real terms in 1981 from its peak in 1978. ^{1/} Nonbuilding construction on the same basis was 19.4 percent below the 1978 level. ^{2/} Private nonresidential building construction (office buildings) was the only strong segment of this market in 1981 and January-June 1982. Public nonresidential and nonbuilding construction continued their downward trend during January-June 1982, declining by 11 and 13 percent, respectively, in real terms, from the corresponding levels of January-June 1981.

U.S. producers usually quote prices for carbon steel products on an f.o.b. mill basis. ^{3/} Importers of such products from Korea generally quote prices f.a.s. port of entry or f.o.b. warehouse. Prices consist of a base price for each product plus additional charges for extras such as differences in length, width, thickness, chemistry, and so forth. Prices can be changed by changing the base price, the charges for extras, or both.

According to Bureau of Labor Statistics data, there were seven announced base price increases for hot-rolled carbon steel plate during January 1979-June 1982, the most recent one occurring in April 1982. During the same period, there were five announced base price increases and one decrease for the two categories of carbon steel sheet products. The most recent base price increase for sheet occurred in July 1981; the single base price decrease was announced in July 1980.

U.S. producers maintain published list prices; however, according to industry sources, discounting from list prices has increased during recent months. Discounting can take several forms. Freight absorption is one method. Another is to forego the cost of extras, or discounts can be simply a reduction in base price. Domestic producers sometimes quote prices at time of shipment; importers quote prices at time of order. Pricing of primary quality steel mill products as secondary quality is yet another method of discounting.

The Commission requested data on average net selling prices for specific products from domestic producers and importers. These prices are used to analyze trends in prices. In order to make direct comparisons of prices, the Commission also requested data on prices paid by steel purchasers.

^{1/} These percentages are based on Bureau of Census data on the value of construction put in place, in constant 1972 dollars.

^{2/} Nonbuilding construction includes such construction project categories as bridges, military facilities, development projects such as dams, sewer and water supply systems, railways, and subways.

^{3/} Domestic producers usually charge freight to the purchaser's account. One exception is the practice of freight equalization, in which a producer supplying a customer located closer to a competing producer will absorb any differences in freight costs. The more distant producer charges the customer's account for freight costs as if the product were shipped from the closer producer.

Trends in prices.--The Commission asked domestic producers and importers for their average net selling prices to steel service centers/distributors and end users for 10 specified carbon steel mill products, by quarters, during January 1980-September 1982. ^{1/} Domestic producers' selling prices requested were weighted-average f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers' selling prices requested were weighted-average duty-paid prices, ex-dock, port of entry, net of all discounts and allowances, and excluding U.S. inland freight charges. These are average prices charged in many different transactions and do not include delivery charges. Such data cannot be used to compare the levels of domestic producers' and importers' prices from the purchasers viewpoint, but are useful for comparing trends in these prices and should reflect any discounting that may have occurred.

Hot-rolled carbon steel plate.--Price data on sales of hot-rolled carbon steel plate were received from eight domestic producers of plate products 9 and 11 and seven domestic producers of plate products 10 and 12 (table 14). Domestic producers' prices to end users for the four plate products increased more (13 to 19 percent) from January-March 1980 to October-December 1981 than did their prices to service centers/distributors (7 to 13 percent). However, for each plate product, regardless of customer, the domestic producers' price fell during January-September 1982 to levels sharply lower than those reached in October-December 1981. In each instance, this reversed the upward trend in domestic hot-rolled carbon steel plate prices established throughout 1980 and 1981.

Two importers reported prices on each of the representative hot-rolled carbon steel plate products imported from Korea, but the only complete reportings were for plate sold to service centers/distributors. Prices to service centers/distributors for plate imported from Korea increased during 1980 and 1981, but trended irregularly downward in January-September 1982 to levels below peaks reached in 1981. The few reported prices to end users for these same products showed an irregular upward trend.

Comparisons of the price trends on sales to service centers/distributors from January-March 1980 through July-September 1982 show that prices of domestically produced plate products 9, 10, 11, and 12 changed by 3, 1, 3, and -2 percent, respectively, as compared with changes of 14, -4, * * *, and 6 percent on similar plate products imported from Korea.

Hot-rolled carbon steel sheet.--Price data on sales of hot-rolled carbon steel sheet were received from seven domestic producers of hot-rolled sheet products 1 and 2 and from nine domestic producers of hot-rolled sheet product 3 (table 15). Between January-March 1980 and July-September 1982, domestic producers' prices to service centers/distributors increased by

^{1/} As a basis for price trend analyses, the Commission selected 10 representative steel mill products covering the 3 product categories subject to these investigations. These products and their respective specifications are listed by product categories in app. F. The representative products in the list are as follows: hot-rolled carbon steel sheet, 1 to 3; galvanized carbon steel sheet, 6 to 8; and hot-rolled carbon steel plate, 9 to 12.

Table 14: Ranges and weighted average net selling prices for sales of imports from Korea and for sales of domestic products, by types of customers, by types of products, and by quarters, January 1980-September 1982

Hot-rolled carbon steel plate

Product and Period 1/	Prices to service centers/distributors						Prices to end users					
	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg
Product 9												
1980												
January-March---	***	***	***	391	524	400	-	-	-	400	660	414
April-June-----	***	***	***	401	531	416	-	-	-	395	651	431
July-September---	***	***	***	343	523	409	-	-	-	416	532	434
October-December-	***	***	***	351	551	417	-	-	-	418	684	439
1981												
January-March---	***	***	***	394	706	415	***	***	***	415	588	448
April-June-----	***	***	***	405	563	417	***	***	***	416	530	462
July-September---	***	***	***	384	599	423	-	-	-	430	831	468
October-December-	***	***	***	379	665	427	***	***	***	425	716	468
1982												
January-March---	***	***	***	386	636	431	-	-	-	418	757	474
April-June-----	***	***	***	379	651	422	-	-	-	428	537	476
July-September---	***	***	***	344	459	412	-	-	-	420	525	449
Product 10												
1980												
January-March---	374	382	380	390	429	412	-	-	-	390	635	408
April-June-----	391	391	391	412	445	429	-	-	-	415	445	428
July-September---	399	412	410	397	448	423	***	***	***	415	446	428
October-December-	404	406	406	414	463	435	***	***	***	419	466	437
1981												
January-March---	402	417	413	430	476	450	-	-	-	430	474	444
April-June-----	439	455	442	431	506	465	***	***	***	454	494	471
July-September---	446	444	444	435	512	463	***	***	***	463	503	476
October-December-	335	444	340	420	514	466	-	-	-	473	526	487
1982												
January-March---	399	432	402	420	498	454	-	-	-	451	508	470
April-June-----	398	409	400	401	511	437	-	-	-	434	511	468
July-September---	356	426	363	390	510	415	-	-	-	425	493	441
Product 11												
1980												
January-March---	369	373	370	390	437	400	-	-	-	389	473	408
April-June-----	378	404	386	401	498	413	-	-	-	419	470	428
July-September---	399	402	400	342	434	408	***	***	***	416	488	434
October-December-	393	408	398	349	493	412	***	***	***	418	488	439
1981												
January-March---	404	449	411	398	479	417	-	-	-	417	530	446
April-June-----	426	452	430	405	480	421	-	-	-	416	505	467
July-September---	394	433	425	383	482	421	-	-	-	427	528	473
October-December-	322	390	336	381	504	429	-	-	-	435	530	487
1982												
January-March---	386	481	395	385	551	425	-	-	-	432	522	473
April-June-----	385	425	392	381	513	421	-	-	-	428	529	461
July-September---	***	***	***	345	451	411	-	-	-	408	591	433
Product 12												
1980												
January-March---	397	403	402	409	482	442	***	***	***	409	482	450
April-June-----	412	417	413	425	478	460	-	-	-	426	502	464
July-September---	426	433	431	423	496	459	***	***	***	429	496	464
October-December-	427	455	433	449	528	470	-	-	-	426	528	446
1981												
January-March---	438	475	451	453	515	476	***	***	***	443	515	491
April-June-----	460	535	484	449	563	497	-	-	-	479	563	522
July-September---	467	476	469	475	569	495	-	-	-	476	569	528
October-December-	356	488	401	470	565	493	-	-	-	441	565	537
1982												
January-March---	420	485	438	453	506	483	***	***	***	466	551	518
April-June-----	419	505	434	430	524	462	-	-	-	477	531	512
July-September---	377	485	425	405	508	432	-	-	-	428	519	493

1/ See product list for specifications.

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

Table 15: Ranges and weighted average net selling prices for sales of imports from Korea and for sales of domestic products, by types of customers, by types of products, and by quarters, January 1980-September 1982

Hot-rolled carbon steel sheet

Product and Period 1/	Prices to service centers/distributors						Prices to end users					
	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg
Product 1												
1980												
January-March---	***:	***:	***:	291:	349:	309:	-	-	-	290:	350:	322
April-June-----	***:	***:	***:	319:	373:	338:	***:	***:	***:	314:	364:	332
July-September---	***:	***:	***:	310:	349:	333:	***:	***:	***:	314:	362:	325
October-December:	***:	***:	***:	282:	352:	326:	***:	***:	***:	316:	359:	331
1981												
January-March---	***:	***:	***:	317:	364:	349:	***:	***:	***:	315:	380:	345
April-June-----	***:	***:	***:	342:	376:	356:	***:	***:	***:	339:	373:	357
July-September---	***:	***:	***:	363:	387:	371:	***:	***:	***:	358:	396:	382
October-December:	***:	***:	***:	310:	388:	383:	-	-	-	350:	397:	370
1982												
January-March---	***:	***:	***:	333:	389:	374:	-	-	-	371:	396:	384
April-June-----	***:	***:	***:	335:	387:	369:	***:	***:	***:	329:	398:	354
July-September---	***:	***:	***:	272:	404:	351:	-	-	-	331:	390:	358
Product 2												
1980												
January-March---	-	-	-	291:	329:	303:	-	-	-	292:	345:	329
April-June-----	***:	***:	***:	320:	360:	351:	-	-	-	335:	364:	351
July-September---	***:	***:	***:	310:	349:	343:	***:	***:	***:	325:	362:	339
October-December:	***:	***:	***:	282:	352:	331:	***:	***:	***:	343:	359:	349
1981												
January-March---	***:	***:	***:	321:	364:	356:	***:	***:	***:	355:	390:	363
April-June-----	***:	***:	***:	310:	377:	364:	***:	***:	***:	363:	387:	369
July-September---	***:	***:	***:	362:	387:	378:	***:	***:	***:	370:	405:	383
October-December:	***:	***:	***:	308:	405:	386:	***:	***:	***:	368:	416:	382
1982												
January-March---	***:	***:	***:	332:	415:	375:	***:	***:	***:	323:	402:	381
April-June-----	***:	***:	***:	336:	410:	376:	-	-	-	368:	398:	388
July-September---	***:	***:	***:	255:	388:	351:	-	-	-	355:	390:	374
Product 3												
1980												
January-March---	291:	322:	319:	285:	323:	289:	-	-	-	284:	318:	307
April-June-----	***:	***:	***:	282:	322:	294:	-	-	-	254:	334:	307
July-September---	***:	***:	***:	276:	323:	282:	-	-	-	275:	336:	304
October-December:	324:	336:	335:	274:	336:	287:	-	-	-	275:	334:	308
1981												
January-March---	304:	315:	304:	282:	348:	304:	-	-	-	295:	352:	334
April-June-----	311:	315:	311:	309:	366:	316:	***:	***:	***:	309:	356:	339
July-September---	331:	403:	382:	308:	363:	333:	***:	***:	***:	330:	364:	355
October-December:	343:	362:	354:	312:	370:	326:	***:	***:	***:	316:	378:	341
1982												
January-March---	325:	361:	349:	290:	376:	304:	***:	***:	***:	294:	392:	345
April-June-----	335:	354:	350:	286:	393:	311:	***:	***:	***:	294:	420:	335
July-September---	322:	327:	327:	280:	384:	297:	***:	***:	***:	286:	353:	332

1/ See product list for specifications.

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

approximately 14 percent for product 1, 16 percent for product 2, and 3 percent for product 3. During this period, changes in producers' prices of hot-rolled sheet products 1 and 2 followed similar patterns. After declining in the second half of 1980, producers' prices of products 1 and 2 steadily increased, by approximately 17 percent, from October-December 1980 through October-December 1981. Thereafter, prices of products 1 and 2 generally declined, falling by approximately 8 percent and 9 percent, respectively. Producers' prices of hot-rolled sheet product 3 steadily increased, by approximately 18 percent, from July-September 1980 through July-September 1981. Thereafter, prices of product 3 generally declined, falling by approximately 11 percent.

Between January-March 1980 and July-September 1982, domestic producers' prices to end users increased by approximately 11 percent for hot-rolled sheet product 1, 14 percent for hot-rolled sheet product 2, and 8 percent for hot-rolled sheet product 3. Although prices of all three products fluctuated during the period, prices were lower in July-September 1982 than those in January-March 1982.

One importer reported selling prices of hot-rolled sheet products 1 and 2 imported from Korea, and two importers reported selling prices of hot-rolled sheet product 3 imported from Korea (table 15). ^{1/} Between January-March 1980 and July-September 1982, prices of hot-rolled sheet imported from Korea and sold to service centers/distributors increased by approximately 10 percent and 3 percent for products 1 and 3, respectively. Between April-June 1980 and July-September 1982, prices of hot-rolled sheet product 2 imported from Korea and sold to service centers/distributors increased by approximately 10 percent. Although prices of all three products fluctuated during these periods, prices in July-September 1982 were less than or equal to those in January-March 1982.

Selling prices of two of the three hot-rolled sheet products imported from Korea and sold to end users fluctuated considerably over the periods shown. For product 1 imported from Korea, prices increased approximately 20 percent between April-June 1980 and April-June 1982. For product 2, prices rose about 22 percent between July-September 1980 and April-June 1981, but then fell 12 percent by January-March 1982. For product 3, prices were essentially unchanged between April-June 1981 and July-September 1982.

Galvanized carbon steel sheet.--Price data on sales of galvanized carbon steel sheet were received from six domestic producers of galvanized sheet product 6, seven domestic producers of galvanized sheet product 7, and two domestic producers of galvanized sheet product 8 (table 16). ^{2/} Domestic producers' prices to service centers/distributors increased approximately 3

^{1/} Price data furnished by importers of Korean hot-rolled sheet product 2 sold to service centers/distributors excluded data for only one of the quarters requested, January-March 1980. Price data reported for Korean hot-rolled sheet sold to end users excluded several of the quarters requested.

^{2/} Price data furnished by domestic producers of galvanized carbon steel sheet product 8 do not include sales to service centers/distributors during January-March 1980 or sales to end users during April-June 1980.

Table 1b: Ranges and weighted average net selling prices for sales of imports from Korea and for sales of domestic products, by types of customers, by types of products, and by quarters, January 1980-September 1982

Galvanized carbon steel sheet

Product and Period 1/	Prices to service centers/distributors						Prices to end users					
	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg	Korea low	Korea hi	Korea avg	Domestic low	Domestic hi	Domestic avg
Product 6												
1980												
January-March	466	473	473	527	621	568	-	-	-	539	568	541
April-June	405	431	415	513	637	590	-	-	-	547	629	562
July-September	***	***	***	490	673	587	***	***	***	552	630	573
October-December	***	***	***	537	692	649	-	-	-	554	660	604
1981												
January-March	416	495	439	556	699	645	-	-	-	532	639	580
April-June	514	519	517	540	715	649	-	-	-	579	652	601
July-September	524	545	537	571	732	668	***	***	***	554	678	614
October-December	511	547	533	577	732	671	-	-	-	585	674	600
1982												
January-March	462	498	463	403	746	668	-	-	-	386	641	618
April-June	499	537	513	505	648	577	-	-	-	519	706	661
July-September	***	***	***	562	668	583	-	-	-	518	698	684
Product 7												
1980												
January-March	***	***	***	468	485	480	-	-	-	492	568	496
April-June	***	***	***	482	637	492	***	***	***	506	525	509
July-September	***	***	***	470	673	499	-	-	-	489	552	499
October-December	***	***	***	467	692	541	***	***	***	486	660	506
1981												
January-March	***	***	***	487	699	524	***	***	***	514	552	521
April-June	-	-	-	500	715	550	-	-	-	520	579	530
July-September	***	***	***	517	732	593	-	-	-	548	588	562
October-December	***	***	***	512	732	597	-	-	-	543	585	558
1982												
January-March	***	***	***	489	746	549	-	-	-	531	641	544
April-June	***	***	***	459	555	502	-	-	-	507	698	544
July-September	-	-	-	463	617	495	-	-	-	507	698	568
Product 8												
1980												
January-March	-	-	-	-	-	-	-	-	-	568	568	568
April-June	-	-	-	637	637	637	-	-	-	-	-	-
July-September	-	-	-	673	673	673	-	-	-	552	552	552
October-December	-	-	-	692	692	692	-	-	-	660	660	660
1981												
January-March	-	-	-	699	699	699	-	-	-	532	532	532
April-June	-	-	-	715	715	715	-	-	-	579	579	579
July-September	-	-	-	732	732	732	-	-	-	554	554	554
October-December	-	-	-	732	732	732	-	-	-	585	585	585
1982												
January-March	-	-	-	448	746	740	-	-	-	641	700	673
April-June	-	-	-	381	555	550	-	-	-	686	698	696
July-September	-	-	-	617	617	617	-	-	-	638	698	694

1/ See product list for specifications.

