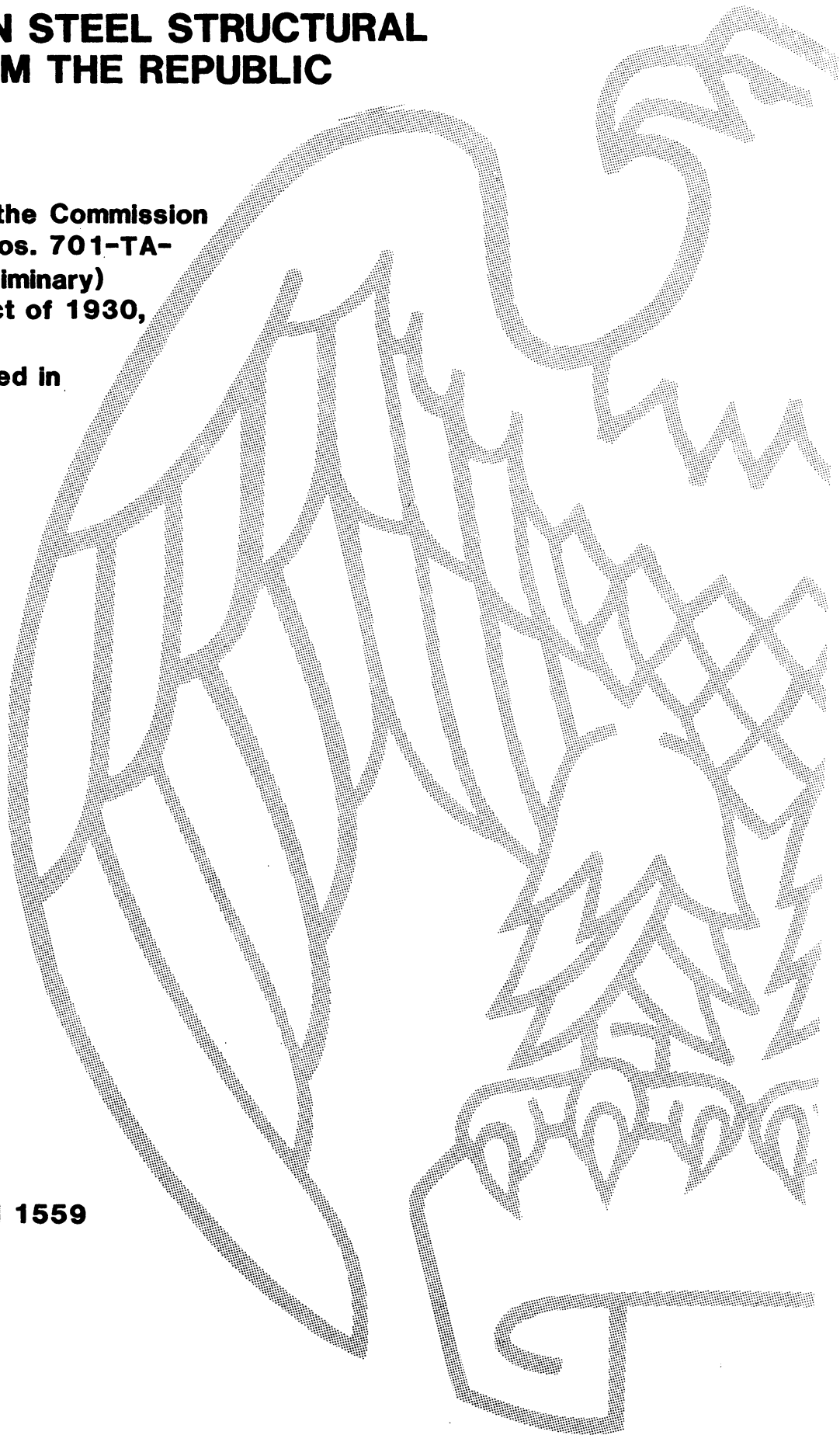


COLD-ROLLED CARBON STEEL SHEET AND CARBON STEEL STRUCTURAL SHAPES FROM THE REPUBLIC OF KOREA

**Determinations of the Commission
in Investigations Nos. 701-TA-
218 and 219 (Preliminary)
Under the Tariff Act of 1930,
Together With the
Information Obtained in
the Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.— Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington , D.C.

Investigations Nos. 701-TA-218 and 219 (Preliminary)

COLD-ROLLED CARBON STEEL SHEET AND CARBON STEEL STRUCTURAL SHAPES
FROM THE REPUBLIC OF KOREA

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that industries in the United States are materially injured by reason of imports from the Republic of Korea of cold-rolled carbon steel sheet 2/ provided for in item 607.83 of the Tariff Schedules of the United States (TSUS) (inv. No. 701-TA-218 (Preliminary)), and of carbon steel angles, shapes, and sections having a maximum cross-sectional dimension of 3 inches or more 3/ provided for in item 609.80 of the TSUS (inv. No. 701-TA-219 (Preliminary)) which are alleged to be subsidized by the Government of Korea.

Background

On June 18, 1984, United States Steel Corp., Pittsburgh, Pa., filed petitions with the Commission and the Department of Commerce alleging that industries in the United States are materially injured or threatened with material injury by reason of imports from the Republic of Korea of cold-rolled carbon steel sheet and carbon steel structural shapes which are allegedly being subsidized by the Government of Korea. Accordingly, effective that date, the Commission instituted these preliminary countervailing duty investigations under section 703(a) of the Act (19 U.S.C. § 1671b(a)).

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

2/ Chairwoman Stern determined that there is a reasonable indication of threat of material injury.

3/ Chairwoman Stern dissenting on angles, shapes, and sections.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on June 28, 1984 (49 F.R. 26648). The Commission's conference was held in Washington , D.C. on July 10, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF VICE CHAIRMAN LIEBELER, COMMISSIONER ECKES,
COMMISSIONER LODWICK, AND COMMISSIONER ROHR

On the basis of the record developed in these preliminary investigations, the Commission determines that there is a reasonable indication that industries in the United States are materially injured by reason of imports of cold-rolled carbon steel sheet and carbon steel structural shapes 1/ from Korea, which are alleged to be subsidized by the Government of Korea.

Definitions of the domestic industries

The domestic industry against which the impact of the imports under investigation is to be assessed 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." 2/ "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" 3/

These investigations concern allegedly subsidized imports from Korea of two types of carbon steel products--cold-rolled carbon steel sheet and carbon steel structural shapes. These products have been the subject of several

1/ For purposes of this investigation, carbon steel structural shapes are carbon steel angles, shapes, and sections having a maximum cross-sectional dimension of 3 inches or more provided for in item 609.80 of the Tariff Schedules of the United States.

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

recent countervailing duty and antidumping investigations. ^{4/} In those investigations, the Commission determined that distinct domestic industries exist for cold-rolled sheet and structural shapes. There was no persuasive evidence adduced in these preliminary investigations to warrant a change in the previous like product determinations regarding cold-rolled carbon steel sheet and carbon steel structural shapes or our conclusions with respect to the relevant domestic industries.

Based upon our findings in these preliminary investigations that the like products are cold-rolled carbon steel sheet and carbon steel structural shapes, we determine that there are two separate domestic industries against which the impact of imports should be assessed. These are the domestic producers of cold-rolled carbon steel sheet and the domestic producers of carbon steel structural shapes.

COLD-ROLLED CARBON STEEL SHEET

Condition of the domestic industry

The U.S. industry producing cold-rolled carbon steel sheet experienced difficulties throughout the period covered by the investigation. Production fell from 12.3 million tons in 1981 to 8.8 million tons in 1982, before increasing to 11.7 million tons in 1983. Production further increased by 18 percent in January-March 1984, compared with production in the corresponding

^{4/} Both cold-rolled sheet and structural shapes were the subject of investigations in Certain Carbon Steel Products from Argentina, Australia, Finland, South Africa, and Spain, Invs. Nos. 701-TA-212 (Preliminary), and 731-TA-169 through 182 (Preliminary), USITC Pub. 1510 (1984); Certain Carbon Steel Products from Spain, Invs. No. 701-TA-155, 157-160, and 162 (Final), USITC Pub. 1331 (1982); and Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany, Invs. Nos. 701-TA-86 through 144, 146, and 147 (Preliminary) and 731-TA-53 through 86 (Preliminary), USITC Pub. 1221 (1982).

period in 1983. 5/ Shipments of cold-rolled carbon steel sheet followed a trend similar to that of production. 6/ Although demand for cold-rolled carbon steel sheet increased in 1983 and in the first quarter of 1984 from the depressed level of 1982, U.S. producers' share of consumption declined. 7/ 8/

Data on the financial experience of U.S. producers' cold-rolled carbon steel sheet operations indicate that losses have been sustained throughout 1981-83. 9/ Net sales of cold-rolled carbon steel sheet decreased from \$4.9 billion in 1981 to \$3.6 billion in 1982, but then increased to \$4.7 billion in 1983. 10/ During the period January-March 1984, net sales amounted to \$1.3 billion, an increase from \$1.0 billion in the corresponding period of 1983. 11/ The reporting cold-rolled carbon steel sheet producers incurred operating losses during the entire period of investigation. These losses amounted to 6.1 percent of net sales in 1981, 17.6 percent in 1982, 6.8 percent in 1983, and 0.8 percent in January-March 1984. 12/

Reasonable indication of material injury by reason of allegedly subsidized imports from Korea

Imports from Korea fell from 101,000 short tons in 1981 to 66,000 short tons in 1982, before rising to 191,000 short tons in 1983. Imports from Korea continued to increase in January-March 1984 to 97,000 short tons, compared

5/ Report of the Commission ("Report") at I-6-7.

6/ Id. at I-7.

7/ Id. at I-6.

8/ Commissioner Rohr notes additionally that capacity utilization in the domestic cold-rolled sheet industry decreased from 69.8 percent in 1981 to 50.8 percent in 1982, before recovering to 68.9 percent in 1983. Id. at I-7. Employment and wages followed similar patterns, although the improvements in 1983 were not as great. Id. at I-9-10.

9/ Income-and-loss data were received from nine producers, accounting for approximately 75 percent of total shipments of cold-rolled carbon steel sheet in 1983. Id. at I-11-12.

10/ Id.

11/ Id.

12/ Id.

with imports of 28,000 short tons in January-March 1983. 13/ As a share of apparent U.S. consumption, imports from Korea rose from 0.7 percent in 1981 and 0.5 percent in 1982 to 1.2 percent in 1983. 14/ In January-March 1984, Korea's share of apparent U.S. consumption rose to 2.2 percent as compared with 0.8 percent in the corresponding period of 1983. 15/

The information available on price trends for sales of cold-rolled carbon steel sheet to end users indicates underselling by Korean imports, ranging from 3 to 8 percent, in six of the ten quarters during the period of investigation. 16/ The information on price trends for sales of cold-rolled carbon steel sheet to steel service centers/distributors (SSC's) indicates underselling by Korean imports, ranging up to 5 percent, in four of the ten quarters covered by the investigation period. 17/ Two purchasers confirmed that Korean cold-rolled carbon steel sheet was priced below domestic sheet. 18/ 19/

13/ Id. at I-13.

14/ Id. at I-14.

15/ Id.

16/ Pricing data collected in these investigations are not sufficient for a complete comparison of the price levels of domestic and imported products. However, these data are sufficient to allow comparisons of the trends in price levels and to provide indications regarding the existence of general patterns of underselling or discounting. Id. at I-16-18, II-17.

17/ Id. at I-17-18.

18/ Id. at I-20.

19/ Commissioner Rohr adds that the pricing data reveal that import and domestic prices have followed the same general pattern, declining and rising at roughly the same time. This factor, when considered with those noted above, provides a reasonable indication that imports may have had a price suppressive effect. Commissioner Rohr also notes that the statute requires the Commission to consider other relevant economic indicators which may reveal the required causal nexus between imports and the condition of the domestic industry. In this case, the indicators of the performance of the domestic industry improved during the period of the greatest increase in Korean imports. While significant, Commissioner Rohr finds that this fact is not sufficient to overcome the possibility, in light of all the data, that the required causal nexus exists.

CARBON STEEL STRUCTURAL SHAPES

Condition of the domestic industry

The U.S. industry producing carbon steel structural shapes experienced difficulties throughout the period covered by the investigation. Production fell from 3.4 million tons in 1981 to 2.1 million tons in 1982, and then declined further to 1.7 million tons in 1983. Production increased by 39 percent in January-March 1984, compared with production in the corresponding period in 1983. 20/ Shipments of carbon steel structural shapes followed a trend similar to that of production. 21/

Demand for carbon steel structural shapes fell from 5.9 million tons in 1981 to 4.2 million tons in 1983, but then rose to 1.4 million tons in January-March 1984, compared with 923,000 tons in the corresponding period of 1983. U.S. producers' share of domestic consumption fell from 67.6 percent in 1981 to 64.8 percent in 1983, and further declined to 60.9 percent in January-March 1984, compared with 71.1 percent in the corresponding period of 1983. 22/ 23/

Data on the financial experience of U.S. producers' carbon steel structural shapes operations indicate that losses have been sustained throughout 1982 and 1983. 24/ Net sales of carbon steel structural shapes

20/ Id. at II-6.