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

percent on galvanized sheet products 6 and 7 from January-March 1980 through July-September 1982. Although generally increasing during much of the period, domestic producers' prices of galvanized sheet product 8 were about 3 percent less in July-September 1982 than those in April-June 1980. Prices to service centers/distributors of galvanized sheet products 6, 7, and 8 have generally decreased since October-December 1981, falling by 13, 17, and 16 percent, respectively.

From January-March 1980 through July-September 1982, domestic producers' prices to end users increased by approximately 26 percent for galvanized sheet product 6, 15 percent for galvanized sheet product 7, and 22 percent for galvanized sheet product 8. Prices of galvanized sheet product 8 increased notably in January-March 1982, or by 15 percent from the previous quarter.

Two importers reported selling prices of galvanized sheet product 6 imported from Korea; one importer reported selling prices of galvanized sheet product 7 imported from Korea; and no importers reported selling prices of galvanized sheet product 8 from Korea (table 16). Adequate data for showing price trends were reported only for galvanized sheet products 6 and 7 sold to service centers/distributors. ^{1/} (Prices reported for product 7 exclude data for April-June 1981 and July-September 1982). Prices of galvanized sheet product 6 imported from Korea and sold to service centers/distributors increased 14 percent from January-March 1980 to a peak in July-September 1981, but generally decreased thereafter, by approximately * * * percent, through July-September 1982. For the entire period from January-March 1980 to July-September 1982, galvanized sheet product 6 prices decreased by approximately * * * percent. Prices of galvanized sheet product 7 imported from Korea and sold to service centers/distributors increased approximately 21 percent from January-March 1980 to a peak in January-March 1982, but then decreased by 10 percent in April-June 1982. For the entire period January-March 1980 to April-June 1982, prices of galvanized sheet product 7 increased by approximately 9 percent.

Purchase prices.--The Commission asked purchasers to furnish the delivered prices they paid for 16 representative imported and domestically produced carbon steel items covering the 3 product categories subject to these investigations, by quarters, during 1981 and January-September 1982. ^{2/} Purchasers were asked for prices, including delivery charges, paid in specific transactions. To ensure 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 Angeles, and Philadelphia. The information obtained was used to compare the levels of importers' and domestic producers' prices.

^{1/} Data furnished by importers of Korean galvanized sheet on sales to end users include prices of product 6 in only two quarters and prices of product 7 in three quarters.

^{2/} In order to facilitate purchase price comparisons, the Commission supplemented the product list used in the analysis of trends in prices with six additional products (app. F). The representative products in the list are as follows: hot-rolled carbon steel sheet, 1 to 5; hot-rolled carbon steel plate, 9 to 16; and galvanized carbon steel sheet, 36 to 38.

Of the 185 purchasers responding to this questionnaire, 72 provided usable price data, most of which was for purchases of domestically produced products. Purchase prices were reported on all steel mill products produced domestically, but not necessarily for each quarter from January-March 1981 through July-September 1982, each metropolitan area, or each type of customer. Purchases of hot-rolled plate, hot-rolled sheet, and galvanized sheet imported from Korea were also reported. In many instances, however, these could not be matched with corresponding purchases of domestically produced products because of differences in periods for which such prices were reported, metropolitan areas, or type of purchasers. Nevertheless, the following sections provide some information on specific transaction prices on plate purchased in the Chicago, Houston, Los Angeles, and Philadelphia areas; on hot-rolled sheet purchased in the Chicago and Los Angeles areas; and on galvanized sheet purchased in the Los Angeles area.

Hot-rolled carbon steel plate.--Purchasers reported 48 instances in which they bought hot-rolled carbon steel plate imported from Korea. Most of these purchases were concentrated in the Houston and Los Angeles areas, although Korean plate was also purchased in the Chicago and Philadelphia areas. Comparisons of domestic and import prices are possible in 34 of the 48 instances.

* * *, an end user, reported 12 purchases of Korean plate during January-September 1982 in the Chicago area (table 17). These purchases covered plate products 10, 13, 14, and 15. The average price paid for the imported Korean plate was * * * per ton, compared with an average price of about * * * per ton paid by * * * for the competing domestic product. Imported Korean plate undersold the domestic product by * * * per ton, or about 26 percent. The Korean plate was * * *. A representative of * * * stated that the quality of the imported plate was as good as that of domestic plate.

Of 14 purchases of imported Korean plate reported in the Houston area, only 6 made by end users can be compared with competing domestic prices. Prices for product 9 indicate a margin of underselling of 11 percent by imports in early 1981 and a 2-percent margin in April-June 1982 (table 18). A single purchase of product 11 in January-March 1981 shows the imported product underselling domestic plate by 1 percent. For product 13, a \$23 per ton, or 5-percent, margin of underselling by Korean plate appears in January-March 1981. In contrast, imported Korean plate product 13 sold for \$2 more per ton than the domestic product in April-June 1982. A single purchase price comparison for product 16 during October-December 1981 indicates that Korean plate undersold the domestic product by \$65 per ton, or 12 percent.

All reported purchases of Korean plate in the Los Angeles area were made by service centers/distributors. Nine of the 15 instances cited can be compared with domestic purchase prices (table 19). For product 9, imports undersold the domestic product by \$85 to \$97 per ton, or 19 to 21 percent, in July-December 1981. Korean plate product 10 purchased in April-June 1982 undersold the domestic product by \$55 per ton, or 13 percent. Imported Korean plate product 11, however, was purchased at prices 5 to 7 percent higher than the prices of that domestic plate product. Products 13 and 14 each provide a single price comparison, and reflect margins of underselling by the imported A-32

Table 17.--Hot-rolled carbon steel plate, purchased in the Chicago area:
Ranges and weighted average net delivered purchase prices for the largest
purchases of imports from Korea and of domestic products and the average
margins by which imports from Korea undersold domestic products, by types of
customers, by types of products, by areas of purchase, and by quarters,
January 1981-September 1982

* * * * *

Most of the information presented in table 17 reflects prices reported by
only one firm in response to the Commission's purchasers' questionnaire.
Accordingly, it cannot be included in this public version of the report. When
direct comparisons were possible for domestic and Korean products, the margins
of underselling or overselling are discussed in the text.

Table 18.--Hot-rolled carbon steel plate, purchased in the Houston area:
Ranges and weighted average net delivered purchase prices for the largest purchases of imports from Korea and of domestic products and the average margins by which imports from Korea undersold domestic products, by types of customers, by types of products, by areas of purchase, and by quarters, January 1981-September 1982

* * * * *

Most of the information presented in table 18 reflects prices reported by only one firm in response to the Commission's purchasers' questionnaire. Accordingly, it cannot be included in this public version of the report. When direct comparisons were possible for domestic and Korean products, the margins of underselling or overselling are discussed in the text.

Table 19.--Hot-rolled carbon steel plate, purchased in the Los Angeles area:
Ranges and weighted average net delivered purchase prices for the largest
purchases of imports from Korea and of domestic products and the average
margins by which imports from Korea undersold domestic products, by types of
customers, by types of products, by areas of purchase, and by quarters,
January 1981-September 1982

* * * * *

Most of the information presented in table 19 reflects prices reported by
only one firm in response to the Commission's purchasers' questionnaire.
Accordingly, it cannot be included in this public version of the report. When
direct comparisons were possible for domestic and Korean products, the margins
of underselling or overselling are discussed in the text.

Korean product of 12 and 9 percent, respectively. Two purchases of plate product 16 imported from Korea also show margins of underselling of 6 and 10 percent in April-September 1981.

Service centers/distributors in the Philadelphia area cited seven instances in which they bought imported Korean plate; price comparisons can be made for all of these (table 20). For products 9 and 11, single observations reflect margins of underselling by the domestic product. Two purchase price comparisons for product 12, in April-June and July-September 1981, show underselling by imports of 5 and 4 percent, respectively. A single observation for product 13 in April-June 1981 shows an import price \$8 per ton, or 2 percent, above the domestic purchase price. For product 15, a purchase in April-June 1981 reflects an import price \$35 per ton, or 7 percent, lower than the domestic price. Finally, a purchase of Korean product 16 in January-March 1981 shows an import price \$18 per ton, or 4 percent, lower than the domestic price.

Hot-rolled carbon steel sheet.--Price data reported by purchasers of hot-rolled carbon steel sheet provide 12 instances of price comparisons between the domestic and Korean products. These comparisons involve hot-rolled sheet products 3 and 4 purchased by service centers/distributors in the Chicago and Los Angeles areas. In the Chicago area (table 21), all three comparisons show overselling by imports from Korea; such overselling ranged from \$88 per ton, or 32 percent, for product 3 purchased in October-December 1981 to \$44 per ton, or 19 percent, for product 4 purchased in July-September 1982. In the Los Angeles area (table 22), only one of nine comparisons showed substantial underselling, amounting to \$25 per ton, or 6 percent, for product 3 purchased in July-September 1982. The other eight comparisons involving products 3 and 4 in the Los Angeles area showed no significant differences in prices, or they showed higher prices paid for hot-rolled sheet imported from Korea; such margins of overselling by imports ranged from less than 1 percent to 8 percent.

Galvanized carbon steel sheet.--Price data reported by purchasers of galvanized carbon steel sheet provided only one price comparison between the domestic and Korean products. The single comparison, involving galvanized sheet product 7 purchased in the Los Angeles area by service centers/distributors, showed underselling by the imported product of \$4 per ton, or 1 percent, in January-March 1982 (table 23).

Lost sales

The following section presents the information concerning alleged lost sales that was obtained during the Commission's preliminary and final investigations concerning imports from Korea of the carbon steel products subject to these investigations.

Hot-rolled carbon steel plate.--In the preliminary investigation, two domestic producers, Bethlehem and U.S. Steel, cited seven specific instances of lost sales involving * * * tons (* * * tons by Bethlehem, * * * tons by U.S. Steel) to six purchasers of hot-rolled carbon steel plate imported from Korea from January 1980 through April 1982. All six purchasers were contacted. Four of them confirmed purchases of approximately * * * tons of

Table 20.--Hot-rolled carbon steel plate, purchased in the Philadelphia area:
Ranges and weighted average net delivered purchase prices for the largest
purchases of imports from Korea and of domestic products and the average
margins by which imports from Korea undersold domestic products, by types of
customers, by types of products, by areas of purchase, and by quarters,
January 1981-September 1982

* * * * *

Most of the information presented in table 20 reflects prices reported by
only one firm in response to the Commission's purchasers' questionnaire.
Accordingly, it cannot be included in this public version of the report. When
direct comparisons were possible for domestic and Korean products, the margins
of underselling or overselling are discussed in the text.

Table 21.--Hot-rolled carbon steel sheet, purchased in the Chicago area:
Ranges and weighted average net delivered purchase prices for the largest
purchases of imports from Korea and of domestic products and the average
margins by which imports from Korea undersold domestic products, by types of
customers, by types of products, by areas of purchase, and by quarters,
January 1981-September 1982

* * * * *

Most of the information presented in table 21 reflects prices reported by
only one firm in response to the Commission's purchasers' questionnaire.
Accordingly, it cannot be included in this public version of the report. When
direct comparisons were possible for domestic and Korean products, the margins
of underselling or overselling are discussed in the text.

Table 22.--Hot-rolled carbon steel sheet, purchased in the Los Angeles area:
 Ranges and weighted average net delivered purchase prices for the largest purchases of imports from Korea and of domestic products and the average margins by which imports from Korea undersold domestic products, by types of customers, by types of products, by areas of purchase, and by quarters, January 1981-September 1982

* * * * *

Table 23.--Galvanized carbon steel sheet, purchased in the Los Angeles area:
 Ranges and weighted average net delivered purchase prices for the largest purchases of imports from Korea and of domestic products and the average margins by which imports from Korea undersold domestic products, by types of customers, by types of products, by areas of purchase, and by quarters, January 1981-September 1982

* * * * *

Most of the information presented in tables 22 and 23 reflects prices reported by only one firm in response to the Commission's purchasers' questionnaire. Accordingly, it cannot be included in this public version of the report. When direct comparisons were possible for domestic and Korean products, the margins of underselling or overselling are discussed in the text.

plate imported from Korea rather than the comparable domestically produced product. One firm denied purchases of * * * tons of plate imported from Korea, and one firm, alleged to have purchased * * * tons of plate, refused to answer Commission staff questions unless submitted in writing.

Price was cited as the determining factor for purchasing Korean plate in four of the allegations that were checked; the quality of domestically produced plate vis-a-vis plate imported from Korea was considered comparable. In one case, however, quality was given as the reason business was no longer conducted with domestic mills. With respect to these allegations, two firms located in * * * cited delivered price differences of up to \$100 per ton (\$130 below domestic mill book price) on plate imported from Korea compared with plate produced domestically; one firm located in * * * indicated price differences of \$60 to \$80 per ton; and one firm located in * * * indicated a price difference of approximately \$40 per ton. In the unconfirmed allegation involving * * * tons of plate, the firm noted that it could save \$20 to \$40 per ton in Seattle, Wash., on orders of 50 tons or more of plate imported from Korea compared with domestically produced plate, but further noted the deterioration of foreign plate by virtue of shipping and dock exposure.

In the final investigation, U.S. Steel submitted two allegations of carbon steel plate sales lost in the fourth quarter of 1982 to competing imports from Korea. The total alleged quantity lost was * * * tons. * * * was the alleged purchaser of * * * tons of Korean plate. * * * confirmed that * * * had purchased about * * * tons of Korean plate beginning * * * 1982. * * *. The Korean plate was priced more than * * * or * * * to * * * percent, below the price of competing domestic producers' plate.

* * * explained that each year * * * alerts its domestic suppliers (* * *) 1/ as to the percent of * * *'s plate purchases that will be placed with each domestic vendor. Roughly * * * percent of * * *'s expected needs are allocated in this manner. The balance is used as an incentive reward to suppliers for their performance. Three considerations--quality, timely and dependable delivery, and cost improvements--are * * *'s yardstick for measuring performance. The purchase of Korean plate accounted for * * * the firm's requirements purchased in 1982 under its incentive program. * * * has pointed out to the firm's domestic suppliers that getting * * * percent of its plate needs at a much better price helps * * * compete, and assures the continuance of the * * * percent share that its domestic suppliers receive. The Korean plate was purchased at a very attractive price and will help make * * *'s bids more competitive in the international market, where the company faces tough competition. Moreover, there were no rejects in the Korean plate shipments, a fact that * * * attributed to the continuous casting in the POSCO mill. 2/ He stated that * * * plans to continue purchasing Korean plate at a level equivalent to * * * or * * * percent of the firm's total plate requirements.

The second allegation of a lost sale cited a purchase of * * * tons of Korean plate by * * * in * * * 1982. * * * acknowledged buying imported plate

1/ * * *.

2/ * * *.

***, but stated that the lower priced imported plate came from ***, not Korea. *** added that, in most cases, the quality of the imported plate is better than that of the domestic product. Although the share of ***'s total purchases sourced from imports has remained about the same during the last 2 years, ***'s share has increased.

Hot-rolled carbon steel sheet.--In the preliminary investigation, three domestic producers, Armco, Bethlehem, and U.S. Steel, submitted five specific instances involving four firms to which alleged sales of *** tons of hot-rolled carbon steel sheet were lost in 1980, 1981, and January-April 1982 as a result of hot-rolled sheet imported from Korea. Three of the purchasers, involving *** tons, were contacted, and all three firms acknowledged buying Korean sheet. Price was given as the primary reason, but one of these purchasers, which ***, noted that the imported product was of generally better quality and that importers provided better service and purchasing terms. The one unconfirmed purchaser, involving *** tons, could not be reached for comment.

In the final investigation, U.S. Steel submitted another allegation of a lost sale of hot-rolled sheet that involved a November 1982 purchase of *** tons of sheet imported from Korea. An inquiry by the Commission's staff revealed that *** was the entity involved in this instance. **. The product was **. The company prefers this width because of less scrap loss. *** stated that *** and ***'s mill in *** generally don't offer this width sheet in thin gauges. Moreover, the prices of domestic hot-rolled sheet are *** higher than the prices of imported Korean sheet. The Korean mill is new and the sheet is "****." *** emphasized that the metal building business is very competitive, and that the business downturn has increased the need to be competitive. Nevertheless, about *** percent of the firm's purchases are normally from domestic sources, with fill-in orders of imported sheet "****." 1/

Galvanized carbon steel sheet.--In the preliminary investigation, Armco, Bethlehem, and U.S. Steel submitted allegations involving three different firms to which total alleged sales of *** tons of galvanized sheet were lost in 1982 as a result of galvanized carbon steel sheet imported from Korea. Two of the purchasers, involving *** tons, were contacted and they advised that they had purchased galvanized sheet from Korea. One of the purchasers, involving *** tons, stated that the Korean product was purchased because of price. The other purchaser, involving *** tons, stated that the Korean product was purchased because the quality was better as well as the price. The unconfirmed allegation, involving *** tons, was also investigated, but the appropriate contact within the company was unavailable.