21/ Id. at II-6-7.

22/ Id. at II-6.

23/ Commissioner Rohr notes that for the domestic structural shapes industry, capacity utilization declined from 58.2 percent in 1981 to 31.1 percent in 1983. In January-March 1984, however, capacity utilization improved to 43.7 percent, as compared to 30.1 percent in the corresponding period of 1983. Id. at II-7. Employment and wages followed a similar pattern, declining from 1981 to 1983, with small but significant improvement in early 1984. Id. at II-9-10.

24/ Income-and-loss data were received from six producers, accounting for approximately 62 percent of total shipments of carbon steel structural shapes in 1983. Id. at II-11-12.

decreased from \$1.5 billion in 1981 to \$709 million in 1983. 25/ During the period January-March 1984, net sales increased by 27 percent to \$213 million, compared with \$168 million in the corresponding period of 1983. 26/ The reporting carbon steel structural shapes producers incurred operating losses during the entire period of investigation. These losses amounted to 1.4 percent of net sales in 1981, 15.6 percent in 1982, 29.2 percent in 1983, and 22.5 percent in January-March 1984. 27/

Reasonable indication of material injury by reason of allegedly subsidized imports from Korea

Imports from Korea rose from 1,000 short tons in 1981 to 78,000 short tons in 1983. In January-March 1984, Korean imports increased by 85 percent to 24,000 short tons, compared with imports of 13,000 short tons in January-March 1983. 28/ As a share of apparent U.S. consumption, imports from Korea increased from less than 0.05 percent in 1981 to 1.9 percent in 1983. 29/ In January-March 1984, Korea's share of apparent U.S. consumption increased to 1.7 percent, compared with 1.4 percent in the corresponding period of 1983. 30/

The information on price trends for sales of four representative structural steel products to SSC's 31/ indicates underselling by Korean imports, ranging from 3 to 29 percent, throughout the period of

25/ Id.

26/ Id.

27/ Id.

28/ Id. at II-13.

29/ Id.

30/ Id.

31/ Price trends for importers' sales of carbon steel structural shape products to end users could not be adequately established because of incomplete data. Id. at II-17.

investigation. 32/ A number of purchasers confirmed that Korean carbon steel structural shapes were priced below domestic structurals. 33/ 34/

Conclusion

Based on the foregoing analysis, the Commission determines that there is a reasonable indication of material injury to industries in the United States by reason of allegedly subsidized imports from Korea of cold-rolled carbon steel sheet and carbon steel structural shapes.

32/ Id. at II-19.

33/ Id. at II-19-20.

34/ Commissioner Rohr notes that the pattern of underselling in this investigation is more consistent than that in the cold-rolled carbon steel sheet investigation and hence is more persuasive. He also notes that his conclusions with respect to the reasonable indication of a causal nexus between imports and the condition of the domestic carbon steel sheet industry, supra note 19, are equally applicable in this investigation.

VIEWS OF CHAIRWOMAN PAULA STERN

These views explain my determinations in two investigations of allegedly subsidized imports of carbon steel products from the Republic of Korea. In each case my reasoning differs in some important respects from that of my colleagues. With respect to allegedly subsidized imports of cold-rolled carbon steel sheet (sheet), I have found that the subject imports threaten to cause material injury to the domestic industry. Thus, I have been able to join the Commission in making a unanimous affirmative finding despite different readings of the record.

With respect to allegedly subsidized imports of carbon steel structural shapes (structural shapes), I have determined that there is no reasonable indication that the subject imports are causing or threaten to cause material injury to the domestic industry. I have, therefore, made a negative determination.

In both investigations I concur with the definition of the industry adopted by the majority. As my analysis of the condition of the domestic industries shows, I find both domestic industries to be materially injured. The focus then of my views is on the role played by the imports in the U.S. market -- the question of causation.

Standards for determination

In preliminary antidumping and countervailing duty investigations, the Commission is directed by Title VII of the Tariff Act of 1930 (the Act) 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 any industry in the United States is materially retarded,

by reason of imports of the merchandise that is the subject of an investigation. 1/ "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." 2/ In making its determinations, the Commission is required to consider, among other factors, (1) the volume of imports of the merchandise which is the subject of the investigation, (2) the effect of the 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. 3/

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 the allegedly dumped or subsidized imports into the United States market, (2) the capacity of the exporting country to generate exports, and (3) the availability of other export markets. 4/ 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 based on mere supposition, speculation, or conjecture. 5/

1/ 19 U.S.C. section 1671b(a) and 1673b(a).

2/ 19 U.S.C. section 1677(7) (A).

3/ 19 U.S.C. section 1677(7) (B).

4/ Section 207.26 of the Commission's Rules (19 CFR section 107.26); H. Rep. 317, 96th Cong., 1st Sess. 46 (1979); Prestressed Concrete Steel Wire Strand from the United Kingdom, Inv. No. 731-TA-89 (Final), USITC Pub. 1343 (1983); Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. 1252 (1982).

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

Cumulation.-- I have reached my determinations in these investigations on a case-by-case basis. With respect to sheet, I have reached an affirmative determination on an individual analysis of Korean imports. The issue of cumulation is, therefore, moot. With respect to structural shapes, an examination of related Commission investigations has revealed no affirmative preliminary or final countervailing duty determination since December 1982. A number of observations are, therefore, in order. First, prior to December 1982, imports of structural shapes from Korea were miniscule. Therefore, the subject imports were not a factor in material injury to the domestic industry in that period. Second, since December 1982, countervailing duties or deposits have been collected on non-Korean imports which are currently subject to countervailing duty orders. Consequently, since December 1982, any unfair advantage such non-Korean imports have enjoyed due to subsidies has been removed before they could be sold in the U.S. market. 6/ Third, such a long period of time has elapsed since December of 1982 that it would be inappropriate to judge the Korean imports to have a hammering effect on U.S. producers additive to that caused by other subsidized imports entering prior to December of 1982. In sum, the data for 1983 and the first quarter of 1984 do not reflect the impact of any other unfairly traded subsidized imports which would be candidates for cumulation with the Korean imports examined here. I conclude that under these circumstances cumulation is inappropriate.

6/ Imports on which there are outstanding countervailing duty orders are, in effect, fairly traded because the appropriate duty removing the unfair advantage has already been collected before they reach the U.S. market.

Cold-Rolled Carbon Steel Sheet

My determination that there is a reasonable indication of threat of material injury to domestic producers of sheet is based primarily on the increasing absolute and relative volume of imports from Korea, evidence of underselling, the existence of unused capacity of Korean sheet producers to increase imports, and the increased portion of exports of sheet from Korea coming into the U.S.

Condition of the domestic industry.-- The U.S. industry producing sheet experienced difficulties throughout the period covered by the investigation. Since 1983, shipments, sales, capacity utilization, and employment have steadily increased. However, the industry continues to experience significant financial problems. Production fell from 12.3 million tons in 1981 to 8.8 million tons in 1982, before increasing to 11.7 million tons in 1983. Production further increased by 18 percent in the first quarter of 1984 compared with production in the corresponding period in 1983. 7/ Domestic capacity to produce cold-rolled carbon steel sheet declined by four percent during 1981-1983. 8/ Capacity utilization fell from 69.8 percent in 1981 to 50.8 percent in 1982 and then increased in 1983 to 68.9 percent. Capacity utilization showed a continuing rise in the first quarter of 1984 (74.5 percent) compared with the first quarter of 1983 (63.0 percent). 9/ Data on U.S. producers' shipments follow the same trend as production: falling from 1981 to 1982, then increasing in 1983 and again in the period of January-March 1984 compared with the corresponding period of 1983. 10/ Consumption of cold-rolled carbon steel sheet increased beyond 1981 levels in 1983, after an initial decline in 1982. In spite of the increase in consumption, U.S.

7/ Commission Report at I-6.

8/ Id.

9/ Id.

10/ Id. at I-7.

producers' share of that consumption fell, from 89.9 percent in 1981 to 84.8 percent in 1983. 11/ Employment figures also follow the same trends. In 1982 employment fell by 24 percent, rose by 18 percent in 1983, and showed a continuing increase in January-March 1984 compared with the same period in 1983. 12/

U.S. producers of cold-rolled carbon steel sheet experienced declining net sales of 26 percent in 1982 from 1981 levels. 13/ In 1983 net sales rose by 28 percent and continued to rise in January-March 1984 by 26 percent when compared with January-March 1983. 14/ Nevertheless, operating losses were incurred by all reporting firms during the entire period. 15/ The losses in 1981 were 6.1 percent of net sales; in 1982 they were 17.6 percent, in 1983 they were 6.8 percent, and in the first quarter of 1984 they were 0.8 percent of net sales. 16/

The record in this preliminary investigation has, therefore, established that U.S. sheet producers remain materially injured despite recent improvements in many indicators during 1984.

11/ Id. at I-6.
12/ Id. at I-9.
13/ Id. at I-11.
14/ Id.
15/ Id.
16/ Id.

Reasonable indication of threat of material injury.-- In assessing the issue of threat of material injury, I have concentrated on the following factors: the rate of increase of imports; the rate of increase in U.S. market penetration of the imports; the amount of imports held in inventory; the capacity of Korean producers to generate imports; and the extent to which these producers' exports are oriented toward the U.S. market.

Although I do not believe that the subject Korean imports have already caused material injury, the following factors have motivated my conclusion that there is a reasonable indication that they threaten to cause such injury. (1) Import volume, though small, has increased greatly in the first quarter of 1984, both absolutely and relatively; (2) there is evidence of underselling; (3) the Korean producers of sheet have the capacity to generate additional imports; and (4) the percentage of exports from Korea directed toward the U.S. market has risen steadily.

The first quarter of 1984 showed a rapid rate of increase in the imports of sheet from Korea compared with the first quarter of 1983. 17/ During this period in 1983, the subject imports were at a level of 28 thousand tons. In the same period of 1984 the level rose to 97 thousand tons. In addition, in the first quarter of 1984, the U.S. market penetration level of Korean imports of sheet although small, increased to 2.2 percent, up from 0.8 percent in the corresponding period of 1983.

17/ Id. at I-14.

With respect to price competition, based upon the information currently available, there are indications of underselling by imports from Korea. For sales of cold-rolled carbon steel sheet to end-users, the range of underselling is three to eight percent in six to ten quarters in the period of investigation. For sales to steel service centers, distributors (SSC's) underselling ranged up to five percent.

Korean utilization of capacity to produce cold-rolled sheet, although increasing, shows the ability to further increase the production of sheet. 18/ In addition, Korea's total exports of sheet increased steadily during the period under investigation. Moreover, the ratio of Korea's exports of sheet to the U.S. market to total exports increased substantially between 1982 and 1983. 19/

Thus, I find that there is a reasonable indication that the domestic sheet industry is threatened in a real and imminent fashion with material injury by reason of allegedly subsidized imports from Korea.

18/ The exact figures are confidential.

19/ The exact figures are confidential.

Carbon Steel Structural Shapes

In the investigation on carbon steel structural shapes, 20/ I have determined that there is no reasonable indication or the threat thereof by reason of the allegedly subsidized imports. Unlike the recent general import relief case 21/ in which the majority of the Commission 22/ determined that structural shapes imports as a whole are a substantial cause of injury to the domestic industry, this case turns on the narrower question of whether there is a reasonable indication that allegedly subsidized imports of structural shapes from Korea have caused or threaten to cause material injury to the domestic industry.

The legislative history of the Trade Act specifically instructs the Commission to examine other causes of injury than the allegedly subsidized imports, but not to weigh other causes against the impact of the subject imports. However, even without weighing other causes against the subject imports, it is impossible not to recognize that many significant factors have contributed to the injury suffered by the domestic industry producing carbon-steel structural shapes. The aggregate impact of all causes of injury, including the impact of overall imports, is reflected in the economic indicators which the Commission examines in making a determination as to reasonable indication of material injury in this case. Here, my focus is to thoroughly analyze the market impact of simply the allegedly subsidized imports of structural shapes from Korea.

20/ Cold-Rolled Carbon Steel Sheet and Carbon Steel Structural Shapes from the Republic of Korea, Inv. Nos. 701-TA-218-219 (Preliminary), USITC Pub. 1559, August 1984.

21/ Carbon and Certain Alloy Steel Products, Inv. No. TA-201-51, USITC Pub. 153, July 1984.

22/ Commissioner Stern voted in the negative in this case.

Condition of the domestic industry.-- The U.S. industry producing carbon steel structural shapes has experienced serious economic difficulties during the period covered by this investigation. Apparent U.S. consumption dropped from 5.9 million tons in 1981 to 4.2 million tons in 1983, but then in January-March 1984 rose to 1.4 million tons (compared to 923,000 tons in January-March 1983) an increase of almost 52 percent. 23/ Domestic production also declined steadily from 3.4 million tons in 1981 to 1.7 million tons in 1983 before the trend reversed. Production increased 39 percent in January-March 1984 to 566,000 tons compared to 407,000 tons in January-March 1983. 24/ Capacity utilization fell from 58 percent (1981) to 31 percent (1983) but climbed to 44 percent in January-March 1984. 25/

Domestic shipments by U.S. producers fell from 4.0 million tons in 1981 to 2.7 million tons in 1983, then turned upward almost 34 percent in January-March 1984 to 881 thousand tons compared to 658 thousand tons in January-March 1983. 26/ Employment (production workers) also declined during the period from 9,961 (1981) to 5,453 (1983) but increased 26 percent in January-March 1984 compared to January-March 1983. 27/

The poor performance of the above economic indicators is reflected in the financial experience of U.S. producers. Net sales declined from \$1.5 billion in 1981 to \$709 million in 1983. Sales climbed 27 percent, however, in January-March 1984 (\$213 million) compared to January-March 1983 (\$168 million). 28/ In 1981, 1982, 1983 and even in January-March 1984, the cost of goods sold exceeded net sales. 29/ Accordingly, the industry suffered an

23/ Report at p. II-6.

24/ Id. at table II-7.

25/ Id.

26/ Id. at table II-6.

27/ Id. at table II-9.

28/ Id. at table II-11.

29/ Id.

operating loss in each of the above years that grew from \$20 million (1981) to \$207 million (1983) and amounted to \$48 million in January-March 1984. 30/ Although the industry's performance is improving, it remains in severe economic straits.

No reasonable indication of material injury or threat thereof.-- Although the economic indicators show that the industry has suffered during the subject period, an affirmative determination requires that material injury be linked to imports of allegedly subsidized imports of structural shapes from Korea. Data on such imports indicate that aggregate imports (from all sources) declined from two-million tons in 1981 to about 1.5 million tons in 1982 and held at that same level in 1983. Korean imports grew from a miniscule one-thousand tons in 1981 to the still relatively small level of 78-thousand tons in 1983. 31/ Despite this sharp increase from a very low base, imports of structurals from Korea accounted for only 1.9 percent of apparent consumption in 1983 compared to 35 percent for imports of structurals from all countries. 32/ The Korean imports' share of apparent consumption during January-March 1984 then declined to a meager 1.7 percent of apparent consumption. 33/

The record shows that imports of Korean structurals are low, and recently have stabilized. In addition, the ratio of imports to apparent consumption for first-quarter 1984 is lower than that for 1983, indicating that the ratio for full-year 1984 may be lower than that of 1983. These facts are the foundation for my determination that imports of allegedly subsidized structurals from Korea are not responsible for material injury to the domestic industry.

30/ Id.

31/ Id. at table II-11.

32/ Id. at table II-12.

33/ Id.

As for threat of injury, data on Korean production reveal that production increased substantially in January-March 1983 compared to the same period in 1982. However, capacity utilization climbed considerably and Korean domestic demand is up sharply. Moreover, more than half of the increase in exports in January-March 1984 went to markets other than the U.S. This high level of capacity utilization, the availability of alternate markets and the recent decline in Korean structurals' share of the U.S. market lead to my conclusion that there is no real and imminent threat of material injury from the subject imports.

Since the imports of Korean carbon steel structural shapes have neither caused the domestic industry's injury, nor threatened to cause injury in the future, I have, therefore, found in the negative.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On June 18, 1984, petitions were filed with the Commission and the Department of Commerce by United States Steel Corp. (U.S. Steel), Pittsburgh, Pa., alleging that imports of cold-rolled carbon steel sheet 1/ and carbon steel structural shapes 2/ from the Republic of Korea (Korea) are being subsidized by the Government of Korea and that industries in the United States are materially injured or threatened with material injury by reason of such imports. Accordingly, effective June 18, 1984, the Commission instituted countervailing duty investigations Nos. 701-TA-218 and 219 (Preliminary) under section 733 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 into the United States. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case, by August 2, 1984.

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 on June 28, 1984 (49 F.R. 26648). 3/ The conference was held in Washington D.C., on July 10, 1984, 4/ and the Commission voted on the cases at its meeting on July 25, 1984.

Discussion of Report Format

This report is organized in two major parts on the basis of product groups. Part I deals with cold-rolled carbon steel sheet; part II deals with carbon steel structural shapes. Discussions of related Commission investigations on the subject products, the petitioner's allegations concerning subsidies, and foreign producers of the foreign product in Korea are presented in this introductory portion of the report.

Related Commission Investigations Concerning Imports
of the Subject Steel Products

The products covered by these investigations have also been the subject of a number of other recent (since 1981) Commission investigations. These investigations and the Commission's determinations in each of them are shown in table 1.

1/ Cold-rolled carbon steel sheet is provided for in items 607.8320, 607.8350, 607.8355, and 607.8360 of the Tariff Schedules of the United States Annotated (TSUSA).

2/ Carbon steel structural shapes are provided for in TSUSA items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045.

3/ A copy of the Commission's notice of investigations is presented in app. A. A copy of Commerce's notice is presented in app. B.

4/ A list of witnesses appearing at the Commission's conference is presented in app. C.

Table 1. Commission investigations involving cold-rolled carbon steel sheet and structural shapes since 1981

(A = Affirmative determination; N = Negative determination)		
Country	Cold-rolled sheet	Structural shapes
	Preliminary determinations	
Belgium	1/2/3/ N	1/2/ A
Brazil	1/3/4/ N	1/4/ N
	2/5/ A	-
France	1/2/3/ A	1/2/ A
Italy	1/2/3/ A	-
Korea	4/6/ N	-
Luxembourg	1/2/3/ N	1/2/ A
Netherlands	1/2/3/ A	-
United Kingdom	1/2/3/ N	1/2/ A
West Germany	1/2/3/ A	1/2/ A
Argentina	7/8/ A	-
South Africa	7/8/ A	7/8/ A
Spain	7/8/ A	7/8/ A
	Final determinations	
Brazil	9/10/ A	-
Spain	10/11/ A	10/11/ A

1/ Certain Steel Products From Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, the United Kingdom, and West Germany, investigations nos. 701-TA-86 through 144, 146, and 147 (Preliminary) and 731-TA-53 through 86 (Preliminary), February 1982.

2/ By reason of both allegedly LTFV and subsidized imports.

3/ Includes strip.

4/ By reason of allegedly subsidized imports.

5/ Certain Steel Products from Brazil, investigations Nos. 701-TA-205 through 207 and 731-TA-153 and 154 (Preliminary), December 1983.

6/ Certain Steel Products from the Republic of Korea, investigations Nos. 701-TA-170-173 (Preliminary), June 1982.

7/ Certain Carbon Steel Products from Argentina, Australia, Finland, South Africa, and Spain, investigations Nos. 701-TA-212 (Preliminary) and 731-TA-160-182 (Preliminary), March 1984.

8/ By reason of allegedly LTFV imports.

9/ Certain Carbon Steel Products from Brazil, investigations Nos. 701-TA-205 through 207 (Final), May 1984.

10/ By reason of subsidized imports.

11/ Certain Carbon Steel Products from Spain, investigations Nos. 701-TA-155, 157 through 160, and 162 (Final), December 1982.

Source: See footnotes.

Nature and Extent of Alleged Subsidies

The petitioner alleges that manufacturers, producers, or exporters of cold-rolled carbon steel sheet and structural shapes in Korea receive the following benefits which constitute subsidies within the meaning of the countervailing duty law:

<u>Program</u>	<u>Percent ad valorem</u>
I. Government-provided/directed financing:	
Steel industry promotion law	<u>1/</u>
Assumption of interest	<u>1/</u>
KDB loans	<u>1/</u>
3.5-percent loan	<u>2/</u> 1.6
Government-directed commercial bank credit	<u>2/</u> 24.1
Inducement of long-term foreign capital	<u>1/</u>
II. Equity infusions	<u>2/</u> 15.6
III. Preferential export financing	6.4-12.8
IV. Tax subsidies for steel producers	1.2
V. Input subsidies:	
Raw materials:	
Iron ore	<u>1/</u>
Coking coal	<u>1/</u>
Used to produce steel exports	<u>1/</u>
Import duty reductions	5.3
Special financial support	<u>1/</u>
Plant and equipment	2.4
Utilities	<u>1/</u>
Labor:	
Wages	<u>1/</u>
Training assistance	<u>1/</u>
Deferred payment of tariffs	0.6
VI. Preferential tax incentives for exporters	4.6
VII. Trading company subsidies	<u>1/</u>
VIII. Export insurance	<u>1/</u>

1/ Not available.

2/ Pohang Iron & Steel Co. (POSCO) only.

The Korean Steel Industry and its Capacity to Generate Exports

The Korean steel industry, which consists of 15 to 20 manufacturers, produced 13.1 million tons of raw steel in 1983, ranking 16th among world steel-producing countries. This represented a 5-percent increase over production in 1982, as shown in the following tabulation of statistics of the International Iron & Steel Institute:

	<u>Quantity</u> (million short tons)
1979-----	8.4
1980-----	9.4
1981-----	11.9
1982-----	12.5
1983-----	13.1

Approximately three-fourths of Korea's raw steel output was from basic-oxygen furnaces in 1983, and the remainder was from electric furnaces. Employment in the Korean steel industry totaled about 60,290 workers in 1982. Korean capacity for steel-making in 1982 was about 14 million short tons, compared with about 1 million 10 years earlier. 1/ This expansion followed both the world-wide upsurge in demand for steel during the 1970's and the growth in steel-consuming industries, such as automobiles, shipbuilding, and machines. Demand for steel in Korea has increased at a rate of about 20 percent per year since 1970. 2/ Apparent domestic steel consumption increased to 9.6 million short tons in 1983, or by 15 percent over the level in 1982. 3/

The steel industry in Korea is dominated by one firm, POSCO. The corporate organization of POSCO, Korea's only integrated steel mill, is quasi-governmental, with ownership divided into three shares: *** percent, owned by the Korea Development Bank; *** percent by the Government of Korea; and *** percent by private commercial banks and companies. Its production of raw steel in 1983 totaled 9.3 million tons, which represented a 5-percent decrease from its output in 1982 and made POSCO the 11th largest steel producer in the world. 4/ POSCO produces a wide range of products, including cold-rolled carbon steel sheet. It exports about *** percent of its production. 5/ The company plans to build a second integrated steelworks with an initial capacity of *** million short tons per year at Kwangyong.

1/ U.S. Department of State telegram, American Embassy, Seoul, June 1983.

2/ Iron Age, Jan. 16, 1984, p. 39.

3/ "South Korea's Pohang Iron and Steel," Metals Intelligence International, (Paine, Webber, Mitchel, Hutchins, Inc.,) Feb. 22, 1984.

4/ American Metal Market, May 23, 1984.

5/ U.S. Department of State Airgram from the American Embassy in Seoul, June 23, 1983.

Construction is due to start in 1985, with completion of the first stage scheduled for 1988. An eventual capacity of 13.2 million tons per year is anticipated. 1/

Other producers of cold-rolled sheet include Union Steel Manufacturing Co., Ltd. (Union), and Dong Jin Steel Co. (Dong Jin). Union is * * * steel manufacturer, but its sales in 1981 equaled only *** percent of POSCO's total sales. The company exports its major products (including cold-rolled sheet) to Southeast Asian countries and the western part of the United States. 2/ Dong Jin, Korea's third largest steel producer, is the former Ilssin Steel Co., taken over by POSCO as its wholly owned subsidiary in October 1982, when Ilssin went bankrupt. Dong Jin produces cold-rolled sheet and coil, and pipes, and exports about *** percent of its production to the United States. 3/

Table 2 presents data on Korea's production, capacity, and shipments of cold-rolled sheet. As shown, Korea's production of cold-rolled sheet increased by *** percent during 1981-83, with a continued increase of *** percent in January-March 1984 compared with the level in the corresponding period of 1983. Its capacity utilization ratio also increased from *** percent in 1981 to *** percent in 1983 and to *** percent in January-March 1984. Total exports rose throughout the period, as did exports to the United States.

There are thought to be at least three producers of structural shapes in Korea: Inchon Iron & Steel Co., Ltd. (Inchon), Dongkuk Steel Mill Co., Ltd., (Dongkuk), and Kangwon Industrial Co., Ltd., (Kangwon). 4/ Inchon began production of structural shapes (including wide-flange beams, heavy tees, and heavy angles) in 1982. 5/ Its facilities include a heavy-section mill having a capacity of 440,000 short tons, a medium-section mill having a capacity of 175,000 short tons, and a light-section mill with a capacity of 165,000 short tons, totaling 780,000 short tons. 6/ Kangwon operates a heavy-section mill having a capacity of 165,000 short tons.

1/ Iron and Steel Works of the World, (Metal Bulletin Books), 1983 p. 352.