In the final investigation, U.S. Steel provided two allegations of lost sales of galvanized sheet in competition with imported Korean galvanized sheet. The Commission's staff investigated each of these allegations, which together totaled about *** tons.

1/ Telephone conversation of Jan. 4, 1983.

* * * was alleged to have purchased * * * tons of Korean galvanized sheet during * * * 1982. The company * * *. According to that firm's purchasing agent, * * *, the company bought two shipments of Korean sheet in 1981; each shipment amounted to roughly * * * to * * * tons. Recently, however, * * * has placed its orders with a domestic firm, * * *. * * * advised that the imported Korean galvanized sheet was * * * to * * * below the domestic price. He stated that * * *. The two previous purchases of Korean galvanized sheet were made through * * *, a broker; the Korean sheet proved to be of fine quality. Price, however, was the principal consideration in the decision to buy the Korean product. * * * commented that, if the domestic product were as good as the imported sheet, the domestic producer would get * * *'s order " * * *." 1/ He added, however, that for * * * galvanized sheet the domestic product is not as consistent in quality.

The second allegation of a lost sale named * * * as the purchaser of * * * tons of Korean galvanized sheet in * * * 1982. * * *, purchasing manager of the firm, advised that he had purchased such an amount of Korean galvanized sheet; the order was placed in * * * 1982. In order to be competitive, * * * explained, the firm offered the broker of Korean galvanized sheet a price roughly * * * per ton lower than domestic prices. 2/ Moreover, according to * * *, the Korean product's quality is higher than that of domestic galvanized sheet. Consequently, because of the lower prices, * * *, during the last 2 years, has purchased more galvanized sheet imported from Korea and less of the domestic product. Purchases of the Korean product during that period also increased as a percentage of total purchases of galvanized sheet from all sources. * * * also stated that the prices of Korean galvanized sheet are even more competitive recently than prices in 1981 and earlier months of 1982.

Lost revenues

The following section presents the information concerning alleged lost revenues that was obtained during the Commission's preliminary and final investigations concerning imports from Korea of the carbon steel products subject to these investigations.

Hot-rolled carbon steel plate.--In the preliminary investigation, two domestic producers, Armco and Bethlehem, submitted eight specific instances involving three firms in which prices of plate were alleged to have been reduced during 1981 and 1982 because of competition from lower priced plate imported from Korea. In the case of Armco's claims, the alleged loss of revenue amounted to * * * on two sales totaling * * * tons, valued at * * *. One firm which purchased * * * tons for * * * stated that * * *. The other firm cited by Armco * * *. The * * * instances of price suppression/ depression alleged by Bethlehem amounted to * * * on sales totaling * * *, but the customer indicated that * * *.

1/ Telephone conversation of Dec. 22, 1982.

2/ Telephone conversation of Jan. 5, 1983. * * *.

In the final investigation, U.S. Steel provided three specific instances, involving three firms, in which its domestic plate prices allegedly were reduced in 1982 on sales made in competition with plate imported from Korea. Each of the allegations involved companies located in California. The three instances involved alleged discounts ranging from * * * to about * * * percent and alleged lost revenues that totaled * * *.

One instance involved * * *. An initial offer price of * * * was allegedly reduced to * * * on a plate sale in * * * 1982. * * *, purchasing manager, confirmed the discount and the competition from Korean plate, stating that the initial domestic offer price was * * * and that the accepted quote was still about * * * percent above the competing price of Korean plate. As for comparative quality, * * * rated Korean plate excellent, and added that the domestic product is not always good. He noted that currently there are probably * * * tons of imported plate for sale on the docks at San Francisco, and emphasized that California is "mill poor" and needs imports. The company has had supply problems with * * *. * * * stated that he would * * * plate if it were available, but that * * *.

The current pattern of competition is changing, said * * *. In the past, U.S. mills weren't competitive. Recently, they have taken a new approach--all are competitive and they will bid even on a 100-ton job. The domestic producers are reacting to world prices, * * * stated, and "* * *." 1/

The second example of alleged lost revenue involved a reduction from * * * to * * * on a sale made in * * * 1982 to * * *. * * * provided useful insights on competition from imported Korean plate, 2/ but was unable to identify the specific purchase cited without knowing the identity of the alleging domestic producer and the approximate date of the purchase. Denied this confidential information, * * * did attest to Korean plate as a competing factor that has created discounts by domestic mills in order to make sales. Korean plate has been, and is currently, priced considerably lower than domestic plate. According to * * *, there is no difference in quality. Until recently, domestic mills' first-offer price usually was a list price or an adjusted list price. Currently, there is a dual pattern of announced price discounts by * * * and others across the board on plate, as well as price discounting in response to a specific inquiry or competitive situation. In today's market, * * * stated, Korean plate is priced at * * * per hundred-weight, or 11.3 percent below * * *'s new, best discount program price of * * * per hundredweight. 3/ On a ton basis, this amounts to a \$40 margin of underselling.

The third allegation cited * * * as the purchaser in * * * 1982 of domestic plate discounted from * * * to * * * because of competition from imported Korean plate. * * *. * * *, purchasing agent for the firm, could not identify this small specific transaction without more detailed information.

1/ Telephone conversation of Dec. 27, 1982.

2/ * * *.

3/ Telephone conversation of Jan. 10, 1983.

* * * made a one-time only purchase of Korean plate * * *. The firm's usual pattern is to purchase from domestic sources. * * * stated that Korean plate is priced lower than domestic plate. For * * *'s requirements, domestic plate in 1982 was priced at * * * to * * * per hundredweight, compared with * * * per hundredweight for Korean plate. ^{1/} Although * * * affirmed that domestic producers were discounting to meet this competition, without more specific information on a cited transaction, he was not sure whether the accepted quote in the cited instance was made in order to meet the price of Korean plate.

Hot-rolled carbon steel sheet.--In the preliminary investigation, two domestic producers, Armco and U.S. Steel, submitted six instances involving five firms to which sales of hot-rolled carbon steel sheet required reductions in price as a result of competition from hot-rolled carbon steel sheet imported from Korea. Four purchasers were contacted involving * * * of lost revenue on sales of * * * in 1981 and 1982; each allegation was confirmed. All purchasers noted that the actual domestic selling price was reduced in order to make the sale; however, each also noted that the domestic selling price was still well above the price on hot-rolled sheet products imported from Korea. In the one unconfirmed allegation involving lost revenue of * * * on sales of * * *, the purchaser could not be reached for comment.

In the final investigation, Bethlehem submitted a single instance of a price reduction allegedly made on a sale of hot-rolled sheet because of competition from comparable merchandise imported from Korea. This instance cited * * * as the purchaser, at an accepted price of * * * per ton, of an unspecified quantity of sheet in November 1982. * * * acknowledged that their domestic suppliers had discounted in competition with imports from Korea, the Republic of South Africa, and Europe. * * * stated that initial domestic prices are no longer at list in the current market, and he added that discounted domestic prices in the first quarter of 1983 are very close to import prices. * * * estimated that the order in question involved about * * * tons of * * *. He also noted that the competing imported Korean product offered was * * *. * * * buys imported sheet, but * * * percent of its purchases are from domestic mills. * * * keeps his domestic suppliers informed of import prices to insure that * * * remains competitive.

On January 10, 1983, Armco submitted an addendum to its questionnaire containing quotes on prices of imported Korean hot-rolled sheet in the fourth quarter of 1982; such quotes were allegedly provided by Armco's customers. The quoted prices of the Korean product ranged from * * * to * * * per hundredweight, compared with average Armco prices of * * * per hundredweight during the same period, or an alleged underselling margin of * * * or more per ton. Armco, in some cases, "* * *." At the request of the Commission's staff, Armco asked the major customer providing the Korean price information for permission to give its name to the Commission for purposes of verification. The request was denied by the parent firm of Armco's customer, because of the risk of possible disclosure.

^{1/} Telephone conversation of Dec. 29, 1982.

Galvanized carbon steel sheet.--In the preliminary investigation, Armco submitted one instance in which its price on the sale of * * * tons of galvanized carbon steel sheet was allegedly reduced as a result of competition from galvanized sheet imported from Korea. Total revenue estimated to have been lost in the transaction was approximately * * *. The purchaser was contacted, and * * *.

In the final investigation, U.S. Steel submitted three allegations of price reductions made on galvanized sheet in competition with sheet imported from Korea. Alleged lost revenue in these three instances amounted to * * * as a result of discounts that ranged from * * * to * * * percent. These instances all involved firms in California.

The first allegation of lost revenue cited * * * as the purchaser of galvanized sheet during * * * 1982 at accepted prices that totaled * * *, compared with initial offer prices that totaled * * *. * * *, buyer at * * *, acknowledged that U.S. Steel had offered the firm a "competitive allowance" of about * * * percent during this time period. ^{1/} He further stated that the initial domestic price quotes were under list, but were not market competitive. Moreover, the accepted domestic quotes were still about * * * to * * * percent higher than those of the Korean product. However, he added that * * *. * * * also commented that the quality of domestic galvanized sheet (U.S. Steel's product) differs from that of the Korean or Japanese product. The quality of the basic commercial quality domestic product is inferior to that of the imported galvanized sheet. In contrast, as specifications reflect higher grades or specials, the domestic quality is superior. According to * * *, Korean and Japanese mills only want to sell the bread and butter grades and sizes and avoid or refuse to quote on specials. Consequently, he emphasized, there is a strong need for * * * to maintain a good relationship with domestic mills, because you can't get the specials from import sources.

Commenting on how the market works in terms of price competition, * * * stated that neither Korean nor Japanese mills concern themselves with U.S. Steel's price. According to * * *, vendors of imported sheet exported from those mills react to other foreign competition, such as European, and to each other's prices, i.e., import prices of competing trading companies. The importers of Korean galvanized sheet, he said, have a policy of targeting their prices a little below the Japanese product prices, knowing that, because Korean steel is relatively new in the market, it takes prices * * * to * * * percent below the Japanese prices to sell Korean galvanized sheet. For example, * * * cited the depreciation of the yen and the won against the dollar. As the Japanese yen fell vis-a-vis the dollar in April-November 1982, Japanese and Korean suppliers reduced their prices for galvanized sheet. The Koreans reacted to the Japanese prices and the depreciation of the won helped, ^{2/} although * * * believes that the Korean mill had the margin to reduce the prices in step with (below) Japanese prices even without the depreciation of the won.

^{1/} Telephone conversation of Jan. 11, 1983.

^{2/} Hearing testimony estimated the depreciation of the won at about 7 or 8 percent in 1982 (transcript of the hearing, pp. 22, 67, and 68).

The second allegation involved * * *. * * * allegedly purchased domestic galvanized sheet during * * * at accepted discounted prices totaling sales of * * *, after rejecting initial quotes that totaled * * *. In * * * 1982, the discounted sales value totaled * * *, compared with initial quotes totaling * * *. * * *, purchasing manager for * * *, attested to the fact that domestic producers had offered significant discounts because of import competition from Korean galvanized sheet priced * * * to * * * per ton lower than domestic sheet. The accepted domestic quotes, at times, met the import price level and, at other times, did not. The quality of the competing imported sheet was comparable, but not better than that of domestic sheet. According to * * *, the best quality galvanized sheet is * * *. For * * * purposes, * * * orders a top quality "* * *" grade of sheet from * * * or from a domestic firm, * * *; the "* * *." 1/

The third allegation submitted by U.S. Steel named * * * as an example of lost revenue in competition with galvanized sheet imported from Korea. The initial rejected quotes in * * * 1982 totaled * * *, compared with an accepted quote total of * * *. * * *, purchasing manager for the firm, acknowledged that * * * has reduced its initial offer prices on occasions when competition from imported Korean galvanized sheet required such discounting. Although he could not calculate the total value of such purchases in * * * 1982, * * * stated that the alleged totals appeared reasonable, even conservative, considering that * * * had purchased * * * of galvanized sheet in 1982 from * * *. 2/ * * * estimated that, after discounts, accepted domestic prices generally were * * * to * * * per ton higher than competing prices of imported Korean galvanized sheet. Referring to * * * Korean sheet, * * * noted that the Korean product was "* * *." On a scale of 1 to 10 he rated that Korean shipment at 5 to 6. Consequently, most of * * *'s imported galvanized sheet is from * * *. Currently, this sourcing pattern poses a problem for the firm because, said * * *, in the first quarter of 1983, * * * are not willing to quote, explaining to their customers that it is their intent to back off the U.S. market somewhat, "* * *." Finally, * * * emphasized, * * * is warehousing * * * carbon steel in California, mostly from POSCO, and is competing directly against * * * for * * * business with very low prices.

1/ Telephone conversation of Jan. 5, 1983.

2/ Telephone conversation of Jan. 12, 1983, between the Commission's staff and * * *. * * *.

APPENDIX A

DETERMINATIONS OF THE U.S. INTERNATIONAL TRADE COMMISSION
IN ITS PRELIMINARY INVESTIGATIONS CONCERNING IMPORTS
OF CERTAIN CARBON STEEL PRODUCTS FROM KOREA

Issued: June 23, 1982.

Kenneth R. Mason,
Secretary.

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[Investigations Nos. 701-TA-170 Through
173 (Preliminary)]

**Certain Steel Products From the
Republic of Korea**

Determinations

On the basis of the record ¹ developed in the subject investigations, the Commission determines, ² pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured ³ by reason of imports of the following products which are alleged to be subsidized by the Government of the Republic of Korea:

Hot-rolled carbon steel plate ⁴
(investigation No. 701-TA-170 (Preliminary));
Hot-rolled carbon steel sheet ⁵
(investigation No. 701-TA-171 (Preliminary));
and
Galvanized carbon steel sheet ⁶
(investigation No. 701-TA-173
(Preliminary)); ⁷

The Commission determines ^{8, 9} that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports of cold-rolled carbon steel sheet (investigation No. 701-TA-172 (Preliminary)) ⁹ which are alleged to

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

² Chairman Alberger not participating.

³ Vice Chairman Calhoun and Commissioner Stern determine there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports.

⁴ For purposes of these investigations, hot-rolled carbon steel plate is provided for in items 607.6615, 607.9400, 608.0710, and 608.1100 of the Tariff Schedules of the United States Annotated (TSUSA).

⁵ For purposes of these investigations, hot-rolled carbon-steel sheet is provided for in items 607.6610, 607.6700, 607.8320, 607.8342, and 607.9400 of the TSUSA.

⁶ For purposes of these investigations, galvanized carbon steel sheet is provided for in items 608.0730 and 608.1300 of the TSUSA.

⁷ Vice Chairman Calhoun and Commissioner Stern dissenting.

⁸ Commissioner Frank dissenting.

⁹ For purposes of these investigations, cold-rolled carbon steel sheet is provided for in items 607.8320 and 607.8344 of the TSUSA.

be subsidized by the government of the Republic of Korea.

Background

On May 7, 1982, petitions were filed with the Commission and the Department of Commerce by counsel for United States Steel Corp. alleging that producers, manufacturers, or exporters in the Republic of Korea of certain steel products receive bounties or grants within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671). Accordingly, effective May 7, 1982, the Commission, pursuant to section 703(a) of the Act (19 U.S.C. 1671b(a)), instituted preliminary countervailing duty investigations 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 the Republic of Korea of the subject merchandise.

Notice of the institution of the Commission's investigations 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 FR 21640). The conference was held in Washington, D.C., on June 1, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

I. Introduction

The following constitute our views on the four countervailing duty investigations involving certain carbon steel products from the Republic of Korea. We first summarize the standards for our determinations, and then define the appropriate domestic industry against which the impact of the imports under investigation is to be assessed. Finally, in each investigation, we examine the condition of the industry and evaluate the causal relationship between the allegedly subsidized imports and this condition.

Standards for Determinations

In preliminary countervailing duty investigations, the Commission must 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.¹⁰

¹⁰Material retardation of an industry is not an issue in these investigations.

by reason of imports of the merchandise that is the subject of the investigation.¹¹ "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."¹² In making determinations, the Commission must consider, among other factors, (1) the volume of imports of the merchandise which is the subject of the 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.¹³

In making a determination as to whether there is a threat of material injury, the Commission considers, among other factors, (1) the rate of increase of subsidized imports into the U.S. market, (2) the capacity in the exporting country to generate exports, (3) the availability of other export markets, and (4) such information as may be presented to it by the Department of Commerce as to the nature of the subsidy provided by a foreign country and the effects likely to be caused by the subsidy.¹⁴ Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not on mere supposition, speculation, or conjecture.¹⁵

Definition of the Domestic Industries

The domestic industry is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."¹⁶ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation * * *."¹⁷

The four steel products that are the subjects of these investigations were among the nine products covered by the recent preliminary investigations involving certain steel products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, Spain, the United Kingdom, and West Germany.¹⁸ For the reasons stated by

¹¹19 U.S.C. 1671b, 1673b.

¹²19 U.S.C. 1677(7)(A).

¹³19 U.S.C. 1677(7)(B).

¹⁴19 CFR 207.26(d).

¹⁵S. Rep. No. 86-249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1293, 93d Cong., 2d Sess. 160 (1974); *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

¹⁶19 U.S.C. 1677(4)(A).

¹⁷19 U.S.C. 1677(10).

¹⁸Investigations Nos. 701-TA-88 to 144, 701-TA-146, and 701-TA-147 (Preliminary), and

the Commission in those investigations, we adopt the appropriate industry definitions used there for the products included in the scope of these investigations.¹⁹

Cumulation

Our determinations in these investigations have been made on a case-by-case basis, without aggregation of import data for each product category with the import data derived in earlier investigations regarding the same products imported from other countries.^{20 21} In the event that final investigations are conducted in these cases, however, we do not rule out cumulation if the record developed demonstrates it is appropriate.²²

II. Hot-Rolled Carbon Steel Plate

With respect to hot-rolled carbon steel plate from the Republic of Korea, we find that there is a reasonable indication of material injury to the affected

Investigations Nos. 731-TA-53 to 86 (Preliminary), USITC Pubs. 1221 and 1226 (1982), and Investigations Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255 (1982). Specific descriptions of the products, their characteristics and uses, and methods of manufacture may be obtained by reference to the Commission's Views and the Report in those investigations.

¹⁹Commissioners Stern and Haggart emphasize that the definitions of the industries at this preliminary stage are based on information now available; they do not preclude the possibility of defining the domestic industries differently in any final investigation if the record developed supports a revision of the definitions of the industries; See also Commissioner Frank's additional views.

²⁰See additional views of Vice Chairman Calhoun in Certain Steel Products from Spain, Invs. Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255 (1982).

²¹Commissioner Frank has cumulated. See his additional views and his discussion on cumulation in Certain Carbon Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom, and West Germany, Invs. Nos. 701-TA-86 to 144, 701-TA-146, and 701-TA-147 (Preliminary), and Invs. Nos. 731-TA-53 to 86 (Preliminary), USITC Pubs. 1221 and 1226 (1982), at 127-129.

²²Commissioner Stern refers readers to her discussion of the practice of cumulation in Certain Carbon Steel Products from Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, and the United Kingdom, Invs. Nos. 731-TA-18-24 (Preliminary), USITC Pub. 1064 (1980), at 64-67.

See also her joint views with Chairman Alberger in Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom, and West Germany, Invs. Nos. 701-TA-86 to 144, 701-TA-146, and 701-TA-147 (Preliminary), and Invs. Nos. 731-TA-53 to 86 (Preliminary), USITC Pubs. 1221 and 1226 (1982).

Finally, see her joint views with Chairman Alberger in Prestressed Concrete Steel Wire Strand From Brazil, France, and the United Kingdom, Invs. Nos. 701-TA-152 and 153 (Preliminary), and Inv. No. 731-TA-89, USITC Pub. 1240 (1982), at 3; Carbon Steel Wire Rod from Brazil, Belgium, France, and Venezuela, Invs. Nos. 701-TA-148 to 150 (Preliminary), and Inv. No. 731-TA-88 (Preliminary), USITC Pub. 1230 (1982).

domestic industry by the subject imports.²³ We base this determination principally upon information demonstrating the depressed condition of the U.S. industry, the significant presence of Korean imports of this product, and confirmed instances of sales lost by the domestic industry to the imports.

Condition of the Domestic Industry

The information developed in this investigation regarding the condition of the domestic industry is the same as that discussed in our views in the recent investigation on hot-rolled carbon steel plate from Spain.²⁴ In that case, we found that the domestic industry had suffered serious declines in production, capacity utilization, employment, and profitability in recent years.

Reasonable Indication of Material Injury by Reason of Imports From the Republic of Korea

Korean imports maintained a significant presence in the domestic market throughout the period of this investigation, while overall U.S. demand declined. Although absolute levels of imports declined in 1981 from earlier levels and further declined in the first quarter of 1982, Korean imports accounted for 1.5 percent of domestic consumption in 1979, 2.8 percent in 1980, and 1.5 percent in 1981. Korean import penetration was 1.4 percent in the first quarter of 1982.²⁵

Five instances of sales lost by domestic producers to Korean imports were confirmed, accounting for approximately 2,686 tons of plate products. In four of the five cases the lower price of the imports was given as the reason for the purchase, since the quality of the imported and domestic products was considered comparable by purchasers.²⁶

Reasonable Indication of Threat of Material Injury by Reason of Imports from the Republic of Korea

Vice Chairman Calhoun and Commissioner Stern base their finding on the above factors as well as on the following information. U.S. importers' inventories of carbon steel plate are at very high levels.²⁷ In addition, the

United States is a major export market for these Korean products and is likely to remain so because of restrictions placed on Korean imports by other countries.²⁸

III. Hot-Rolled Carbon Steel Sheet

We find that there is a reasonable indication that imports of hot-rolled carbon steel sheet from the Republic of Korea have caused material injury to the domestic industry.²⁹ In making this determination we have relied on information regarding the condition of the industry, significant and increasing volumes of Korean imports, several confirmed instances of sales lost by the U.S. industry to imports on the basis of price, and several confirmed instances indicating that domestic prices have been lowered to meet Korean import competition.

Condition of the Domestic Industry

The information developed in this investigation regarding the condition of the domestic industry is the same as that discussed in our views in the recent investigation on hot-rolled carbon steel sheet from Spain.³⁰ In that case, we found that the domestic industry had experienced serious difficulties during the period under investigation, including declines in production, capacity utilization, employment, and profitability.

Reasonable Indication of Material Injury by Reason of Imports From the Republic of Korea

Imports of this product from the Republic of Korea have shown a pronounced growth in market penetration toward the end of the period studied in this investigation. Import volumes were 28,000 tons in 1979, 34,000 tons in 1980, and 72,000 tons in 1981. The sharp rise continued in the first quarter of 1982, with 41,000 tons entered as compared to only 12,000 tons in the same quarter of 1981.³¹ The 1981 volume of imports accounted for a share of the U.S. market of 0.5 percent, with the share in the last quarter of the year increasing to 0.9 percent. This rise in import penetration continued in 1982, with a market share of 1.5 percent being recorded in the first quarter.³²

²³ *Id.* at A-18.

²⁴ Chairman Alberger did not participate. Vice Chairman Calhoun and Commissioner Stern determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports.

²⁵ Investigations Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255 (1982).

²⁶ Report at A-21.

²⁷ *Id.* at A-22 and A-23.

The Commission was able to verify four allegations of sales of hot-rolled carbon steel sheet lost by a domestic firm to Korean imports, accounting for a significant portion of those imports during the period from 1980 to the first quarter of 1982. In all four instances lower price was cited as the primary motivation for the purchase, although in two instances the purchaser also noted that the imports were generally of better quality and that the importers offered better service and purchasing terms.³³ Five of six alleged instances involving lowering of domestic prices to meet import price competition were confirmed, resulting in significant lost revenues.³⁴

Reasonable Indication of Threat of Material Injury by Reason of Imports From the Republic of Korea

Vice Chairman Calhoun and Commissioner Stern base their finding on the above factors as well as on the following information. The Republic of Korea has greatly increased its capacity in the last two years to produce these products.³⁵ Coincident with this increased capacity was an increase in production, total exports, and exports to the U.S. Exports to the U.S. have been at significant levels throughout 1979-81.³⁶ Moreover, inventories of Korean imports held by U.S. importers in the first quarter of 1982 were double the level of December 1981.³⁷

IV. Cold-Rolled Carbon Steel Sheet

We find that there is no reasonable indication of material injury or threat thereof to the domestic industry producing cold-rolled carbon steel sheet by reason of imports from the Republic of Korea.³⁸ The reasons for our finding are the decreasing levels of Korean imports of this product, the absence of allegations of lost sales, and the lack of persuasive indications of significant price suppression or depression caused by these imports.

Condition of the Industry

The information developed in this investigation regarding the condition of the domestic industry is the same as that discussed in our views in the recent investigation on cold-rolled carbon steel sheet from Spain.³⁹ In that case, we

³³ *Id.* at A-38.

³⁴ *Id.* at A-38 and A-39.

³⁵ *Id.* at A-19.

³⁶ *Id.*

³⁷ *Id.* at A-17.

³⁸ Chairman Alberger did not participate. Commissioner Frank dissents. See his additional views.

³⁹ Investigations Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255 (1982).

²³ Chairman Alberger did not participate. Vice Chairman Calhoun and Commissioner Stern determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports.

²⁴ Investigations Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255 (1982).

²⁵ Report at A-22.

²⁶ *Id.* at A-37.

²⁷ *Id.* at A-37.

found that the performance of the domestic industry, judged by such factors as production, capacity utilization, employment, and profitability, had declined during the period under investigation.

No Reasonable Indication of Material Injury by Reason of Imports From the Republic of Korea

Imports from the Republic of Korea have fallen during the same period that the industry has experienced its difficulties. Imports dropped from 179,000 tons in 1979 to 104,000 tons in 1980 and 101,000 tons in 1981. The import decline appears to be continuing into the present year; imports in the first quarter were 16,000 tons, down from 20,000 tons in the first quarter of 1981.⁴⁰ In terms of penetration of the U.S. market, Korean imports have declined consistently from a 1 percent market share in 1979 to 0.7 percent in both 1980 and 1981. Penetration was down to 0.5 percent in the first quarter of 1982.⁴¹

No allegations of actual lost sales involving cold-rolled carbon steel sheet from Korea were received by the Commission.⁴² Only one allegation of a domestic price reduction caused by price competition from Korean imports was confirmed, involving only a small quantity of cold-rolled carbon steel sheet.⁴³

No Reasonable Indication of Threat of Material Injury by Reason of Imports From the Republic of Korea

We also find no reasonable indication that Korean imports of this product pose a threat of material injury. Capacity in the Republic of Korea to produce cold-rolled carbon steel sheet has been greatly diminished for at least the immediate future by the bankruptcy of a major Korean producer in 1981.⁴⁴ In addition, U.S. importers' end-of-period inventories of the product have been steadily declining since 1979.⁴⁵

V. Galvanized Carbon Steel Sheet

Views of Commissioners Alfred Eckes, Eugene Frank, and Veronica Haggart

With regard to galvanized carbon steel sheet from the Republic of Korea, we find a reasonable indication that imports are a cause of material injury to the U.S. industry.⁴⁶

⁴⁰ Report at A-21.

⁴¹ *Id.* at A-22.

⁴² *Id.* at A-38.

⁴³ *Id.* at A-39.

⁴⁴ *Id.* at A-19.

⁴⁵ *Id.* at A-17.

⁴⁶ See also the additional views of Commissioner Frank.

Condition of the domestic industry

The information developed in this investigation regarding the condition of the domestic industry is the same as that discussed in our views in the recent investigation on galvanized carbon steel sheet from Spain.⁴⁷ In that case, we found that the performance of the domestic industry had been in a state of decline since 1979, including declines in production, capacity utilization, employment, and profitability.

Reasonable Indication of Material Injury by Reason of Imports From the Republic of Korea

During the period covered by this investigation—with the exception of one year—imports have been at substantial levels and have been increasing during recent periods. Significantly, imports in 1981 were concentrated in the later quarters of the year. Further, the import penetration ratio reached 1.5 percent during the fourth quarter of 1981, and the penetration rate of 0.8 percent in the first quarter of 1982 indicates a continuation of this trend. The recent increases in imports coincide with the difficulties being encountered by the domestic industry.

Other information provides important data in support of a reasonable indication of material injury as well. Two instances of sales lost to Korean imports, representing a large portion of such imports during 1982, were confirmed, and lower price was cited as a factor in both cases.⁴⁸ Additionally, confidential information provided an indication of price suppression.⁴⁹

V. Galvanized Carbon Steel Sheet

Views of Vice Chairman Michael J. Calhoun and Commissioner Paula Stern

As our colleagues in the majority have indicated, the domestic industry producing galvanized carbon steel sheet is undergoing serious difficulties. Our review of the available information, however, demonstrates no reasonable indication that imports from the Republic of Korea are a cause of either material injury or threat of material injury to the domestic industry. In prior investigations regarding galvanized carbon steel sheet, we noted that the present state of this industry is attributable to factors other than imports, including declining domestic consumption, low labor productivity, and high labor costs.⁵⁰

⁴⁷ Investigations Nos. 701-TS-155 to 163 (Preliminary), USITC Pub. 1255 (1982).

⁴⁸ Report at A-38.

⁴⁹ *Id.* at A-39.

⁵⁰ Investigations Nos. 701-TA-155 to 163 (Preliminary), USITC Pub. 1255, at 19 (1982).

Although most major indicators of the economic health of this industry have declined during the period under investigation, imports from the Republic of Korea also declined substantially from the levels of 1978. In fact, such imports fell from 0.9 percent of domestic consumption in 1978 to 0.5 percent in 1979 and a mere 0.1 percent in 1980. The increases in imports since 1980 still leave both the absolute volume of Korean imports and market penetration ratios at levels below those of 1978. There appears to be not correlation between the fluctuations in Korean imports and the rise or fall of the industry's condition. Moreover, Korean imports constitute only an insignificant portion of the total market share held by all imports. The overall four-and-a-quarter-year trend in Korean imports, viewed together with the general economic recession and depressed consumption of this product, convince us that the short-term increase in Korean imports has neither produced material injury nor foreshadowed a threat of future injury.

Additional Views of Commissioner Eugene J. Frank

I. Introduction

These views are to be considered in conjunction with my views with respect to the 92 carbon and alloy steel product preliminary investigations before the Commission in January 1982⁵¹ and made an integral part of this opinion.

For these preliminary investigations, I cumulated impact of alleged unfairly traded imports of comparable articles on the domestic industry from countries whose preliminary cases have been continued (including South Africa, not a signatory to the Subsidies Code) consistent with my approach and position or cumulation.⁵² In this respect, I depart from the approach taken by some of my colleagues who have approached these preliminary investigations on a case-by-case basis.

I would reiterate here my oft-stated position that the statute and legislative history in Title VII investigations require the Commission in its preliminary investigations to exercise only a low-

Investigations Nos. 701-TA-86 to 144, 701-TA-148, and 701-TA-147 (Preliminary), and Investigations Nos. 731-TA-53 to 86 (Preliminary), USITC Pubs. 1221 and 1226, at 54-57 (1982).

⁵¹ Investigation Nos. 701-TA-86 to 144, 701-TA-148, and 701-TA-147 (Prel.), and Investigation Nos. 731-TA-53 to 86 (Prel.), USITC Pubs. 1221 and 1226, February 1982, *Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany*, Views of Commissioner Eugene J. Frank, pp. 121-185.

⁵² *Id.* pp. 127-128.

threshold test based upon the best information available that the facts reasonably indicate that an industry in the United States could possibly be suffering material injury, threat thereof, or material retardation.⁵³

Since the January 1982 preliminary steel cases referred to herein above, the condition of the U.S. steel industry has suffered further significant deterioration by all recognized indicia of economic distress, some mention of which I refer the reader to my separate views in the recent Spanish carbon and alloy steel preliminary countervailing duty investigations.⁵⁴

Finally, although statutory considerations prescribe a like product and definition of industry approach as set forth by my colleagues for these cases, it is appropriate to reiterate my position in this regard stated in my views in the January cases where I stated therein: "I believe, in ascertaining injury to the domestic industry affected in the conduct of these investigations it is appropriate to consider as a relevant factor in all these investigations the basic, commonsense economic reality of the impact of such imports on the domestic steel industry in general."⁵⁵

The following represent my determinations on those preliminary investigations, stating, where applicable, points of departure from my colleagues in analyses and dissent.⁵⁶

II. Hot-Rolled Carbon Steel Plate

I find that there is a reasonable indication of material injury to the affected domestic industry by subject imports, and do not reach the issue of threat. While otherwise concurring in general with my colleagues, I cumulated the impact on the pertinent domestic industry of subject imports from Korea along with Belgium, The United Kingdom, West Germany, Brazil, Romania, Spain, and South Africa, which indicates a general substantial increase in aggregate levels of such imports in the period since 1979 to 1981, reaching significant market penetration with respect to domestic consumption in 1981 of 16.9 percent. Although January-March 1982 levels were down somewhat from the comparable 1981 quarter,

⁵³H.R. Report No. 96-317, 96th Cong., 1st Sess., p. 52 (1979).

⁵⁴*Certain Steel Products from Spain*, Investigation Nos. 701-TA-155 through 163 (Prel.), USITC pub. 1255, June 1982, Separate Views of Commissioner Eugene J. Frank, pp. 36-42.