2/ U.S. Department of State Airgram from the American Embassy in Seoul, June 23, 1983, p. 9.

3/ Ibid.

4/ Iron and Steel Works of the World, 1983, pp. 349 and 350, and U.S. Department of Commerce telegram from the American Embassy in Seoul, November 1982.

5/ See petitioner's conference statement, p. 39.

6/ Iron and Steel Works of the World, 1983, p. 350.

Table 2.—Cold-rolled sheet: Korea's production, capacity, capacity utilization, domestic shipments, and exports, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Production—1,000 short tons—	***	***	***	***	***
Capacity—do—	***	***	***	***	***
Capacity utilization percent—	***	***	***	***	***
Domestic shipments 1,000 short tons—	***	***	***	***	***
Exports to:					
United States—do—	***	***	***	***	***
All other—do—	***	***	***	***	***
Total—do—	***	***	***	***	***

Source: Counsel for The Korea Iron & Steel Association, Ltd.

Data on Korea's production, capacity, shipments, and exports of structural shapes are provided in table 3. These data include information on plain structurals over 3 inches in cross-sectional dimension made by Inchon only, as that is believed to be the only major Korean firm producing such structurals for export to the United States at the present time.

Table 3.—Carbon steel structural shapes: Inchon's production, capacity, capacity utilization, domestic shipments, and exports, 1982, 1983, January-March 1983, and January-March 1984

Item	1982	1983	January-March—	
			1983	1984
Production—1,000 short tons—	***	***	***	***
Capacity—do—	***	***	***	***
Capacity utilization—percent—	***	***	***	***
Domestic shipments—1,000 short tons—	***	***	***	***
Exports to:				
United States—do—	***	***	***	***
All other—do—	***	***	***	***
Total—do—	***	***	***	***

Source: Counsel for The Korean Iron & Steel Association, Ltd.

PART I. COLD-ROLLED CARBON STEEL SHEET

Introduction

This part of the report presents information relating specifically to cold-rolled carbon steel sheet. As indicated previously, following receipt on June 18, 1984, of petitions filed by U.S. Steel, the Commission instituted a preliminary countervailing duty investigation 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 such imports from Korea (investigation No. 701-TA-218 (Preliminary)).

The Product

Description and uses

Cold-rolled carbon steel sheet is a flat-rolled product that is produced by processing hot-rolled, pickled (cleaned), carbon steel sheet in cold-reduction mills. Sheet is considered to be a finished product and is distinguished from other flat-rolled products by its dimensional characteristics. For purposes of this investigation, cold-rolled carbon steel sheet is defined as a flat-rolled product other than alloy iron or steel; whether or not corrugated or crimped; not cut, not pressed, and not stamped to nonrectangular shape; not coated or plated with metal; over 12 inches in width; in coils, or, if not in coils, under 0.1875 inch in thickness; as provided for in items 607.8320, 607.8350, 607.8355, and 607.8360 of the TSUSA.

Production process

The production of cold-rolled sheet begins with a coil of hot-rolled sheet, which is decoiled, pickled, dried, oiled, and recoiled. It is then sent to a cold-reduction mill (so called because the steel is passed through a series of reducing rolls without being reheated), emerging as a thinner product, with a smoother finish and a higher strength-to-weight ratio than can be achieved by hot-rolling alone. The sheet is then coiled and is usually annealed (heat treated) to restore the ductility lost during cold-rolling. A portion, however, is sold in an unannealed "full hard" condition. After the steel has been softened in the annealing furnace, it is passed through a temper mill, which finishes the cold-rolled sheet by imparting additional hardness, flatness, and surface quality. The product is then shipped to consumers in coils or cut lengths.

Cold-rolled carbon steel sheet is the largest volume single steel mill product, having accounted for 22 percent of total U.S. producers' shipments of all steel mill products in 1983. Major consumer markets for cold-rolled sheet are shown in table I-1. The automotive industry, the largest single consumer of cold-rolled sheet accounted for, on average, 33 percent of cold-rolled sheet shipments during 1981-83; shipments to steel service centers and distributors averaged 27 percent over the same period. Other end markets for cold-rolled sheet include the electrical equipment and appliance industries.

Table I-1.—Cold-rolled carbon steel sheet: U.S. producers' shipments, by major markets, 1981-83, January-March 1983, and January-March 1984

Market	1981	1982	1983	January-March—	
				1983	1984
Quantity (1,000 tons)					
Steel service centers and distributors—	3,328	2,798	3,777	866	1,162
Automotive—	4,547	3,469	4,176	830	984
Electrical equipment—	1,215	871	1,143	287	310
Appliances, utensils, and cutlery—	1,203	899	1,135	288	318
All other—	3,455	2,529	2,764	689	763
Total	13,748	10,565	12,995	2,960	3,537
Percent of total					
Steel service centers and distributors—	24.2	26.5	29.1	29.3	32.9
Automotive—	33.1	32.8	32.1	28.0	27.8
Electrical equipment—	8.8	8.2	8.8	9.7	8.8
Appliances, utensils, and cutlery—	8.8	8.5	8.7	9.7	9.0
All other—	25.1	23.9	21.3	23.3	21.6
Total	100.0	100.0	100.0	100.0	100.0

Source: American Iron & Steel Institute.

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

U.S. tariff treatment

For purposes of this investigation, cold-rolled carbon steel sheet is classified under items 607.8320, 607.8350, 607.8355, and 607.8360 of the TSUSA. The current column 1 or most-favored-nation (MFN) rates of duty, ^{1/} final concession rates granted under the Tokyo round of the Multilateral Trade

^{1/} The col. 1 rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. The Peoples's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment. However, these rates would not apply to products of developing countries where such articles are eligible for preferential treatment provided under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

Negotiations (MTN), 1/ rates of duty for least developed developing countries (LDDC's), 2/ and column 2 duty rates 3/ are shown in table I-2. 4/ Imports of cold-rolled sheet are dutiable at the column 1 (MFN) rate of 6.6 percent ad valorem as of January 1, 1984. They are not eligible for duty-free treatment under the GSP, 5/ but imports from the LDDC's are granted a preferential rate of 5.1 percent ad valorem. In addition, imports from designated beneficiary countries may be eligible for duty-free entry under the Caribbean Basin Initiative (CBI). 6/.

In addition to the import duties shown in table I-2, countervailing duties are currently in effect with respect to imports from Argentina, Brazil, and Spain. 7/ In other actions in recent years, the Commission determined that there was no reasonable indication that an industry in the United States was materially injured, or threatened with material injury, by reason of imports of cold-rolled sheet (alleged to be subsidized) from Belgium, Brazil, 8/ Korea, Luxembourg, and the United Kingdom. Similar determinations were made in cases on imports of cold-rolled sheet alleged to be sold in the United States at less than fair value from Belgium, Luxembourg, and the United Kingdom.

1/ Final concession rates granted under the Tokyo round of the MTN are the result of staged duty reductions of col. 1 rates which began Jan. 1, 1980. The reductions will occur annually, with the final rates becoming effective Jan. 1, 1987.

2/ The preferential rates in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items and apply to covered products of the LDDC's enumerated in general headnote 3(d) of the TSUSA. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in col. 1 applies.

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

4/ Preferential rates for LDDC's are those shown in the column entitled "Jan. 1, 1987."

5/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, as enacted in title V of the Trade Act of 1974 and implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985. It provides for duty-free entry of eligible articles imported directly from designated beneficiary developing countries.

6/ The CBI is a program of nonreciprocal tariff preferences granted by the United States to developing countries in the Caribbean Basin area to aid their economic development by encouraging greater diversification and expansion of their production and exports. The CBI, as enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation No. 5133 of Nov. 30, 1983, applies to merchandise entered or withdrawn from warehouse for consumption on or after Jan. 1, 1984, and is scheduled to remain in effect until Sept. 30, 1995. It provides for duty-free entry of eligible articles imported directly from designated countries in the Caribbean Basin area.

7/ Imports from the Republic of South Africa are also subject to countervailing duties; the current level, however, is 0.00 percent.

8/ The negative determination was made in February 1982, while the affirmative determination mentioned above was made in May 1984.

Table I-2.—Cold-rolled carbon steel sheet: U.S. rates of duty as of Jan. 1, 1983, Jan. 1, 1984, and Jan. 1, 1987, by TSUSA items

(Cents per pound; percent ad valorem)

TSUSA item No.	Article	Rate of duty			
		Col. 1			Col. 2
		Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1987 1/	
607.8320	Carbon steel plate, not coated or plated with metal, not clad, and not pickled.	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8350	Carbon steel sheet, not coated or plated with metal, not clad, and not pickled, painted, or varnished.	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8355	Carbon steel sheet, not coated or plated with metal and not clad, not pickled, having a minimum yield point of 40,000 lb. PSI	7.0%	6.6%	5.1%	0.2¢ + 20%
607.8360	Carbon steel sheet, not coated or plated with metal, not clad, and not pickled, other.	7.0%	6.6%	5.1%	0.2¢ + 20%

1/ LDDC rate.

Petitioners withdrew unfair trade complaints involving cold-rolled sheet from France, Italy, the Netherlands, and West Germany to bring into effect the Arrangement Concerning Trade in Certain Steel Products, which was concluded by the European Coal and Steel Community and the United States in October 1982. Under the Arrangement, exports from the European Community to the United States of 10 categories of steel products are to be limited to specified shares of apparent U.S. consumption from November 1, 1982, through December 31, 1985. Cold-rolled carbon steel sheet is included in a category in which exports are limited to 5.11 percent of consumption. Petitioners also withdrew the antidumping complaint involving cold-rolled sheet from South Africa after that country agreed to restrict its exports to the United States.

U.S. Producers

There were 14 known firms in the United States producing cold-rolled carbon steel sheet during 1982 and 1983. Most of these firms are located in the Great Lakes region and Pennsylvania. The following tabulation, which was compiled from data obtained in response to Commission questionnaires, shows the principal producers and each firm's share of total U.S. producers' shipments of cold-rolled sheet, as reported by the American Iron & Steel Institute (AISI) in 1983 (in percent):

<u>Firm</u>	<u>Market share</u>	<u>Location</u>
Armco, Inc. (Armco)-----	***	Middletown, Ohio
Bethlehem Steel Corp. (Bethlehem)	***	Burns Harbor, Ind. Sparrows Point, Md. Mansfield, Ohio
Inland Steel Co. (Inland)-----	***	East Chicago, Ind.
Jones and Laughlin Steel_____ Co., Inc. (J&L)	***	East Chicago, Ind. Cleveland, Ohio Aliquippa, Pa. Hennepin, Ill. Pittsburgh, Pa.
National Steel Co.----- (National)	***	Granite City, Ill. Detroit, Mich. Portage, Ind. Weirton, W. Va.
Republic Steel Co., (Republic)	***	Gadsden, Ala. Cleveland, Ohio Niles, Ohio Warren, Ohio
Rouge Steel Co., Inc. (Rouge)-	***	Detroit, Mich.
U.S. Steel-----	***	Pittsburgh, Pa. Gary, Ind. Cleveland, Ohio Dravosburg, Pa. Fairless Hills, Pa.

The production of cold-rolled carbon steel sheet is heavily concentrated in the United States, with the three largest producers having accounted for about *** percent of total U.S. producers' shipments in 1983.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 19 firms that imported cold-rolled carbon steel sheet from Korea during January 1983-April 1984. Most of the larger importers are trading companies that deal in a variety of steel products from a number of countries.

Apparent U.S. Consumption

Apparent U.S. consumption of cold-rolled sheet decreased from 15.3 million tons in 1981 to 12.1 million tons in 1982, but then rose to 15.3 million tons in 1983 (table I-3). According to industry sources, the increase in apparent consumption during 1983 was due primarily to increasing demand in the automotive industry. As shown in table I-3, imports took an increasing share of the market, from 10 percent in 1981 to 15 percent in 1983. In January-March 1984, imports accounted for 20 percent of apparent U.S. consumption of cold-rolled sheet.

Table I-3.—Cold-rolled carbon steel sheet: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1981-83, January-March 1983, and January-March 1984

Year	Shipments	Imports	Exports	Apparent consump- tion	Ratio of imports to—	
					Shipments	Con- sumption
	1,000 short tons				Percent	
1981	13,748	1,546	44	15,250	11.2	10.1
1982	10,565	1,599	22	12,142	15.1	13.2
1983	12,995	2,331	9	15,317	17.9	15.2
January–March—						
1983	2,960	387	5	3,342	13.1	11.6
1984	3,537	889	8	4,418	25.1	20.1

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.

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of cold-rolled carbon steel sheet fell sharply from 12.3 million tons in 1981 to 8.8 million tons in 1982 and then rose to 11.7 million tons in 1983 (table I-4). Production in January-March 1984 was 3.2 million tons, representing an increase of 18 percent from that reported in the corresponding period of 1983. Total productive capacity for cold-rolled sheet declined slightly during 1981-83, from 17.6 million tons in 1981 to 16.9 million tons in 1983. Capacity utilization decreased from 69.8 percent in 1981 to 50.8 percent in 1982 but then increased to 68.9 percent in 1983. Capacity utilization reached 74.5 percent in January-March 1984.

Table I-4.—Cold-rolled carbon steel sheet: U.S. production, capacity, 1/ and capacity utilization, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Production <u>2/</u> —1,000 short tons—	12,285	8,820	11,662	2,666	3,152
Capacity—do—	17,596	17,368	16,923	4,230	4,230
Capacity utilization <u>3/</u> —percent—	69.8	50.8	68.9	63.0	74.5

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

2/ U.S. producers submitting usable data together accounted for 88 percent of total shipments of cold-rolled sheet in 1983, as reported by the American Iron & Steel Institute.

3/ Calculated from unrounded numbers.

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

U.S. producers' domestic shipments

U.S. producers' domestic shipments of cold-rolled sheet are presented in table I-5. Domestic shipments of cold-rolled sheet fell from 10.4 million tons in 1981 to 7.7 million tons in 1982, or by 26 percent; shipments recovered in 1983, rising to 9.8 million tons. In January-March 1984, shipments rose by 19 percent compared with shipments in the corresponding period of 1983.

Table I-5.—Cold-rolled carbon steel sheet: U.S. producers' domestic shipments, 1/ 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Quantity—1,000 tons—	10,398	7,730	9,841	2,241	2,656
Value—million dollars—	4,520	3,373	4,302	778	931
Unit value <u>2/</u> —per ton—	\$435	\$436	\$437	\$347	\$351

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires. Excludes intercompany and intracompany transfers.

2/ Calculated from unrounded numbers.

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

A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of cold-rolled sheet is presented in the following tabulation:

<u>Year</u>	<u>AISI</u> <u>shipments</u> <u>(1,000 tons)</u>	<u>Questionnaire</u> <u>shipments 1/</u> <u>(1,000 tons)</u>	<u>Coverage</u> <u>(percent)</u>
1981—	13,748	11,127	81
1982—	10,565	8,243	78
1983—	12,995	10,528	81

1/ Including exports and intercompany and intracompany transfers.

U.S. producers' exports

U.S. producers' exports of cold-rolled sheet declined from 27,761 tons in 1981 to 5,770 tons in 1982 and 5,322 tons in 1983, but rose in January-March 1984 (table I-6).

Table I-6.—Cold-rolled carbon steel sheet: U.S. producers' exports
1981-83, January-March 1983, and January-March 1984

<u>Item</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>January-March—</u>	
				<u>1983</u>	<u>1984</u>
Quantity—tons—	27,761	5,770	5,322	1,096	1,391
Value—1,000 dollars—	13,269	3,093	3,710	523	868
Unit value—per ton—	\$478	\$536	\$697	\$477	\$624

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

U.S. producers' inventories

End-of-period inventories of cold-rolled sheet, as reported by U.S. producers in response to the Commission's questionnaires, remained small during 1980-83. Such inventories were equal to about 8 percent of the responding producers' shipments in each of these periods. Reported end-of-period inventories are shown in the following tabulation (in thousands of tons):

Inventories

<u>As of Dec. 31—</u>	
1980—	792
1981—	864
1982—	614
1983—	816
<u>As of Mar. 31—</u>	
1983—	626
1984—	872

U.S. employment, wages, and productivity

The number of production and related workers producing cold-rolled carbon steel sheet fell by 24 percent in 1982 but rose by 18 percent in 1983 to 32,004 workers. Similarly, hours worked by these workers dropped by 27 percent from 1981 to 1982 but rose by 23 percent in 1983 (table I-7).

Wages and total compensation ^{1/} paid to production and related workers producing cold-rolled carbon steel sheet are shown in table I-8. Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table I-9. As shown, productivity fell slightly in 1982 but increased by 9 percent in 1983, and hourly compensation rose in 1982 but fell in 1983.

Table I-7.—Average number of production and related workers producing cold-rolled carbon steel sheet and hours paid ^{1/} for such workers, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Production and related workers:					
Number—	35,715	27,157	32,004	29,681	31,148
Percentage change—	<u>2/</u>	-24.0	17.8	<u>2/</u>	4.9
Hours worked by production and related workers:					
Number—1,000 hours—	71,976	52,493	64,620	14,779	16,104
Percentage change—	<u>2/</u>	-27.1	23.1	<u>2/</u>	9.0

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

^{2/} Not available.

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

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

Table I-8.—Wages and total compensation 1/ paid to production and related workers producing cold-rolled carbon steel sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Wages paid to production and related workers:					
Value—million dollars—	1,084	936	942	222	243
Percentage change—	<u>2/</u>	-22.9	12.7	<u>2/</u>	9.4
Total compensation paid to production and related workers:					
Value—million dollars—	1,409	1,151	1,386	331	342
Percentage change—	<u>2/</u>	-18.3	20.4	<u>2/</u>	3.3

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

2/ Not available.

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

Table I-9.—Labor productivity, hourly compensation, and unit labor costs in the production of cold-rolled sheet, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Labor productivity:					
Quantity—tons per hour—	0.1543	0.1512	0.1650	0.1634	0.1777
Percentage change—	<u>1/</u>	-2.0	9.1	<u>1/</u>	8.8
Hourly compensation: <u>2/</u>					
Value—per hour—	\$15.06	\$15.93	\$14.58	\$15.02	\$15.09
Percentage change—	<u>1/</u>	5.8	-8.5	<u>1/</u>	0.5
Unit labor costs: <u>3/</u>					
Value—per ton—	\$126.86	\$145.04	\$130.01	\$137.06	\$119.40
Percentage change—	<u>1/</u>	14.3	-10.4	<u>1/</u>	-12.8

1/ Not available.

2/ Based on wages paid excluding fringe benefits.

3/ Based on total compensation paid.

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

Financial experience of U.S. producers on their
operations on cold-rolled carbon steel sheet

Income-and-loss data were received from nine firms, accounting for 75 percent of total shipments of cold-rolled carbon steel sheet (as reported by the AISI) in 1983. These data are presented in table I-10. The nine responding producers' net sales of such merchandise declined from \$4.9 billion in 1981 to \$3.6 billion in 1982, or by 26 percent, and then rose by 28 percent to \$4.7 billion in 1983.

All nine responding firms reported operating losses in 1982 and 1983, and eight did so in 1981. Their combined operating losses grew from \$301 million (6.1 percent of net sales) in 1981 to \$641 million (17.6 percent of net sales) in 1982 and then fell to \$317 million (6.8 percent of net sales) in 1983. In the aggregate, the nine responding firms experienced a negative cash flow each year, ranging from \$184 million in 1981 to \$528 million in 1982.

Table I-10.—Income-and-loss experience of 9 U.S. producers ^{1/} on their operations producing cold-rolled carbon steel sheet, accounting years 1981-83 and interim periods ended Mar. 31, 1983, and Mar. 31, 1984

Item	1981	1982	1983	Interim period ended Mar. 31—	
				1983	1984
Net sales—million dollars—	4,908	3,634	4,653	1,032	1,298
Cost of goods sold—do—	5,032	4,094	4,782	1,127	1,259
Gross income or (loss)—do—	(124)	(460)	(129)	(95)	39
General, selling, and administrative expenses—do—	177	181	188	49	50
Operating income or (loss)—do—	(301)	(641)	(317)	(144)	(11)
Depreciation and amortization expenses ^{2/} —million dollars—	117	113	105	29	25
Cash flow or (deficit) from operations ^{2/} —do—	(184)	(528)	(212)	(115)	14
Ratio to net sales of—					
Gross income or (loss) percent—	(2.5)	(12.7)	(2.8)	(9.2)	3.0
Operating income or (loss)—do—	(6.1)	(17.6)	(6.8)	(14.0)	(0.8)
Cost of goods sold—do—	102.5	112.7	102.8	109.2	97.0
General, selling, and administrative expenses—do—	3.6	5.0	4.0	4.7	3.9
Number of firms reporting losses—	8	9	9	9	3

^{1/} These 9 firms together accounted for 75 percent of 1983 shipments of cold-rolled sheet, as reported by the AISI.

^{2/} Only 6 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

Aggregate operating losses declined sharply from \$144 million, or 14.0 percent of net sales in January-March 1983, to \$11 million, or 0.8 percent of net sales, in the corresponding period of 1984.

Four U.S. producers supplied data relative to their capital expenditures for buildings, machinery, and equipment used in the production of cold-rolled carbon steel sheet, and six U.S. producers supplied data relative to their research and development expenditures, as shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Capital expenditures</u>	<u>Research and development expenses</u>
1981-----	101,435	12,160
1982-----	87,004	11,730
1983-----	79,645	9,594
January-March--		
1983-----	13,056	877
1984-----	13,786	886

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 allegedly 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 the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of cold-rolled carbon steel sheet and of their U.S. market penetration is presented in the section of this part of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly Subsidized Imports." Available data on foreign producers' capacity, production, and exports were presented in the introductory part of the report.

The Commission sent questionnaires to 12 firms which were believed to have imported cold-rolled sheet from Korea. Five firms, accounting for approximately *** percent of such imports in 1983, reported that they had imported the subject products from Korea. Of the *** tons imported by the responding firms in 1983, inventories held as of the end of that period totaled *** tons, or *** percent of their reported imports.

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

U.S. imports

Imports from all sources.—Aggregate U.S. imports of cold-rolled carbon steel sheet increased steadily from 1.5 million tons in 1981 to 2.3 million tons in 1983, or by more than 50 percent during the period (table I-11). Their average unit value declined from \$390 a ton in 1981 to \$374 a ton in

Table I-11.—Cold-rolled carbon steel sheet: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Source	1981	1982	1983	January-March—	
				1983	1984
Quantity (1,000 short tons)					
Korea	101	66	191	28	97
Brazil	19	45	343	46	106
Argentina	2/	104	121	27	59
South Africa	40	42	103	9	24
Spain	62	48	67	—	60
Japan	383	296	559	108	226
West Germany	380	396	309	44	71
All other	562	603	639	125	246
Total	1,546	1,599	2,331	387	889
Value (million dollars)					
Korea	38	24	61	9	33
Brazil	8	15	101	14	32
Argentina	2/	33	37	8	18
South Africa	14	15	30	3	5
Spain	26	19	19	0	19
Japan	155	124	204	40	84
West Germany	150	146	113	15	27
All other	213	222	210	40	85
Total	603	598	773	129	303
Unit value					
Korea	\$382	\$369	\$319	\$327	\$341
Brazil	410	338	293	299	303
Argentina	417	321	304	286	300
South Africa	348	364	291	284	207
Spain	411	388	283	—	324
Japan	404	418	364	372	373
West Germany	393	368	366	348	378
All other	379	368	329	320	346
Average	390	374	332	334	341

1/ Includes imports under TSUSA items 607.8350, 607.8355, and 607.8360. Although imports of cold-rolled sheet entered under TSUSA item 607.8320 are included within the scope of the investigation, such imports are believed to be negligible.

2/ In 1981, 1 short ton of cold-rolled carbon steel sheet was imported from Argentina. It was valued at less than \$500.

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

Note.—Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

1982 and \$332 a ton in 1983. About 889,000 tons was imported during January–March 1984, at an average unit value of \$341 per ton, compared with 387,000 tons, at an average unit value of \$334 per ton, in the corresponding period of 1983.

Imports from Korea.—Imports of cold-rolled carbon steel sheet from Korea declined from 101,000 short tons in 1981 to 66,000 short tons in 1982, or by 35 percent, before increasing to 191,000 short tons in 1983. Imports from Korea continued to increase in January–March 1984, to 97,000 short tons, compared with imports of 28,000 short tons in January–March 1983. The average unit value of these imports dropped from \$382 per ton in 1981 to \$319 per ton in 1983 but then increased to \$341 per ton in January–March 1984.

U.S. market penetration

Imports from all sources.—Market penetration of cold-rolled sheet imported from all countries increased steadily from 10.1 percent of apparent U.S. consumption in 1981 to 15.2 percent in 1983 and then increased to 20.1 percent in January–March 1984 (table I-12).

Table I-12.—Cold-rolled carbon steel sheet: 1/ Ratios of imports from Korea and all countries to apparent U.S. consumption, 2/ 1981–83, January–March 1983, and January–March 1984

(In percent)						
Source	1981	1982	1983	January–March		
				1983	1984	
Korea	0.7	0.5	1.2	0.8	2.2	
All countries	10.1	13.2	15.2	11.6	20.1	

1/ Includes imports under TSUSA items 607.8350, 607.8355, and 607.8360. Although imports of cold-rolled sheet entered under TSUSA item 607.8320 are included within the scope of this investigation, such imports are believed to be negligible.

2/ Consumption calculated as the sum of U.S. producers' domestic shipments and imports for consumption.

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

Imports from Korea.—Market penetration of cold-rolled sheet imported from Korea increased irregularly from 0.7 percent of apparent U.S. consumption in 1981 to 1.2 percent in 1983. During January–March 1984, Korea's share of the market increased to 2.2 percent compared with 0.8 percent in the corresponding period of 1983.