⁵⁵*Certain Steel Products from Belgium* . . . Views of Commissioner Eugene J. Frank, p. 136.

⁵⁶All data are derived from the accompanying Report and set of four tables of imports of these four products covered by these investigations circulated with the draft Staff Report, unless otherwise

market penetration was still significant and represented a comparative period increase from 13.6 percent to 14.1 percent in these two quarters.

III. Hot-Rolled Carbon Steel Sheet

I find that there is a reasonable indication of material injury to the affected domestic industry by subject imports, and do not reach the issue of threat. While otherwise concurring in general with my colleagues, I cumulated the impact on the pertinent domestic industry of subject imports from Korea along with Belgium, France, Italy, Netherlands, West Germany, and South Africa, which since 1979 indicates a general substantial increase in aggregate levels of such imports with market penetration relative to domestic consumption likewise trending upward to significant levels in excess of 10 percent for the January-March 1982 quarter compared to 2.9 percent the comparable 1981 quarter.

IV. Cold-Rolled Carbon Steel Sheet

I find that there is a reasonable indication of material injury to the affected domestic industry by subject imports, and do not reach the issue of threat. I therefore dissent from my colleagues in this determination and certain analyses therein. It is clear that the condition of this industry based on information developed in the Commission's recent investigation on cold-rolled carbon steel sheet from Spain,⁵⁷ incorporated in this case, had declined during the period under investigation, as my colleagues acknowledge, judged by relevant industry indicators such as production, capacity utilization, employment and profitability. However, in cumulating the impact of subject imports from Korea on the pertinent domestic industry along with imports from France, Italy, Netherlands, West Germany, Spain, and South Africa, it is apparent that such imports have increased significantly from 1980 levels, attaining an aggregate market penetration of 6.3 percent with respect to domestic consumption in 1981, increasing even more markedly the January-March 1982 quarter to 7.9 percent compared with 2.3 percent the comparable 1981 quarter. Although I am cognizant of the paucity of information relative to pricing and lost sales data for this product, I would anticipate more thorough collection and scrutiny of pricing data and lost sales information in a final investigation should the Commission be called upon to conduct one.

⁵⁷Investigation Nos. 701-TA-155 to 163 (Prel.),

V. Galvanized Carbon Steel Sheet

I find that there is a reasonable indication of material injury to the affected domestic industry by subject imports, and do not reach the issue of threat. Although I generally concur with the observations of Commissioners Eckes and Haggart in their views on the case, I cumulated the impact on the pertinent domestic industry of subject imports from Korea with those from Spain and South Africa. While such aggregated imports declined in overall levels since 1978 to 1981, they nevertheless remained at significant levels and in fact increased markedly January-March 1982 and attained a 3.2 percent market penetration with respect to domestic consumption that quarter compared with 0.6 percent the comparable 1981 period and 1.3 percent for 1981.

By Order of the Commission.

Issued: June 21, 1982.

Kenneth R. Mason,
Secretary.

[FR Doc. 82-17656 Filed 6-30-82; 9:45 am]

BILLING CODE 7020-02-M

APPENDIX B

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF INVESTIGATIONS
AND LIST OF WITNESSES APPEARING AT THE HEARING

manufacture, production, or exportation of certain carbon steel products within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. § 1671), the United States International Trade Commission hereby gives notice of the institution of the following investigations under section 705(b) of the Act (19 U.S.C. § 1671d(b)) to determine whether 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 Korea of the specified merchandise:

Hot-rolled carbon steel plate, provided for in items 607.6615, 607.9400, 608.0710, and 608.1100 of the Tariff Schedules of the United States Annotated (TSUSA) (investigation No. 701-TA-170 (Final));

Hot-rolled carbon steel sheet, provided for in TSUSA items 607.6610, 607.6700, 607.8320, 607.8342, and 607.9400 (investigation No. 701-TA-171 (Final)); and

Galvanized carbon steel sheet, provided for in TSUSA items 608.0710, 608.0730, 608.1100, and 608.1300 (investigation No. 701-TA-173 (Final)).

FOR FURTHER INFORMATION CONTACT: Mr. Robert Eninger (202-523-0312) or Mr. Daniel Leahy (202-523-1369), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.—On June 21, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigations, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly subsidized imports of the subject carbon steel products from Korea on May 7, 1982, by United States Steel Corp. The Department of Commerce will make its final subsidy determinations in these cases on or before December 20, 1982. The Commission must make its final injury determinations in the investigations within 120 days after the date of Commerce's preliminary subsidy determinations or by February 8, 1983 (19 CFR § 207.25). A public version of the staff report containing preliminary findings of fact will be placed in the public record on December 23, 1982, pursuant to section 207.21 of the⁵⁴ Commission's Rules of Practice and Procedure (19 CFR § 207.21).

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m.,

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-170, 171, and 173 (Final)]

Certain Carbon Steel Products From the Republic of Korea

AGENCY: United States International Trade Commission.

ACTION: Institution of final countervailing duty investigations and scheduling of a hearing to be held in connection with the investigations.

EFFECTIVE DATE: October 12, 1982.

SUMMARY: As a result of affirmative preliminary determinations by the United States Department of Commerce that there is a reasonable basis to believe or suspect that the Government of the Republic of Korea (Korea) is providing, directly or indirectly, subsidies with respect to the

e.s.t., on January 10, 1983, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436. The hearing in these investigations will be held simultaneously with the hearing previously scheduled for antidumping investigations Nos. 731-TA-53, 58, 59, 60, 61, 62, 63, 67, 69, 70, 74, 82, 83, 85, and 86 (Final) concerning certain carbon steel products from Belgium, France, Italy, Romania, the United Kingdom, and the Federal Republic of Germany (47 F.R. 46773, October 20, 1982). Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (515 p.m.) on December 17, 1982. All persons desiring to appear at the hearing and make oral presentations may file prehearing briefs and should attend a prehearing conference to be held at 10:00 a.m., e.s.t. on December 23, 1982, in Room 117 of the U.S. International Trade Commission Building. Prehearing Briefs must be filed on or before January 5, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23, as amended by 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to new information. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with rule § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of rule 207.24 (19 CFR 207.24, as amended by 47 F.R. 6191, February 10, 1982) and must be submitted not later than the close of business on January 17, 1983.

Written submissions.—Any person may submit to the Commission a written statement of information pertinent to the subject of these investigations. A signed original and fourteen (14) true copies of each submission must be filed with the secretary to the Commission on or before January 17, 1983. All written submissions except for confidential business data will be available for public inspection.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of

the Commission's Rules of Practice and Procedure (19 CFR 201.6).

Service of documents.—Any interested person may appear in these investigations as a party, either in person or by representative, by filing an entry of appearance with the Secretary in accordance with section 201.11 of the Commission's rules (19 CFR § 201.11, as amended by 47 F.R. 6189, February 10, 1982). Each entry of appearance must be filed with the Secretary no later than 21 days after the publication of this notice in the Federal Register.

The Secretary will compile a service list from the entries of appearance filed in these final investigations and from the Commission's record in the preliminary investigations. Any party submitting a document in connection with these investigations shall, in addition to complying with section 201.8 of the Commission's rules (19 CFR § 201.8, as amended by 47 F.R. 6188, February 10, 1982, and 47 F.R. 13791, April 1, 1982), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in section 201.16(b) of the rules (19 CFR § 201.16(b), as amended by 47 F.R. 33682, August 4, 1982).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

For further information concerning the conduct of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR part 207, as amended by 47 F.R. 6182, February 10, 1982, and 47 F.R. 33682, August 4, 1982) and part 201, subparts A through E (19 CFR part 201, as amended by 47 F.R. 6182, February 10, 1982, 47 F.R. 13791, April 1, 1982, and 47 F.R. 33682, August 4, 1982).

This notice is published pursuant to section 207.20 of the Commission's Rules of Practice and Procedure (19 CFR § 207.20, as amended by 47 F.R. 6190, February 10, 1982).

By order of the Commission.

Issued: October 22, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-29534 Filed 10-26-82; 8:45 am]

BILLING CODE 7020-02-01

CALENDAR OF PUBLIC HEARING

Investigations Nos. 701-TA-170, 171, and 173 (Final)

CERTAIN CARBON STEEL PRODUCTS FROM KOREA

Those listed below appeared as witnesses at the United States International Trade Commission's hearing held in connection with the subject investigations on January 10, 1983, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of
countervailing duties

United States Steel Corp.

Paul L. Fidel, U.S. Steel Market Research

Leslie Ranney--OF COUNSEL

Law Offices of Eugene L. Stewart--Counsel
Washington, D.C.
on behalf of

Bethlehem Steel Corp.

Laird D. Patterson, General Attorney,
Bethlehem Steel Corp.

Terence P. Stewart--OF COUNSEL

Cravath, Swaine & Moore--Counsel
New York, N.Y.
on behalf of

Republic Steel Corp.
Inland Steel Co.
Jones & Laughlin Steel, Inc.
National Steel Corp.
Cyclops Corp.

John A. Redmon--OF COUNSEL

In opposition to the imposition of
countervailing duties

Daniels, Houlihan & Palmeter, P.C.--Counsel
Washington, D.C.
on behalf of

Korea Iron & Steel Association
Pohang Iron and Steel Co., Ltd.
Union Steel Manufacturing Co., Ltd.
Dong Jin Steel Co., Ltd.

N. David Palmeter)
Donald B. Cameron, Jr.) --OF COUNSEL

APPENDIX C

U.S. DEPARTMENT OF COMMERCE'S FINAL DETERMINATIONS
AS PUBLISHED IN THE FEDERAL REGISTER

Final Affirmative Countervailing Duty Determinations; Certain Steel Products From the Republic of Korea

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determinations.

SUMMARY: We have determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the Republic of Korea (Korea) of certain steel products as described in the "Scope of the Investigations" section of this notice. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice. The U.S. International Trade Commission (ITC) will determine whether these imports are materially injuring or threatening to materially injure a U.S. industry, before the later of 120 days after the Department made its preliminary affirmative determinations or 45 days after the publication of this notice.

EFFECTIVE DATE: December 27, 1982.

FOR FURTHER INFORMATION CONTACT: Richard Rimlinger, or Steven Lim, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., N.W., Washington, D.C. 20230; telephone (202) 377-1276.

SUPPLEMENTARY INFORMATION:

Final Determinations

Based upon our investigations, we have determined that certain benefits which constitute subsidies within the

meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Korea of certain steel products, as described in the "Scope of Investigations" section of this notice. The following programs are found to be subsidies: (1) Preferential export financing; (2) preferential tax incentives for exporters; (3) special tax exemptions for government-owned firms; (4) special tax exemptions for steel producers; (5) preferential utility rates and port charges for steel producers; (6) tariff incentives, and (7) Masan Free Export Zone or Foreign Capital Inducement Law benefits. The estimated net subsidy for each firm and for each product is indicated under the "Suspension of Liquidation" section of this notice.

Case History

On May 7, 1982, we received a petition from the United States Steel Corporation on behalf of the U.S. industry producing small diameter (16" and under) welded carbon steel pipes and tubes, hot-rolled carbon steel plate, cold-rolled carbon steel sheet, hot-rolled carbon steel sheet and galvanized carbon steel sheet. The petition alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided directly or indirectly to the manufacturers, producers, or exporters in Korea of this merchandise.

We found the petition to contain sufficient grounds upon which to initiate countervailing duty investigations, and initiated these investigations on May 27, 1982 (47 FR 24166). We stated that we expected to issue preliminary determinations by August 2, 1982. We subsequently determined that these investigations are "extraordinarily complicated" as defined in section 703(c) of the Act, and on July 22, 1982, we postponed our preliminary determinations for 65 days, until October 4, 1982 (47 FR 32758). On June 21, 1982, the ITC found that there is a reasonable indication that these imports of certain steel products from Korea, with the exception of imports of cold-rolled carbon steel sheet, are materially injuring, or threatening to materially injure, a U.S. industry. The ITC found no reasonable indication that imports of cold-rolled carbon steel sheet from Korea are materially injuring, or threatening to materially injure, a U.S. industry, and the investigation was terminated with respect to this particular merchandise. The ITC published its determinations in the **Federal Register** on June 30, 1982 (47 FR 28481 and 28488).

We presented questionnaires concerning the allegations to the government of Korea in Washington, D.C. By August 31, 1982, we had received responses from the government of Korea, and eight Korean manufacturers of the remaining products under investigation. We believe that these eight manufacturers account for virtually all current exports of the products under investigation to the United States.

On October 4, 1982 we preliminarily determined that the government of Korea was providing its manufacturers, producers, or exporters of certain steel products with benefits that are subsidies within the meaning of the countervailing duty law (47 FR 44807).

On November 3-14, 1982, we verified in Korea the questionnaire responses submitted by the government of Korea and the Korean steel producers.

Our notice of preliminary determination gave interested parties an opportunity to submit written and oral views, and on November 23, 1982, we held a public hearing.

Scope of the Investigations

The merchandise covered by these investigations is:

- Small diameter welded carbon steel pipes and tubes;
- Hot-rolled carbon steel plate;
- Hot-rolled carbon steel sheet;
- Galvanized carbon steel sheet.

For a further description of these products see the Appendix to this notice.

The period for which we are measuring subsidization is calendar year 1981. In addition to receiving a questionnaire response from the government of Korea, we have also received questionnaire responses from the following:

<i>Firms</i>	<i>Carbon steel products</i>
Pohang Iron and Steel Co., Ltd. (POSCO).	Hot-rolled carbon steel plate, hot-rolled carbon steel sheet and galvanized carbon steel sheet.
Union Steel Mfg., Co., Ltd. (Union Steel).	Galvanized carbon steel sheet, and small diameter welded carbon steel pipes and tubes.
Dong Kuk Heavy Industries, Ltd. (DHI).	Small diameter welded carbon steel pipes and tubes.
Fuji Works Korea, Ltd. (Fuji)....	Small diameter welded carbon steel pipes and tubes.
Hyundai Pipe Co., Ltd. (Hyundai).	Small diameter welded carbon steel pipes and tubes. A-60
Korea Steel Pipe Co., Ltd. (Korea Pipe).	Small diameter welded carbon steel pipes and tubes.
Masan Steel Tube Co., Ltd. (Masan Tube).	Small diameter welded carbon steel pipes and tubes.

Firms	Carbon steel products
Pusan Steel Pipe Ind., Co. Ltd. (Pusan Pipe).	Small diameter welded carbon steel pipes and tubes.

Analysis of Programs

The following programs were alleged in the petition to be subsidies: (1) Preferential export financing; (2) preferential tax incentives for exporters; (3) special tax exemptions for government-owned firms; (4) special tax exemptions for steel producers; (5) preferential utility rates and port charges for steel producers; (6) tariff incentives; (7) preferential financing and government loan guarantees for steel producers; (8) wage controls for government-run firms; (9) government purchases of steel at inflated prices; (10) government capital grants; (11) a "special steel export subsidy"; (12) indirect subsidies to purchasers of machinery used to make iron and steel; (13) indirect subsidies to purchasers of hot-rolled sheet or coil, and (14) loans at favorable foreign currency exchange rates. Based on our experience in other Korean cases, we also included in our investigation special benefits offered to firms located in the Masan Free Export Zone or offered through the Foreign Capital Inducement Law. We also investigated POSCO's dual pricing system for hot-rolled sheet or coil sold to producers of small diameter welded carbon steel pipes and tubes.

In their responses, the government of Korea and the eight Korean steel producers provided data for the applicable period. Based upon our analysis of the petition and responses to our questionnaires, we have determined the following:

Programs Determined To Confer Subsidies

We have determined that subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon steel sheet.

Preferential Export Financing

Under the "Regulations for Export Financing," promulgated by the Korean government on February 25, 1972, short-term financing of up to 90 days is provided to exporters at interest rates which are less than the generally available commercial rates. During 1981, the interest rate for short-term export financing was 12 percent (27 percent if late payment is made), as opposed to

normal commercial rates, which ranged between 15-20 percent for most of 1981. This rate also varied depending on the credit rating of the borrower.

Export financing was available for production expenses and for the purchase of raw materials for export production. A loan ceiling for short-term export loans was established based upon the value of a company's total exports in a preceding period.

The government's response indicates that financing was provided by individual private foreign exchange banks and not by the Korean government, that no government guarantees are involved and that the banks are acting in conformance with the regulations. We determine that, regardless of the private ownership of the banks, this program is countervailable because the preferential financing is the direct result of a government mandate. All firms investigated took advantage of this program.

In addition, several firms reported long-term preferential export loans under a special fund for export industries set up by government direction. These loans, which were funded and transacted in 1981, are secured with the firm's assets through a commercial bank and no government guarantees are involved. The responses indicate that a firm must export to qualify for this loan; however, the loan rate is not dependent on continued exportation by the firm. Since this program is also traceable to government mandate, we determine it to be countervailable.

In order to calculate the amount of the benefit to each steel producer resulting from these preferential short-term export financing programs, we computed the total difference between the amount of interest paid on all short-term export loans which were transacted in 1981, and the amount of interest that the firm would have to pay on a comparably timed and sized loan under normal commercial financing. The short-term commercial rates which we used are national rates which are published in monthly bulletins issued by the Bank of Korea. The amount of the total benefit received under this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Since long-term preferential export loans were transacted in 1981 and interest payments were made monthly, we calculated the benefit to each steel producer from these loans beginning in 1981 (when repayments began).

On an overall basis we found that the net benefits, attributable to preferential export loans, to the Korean steel producers, based on the f.o.b. value of the exported merchandise, were as follows:

Product	* Ad valorem rate
Small diameter welded carbon steel pipes and tubes	1.16
Hot-rolled carbon steel plate	0.52
Hot-rolled carbon steel sheet	0.52
Galvanized carbon steel sheet	0.60

Subsequent to the period for which subsidization is being measured, on June 28, 1982, the government of Korea reduced the maximum allowable interest rate to be charged by commercial banks on all commercial loans, including export loans, to ten percent. In taking this action, the government eliminated interest rate preferences that previously existed for exporters. Therefore, we note that the *ad valorem* subsidy amounts shown in the "Suspension of Liquidation" section of this notice do not reflect the above listed percentages since loan preferences have not been in effect since June 28, 1982. Consequently, entries which would be subject to suspension of liquidation would not benefit from this program.

Preferential Tax Incentives for Exporters

Article 25 of the Korean Tax Exemption Regulations Law permits a firm earning more than 50 percent of its total proceeds from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation which is determined by a formula based on the firm's foreign exchange earnings and total business earnings. Of the firms investigated, Hyundai, Masan Tube, POSCO and Pusan Pipe used accelerated depreciation in 1981, and only Masan Tube and POSCO used accelerated depreciation in 1980.

To calculate the benefits from the accelerated depreciation program for the period for which we are measuring subsidization (calendar year 1981), we have determined the tax savings received in 1981 based on accelerated depreciation which has been deducted from 1980 income taxes. We used this method because the exact amount of tax and tax benefit for 1980 is not known until 1981 when a firm's operational results are known and tax liability must be settled. The amount of the tax

savings received under this program was divided by the total value of sales in 1981 to determine the *ad valorem* subsidy.

In addition, Article 12 of the Corporate Tax Law provides for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses.

Under the program governing export losses, a corporation engaged in export or tourist activities may establish a reserve amounting to one percent of foreign exchange earnings, or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve funds. If there are no offsets for export losses, the reserve is credited to income and taxed, after a one-year grace period, over a three-year period.

Under the program governing overseas market exploration expenses, a corporation engaged in export activities may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses incurred in exploring overseas markets are offset from the reserve fund. As in the case of the export loss reserve fund, if there are no offsets for expenses, the reserve is credited to income and taxed, after a one-year grace period, over a three year period.

With respect to the price fluctuation loss program, a corporation engaged in export activities may establish reserves equivalent to five percent of the book value of the products and works in progress to be exported at the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to the losses to the income account. If not so utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all moneys in the reserve funds are eventually reported as income and subject to corporate tax either by means of offsetting export losses or by the expiration of the one-year grace period. All export reserve programs serve as an interest free loan to the corporation of the tax savings on these funds. Accordingly, we have quantified the benefits from these reserve funds to each applicable steel producer by calculating the amount of taxes that normally would be due on these funds under Korean law and applying a rate of interest which the firm would have had

to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received under this program was divided by that firm's total value of export sales for 1981 to determine the *ad valorem* subsidy to that firm. Hyundai, Korea Pipe, and Pusan Pipe reported using export activity reserve funds. On an overall basis, we found that the net benefit to the Korean steel producers under these programs, based on the f.o.b. value of the exported merchandise was as follows:

Product	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	0.09
Hot-rolled carbon steel plate.....	1.45
Hot-rolled carbon steel sheet.....	1.45
Galvanized carbon steel sheet	1.31

Special Tax Exemptions for Government-Owned Firms

Of the firms investigated, POSCO was the only firm owned either directly or indirectly by the government of Korea.

POSCO's questionnaire response indicates that, under Korea's tax exemption control law, the firm was exempt from corporation tax until December 31, 1981. However, because POSCO was exempt from paying corporation taxes, the firm was obliged to pay a higher defense tax than was paid by other corporations. POSCO also indicates that it was exempt, until December 31, 1981, from the following additional taxes:

- Residence tax;
- Property tax;
- Registration tax;
- Property acquisition tax.

To calculate the benefits from the corporation and residence tax exemption programs for the period for which we are measuring subsidization (calendar year 1981), we have determined POSCO's tax savings received in 1981 based on 1980 income. We used this method because the exact amount of POSCO's tax benefit for 1980 is not known until 1981 when POSCO's operational results are known and tax liability must be settled. To calculate the benefits from the property, registration and property acquisition tax exemption programs for the period for which we are measuring subsidization, we have determined POSCO's tax savings based on taxes actually exempted in 1981. We used this method because POSCO knows in 1981 how much tax is due that year and would actually pay the tax in 1981 if the firm was not exempted.

We have quantified the benefits from these tax exemptions to POSCO by calculating the amount of each tax that normally would be due if the tax exemption was not granted. In the case of corporation tax, we adjusted for the additional defense tax which had to be paid in order to receive the corporation tax exemption. The value of these tax exemptions was allocated over POSCO's total sales in 1981. The tax exemptions resulted in a total subsidy to POSCO of 0.46 percent of the f.o.b. value of the exported merchandise. Although POSCO's tax exemptions expired on December 31, 1981, the firm received benefits from the corporation and residence tax exemption programs which cannot be quantified and known until 1982. Therefore, we have included 0.33 percent of the above amount (that which is attributable to these two programs) in the "Suspension of Liquidation" section of this notice.

Special Tax Incentives for Steel Producers

Under Article 24-5 of the Corporation Tax Act (which was deleted as of December 31, 1981, from this statute and transferred to the Tax Exemption and Control Law under Article 72), the government provides special investment tax credits on a case-by-case basis, if the government decides that a particular investment is needed. Among the investments covered by this tax credit are those investments made by small and medium enterprises between July 1, 1980, and June 30, 1981, in machinery and equipment used directly for manufacturing and mining purposes.

Only one firm investigated, Masan Tube, reported benefits under this provision during the period for which we are measuring subsidization. Masan Tube received an eight percent tax credit on an investment in machinery and equipment.

Although this program is not expressly intended solely for steel producers, we find that its implementation was preferential and confers a subsidy. Since this tax benefit was received in 1982, which is outside the period for which we are measuring subsidization, we have not quantified this benefit nor included an amount for this program in the "Suspension of Liquidation" section of this notice. We will review and quantify, as appropriate, this program in the context of a future section 751 administrative review.

Preferential Utility Rates and Port Charges for Steel Producers

Petitioner alleges that Korean steel producers are eligible for reduced rates

for utilities and related services as "designated companies" under the Iron and Steel Industry Rehabilitation Order (Presidential decree No. 10,002, August 23, 1980). It is further alleged that steel producers qualify for a deferred payment plan with the Korea Electric Company.

During the period for which we are measuring subsidization, POSCO received a 50 percent reduction on its port charges under this program. The program is discretionary and can be implemented by the authority of the applicable tax ministry. However, POSCO is the only firm under investigation which is known to have benefited from this program with respect to its reduced port charges. We had preliminarily determined POSCO's port charge reduction to be a subsidy, but did not know at that time that the benefits were received under the above-cited provision.

We do not know how much of the reduction in port charges is attributable to exports and how much to domestic sales. Therefore, for this final determination, we have allocated the reduction in port charges to both export and total sales according to the percentages that export and domestic sales form of total sales of POSCO as the best evidence available. We found POSCO's net benefit under this program to be 0.05 percent of the f.o.b. value of the exported merchandise.

Tariff Incentives

Article 29 of the Korean Foreign Trade Enforcement Ordinance authorizes rebates of tariffs to cover wastage or imported raw materials to be incorporated into manufactured items for export. Petitioner alleged that wastage allowances are being claimed which are higher than the actual wastage levels. Petitioner further alleges that steel producers importing capital equipment are permitted to pay tariffs on an installment basis.

The government's response indicates that wastage allowance is based upon data submitted to the government by the Korean industry showing the amount of raw material necessary to produce any given finished product. The wastage allowance used by the government is the average of all producers. The wastage allowance is updated periodically by the government and the information submitted by the producers is verified by the tax office. Our review of the responses submitted by the steel producers under investigation indicates that the wastage allowance of the government accurately reflected the actual wastage rates incurred by these

firms, and we determine that no subsidy exists with respect to this program.

The government's response did indicate that deferred payment of import duties is allowed, if the private sector applies with the Ministry of Finance for approval. While the government encourages payment of customs duties on all imports as rapidly as possible, exceptions are made to ease the burden of Korean industry. Copies of the Korean Customs Act and an annex listing eligible industries were obtained at the time of verification. Based on our review of these materials we have concluded that the program is written to benefit only certain industries and it appears that certain industries benefit to a greater extent than others. Since use of this program is not freely available to all Korean industries and the benefits from this program flow to certain industries more than others, we determine that it confers a subsidy on these steel producers which have received approval to defer duty payments. The deferred duty program serves as an interest free loan to the corporation of the amount of duty deferred. Accordingly, we have quantified the benefits from this program to each applicable steel producer by calculating the amount of interest that normally would be due if the deferred duties had been borrowed at a rate of interest which the firm would have had to pay on a comparably timed and sized loan under normal commercial financing. The amount of the total benefit received under this program was divided by the firm's total value of sales for 1981 to determine the *ad valorem* subsidy to that firm. Of the firms investigated, Hyundai, Korea Pipe, POSCO, Pusan Pipe and Union Steel reported using deferred duty payments. Masan Pipe and Fuji are located in the duty-free Masan Zone and do not benefit from this program. On an overall basis we found that the net benefits to the Korean steel producers under this program, based on the f.o.b. value of the exported merchandise, were as follows:

Product and manufacturer/producer/exporter	Ad valorem rate
Small diameter welded carbon steel pipes and tubes	0.05
Hot-rolled carbon steel plate	0.05
Hot-rolled carbon steel sheet	0.05
Galvanized carbon steel sheet	0.05

Masan Free Export Zone or Foreign Capital Inducement Law Benefits

The government's response indicates that the benefits granted to firms located in the Masan Free Export Zone are,

essentially, tax incentives of a temporary nature. Only foreign investors and joint ventures (the portion owned by foreign partners) are eligible to receive such benefits. Firms which are wholly or partially foreign owned and located outside the Masan Free Export Zone still receive these tax benefits under the Foreign Capital Inducement Law. Of the eight firms investigated, only Masan Tube was eligible to receive benefits during the period for which we are measuring subsidization. In 1980, the firm received 50 percent exemptions from the following taxes:

Corporation tax
Defense tax
Corporate residence tax
Property tax

We have determined Masan Tube's tax savings in 1981 based on 1980 income. We used this method because the exact amount of Masan Tube's tax benefit is not known until 1981 when Masan Tube's operational results are known and tax liability must be settled. At the time of our preliminary determination, we have calculated tax benefits of 2.93 percent of the total f.o.b. value of Masan Tube's exports in 1981. However, erroneously included in our tax benefit totals were corporation and resident taxes assessed on dividends which foreign stockholders were liable for—not Masan Tube. Masan Tube was merely withholding these taxes on behalf of foreign stock owners as required by Korean law. Therefore, we have deducted from our tax benefit totals the amount of taxes Masan Tube withheld on behalf of foreign shareholders and have revised the amount of our *ad valorem* subsidy to 1.72 percent of the total f.o.b. value of Masan Tube's exports in 1981. Masan Tube indicated that its eligibility for benefits under this program expired on August 23, 1982.

Programs Determined Not To Confer Subsidies

We have determined that subsidies are not being provided to manufacturers, producers, or exporters in Korea of small diameter welded carbon steel pipes and tubes, hot-rolled carbon steel plate, hot-rolled carbon steel sheet, or galvanized carbon steel sheet under the following programs.

Preferential Financing and Government Loan Guarantees For Steel Producers

Petitioner alleged that government-owned or controlled banks are directed to provide credit to strategic industries such as steel in preference to other non-strategic industries. Petitioner further alleged that government loans at

preferential rates or government guaranteed loans are being supplied to the steel industry either directly or through commercial banks.

The government's response, which we verified, indicates that it does not direct banks to supply credit to strategic industries, such as the steel industry, in preference to other industries, but that banks in Korea are allowed to lend funds to all industrial and agricultural sectors on a commercial basis. In this regard, all manufacturing sectors can borrow from banks at commercial rates of interest. Decisions by individual banks concerning whether to lend to particular enterprises and what rate to charge are based upon the commercial assessment by the bank of the creditworthiness of the customer, and other circumstances surrounding any particular loan. General loans of this type are available at commercial, not preferential, rates. The government does not participate in the particular lending decisions of the individual banks. Based on our investigation, we have determined that there are no preferential loans for the steel industry and that the government did not guarantee any loans received by the steel producers.

Wage Controls for Government-Run Firms

Petitioner alleged that the Korean government limits wage increases for government-run firms such as POSCO, resulting in lower production costs for this segment (state-owned organizations) of the Korean industry.

Based on our investigation, we have determined that there are no mandatory wage controls for any industry in Korea. The government does not control or influence the wages paid to POSCO workers, nor does it control or regulate the wages paid by private companies. Furthermore, POSCO's response indicates that its wage levels compare favorably with other national wage indicators.

Government Purchases of Steel at Inflated Prices

Petitioner alleged that the Office of Supply of the Republic of Korea (OSROK) purchases large quantities of steel at inflated prices to eliminate excess inventories of steel producers. Petitioner also alleged that OSROK agrees to advanced payment before actual product delivery to supply funds to steel producers for operation and investment.

With respect to the products under investigation, OSROK purchased only pipe in 1981. The government's response indicates that OSROK purchases steel strictly to meet its own needs. Based on

our investigation, we have verified that OSROK does not make advance payment, and that the prices and terms of sale to OSROK are comparable to the prices and terms of sale to other customers.

Government Capital Grants

Petitioner alleged that the Korean government provides substantial capital grants to the Korean steel industry. Petitioner further cites past government equity investments in POSCO and contends that, since the firm does not pay cash dividends and prospects in the steel industry have not been bright in recent years, such investments are not "arms-length" transactions at market value, but represent a subsidization scheme of capital grants.

The responses received from the government and the steel producers under investigation indicate that the government has never provided a grant to any steel producer and, with one exception, has never assumed an expense on behalf of a steel producer. The one exception indicated is the assumption by the government of interest expenses incurred by POSCO on a loan during the period February 22, 1973, through December 31, 1974. Because this interest charge is normally expensed, this program does not confer benefits to POSCO on sales made during the period for which we are measuring subsidization. Also, all interest has been paid by POSCO each year since December 31, 1974, with no reimbursement by the government.

With respect to the government's equity participation in POSCO, the record indicates the following facts. POSCO was incorporated in April 1968. The government has had substantial participation in the ownership of POSCO since its inception. POSCO's first plate and hot strip mills were completed in 1972, but its first blast furnace did not begin production until 1973. The company has grown steadily during the past decade, increasing raw steel capacity from 1.03 million tons in 1973 to 8.5 million tons at the end of 1981. POSCO is a closed corporation whose stock is not traded on any organized stock market.

Under the statute, government equity ownership gives rise to a potential subsidy only when such ownership is on terms which are inconsistent with commercial considerations. We do not believe this is the case with respect to POSCO. Our review of all financial statements issued by POSCO since 1972 indicates that the firm has been profitable since completion of its initial pouring facilities in 1973. Key indicators such as debt to equity ratios, interest

coverage, etc., have all been healthy. Furthermore, government studies used in the decision to invest in POSCO projected a strongly profitable operation; the firm's continuous access to both domestic and foreign capital private markets attests to its commercial viability. For these reasons we have determined that the purchase of equity in POSCO by the government is not inconsistent with commercial considerations and, therefore, does not give rise to a potential subsidy.

Special Steel Export Subsidy

The petitioner alleged the existence of a special steel export subsidy and has cited the December 1980 issue of the Kosa Bulletin, published by the Korea Iron and Steel Association, which makes reference to such a program.

The questionnaire responses received from the government and the steel producers under investigation indicate that no such program exists. At the verification, we found no evidence of such a program.

Indirect Subsidies To Purchasers of Machinery Used To Make Iron and Steel

Petitioner alleged that, until December 31, 1981, producers of machinery for iron and steel manufacturing enjoyed special tax deductions and exemptions which reduced the capital costs to iron and steel producers.