Prices

Market conditions in industries that require steel sheet as an input, such as automobiles, construction, energy, and utilities, have an effect on demand for, and prices of, cold-rolled sheet. For example, the auto industry has experienced declining demand for large cars and has begun to produce smaller, lighter cars. This has reduced the demand for steel sheet and in turn has had a dampening effect on sheet prices. Moreover, overall demand for hot- and cold-rolled steel sheet and their prices depend, to a large extent, on the levels of activity in the automobile industry. Thirty-two percent of the cold-rolled sheet (and 22 percent of the hot-rolled sheet) produced domestically was used by the auto industry in 1983. The industrial production index for automobiles and utility vehicles showed a sharp decline from late 1981 into early 1982, some recovery in mid-1982, and then a strong recovery from mid-1983 through January-March 1984 (table I-13). Another large user of cold-rolled steel sheet is the household appliance industry. Industrial production in this market was generally depressed during 1982 and early 1983, with a fairly strong recovery shown in late 1983 and January-March 1984.

Prices of steel sheet are usually quoted f.o.b. mill in terms of dollars per ton. ^{1/} Prices consist of a base price for each product plus additional charges for extras such as variations in length, width, thickness, chemistry, and so forth. Price changes are accomplished by changing the base price, the charges for extras, or both. According to data on list prices collected by the Bureau of Labor Statistics (BLS), domestic producers of steel sheet announced five base price increases and one decrease during January 1979-July 1982. Since then, there have been two more announced price increases, both in 1983. A base price increase, which averaged approximately 7 percentage points, was announced in September 1983. The most current information obtained from the BLS shows that the prices for cold-rolled sheet increased by about 5 percent during October 1983-April 1984. During recent years, discounting from list prices characterized this market. Such competitive allowances have lessened since mid-1983.

Trends in prices.—The Commission asked domestic producers and importers for their selling prices to steel service centers/distributors (SSC's) and end users for three cold-rolled carbon steel sheet products (products 1 through 3 ^{2/}), by quarters, during January 1982-June 1984. Domestic producers' selling prices are weighted-average, f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers' selling prices are 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 in a particular market area, but are useful for comparing trends in these prices and should reflect general patterns of underselling and any discounting that may have occurred. The f.o.b. net selling prices reported by domestic producers and importers are presented in table I-14.

^{1/} 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.

^{2/} Product specifications are provided in app. D.

Table I-13.—Seasonally adjusted industrial production index for household appliances and automobiles, by quarters, January 1981–March 1984

(January–March 1981=100)		
Period	Household appliances	Automobiles and utility vehicles
1981:		
January–March	100.0	100.0
April–June	95.2	116.3
July–September	99.5	114.1
October–December	77.8	85.0
1982:		
January–March	77.0	75.5
April–June	80.0	100.6
July–September	84.0	104.0
October–December	85.1	84.1
1983:		
January–March	88.2	105.1
April–June	89.8	115.5
July–September	97.1	136.1
October–December	100.0	139.4
1984:		
January–March	107.8	150.0

Source: Data Resources, Inc., Central Data Bank.

Domestic producers' prices for the three cold-rolled sheet products generally reflect a steady downward trend in 1982 followed by a stronger upturn in mid-1983 that continued through June 1984. This pattern occurred in sales to both end users and SSC's.

The weighted-average domestic price of product 1 in sales to end users declined by 7 percent from a level of \$448 per ton in January–March 1982 to \$418 per ton in January–March 1983 before climbing steadily to \$461 per ton in April–June 1984. Prices of representative products 2 and 3 reflect quite similar patterns, ending the subject period at levels 4 to 8 percent (\$18 to \$33) above the January–March 1982 levels. Domestic prices of these products sold to SSC's reflect a similar pattern but at price levels about 5 percent lower than the average prices to end users.

Importers' selling prices for cold-rolled sheet from Korea cover only product 1. Sales of this imported product to end users show a general pattern that parallels the domestic trend except that the decline was sharper and the recovery weaker. During 1982, the import price fell by *** percent (***) from \$*** per ton to \$*** per ton. The trend reversed in 1983 and 1984 as prices climbed by *** percent to a level of \$*** in January–March 1984.

The import price trend in sales to SSC's shows a longer downward path. Weighted-average prices fell steadily during 1982 and continued to fall during January–June 1983. Overall, prices dropped by *** percent from an initial period high of \$*** per ton to a period low of \$*** per ton in April–June 1983. Prices then climbed to an average of \$*** per ton in April–June 1984.

Table I-14.—Ranges and weighted-average net selling prices for the largest sales of imports from Korea and of domestic products and the average margins by which imports from Korea undersold or oversold (-) domestic products, by types of customers, by types of products, and by quarters, January 1982-June 1984

* * * * *

Margins of underselling.—Table I-14 also shows the margins by which imported Korean cold-rolled sheet undersold (or oversold) the competing domestic product. Of the 10 comparisons for sales to end users, three show margins of overselling by *** to *** percent (\$*** to \$*** per ton); two examples occurred at the beginning of the subject period (January–June 1982), and one occurred in April–June 1984. Six comparisons show underselling by imports, ranging from *** to *** percent (\$*** to \$*** per ton). In a single instance there is no margin.

Reported data provided 10 price comparisons of domestic and imported Korean cold-rolled sheet product 1 sold to SSC's. Five comparisons of sales during 1982 and January–March 1983 showed overselling by the imported product. Margins ranged from *** to *** percent (\$*** to \$*** per ton). During the past year (July 1983–June 1984), the comparisons show a single example of overselling by a *** percent margin (\$*** per ton) and three instances of imports underselling the domestic product by margins of *** to *** percent (\$*** to \$*** per ton).

Transportation costs

Due to the fact that cold-rolled carbon steel sheet and structural shapes have a low value per unit of weight compared with other manufactured goods, the transportation costs are an important factor in marketing these steel products in the United States. Currently, most domestic carbon steel production of these products comes from mills located in the "steel belt" ^{1/} area. Since significant quantities of cold-rolled sheet and structural shapes are consumed in areas far from the production centers, the cost of transportation becomes an important factor when competing with the imported steel products.

Most of these domestic steel products are shipped either by truck or by rail; however, it has become very difficult to obtain reliable transportation cost data due to the deregulation of the U.S. rail and trucking industries. Trucks are usually used for shipping steel within a 500-mile radius of the steel mill. When longer distances are involved, the shipments are made by rail or, if feasible, by barge. ^{2/}

Conversations with steel service center and domestic mill officials indicate that port-proximate markets for imported steel incur small inland freight costs (generally less than \$7 per ton). In contrast, domestic product freight costs, notwithstanding freight equalization charges, are frequently more than \$30 per ton, a considerable freight cost disadvantage. Freight costs from domestic mills to more distant markets (e.g., Gary, Ind. to Los Angeles) might amount to as much as \$100 per ton. Such additional costs to purchasers make imports sourcing, especially on the gulf and west coasts, often a more attractive alternative.

^{1/} Illinois, Indiana, Ohio, and Pennsylvania .

^{2/} On a ton-mile basis, 60 percent of sheet and strip shipments in 1977 was by rail, and 39 percent, by truck. U.S. Bureau of the Census, Census of Transportation, 1980, vol. 1, p. 20.

Exchange rates

The recent strength of the U.S. dollar against most major currencies has led to claims that foreign steel producers have increased in competitiveness vis-a-vis U.S. producers. Indeed, because the dollar now buys more foreign currency than before, imported steel should be less expensive for U.S. purchasers. However, there are several reasons why the fall in the price of foreign steel may not have been as great as the percentage appreciation of the dollar. If foreign producers import raw materials from the United States or from countries whose currencies are tied to the dollar, a portion of their costs will rise with the dollar. Also, foreign producers may choose to increase their profits by lowering their dollar prices by less than the depreciation would allow, thereby not passing on the full cost reduction to consumers. They could then possibly increase their sales volume, their per unit price, or both.

Quarterly data reported by the International Monetary Fund on the value of the Korean won indicate that during January 1981-March 1984 the quarterly nominal value of the won declined by 14 percent relative to the U.S. dollar and that the quarterly real value 1/ of the won depreciated by a total of 16 percent, 2/ as shown in the following tabulation (January-March 1981=100):

	<u>Dollars</u> <u>per won,</u> <u>nominal rate</u>	<u>Dollars</u> <u>per won,</u> <u>real rate</u>
1981:		
January-March	100	100
April-June	98	101
July-September	97	102
October-December	97	102
1982:		
January-March	94	99
April-June	92	97
July-September	90	95
October-December	90	95
1983:		
January-March	89	94
April-June	87	91
July-September	85	90
October-December	84	87
1984:		
January-March	86	84

1/ The real value of a currency is the absolute value adjusted for the differences between inflation rates in the United States and the foreign country.

2/ The above percentage changes indicate the maximum amount that the Korean producers could reduce their dollar prices of the subject products without reducing their profits, assuming they had no dollar-denominated costs or contracts.

Lost sales

Domestic producers, for the most part, did not provide specific allegations of lost sales of cold-rolled carbon steel sheet to imports from Korea. * * *, however, provided two specific allegations naming Korea as the competing import source. These allegations involved two purchasers, one in the east and another on the west coast. Both purchasers were contacted. The two allegations, in aggregate lost volume, totaled *** tons of cold-rolled sheet.

The first instance involved * * *, located in * * *. * * * allegedly bought *** tons of cold-rolled sheet imported from Korea in the * * * at a price of \$*** per ton compared with a domestic price of \$*** per ton. The facts concerning this allegation have not yet been disclosed by * * *.

A second allegation named * * * of * * *, as the purchaser of *** tons of Korean cold-rolled sheet (class I, commercial quality) for * * * delivery. * * * alleged that the import price of \$*** per ton was \$*** below the discounted domestic price quote (\$*** per ton). * * *, executive of the firm, acknowledged ordering the imported cold-rolled sheet, but stated that it may or may not be Korean when it arrives, since * * * made the buy from * * *. * * * guarantees that the steel will be from a good mill but does not identify the exact mill source in advance. The previous purchase of cold-rolled sheet from * * * turned out to be one-half Korean and one-half West German. A Korean trading company did quote direct to * * *, but at a higher price than * * *'s \$*** per ton for the contracted shipment. * * * stated that the spread between the domestic price quote and the accepted import price quote was about as alleged. Recently, he noted, prices of cold-rolled sheet have begun turning up, and * * * is taking a long position (1-year supply) on its orders in order to gain the price benefit. According to * * *, the imported cold-rolled sheet is as good as, if not better than, domestic quality. Price, however, is the major source determinant. Finally, * * * added that * * * buys from approved vendors and that buyers have to be careful about purchasing from Spanish, South African, and South American mills. The value of these lost sales totaled \$***.

Lost revenue

* * * provided eight instances of alleged lost revenue as a result of price reductions on sales of cold-rolled sheet in competition with imported Korean cold-rolled sheet. These allegations named five purchasers and totaled *** tons of cold-rolled sheet, valued at \$*** million.

One allegation named * * *, an * * *, as a purchaser of the domestic product in *** instances after * * * discounted its price to a level within \$*** per ton of the competing import price per ton. The *** instances involved quotes made in * * * for quantities of cold-rolled sheet ranging from *** to *** tons. The alleged domestic accepted quotes ranged from \$*** per ton to \$*** per ton compared with competing quotes on Korean sheet of \$*** to \$*** per ton. * * *, purchasing manager at * * *, confirmed the aggregate volume of *** tons. The price levels were about as alleged. As for the question of who was the price setter in the market at that time, * * * asserts that Brazil, not Korea, was setting the price on cold-rolled sheet. * * *.

In order to sell, * * * had to come close to the competing Brazilian price quotes, says * * *. Currently, cold-rolled sheet prices to * * * are \$*** per ton (actual price) for the Korean product, \$*** per ton (actual price) for Japanese sheet, and \$*** per ton (delivered) from * * *. The price increase this reflects from earlier in 1984 is not because of an increase in demand, * * * emphasizes, but because of a decrease in supply.

Another allegation cites * * * as purchaser of *** tons of cold-rolled sheet in the first quarter of 1984, after * * * reduced its price to \$*** per ton to meet a competing price of \$*** per ton for the Korean sheet. * * * had listed an initial domestic offer price of \$***, which was a bit higher than the \$*** figure recalled by * * *, purchasing manager. * * * agreed that the accepted price and competing price of the Korean product were "fairly accurate prices." Although * * * bought the domestic sheet, he stated that * * * follows a very flexible source pattern because of the dynamic market, going from one foreign source to another. More recently, "nontraditional" sources have been used. * * * says the quality of steel from the Orient is better. Permanent layoffs and rationalization efforts have caused cutbacks in labor and affected domestic quality, he believes. His rule is to "try to get as good a product as possible at as economic a price" as he can obtain. As for the current market, he states that earlier this year domestic sources were pushing scare buying, urging buyers to hedge against "longer lead time" and "possible allocation." Buyers responded, but since then, demand for cold-rolled sheet has softened and there has been significant inventory overhang and price deterioration. On the other hand, * * * also fears the adverse impacts on price that possible 201 relief may bring, an amount some say could be as much as \$*** per ton.