The question presented is whether the products under investigation have benefited from subsidies, not whether producers of machinery for iron and steel manufacturing have received subsidies. As we stated in our final determination in the countervailing duty investigation of certain steel wire nails from Korea, which was announced on September 8, 1982 (47 FR 39549), we believe that benefits bestowed upon the manufacturer of an input do not necessarily flow down to the purchaser of that input, if the sale is transacted at arm's length. In an arm's length transaction and a general equilibrium situation, we believe it is reasonable to assume that the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear. Thus, it is not likely the seller will pass countervailable benefits through to the purchaser. In the absence of evidence to the contrary, we have determined that purchasers of machinery for iron and steel manufacturing machinery do not receive indirect benefits as a result of subsidies to producers of such machinery.

Indirect Subsidies To Purchasers of Hot-Rolled Sheet or Coil

The petitioner alleged that producers of welded carbon steel pipes and tubes benefit from the purchase of Korean hot-rolled sheet or coils at subsidized prices. Petitioner contended the government's domestic subsidies to POSCO and other hot-rolled plate and sheet producers constitute an indirect subsidy on raw materials used by the Korean pipes and tubes producers.

As indicated above, we believe that benefits bestowed upon the manufacturer of an input do not flow down to the purchaser of that input if the sale is transacted at arm's length. However, our investigation of POSCO's dual pricing systems is related to this allegation and is discussed below.

POSCO's Dual Pricing System

In our countervailing duty investigation of certain steel wire nails from Korea, a dual pricing system used by POSCO to sell rod to nail producers was examined by the Department to determine if this system, as implemented by a government-owned firm, conferred a subsidy to the nail producers that purchase rod. Since this dual pricing system also applies to sales of hot-rolled sheet or coil (coil) to pipe and tube producers, we have examined POSCO's pricing for purposes of this investigation a well.

As in the case of rod, coil is purchased on a cash or local letter of credit basis. The letter of credit price is stated in U.S. dollars but paid for in Korean won at the official Bank of Korea exchange rate prevailing on the date of delivery. All cash purchases are made in Korean won. Coil purchased on the basis of a local letter of credit must be used to produce an export product, and POSCO requires evidence that such coil is destined for export use. Coil purchased on a cash basis can be used for both domestic or export sales. The letter of credit price is generally lower than the cash price, though there are exceptions.

The result is a dual pricing system, one for coil used in products which must be exported, the other for coil in products for either domestic or export use.

The government of Korea attributes the differences in prices in both markets to Korea's import duties. The Korean domestic market for coil is protected by a tariff. The market for coil used for export production, however, is unprotected as a result of a duty drawback system which generally results in a more competitive market for inputs destined for export.

Imported steel in Korea is subject to normal customs duties. As is commonly the practice, these duties are refunded if the steel is exported, whether or not further processing occurs. This is known as duty drawback, and does not confer a subsidy within the meaning of the countervailing duty law. However, this practice can create a dual pricing structure with respect to imported inputs, because the price for imported inputs used for products destined for the domestic market will include customs duty, while the duty will not be included in the price of imported inputs used in products destined for export. Since a domestic producer of the inputs acts to maximize revenues, his price to producers for the domestic market will be increased by an amount equal to the effective protection afforded by the tariff. The domestic producer of the inputs will not include that amount in its price to exporters of products using those inputs since no effective protection is afforded where duty drawback applies. Were he to do otherwise the exporters would turn to foreign sources for their inputs.

We have therefore determined that the different prices for purchases do not arise from a scheme to subsidize exports, but rather are a commercial response to a segmented market, one segment being protected and the other fully open to foreign competition.

Information on the record indicates that POSCO faces competition from producers of coil in Australia, France, and Japan who sell in the Korean market at comparable prices to POSCO's letter of credit prices. Our conclusion that POSCO's dual coil pricing system does not confer any countervailable benefit is consistent with the illustrative list of Export Subsidies (the List), annexed to the *Agreement on Interpretation and Application of Article VI, XVI and XXIII of the General Agreement on Tariffs and Trade*. Under item (d) of the List, price preferences for inputs to be used in the production of export goods constitute a subsidy only if the preference lowers the price of the input below that which the input purchaser would pay on world markets. See the list, item (d). Although this item applies specifically to subsidies provided by governments or their agencies, the principle contained in item (d) applies with equal force to these circumstances.

Loans at Favorable Foreign Currency Exchange Rates

The petitioner alleged that loans are made to Korean steel producers at fixed or manipulated rates of exchange that

are more favorable than official or actual exchange rates.

Based on our investigation and verification, the Department has found no evidence of the existence of such a program.

Petitioner's Comments

Comment 1. Petitioner disputes International Trade Administration's (ITA) finding that the Korean government did not make preferential loans to steel producers and cites a large, long-term loan to POSCO at a 3.5 percent rate as evidence that such loans are being made.

DOC Position. Verified information indicates that the source of this loan was a war reparations fund negotiated between Japan and the government of Korea. The transaction in question was not a loan of funds to POSCO, but rather an installment purchase of Japanese steelmaking equipment in which the Japanese government supplied equipment to POSCO, but rather an installment purchase of Japanese steelmaking equipment in which the Japanese government supplied equipment to POSCO through the Korean government. POSCO paid the Korean government which in turn repaid the Japanese government. This program provides for the payment of war reparations by the government of Japan to the government of Korea through low-interest Japanese supplier's credits on a project by project basis. While each project is evaluated by the government of Japan for economic viability, there are no restrictions on the types of projects which may receive approval. In fact, evidence on the record indicates that a wide range of projects have been approved, including public works projects as well as commercial projects. Thus, assistance flowing from the war reparations fund is not restricted to an industry or group of industries, but rather is generally available. Therefore, we find that no subsidy exists with respect to this program.

In addition to this conclusion, the Department also notes that war reparations are the result of unique circumstances and reflect political and economic considerations which are outside of the realm of activities which are contemplated by the countervailing duty statute. Thus, the Department cannot envision an instance in which benefits flowing from payments made by one country to another as a result of war reparations confer countervailable subsidies within the meaning of the Act. Certainly in this case we find that there is no countervailable subsidy arising from war reparations.

Comment 2. Petitioner disputes ITA's finding that the Korean government did not guarantee any loans received by the steel producers and cites a loan from an Austrian source to POSCO in which the government-owned Korean Development Bank had guaranteed the repayment of the loan on behalf of POSCO.

DOC Position. Our investigation indicates that the loan in question was actually an installment purchase of equipment at a rate of interest negotiated on an arm's-length basis between POSCO and the Austrian lender. As part of the agreement, POSCO was required to obtain a loan guarantee which the Korean Development Bank granted in exchange for a loan guarantee fee. We have determined that the fee paid by POSCO was equivalent to that which the Korean Development Bank would charge other customers in similar circumstances. Therefore, since POSCO's loan guarantee does not appear to be preferential, we do not find it to confer a subsidy.

Comment 3. Petitioner objects to ITA's decision not to countervail preferential export loans as a result of the action taken by the Korean government on June 28, 1982, at which time all preferential interest rates were eliminated. Petitioner argues that ITA's decision is contrary to the ITA's methodology for measuring subsidization during calendar year 1981. Petitioner also argues that ITA's decision is inconsistent with its decision not to countervail a special investment tax credit by Masan Tube which was based on a 1981 investment but considered quantifiable in 1982.

DOC Position. The Department's policy is to encourage foreign governments to eliminate all forms of subsidization. In this case, since benefits were eliminated on June 28, 1982, and suspension of liquidation did not take place until October 12, 1982, the entire subject to potential countervailing duty liabilities were no longer benefiting from preferential financing and the previous benefits quantified in 1981 should not be considered in establishing the estimated duty deposit rate for future entries.

This issue is distinguishable from our decision regarding investment tax credits; in that instance, we do not believe the subsidy can be quantified until 1982 when company books are closed for the tax year 1981. We will quantify any subsidy received under this program for assessment purposes within the context of a section 751 review.

Comment 4. Petitioner argues that the ITA cannot use commercial bank interest rates to determine the interest rate that recipients of preferential

government financing would pay absent government subsidies. Petitioner contends that Korean commercial banks are largely government controlled and generally carry out the government policy of providing subsidized credit to favored industries. Therefore, absent preferential government financing, Korean steel producers would be forced to obtain at least some, if not all, of their funds from the private or "curb" market at substantially higher rates than those charged by commercial banks. Therefore, petitioner argues that "curb" market interest rates should be used as the benchmark for quantifying any subsidies attributable to preferential financing.

DOC Position. Verified information obtained in this and our recently completed countervailing duty investigation involving certain steel wire nails from Korea indicates that the government of Korea does not require commercial banks to make available credit to certain borrowers. Lending decisions are left to individual banks, which decide whether to grant each loan on the basis of their individual assessment of a loan applicant's creditworthiness. Also, we verified that the government of Korea does not control the amount of funds an individual bank allocates to export loans and normal commercial loans. This decision is also made by individual banks. Banks may give preferences to Korea's production industries and export industries. However, these preferences do not result from government direction or subsidization, but from each bank's own evaluation of how its loan funds can best be secured and effectively used.

Furthermore, the "curb" market has served, in the past, those high risk borrowers which are normally excluded from Korea's primary and secondary sources of credit. Recently, the Korean government has restricted the activities of the "curb" market and taken steps to permit borrowers to obtain loans through authorized Korean financial institutions. Since the steel producers under investigation indicate that commercial loans were their alternate source of credit to export loans, and since these loans were freely administered by commercial banks, we believe that the rates on these loans were properly used to quantify the amount of subsidies received from the preferential export financing programs.

Comment 5. Petitioner argues that, since no cash dividends have been paid by POSCO since the date of its establishment, the Korean government's provision of equity capital to POSCO is inconsistent with commercial

considerations because Korean investors demand cash dividends. Therefore, petitioner argues the government's equity investment in POSCO constitutes a countervailable subsidy.

DOC Position. We have learned that it is not uncommon in Korea for a closed corporation, such as POSCO, to elect not to pay cash dividends but, rather, to retain earnings for capital expansion. Our principal consideration in judging whether a government's participation in a firm is consistent with commercial considerations is the firm's profitability and commercial viability during the period under consideration. We find that POSCO has shown consistent profits since it became fully operational in 1973 and our examination of its financial ratios (see above section on "Governmental Capital Grants") shows a healthy firm. Therefore, we find the government's equity investments to be commercially acceptable. The fact that the government chose not to take capital out of the firm in the form of dividends is not enough, in and of itself, to lead us to change our position.

Comment 6. Petitioner challenges the ITA's assumption that, in the case of subsidies paid to an upstream supplier, the seller generally attempts to maximize its total revenues, and that benefits, bestowed upon the manufacturer of an input, do not necessarily flow down to the purchaser of that input, if the sale is transacted at arm's length. Petitioner contends that, in the absence of monopolistic power, a firm maximizes profits and not revenues. Furthermore, subsidies to an industry induce new entry into that industry and force prices down. Petitioner further asserts that the Department cannot consider the availability of alternate, unsubsidized sources of raw materials.

DOC Position. The position of the petitioner rests upon a faulty interpretation of the legislative history of the Trade Agreements Act of 1979 (TAA). Nothing in the legislative history of the TAA precludes the Department from considerations of this type. The floor debates cited by petitioner relate to the question of regional development programs and comparative advantage, not the question of alternate sources of supply. It makes no economic sense for the Department to find that a subsidy exists simply because an exporter chose one source of supply over another where no price differential exists. Since alternate supplies are available to producers of pipe and tube, and there is no evidence of a pricing pattern by POSCO which undercuts f.o.b. prices

available from other suppliers, including non-Korean suppliers, there is no reason to believe that any subsidies which may have been conferred upon POSCO have been passed through to procedures of pipe and tube.

Comment 7. Petitioner contends that benefits derived from deferred payment of tariffs on imported equipment or from reduced port charges should be divided by a firm's total value of export sales instead of the firm's total value of sales to arrive at the *ad valorem* benefit for that firm. Petitioner asserts that these subsidies particularly benefit exports.

DOC Position. We have determined that these benefits are related to domestic and export sales. Therefore, for allocation purposes, we have separated the subsidy according to the percentages that domestic and export sales represent of total sales. The portion allocated to export sales is considered an export subsidy and divided by total exports; the other portion is divided by total sales.

Comment 8. Petitioner states that there is no legal basis for ITA to adjust the benefit to POSCO from its exemption from corporate tax for any additional defense taxes paid by that firm.

DOC Position. Under Korean tax law, a firm cannot receive a corporate tax exemption unless it pays additional defense tax. Section 771 of the Act allows an offset to benefits for any payment made in order to qualify for, or to receive the benefit of, the subsidy.

Comment 9. Petitioner asserts that POSCO has enjoyed massive government infrastructure aid in the form of road, rail and harbor construction.

DOC Position. Our investigation indicates that government infrastructure aid to Pohang area was not earmarked especially for POSCO but for all industries using these facilities. Under these circumstances, we do not consider government infrastructure expenditure to be countervailable.

Comments of Other Domestic Parties To the Proceeding.

Comments were received from counsel on behalf of Bethlehem Steel Corporation (Bethlehem Steel), a party to this proceeding. These comments extensively paralleled the comments submitted by U.S. Steel which were addressed above. However, there were certain additional comments submitted by Bethlehem Steel which are addressed below.

Comment 1. Bethlehem Steel argues that all benefits attributable to preferential export financing are not exhausted during the year in which they

were received and their effect continues throughout subsequent years—in the form of increased equity capital, increased market value of the stock, increased working capital or increased asset base. Bethlehem Steel concludes that a subsidy such as preferential interest rates must be treated by the ITA as an infusion of capital and amortized or capitalized for a period of time after their receipt.

DOC Position. Since the loans in question were either short-term (90 days or less) or long-term loans with preferential treatment which was of short-term duration (less than one year), the department allocated these benefits over the year in which these loans were transacted. We believe that such programs which offer only limited short-term benefits are properly allocated in the year of their receipt.

Comment 2. Bethlehem Steel indicates that there is a possibility that shipments of this merchandise, which have received preferential interest rate financing, entered the United States after the notice of suspension of liquidation and that the correct deposit rate for at least these shipments must include the *ad valorem* equivalent of the preferential interest rates received.

DOC Position. Information available to the department indicates that, on the average, this merchandise enters the United States approximately 90 days after purchase. Although it is conceivable that some individual shipments of this merchandise may have taken longer to enter the United States, we are satisfied that our bonding requirements accurately reflect the overall economic impact of the subsidies received by Korean producers.

Comment 3. Bethlehem Steel argues that the government either directly or indirectly controls wages in the steel sector and that this is evidenced by comparing the average percentage of monthly income increase for workers reported by POSCO in its response to published country-wide average labor statistics.

DOC Position. Comparisons of varying percentage figures can be misleading in that many different variables affect the total compensation paid by a firm to its employees. ITA has uncovered no evidence of either direct or indirect government control of steel sector wages.

Comment 4. Bethlehem Steel alleges that Korean steel producers may have benefitted from preferential financing from the Korean Long-Term Credit Bank (KLB).

DOC Position. The Department has found no evidence of Korean steel

producers receiving preferential loans from the KLB.

Comment 5. Bethlehem Steel indicates that Korean steel producers may be receiving special infrastructure aid from the government under Korea's Fourth Five-Year economic development plan.

DOC Position. Although Korea's Fourth Five-Year economic development plan includes plans for infrastructure improvements, ITA has no evidence on record that this infrastructure aid is being targeted to a particular company or industry and therefore it is not considered countervailable.

Respondent's Comments

Comment 1. Counsel for respondents argues that the Department incorrectly calculated the benefit received by steel producers attributable to the program providing accelerated depreciation for exporters. Respondents contend that any manufacturer operating its facilities more than 12 hours a day, on an annual basis, is eligible for an additional 20 percent accelerated depreciation. Since the export depreciation program provides for an additional 30 percent accelerated depreciation, respondents contend that ITA should have countervailed only 10 percent of the accelerated depreciation instead of the entire 30 percent.

DOC Position. Since ITA cannot determine with certainty whether the steel producers which used the special export depreciation program would have received benefits under the other program in question, we have not made this hypothetical adjustment and have considered the entire 30 percent to be a countervailable subsidy.

Comment 2. Respondents dispute ITA's methodology of attributing tax benefits for POSCO to 1982 despite the fact that the tax exemptions expired on December 31, 1981.

DOC Position. It is our opinion that tax benefits should be attributable to the year in which their exact amounts become known by the recipients. Since POSCO did not settle its tax liabilities for 1981 until April 1982, we believe a benefit under this program may have continued in 1982 and have thus included this subsidy in our estimated duty deposit rate for future entries.

Comment 3. Respondents argue that almost all industries in Korea are eligible for deferred payment of customs duties and that ITA should not consider this program to be a subsidy.

DOC Position. Our review of the law on which this deferral is based showed that there are definite limiting criteria by which certain industries, and certain companies within industries, benefit to a

greater extent than others. Therefore we consider this program to confer a domestic subsidy.

Comment 4. Union Steel objects to the Department calculating benefits on an industry-wide basis, for programs available to all firms within that industry, when not all firms have utilized the program.

DOC position. In general, it has been our long-standing administrative practice to calculate benefits on a country-wide basis except in cases in which a countervailable program is company-specific.