A third allegation named * * * as having purchased *** tons of full-hard, cold-rolled sheet from * * * in * * *, after its price was reduced from \$*** to the \$*** per ton level of competing imported Korean sheet. * * * affirmed the purchase but explained that the decision was more complicated than simply price. * * * had tried a small quantity of Korean sheet. It proved to be "most expensive." * * * makes * * *, a 20,000-ton annual market for cold-rolled sheet. Most * * * use galvanized sheet and "roll form" it. * * *. 1/ This new cold-rolled sheet product opens a new market for prime steel that is now competing with "secondary" cold-rolled and secondary galvanized sheet previously used for * * *. * * * believes that * * * was attracted by this new market opportunity more than by import competition as a catalyst for quoting an attractive price. * * * has bought cold-rolled sheet from Mexico and from Japan as second sources, but is dependent on * * * for the bulk of the firm's supply.

* * *, was another * * * firm named as buying *** tons of cold-rolled sheet from * * * after the domestic quote was reduced to almost the level of the competing Korean product. * * *, purchasing manager of the manufacturing firm, acknowledged the * * * purchase, stating that he buys *** to *** tons out of * * * each year. * * * had quality problems of gage and hardness, says

1/ * * *

* * *. Although the purchase decision is largely a price question, he adds that if you had equal price, the decision would go to the foreign source. The import competition was not just Korea, he notes, but also Brazil and Japan. However, there were times during the recent recesssion when * * * quoted even below the price of competing imports. * * * emphasized that without imports the supply is inadequate. Dependable supply of cold-rolled sheet is critical to his firm: cold-rolled sheet is *** percent of the company's volume.

A final allegation involved * * *. In this instance * * * allegedly received a *** ton order of cold-rolled sheet from * * * after cutting its price from \$*** to \$*** per ton in competing against Korean sheet. Delivery is scheduled for the fourth quarter of 1983. This purchaser could not be contacted.

PART II. CARBON STEEL STRUCTURAL SHAPES

Introduction

This part of the report presents information relating specifically to carbon steel structural shapes. As indicated previously, following receipt on June 18, 1984, of petitions filed by U.S. Steel, the Commission instituted a preliminary countervailing duty investigation 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 allegedly subsidized imports of carbon steel structural shapes from Korea (investigation No. 701-TA-219 (Preliminary)).

The Products

Description and uses

Carbon steel structural shapes are steel products produced by passing ingots and semifinished steel products such as blooms and billets through a series of grooved rolls. The rolls gradually shape the products to desired contours and dimensions (making the products identifiable from other finished steel products by their cross-sectional configuration and shape). Usually such products consist of flat surfaces joined together at angles. Domestically produced and imported products are generally produced by the same methods and are comparable in quality when produced to standard specifications.

For purposes of this investigation, structural shapes are defined as hot-rolled, forged, extruded, or drawn, or cold-formed or cold-finished angles, shapes, and sections, of other than alloy iron or steel, having a maximum cross-sectional dimension of 3 inches or more; weighing over 0.29 pounds per linear foot; not drilled, not punched, and not otherwise advanced. Such angles, shapes, and sections do not conform completely to the specifications given in the headnotes to Schedule 6, part 2 of the TSUSA for blooms, billets, slabs, sheet bars, bars, wire rods, plates, sheets, strip, wire, rails, joint bars, or tie plates, as set forth in the TSUSA and do not include any tubular products, as provided for in items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045 of the TSUSA. Shapes having a maximum cross-sectional dimension of less than 3 inches are generally referred to as bar-size shapes and are not covered by this investigation.

Structural shapes include a variety of shapes, notably, wide-flange beams, H-piles, I-beams, angles, channels, bulb angles, tees, and zeeks. Standard shapes such as angles, channels, and standard beams are produced on structural mills, with the type of product determined by the shape of the pass grooves. These differ from structural mills used for producing wide-flange beams and H-piles, which are equipped with supplementary vertical rolls and horizontal edging rolls.

Special sections are structural shapes other than regular shapes (e.g., I-beam, wide flange beams, H-beams, etc.) which are designed for specialized applications by the purchaser. Such sections are often produced by specially designed rolls and are frequently used as moving parts in complex machinery.

Major markets for carbon steel structural shapes, as reported by the AISI, are presented in Table II-1.

Table II-1.—Carbon steel structural shapes: U.S. producers' shipments, by major markets, 1981-83, January-March 1983, and January-March 1984

Market	1981	1982	1983	January-March	
				1983	1984
Quantity (1,000 tons)					
Steel service centers and distributors—————	1,056	576	387	105	164
Construction and contractors' products—————	1,928	1,470	1,421	320	409
Machinery, industrial equipment, and tools—————	164	88	54	13	16
Shipbuilding and marine equipment—————	122	40	32	6	14
All other—————	692	703	834	214	278
Total—————	3,962	2,877	2,728	658	881
Percent of total					
Steel service centers and distributors—————	26.7	20.0	14.2	16.0	18.6
Construction and contractors' products—————	48.7	51.1	52.1	48.6	46.4
Machinery, industrial equipment, and tools—————	4.1	3.1	2.0	2.0	1.8
Shipbuilding and marine equipment—————	3.1	1.4	1.2	.9	1.6
All other—————	17.5	24.4	30.6	32.5	31.6
Total—————	100.0	100.0	100.0	100.0	100.0

Source: American Iron & Steel Institute.

U.S. tariff treatment

For purposes of this investigation, carbon steel structural shapes are classified under items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045 of the TSUSA. Concessions granted by the United States at the Tokyo round of the MTN resulted in reductions in column 1 rates which began on January 1, 1980.

The final concession rates will become effective on January 1, 1987. Imports of structural shapes are dutiable at the column 1 (MFN) rate of 0.9 percent ad valorem as of January 1, 1984. They are not eligible for duty-free treatment under the GSP, and imports from the LDDC's are not granted preferential rates. However, such imports, if the product of designated beneficiary countries, are eligible for duty-free entry under the CBI.

The current U.S. rate of duty, as well as the rate which represents the final stage of duty reductions granted at the MTN, and column 2 duty rates are summarized in table II-2. Rates for LDDC's are those shown in the column entitled "Jan. 1, 1987." An explanation of the applicability of column 1, column 2, GSP, LDDC, and CBI rates of duty is presented in part I of this report.

In addition to the import duties shown in table II-2, countervailing duties are currently in effect with respect to imports from Spain. In other actions in recent years, the Commission determined that there was no reasonable indication that an industry in the United States was being materially injured, or threatened with material injury, by reason of imports (alleged to be subsidized) from Brazil.

Table II-2.—Carbon steel structural shapes: U.S. rates of duty as of Jan. 1, 1983, Jan. 1, 1984, and Jan. 1, 1987, by TSUSA items

(Percent ad valorem)						
TSUSA item No.	Article	Rate of duty				
		Col. 1			Col. 2	
		Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1987		
609.8005	H-piles	0.9%	0.9%	0.9%		2%
609.8015	Other wide-flange shapes or sections	0.9%	0.9%	0.9%		2%
609.8035	Angles	0.9%	0.9%	0.9%		2%
609.8041	Channels	0.9%	0.9%	0.9%		2%
609.8045	All others	0.9%	0.9%	0.9%		2%

Petitioners withdrew unfair trade complaints involving structural shapes from Belgium, France, Luxembourg, the United Kingdom, and West Germany to bring into effect the Arrangement Concerning Trade in Certain Steel Products, which was concluded by the European Coal and Steel Community and the United States in October 1982. Under the arrangement, exports from the EC to the United States of 10 categories of steel products are to be limited to specified shares of apparent U.S. consumption from November 1, 1982, through December 31, 1985. Structural shapes are included in a category in which exports are limited to 9.91 percent of consumption.

Petitioners also withdrew the antidumping complaint involving structural shapes from South Africa after that country agreed to restrict its exports to the United States.

U.S. Producers

The domestic carbon steel structural shapes industry consists of approximately 18 firms operating a combined total of 29 facilities. They are widely scattered throughout the United States and produce a variety of shapes in assorted sizes, weights, and dimensions. The following tabulation, which was compiled from data obtained in response to the Commission's questionnaires, shows the principal producers and each firm's share of total U.S. producers' shipments of carbon steel structural shapes (as reported by the AISI) in 1983:

Firm	Share of shipments (percent)
Bethlehem_____	***
CF&I_____	***
Chapparral_____	***
Inland_____	***
Northwestern_____	***
U.S. Steel_____	***

1/ Less than *** percent.

2/ * * *

As shown, the top four producers together accounted for *** percent of producers' shipments in 1983. All are equipped not only with standard structural or bar rolls for rolling most standard shapes such as angles, channels, and standard beams, but also with universal structural mills for rolling wide-flange beams and H-piles. * * *. 1/

* * * and * * *, the * * * and * * * largest producers, respectively, roll structural shapes at * * *. * * *. 2/ * * *.

The remaining producers are referred to as minimills. These producers are generally small-market mills that roll small angles, channels, and standard beams on an assortment of bar or light-structural mills. Minimills are concentrated primarily in the Southern States and represent a growing sector of the domestic steel industry. Principal producers and their plant locations are shown in the following tabulation:

1/ * * *

2/ * * *

<u>Producer</u>	<u>Location</u>
Armco_____	Houston Works, Tex. <u>1/</u> Middletown, Ohio
Bethlehem_____	Bethlehem, Pa. <u>1/</u> Los Angeles, Calif. Seattle, Wash.
Atlantic Steel Co_____	Atlanta, Ga.
Bayou Steel_____	LaPlace, La.
BW Steel, Inc. (Calumet Steel Co.)—	Chicago Heights, Ill.
Cascade Steel Rolling Mills (Oregon Div.)_____	McMinnville, Oreg.
CF&I (Colorado Fuel & Iron)_____	Pueblo, Colo. <u>1/</u>
Chaparral Steel Corp_____	Midlothian, Tex. <u>1/</u>
Conners Steel Co_____	Birmingham, Ala.,
Continental_____	Joliet, Ill.
Florida Steel Co_____	Jackson, Tenn.
Inland_____	East Chicago, Ind. <u>1/</u>
J&L_____	Aliquippa, Pa.
North Star Steel Co_____	Minneapolis, Minn.
Northwest Steel Rolling Mills, Inc—	Seattle, Wash.
Northwestern_____	Sterling, Ill. <u>1/</u>
Nucor Corp_____	Darlington, S.C. Norfolk, Nebr. Jewett, Tex. Plymouth, Utah
U.S. Steel_____	Fairfield, Ala. Homestead, Pa. <u>1/</u> Clairton, Pa. South Works, Ill. <u>1/</u> Geneva, Utah <u>1/</u>

1/ Facility that can roll wide-flange beams, H-piles, and most standard structural shapes.

U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies about 14 firms that imported carbon steel structural shapes from Korea during January 1983–April 1984. Most of the larger importers are trading companies that deal in a variety of steel products from a number of countries.

Apparent U.S. Consumption

Apparent U.S. consumption of carbon steel structural shapes decreased from 5.9 million tons in 1981 to 4.2 million tons in 1983 but then rose to 1.4 million tons in January–March 1984 compared with consumption of 923,000 tons in January–March 1983 (table II-3). As shown in the table, imports took an increasing market share, from 33.4 percent in 1981 to 35.2 percent in 1983, with a continued increase to 39.1 percent in January–March 1984 compared with 28.9 percent in the corresponding period of 1983.

Table II-3.—Carbon steel structural shapes: U.S. producers' shipments, imports for consumption, exports of domestically produced merchandise, and apparent U.S. consumption, 1981-83, January-March 1983, and January-March 1984

Period	Shipments	Imports	Exports	Apparent consump- tion	Ratio of	
					imports to—	
					Shipments	Con- sumption
	1,000 short tons				Percent	
1981	3,962	1,959	48	5,873	49.4	33.4
1982	2,877	1,462	17	4,322	50.8	33.8
1983	2,728	1,477	10	4,195	54.1	35.2
January-March						
1983	658	267	2	923	40.6	28.9
1984	881	564	2	1,443	64.0	39.1

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

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of carbon steel structural shapes fell sharply, from 3.3 million tons in 1981 to 2.1 million tons in 1982 and then declined again, to 1.7 million tons, in 1983. Production increased by 39 percent to 566,000 short tons in January-March 1984, compared with production in the corresponding period of 1983 (table II-4).

Capacity remained fairly steady throughout the period, decreasing by 1.5 percent in 1982, then dropping by 5 percent in 1983 and 4 percent in January-March 1984. Capacity utilization declined throughout 1981-83, from 58.2 percent in 1981 to 31.3 percent in 1983; it then increased, however, to 43.7 percent in January-March 1984 compared with 30.1 percent in January-March 1983.