Comment 5. Respondents object to the use of the Masan Tube bonding rate for bonding requirements of any other pipe and tube producer not investigated. Respondents argue that Masan Tube benefited from special Masan Free Export Zone benefits which are not available to all pipe and tube producers. Respondents cite the example of Dong Jin Steel Co., Ltd. (Dong'jin), a new subsidiary of POSCO, which does not qualify for these benefits.

DOC Position. The Department cannot know in advance whether any new pipe and tube producers are located in the Masan Zone or have foreign ownership and are eligible for benefits under the Foreign Capital Inducement Law. Until an investigatory record can be established for new firms, we must continue to assume possible receipt of benefits from all existing programs. Since we have investigated Dong Jin's situation during the course of verifying the responses, we will set that firm's bonding rate equivalent to that of POSCO's bonding rate based on the best available information. Dong Jin will also be listed with POSCO in our "Suspension of Liquidation" section. We are also listing POSCO and Dong Jin within the pipe and tube industry should the firm commence exportation of this merchandise to the United States in the future. POSCO's rate will also be applied to all other manufacturers, producers, or exporters of pipe and tube which were not investigated.

Comment 6. Respondents object to the failure of the Department to exclude certain pipe and tube producers from this determination in spite of a "zero" bonding requirement.

DOC Position. During the period for which we are measuring subsidization, pipe and tube producers received benefits from preferential export financing in amounts which were greater than *de minimis*. We have waived bonding requirements for these producers since the Korean government eliminated all preferential financing rates on June 28, 1982. However, since the program still exists, and preferential

rates can still be reinstated in the future, we are not excluding any firms which may receive future benefits.

Verification

In accordance with section 776 (a) of the Act, we verified the data relied upon in our final determinations. During this verification, we followed standard procedures, including inspection of documents, discussions with government officials and on-site inspection of manufacturers' operations and records. We also spoke with officials of a private commercial bank in Korea during this investigation.

Suspension of Liquidation

The suspension of liquidation ordered in our preliminary determinations shall remain in effect until further notice. The estimated net subsidy for each product is as follows:

Products and manufacturer/producer/exporter	Ad valorem rate
Hot-rolled carbon steel plate: All manufacturers/producers/exporters	1.88
Hot-rolled carbon steel sheet: All manufacturers/producers/exporters	1.88
Galvanized carbon steel sheet:	
POSCO (Dong Jin)	1.74
Union Steel	1.36
All other manufacturers/producers/exporters	1.74
Small diameter welded carbon steel pipes and tubes:	
Masan Tube	1.88
POSCO (Dong Jin)	1.88
Other manufacturers investigated	0.00
All other manufacturers/producers/exporters	1.88

We are using a zero cash deposit or bonding rate for all firms investigated which produce pipes and tubes, except for Masan Tube and Dong Jin, because they received benefits of 0.14 percent which is *de minimis*. However, they are not excluded from these final affirmative determinations.

Our reason for not excluding these firms is that all of them had received benefits, which were more than *de minimis*, from preferential short-term export financing programs during the period for which we are measuring subsidization. We did not include these totals in the above estimated subsidy rates because the government subsequently eliminated the preferential loan rate for export loans on June 28, 1982. However, the programs themselves have not been eliminated and there remains a possibility that preferential rates will be resumed in the future.

With respect to these preferential short-term export financing programs, we have concluded that no entries subject to this suspension of liquidation have benefited from these programs and we have not included the amounts of subsidies found on these programs in

1981 in the subsidy amounts shown above.

We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of the publication of this notice in the **Federal Register**.

Where the manufacturer is not the exporter, and the manufacturer is known, the rate for the manufacturer shall be used in determining the cash deposit or bond amount. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

Where a company specifically listed above, with the exception of POSCO and Dong Jin, has not exported a particular product during the period for which we are measuring subsidization, the cash deposit or bond amount shall be based on the highest rate for products that were exported by that company. We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication in the **Federal Register**.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of this action 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 it confirms that it will not disclose such information either publicly or under any administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

This notice is published pursuant to section 705(d) of the Act and section 355.33 of the Department of Commerce Regulations (19 CFR 355.33).

Lawrence Brady,

Assistant Secretary for Trade Administration.
December 16, 1982.

APPENDIX

Description of Products

For purpose of this investigation:

1. The term "hot-rolled carbon steel plate" covers carbon steel products, whether or not corrugated or crimped; not pickled; not cold-rolled; not in coils; not cut, not pressed, and not stamped to non-rectangular shape; 0.1875 of an inch or more in thickness and over 8 inches in width; as currently provided for in items 607.6615, or 607.94, of the *Tariff Schedules of the United States*

Annotated ("TSUSA"); and hot- or cold-rolled carbon steel plate which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710 or 608.11 of the TSUSA. Semi-finished products of solid rectangular cross section with a width at least four times the thickness in the cast condition or processed only through primary mill hot-rolling are not included.

2. The term "hot-rolled carbon steel sheet" covers the following hot-rolled carbon steel products. Hot-rolled carbon steel sheet is a hot-rolled carbon 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; not coated or plated with metal; over 8 inches in width and in coils or if not in coils under 0.1875 of an inch in thickness and over 12 inches in width; as currently provided for in items 607.6610, 607.6700, 607.8320, 607.8342, or 607.9400 of the *Tariff Schedules of the United States Annotated "TSUSA"*. Please note that the definition of hot-rolled carbon steel sheet includes some products classified as "plate" in the TSUSA (Items 607.6610 and 607.8320).

3. The term "cold-rolled carbon steel sheet" covers the following cold-rolled carbon steel products. Cold-rolled carbon steel sheet is a cold-rolled carbon steel product, 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; over 8 inches in width and in coils or if not in coils under 0.1875 of an inch in thickness and over 12 inches in width; as currently provided for in items 607.8320 or 607.8344 of the *Tariff Schedules of the United States Annotated ("TSUSA")*. Please note that the definition of cold-rolled carbon steel sheet includes some products classified as "plate" in the TSUSA (Item 607.8320).

4. The term "Galvanized carbon steel sheet" covers hot- or cold-rolled carbon steel sheet which has been coated or plated with zinc including any material which has been painted or otherwise covered after having been coated or plated with zinc, as currently provided for in items 608.0710, 608.0730, 608.11 or 608.13 of the *Tariff Schedules of the United States Annotated ("TSUSA")*. Note that the definition of galvanized carbon steel sheet includes some products classified as "plate" in the TSUSA (Item 608.0710 and 608.11). Hot- or cold-rolled carbon steel sheet which

has been coated or plated with metal other than zinc is not included.

5. The term "small diameter welded carbon steel pipes and tubes" covers welded carbon steel pipes and tubes with walls not thinner than 0.065 of an inch, of circular cross section and 0.375 of an inch or more in outside diameter but not more than 16 inches as currently provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247, of the *Tariff Schedules of the United States Annotated ("TSUSA")*. Pipes or tubes suitable for use in boilers, superheaters, heat exchangers, condensers, and feedwater heaters, or conforming to A.P.I. specifications for oil well tubing, with or without couplings, cold drawn pipes and tubes and cold-rolled pipes and tubes with wall thickness not exceeding 0.1 inch are *not included*.

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APPENDIX D

CURRENT STATUS OF COUNTERVAILING DUTY AND/OR ANTIDUMPING INVESTIGATIONS
CONCERNING CERTAIN CARBON STEEL PRODUCTS FROM SPECIFIED COUNTRIES

Status of Investigations 1/ as of Jan. 24, 1983

Country	Hot-rolled carbon steel plate	Hot-rolled carbon steel sheet	Galvanized carbon steel sheet
Belgium	<u>2/</u>	<u>2/</u>	<u>3/</u>
Brazil	<u>4/ 5/</u>	<u>3/ 4/</u>	<u>6/</u>
France	<u>3/</u>	<u>2/</u>	<u>3/</u>
Italy	<u>3/</u>	<u>2/</u>	<u>3/</u>
Luxembourg	<u>3/</u>	<u>3/</u>	<u>3/</u>
Netherlands	<u>3/</u>	<u>7/</u>	<u>3/</u>
Romania	<u>8/ 9/</u>	<u>6/</u>	<u>6/</u>
Spain	<u>4/ 10/</u>	<u>4/ 10/</u>	<u>4/ 10/</u>
United Kingdom	<u>2/</u>	<u>3/ 4/</u>	<u>3/</u>
West Germany	<u>2/</u>	<u>2/</u>	<u>3/</u>

1/ Except as noted, all product/country combinations identified involve both countervailing duty and antidumping investigations.

2/ Subject to settlement agreement; investigation terminated (47 F.R. 49104, Oct. 29, 1982, and 47 F.R. 51020, Nov. 10, 1982).

3/ Negative "reasonable indication of material injury" determination by the Commission (47 F.R. 9087, Mar. 3, 1982).

4/ Countervailing duty investigation only.

5/ Commission investigation in progress; final affirmative subsidy determination made by Commerce on Jan. 20, 1983.

6/ Not covered by petitions; no investigation instituted.

7/ Negative final subsidy determination by Commerce (47 F.R. 40725, Sept. 15, 1982).

8/ Antidumping investigation only.

9/ Investigation suspended; subject to settlement agreement.

10/ Final affirmative "material injury" determination made by the Commission on Dec. 7, 1982; determination transmitted to Commerce on Dec. 21, 1982.

APPENDIX E

HOURLY COMPENSATION COSTS FOR PRODUCTION WORKERS IN IRON AND STEEL
MANUFACTURING IN THE UNITED STATES AND KOREA

Hourly compensation costs for production workers in iron and steel manufacturing, including foundries, in the United States and Korea, 1975-81

Item	United States	Korea ^{1/}	
		In U.S. currency	In Korean won ^{2/}
Hourly compensation costs			
1975-----	\$9.40	\$.53	258
1976-----	10.39	.72	349
1977-----	11.39	.99	477
1978-----	12.57	1.35	651
1979-----	13.98	1.67	808
1980-----	15.92	1.56	948
1981-----	17.74	1.80	1,229
Percentage change:			
Average annual,			
1975-79-----	10.4	33.3	33.0
1975-81-----	11.2	22.6	29.7
1979 to 1980-----	13.9	-6.6	17.3
1980 to 1981-----	11.4	15.4	29.6
Index of hourly compensation costs (1975-77=100)			
1975-----	90.5	71.0	71.4
1976-----	100.0	96.4	96.6
1977-----	109.6	132.6	132.0
1978-----	121.0	180.8	180.2
1979-----	134.6	223.7	223.6
1980-----	153.2	208.9	262.4
1981-----	170.7	241.1	340.1

^{1/} Earnings for production workers estimated on the basis of average hourly earnings for all employees adjusted for the relative level of production worker earnings to all employee earnings.

^{2/} Midpoint of estimated average compensation range.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, "Hourly Compensation Costs for Production Workers in Iron and Steel Manufacturing, 17 Countries, 1975-81," unpublished data, April 1982.

APPENDIX F
PRODUCT LIST

PRODUCT LIST

The products identified below are those used by the Commission to collect pricing information from producers and importers of the carbon steel products subject to these investigations:

Hot-Rolled Carbon Steel Sheet

- Product 1: Hot-rolled carbon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, 0.1210 inch through 0.2509 inch in thickness, over 36 inches through 72 inches in width.
- Product 2: Hot-rolled carbon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum, not pickled, 0.0810 inch through 0.1209 inch in thickness, over 48 inches through 72 inches in width.
- Product 3: Hot-rolled carbon steel bands, in coils, mill edge, commercial quality, 0.25 percent carbon maximum, not pickled, 0.1210 inch through 0.2509 inch in thickness, over 36 inches through 72 inches in width.

Galvanized Carbon Steel Sheet

- Product 6: Galvanized carbon steel sheets, in coils, commercial or lockforming quality, G-90 coating, regular or minimum spangle, 0.0190 inch through 0.0209 inch in thickness, over 42 inches through 48 inches in width.
- Product 7: Galvanized carbon steel sheets, in coils, commercial or lockforming quality, G-90 coating, regular or minimum spangle, 0.0350 inch through 0.0379 inch in thickness, 36 inches through 48 inches in width.
- Product 8: Galvanized carbon steel sheets, in coils, commercial or lockforming quality, G-60 coating, regular or minimum spangle, 0.0130 inch through 0.0139 inch in thickness, 30 inches through 42 inches in width.

Hot-Rolled Carbon Steel Plate

- Product 9: Hot-rolled carbon steel plate, 0.33 percent carbon maximum, sheared or mill edge, not heat treated, not cleaned or oiled, in cut lengths, 0.1875 inch through 0.2499 inch in thickness, over 90 inches through 100 inches in width.
- Product 10: Hot-rolled carbon steel plate, A-36 or equivalent, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, 0.3750 inch through 0.4999 inch in thickness, over 90 inches through 100 inches in width.

Product 11: Hot-rolled carbon steel plate, A-36 or equivalent, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, 1/4 inch to under 5/16 inch in thickness, over 60 inches through 72 inches in width.

Product 12: Hot-rolled carbon steel plate, A-36 or equivalent, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, 1-1/2 inches through 3 inches in thickness, over 90 inches through 100 inches in width.

The products identified below are those used by the Commission to collect pricing information from purchasers of the carbon steel products subject to these investigations:

Hot-Rolled Carbon Steel Sheet

Product 1: Hot-rolled carbon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum (e.g., ASTM A36, A569, SAE 1008, SAE 1010, or similar), not pickled, 0.1210 inch through 0.2509 inch in thickness, over 36 inches through 72 inches in width.

Product 2: Hot-rolled carbon steel sheets, in coils, commercial quality, 0.25 percent carbon maximum (e.g., ASTM A36, A569, SAE 1008, SAE 1010, or similar), not pickled, 0.0810 inch through 0.1209 inch in thickness, over 48 inches through 72 inches in width.

Product 3: Hot-rolled carbon steel bands, in coils, mill edge, commercial quality, 0.25 percent carbon maximum (e.g., ASTM A36, A569, SAE 1008, SAE 1010, or similar), not pickled, 0.1210 inch through 0.2509 inch in thickness, over 36 inches through 72 inches in width.

Product 4: Hot-rolled carbon steel bands, in coils, mill edge, commercial quality, 0.25 percent carbon maximum (e.g., ASTM A36, A569, SAE 1008, SAE 1010, or similar), not pickled, 0.0810 inch through 0.1209 inch in thickness, over 48 inches through 72 inches in width.

Product 5: Hot-rolled carbon steel bands, in coils, mill edge, commercial quality, 0.25 percent carbon maximum (e.g., ASTM A36, A569, SAE 1008, SAE 1010, or similar), not pickled, 0.0540 inch through 0.0610 inch in thickness, over 36 inches through 48 inches in width.

Hot-Rolled Carbon Steel Plate

Product 9: Hot-rolled carbon steel plate, 0.33 percent carbon maximum (ASTM A36, or similar), sheared or mill edge, not heat-treated, not cleaned or oiled, in cut lengths, 3/16 inch to under 1/4 inch in thickness, over 90 inches through 100 inches in width.

Product 10: Hot-rolled carbon steel plate (hot-rolled bands, cut to length), (ASTM A36 or similar), sheared or mill edge, not heat-treated, not cleaned or oiled, 5/16 inch through 3/4 inch in thickness, 48 inches through 72 inches in width, 96 inches through 240 inches in length.

- Product 11: Hot-rolled carbon steel plate, ASTM A36, or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, 1/4 inch to under 5/16 inch in thickness, over 60 inches through 240 inches in width.
- Product 12: Hot-rolled carbon steel plate, ASTM A36 or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, 1/4 inch to under 5/16 inch in thickness, over 90 inches through 100 inches in width.
- Product 13: Hot-rolled carbon steel plate, ASTM A36, or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, 3/8 inch to under 1/2 inch in thickness, over 90 inches through 100 inches in width.
- Product 14: Hot-rolled carbon steel plate, ASTM A36 or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, 1 inch through 1 3/16 inches in thickness, over 36 inches through 48 inches in width.
- Product 15: Hot-rolled carbon steel plate, ASTM A36, or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, 1 inch through 1 3/16 inches in thickness, over 90 inches through 100 inches in width.
- Product 16: Hot-rolled carbon steel plate, ASTM A36 or similar, sheared edge, not heat-treated, not cleaned or oiled, in cut lengths, over 1-1/2 inches through 3 inches in thickness, over 90 inches through 100 inches in width.

Galvanized Carbon Steel Sheet

- Product 36: Galvanized sheets, in coils, commercial or lockforming quality, G-90 coating, regular or minimum spangle, 0.0190 inch through 0.0209 inch in thickness, over 42 inches through 48 inches in width.
- Product 37: Galvanized sheets, in coils, commercial or lockforming quality, G-90 coating, regular or minimum spangle, 0.0305 inch through 0.0379 inch in thickness, 36 inches through 48 inches in width.
- Product 38: Galvanized sheets, in coils, commercial or lockforming quality, G-60 coating, regular or minimum spangle, 0.0130 inch through 0.0139 inch in thickness, 30 inches through 42 inches in width.