U.S. producers' domestic shipments

U.S. producers' domestic shipments of structural shapes are presented in table II-5. Domestic shipments of structural shapes fell steadily from 3.2 million tons in 1981 to 1.6 million tons in 1983, a drop of 48.5 percent, then increased by 41.9 percent in January-March 1984.

Table II-4.—Carbon steel structural shapes: U.S. production, capacity, 1/ and capacity utilization, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Production <u>2/</u> —1,000 short tons—	3,362	2,074	1,684	407	566
Capacity—do—	5,777	5,693	5,412	1,352	1,296
Capacity utilization <u>3/</u> —percent—	58.2	36.4	31.1	30.1	43.7

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

2/ U.S. producers submitting usable data together accounted for 62 percent of total shipments of structural shapes in 1983, as reported by the American Iron & Steel Institute.

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

Table II-5.—Carbon steel structural shapes: U.S. producers' domestic shipments, 1/ 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March	
				1983	1984
Quantity—1,000 tons—	3,165	2,015	1,629	389	552
Value—million dollars—	1,372	880	647	155	192
Unit value <u>3/</u> —per ton—	\$433	\$437	\$397	\$398	\$348

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires. Excludes intercompany and intracompany transfers.

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

A comparison of information received in response to the Commission's questionnaires with information reported by the AISI on shipments of structural shapes is presented in the following tabulation:

<u>Year</u>	<u>AISI shipments (1,000 tons)</u>	<u>Questionnaire shipments 1/ (1,000 tons)</u>	<u>Coverage (percent)</u>
1981-----	3,962	3,334	84
1982-----	2,877	2,092	73
1983-----	2,728	1,698	62
January-March-----			
1983-----	658	356	54
1984-----	881	563	64

1/ Including exports and intercompany and intracompany transfers.

U.S. producers' exports

U.S. producers' exports of structural shapes declined continually during 1981-83, from 44,925 tons in 1981 to 15,491 tons in 1982 and 10,020 tons in 1983. Exports increased to 2,163 tons in January-March 1984 compared with exports of 1,929 tons in January-March 1983 (table II-6).

Table II-6.—Carbon steel structural shapes: U.S. producers' export shipments, 1981-83, January-March 1983, and January-March 1984

<u>Item</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>January-March—</u>	
				<u>1983</u>	<u>1984</u>
Quantity-----tons-----	44,925	15,491	10,020	1,929	2,136
Value-----1,000 dollars-----	20,380	7,986	4,293	456	532
Unit value-----per ton-----	\$454	\$516	\$428	\$236	\$246

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

U.S. producers' inventories

End-of-period inventories of structural shapes, as reported by U.S. producers in response to the Commission's questionnaires, remained small during 1980-83. Such inventories were equal to about 7 to 13 percent of the responding producers' shipments in each of these periods. Reported end-of-period inventories are shown in the following tabulation (in thousands of tons):

<u>Inventories</u>	
As of Dec. 31--	
1980-----	206
1981-----	236
1982-----	184
1983-----	171
As of Mar. 30--	
1983-----	188
1984-----	181

U.S. employment, wages, and productivity

The number of production and related workers producing carbon steel structural shapes fell by 38 percent from 1981 to 1982 and fell by another 11 percent in 1983. The number of workers increased, however, by 26 percent in January-March 1984 compared with those in the corresponding period of 1983 (table II-7).

Table II-7.—Average number of production and related workers producing carbon steel structural shapes and hours paid 1/ for such workers, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Production and related workers:					
Number—	9,961	6,154	5,453	4,661	5,866
Percentage change—	<u>2/</u>	-38.2	11.4	<u>2/</u>	25.9
Hours worked by production and related workers:					
Number—1,000 hours—	20,521	14,889	11,589	2,422	3,174
Percentage change—	<u>2/</u>	-27.4	-22.2	<u>2/</u>	30.9

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

2/ Not available.

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

Similarly, hours worked by these workers dropped by 27 percent from 1981 to 1982 and fell by an additional 22 percent in 1983. Hours worked increased by 31 percent in January-March 1984 compared with those in January-March 1983.

Wages and total compensation 1/ paid to production and related workers producing carbon steel structural shapes are shown in table II-8. Wages dropped by 39 percent from 1981 to 1982, with an additional drop of 15 percent reported in 1983. Wages increased by 41 percent in January-March 1984 compared with those in January-March 1983. Data on these workers' productivity, hourly compensation, and unit labor costs are presented in table II-9. As shown, productivity fell in 1982 but increased in 1983 and in January-March 1984. Hourly compensation fell in 1982 but rose in 1983 and in January-March 1984.

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

Table II-8.—Wages and total compensation 1/ paid to production and related workers producing carbon steel structural shapes, 1981-83, January-March 1983, and January-March 1984.

Item	1981	1982	1983	January-March—	
				1983	1984
Wages paid to production and related workers:					
Value—million dollars—	299	182	155	32	45
Percentage change—	<u>2/</u>	-39.1	-14.8	<u>2/</u>	40.6
Total compensation paid to production and related workers:					
Value—million dollars—	391	266	237	51	64
Percentage change—	<u>2/</u>	-32.0	-10.9	<u>2/</u>	25.5

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

2/ Not available.

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

Table II-9.—Labor productivity, hourly compensation, and unit labor costs in the production of structural shapes, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March—	
				1983	1984
Labor productivity:					
Quantity—tons per hour—	0.1551	0.1311	0.1349	0.1570	0.1684
Percentage change—	<u>1/</u>	-15.5	2.9	<u>1/</u>	7.3
Hourly compensation: <u>2/</u>					
Value—per hour—	\$14.55	\$12.24	\$13.36	\$13.32	\$14.21
Percentage change—	<u>1/</u>	-15.9	9.2	<u>1/</u>	6.7
Unit labor costs: <u>3/</u>					
Value—per ton—	\$122.96	\$136.23	\$151.69	\$134.39	\$120.30
Percentage change—	<u>1/</u>	10.8	11.3	<u>1/</u>	-10.5

1/ Not available.

2/ Based on wages paid excluding fringe benefits.

3/ Based on total compensation paid.

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

Financial experience of U.S. producers on their
operations on carbon steel structural shapes

Six producers of carbon steel structural shapes provided the Commission with financial data relative to their operations on structural shapes. These producers together accounted for 62 percent of total shipments of structural shapes (as reported by the AISI) in 1983. These data are presented in table II-10.

Aggregate net sales for structural shape operations fell by a little over 50 percent, from \$1.5 billion in 1981 to \$709 million in 1983. During the interim period ended March 31, 1984, net sales increased by 27 percent to \$213 million compared with \$168 million in the corresponding period of 1983.

Table II-10.—Income and loss experience of 6 U.S. producers ^{1/} on their operations producing carbon steel structural shapes, accounting years 1981-83 and the interim periods ended Mar. 31, 1983, and Mar. 31, 1984

Item	1981	1982	1983	Interim period ended Mar. 31—	
				1983	1984
Net sales—million dollars—	1,456	979	709	168	213
Cost of goods sold—do—	1,426	1,081	874	211	249
Gross income or (loss)—do—	30	(102)	(165)	(43)	(36)
General, selling, and administrative expenses—do—	50	51	42	11	12
Operating income or (loss)—do—	(20)	(153)	(207)	(54)	(48)
Depreciation and amortization expenses ^{2/} —do—	34	31	42	11	9
Cash flow or (deficit) from operations ^{2/} —do—	14	(122)	(165)	(43)	(39)
Ratio to net sales of—					
Gross income or (loss) percent—	2.1	(10.4)	(23.3)	(25.6)	(16.9)
Operating income or (loss)—do—	(1.4)	(15.6)	(29.2)	(32.1)	(22.5)
Cost of goods sold—do—	97.9	110.4	123.3	125.6	116.9
General, selling, and administrative expenses—do—	3.4	5.2	5.9	6.5	5.6
Number of firms reporting losses—	4	5	6	6	5

^{1/} These 6 firms together accounted for 62 percent of 1983 shipments of structural shapes, as reported by the AISI.

^{2/} Only 4 firms provided depreciation and amortization expenses. Hence, cash flow from operations is somewhat understated, and deficits are somewhat overstated.

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

All six responding firms reported operating losses in 1983, five did so in 1982, and four, in 1981. Aggregate operating losses rose from \$20 million (1.4 percent of net sales) in 1981 to \$153 million (15.6 percent of net sales) in 1982 and to \$207 million (29.2 percent of net sales) in 1983. Such losses dropped slightly to \$48 million (22.5 percent of net sales) in the interim period of 1984 compared with \$54 million (32.1 percent of net sales) in the corresponding period of 1983. One producer, * * *, reported no activities for the interim period of 1984, as it had closed its mill because of * * *. Out of the remaining five producers, two firms reported increasing losses, and three firms reported declining losses during the interim period of 1984. Cash flow generated from U.S. producers' structural shapes operations ranged from a positive \$14 million in 1981 to a negative \$165 million in 1983.

Only two U.S. producers supplied data relative to their capital expenditures for buildings, machinery, and equipment used in the production of carbon steel structural shapes, as well as their expenditures for research and development during 1981-83. Only one producer supplied such data for January-March 1983 and January-March 1984. These data are presented in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Capital expenditures</u>	<u>Research and development expenses</u>
1981-----	***	***
1982-----	***	***
1983-----	***	***
January-March--		
1983-----	***	***
1984-----	***	***

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 allegedly 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 the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of carbon steel structural shapes and of their U.S. market penetration is presented in the section of this part of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Allegedly Subsidized Imports." Available data on foreign producers' capacity, production, and exports were presented in the introductory part of the report.

The Commission sent questionnaires to 12 firms which were believed to have imported structural shapes from Korea. Two firms, accounting for approximately 20 percent of imports of structural shapes from Korea, responded to the Commission's questionnaire. These firms reported no inventories at the end of 1983.

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

U.S. imports

Imports from all sources.—Aggregate U.S. imports of carbon steel structural shapes declined from 2.0 million tons in 1981 to about 1.5 million tons in 1982 and 1983. Imports then increased to 564,000 short tons in January–March 1984 compared with imports of 267,000 short tons in the corresponding period of 1983. The average unit values of these imports declined from \$361 per ton in 1981 to \$279 per ton in 1983, with a further drop to \$276 per short ton in January–March 1984 (table II-11).

Imports from Korea.—Imports of carbon steel structural shapes from Korea increased from 1,000 short tons in 1981 to 78,000 short tons in 1983. Imports from Korea then increased by 85 percent to 24,000 short tons in January–March 1984 compared with imports of 13,000 short tons in January–March 1983. The unit value of these imports dropped from \$378 per ton in 1981 to \$259 per ton in 1983, with a continued drop to \$249 per ton in January–March 1984.

U.S. market penetration

Imports from all sources.—Market penetration of structural shapes from all countries increased steadily from 33.4 percent of consumption in 1981 to 35.2 percent in 1983 and then increased again to 39.1 percent of consumption in January–March 1984 compared with 28.9 percent in January–March 1983 (table II-12).

Imports from Korea.—Imports of carbon steel structural shapes from Korea increased from less than 0.05 percent of consumption in 1981 to 1.9 percent of consumption in 1983. In January–March 1984 imports of these products increased to 1.7 percent of consumption compared with 1.4 percent in January–March 1983.

Table II-11. —Carbon steel structural shapes: 1/ U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Source	1981	1982	1983	January-March--	
				1983	1984
Quantity (1,000 short tons)					
Republic of Korea	1	13	78	13	24
Brazil	16	4	16	1	2
Republic of South Africa	108	118	108	24	27
Spain	238	173	125	11	111
Japan	646	436	453	77	168
Belgium/Luxembourg	403	317	198	51	64
All other	547	401	499	90	168
Total	1,959	1,462	1,477	267	564
Value (million dollars)					
Republic of Korea	2/	4	20	4	6
Brazil	5	1	4	2/	1
Republic of South Africa	40	37	27	6	7
Spain	86	61	30	3	26
Japan	229	159	134	25	48
Belgium/Luxembourg	145	106	54	14	19
All other	203	146	143	27	48
Total	708	514	412	79	155
Unit Value (per short ton)					
Republic of Korea	\$378	\$302	\$259	\$267	\$249
Brazil	324	260	232	307	257
Republic of South Africa	366	312	252	255	248
Spain	362	354	242	253	231
Japan	354	365	297	320	284
Belgium/Luxembourg	360	334	274	279	296
All other	371	364	287	300	286
Average	361	351	279	295	276

1/ Includes imports under TSUSA items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045.

2/ Less than \$500,000.

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

Note.—Because of rounding, figures may not add to the totals shown. Unit values were computed from unrounded data.

Table II-12.—Carbon steel structural shapes: 1/ Ratios of imports from Korea, and all countries to apparent U.S. consumption, 2/ 1981-83, January-March 1983, and January-March 1984

(In percent)						
Source	1981	1982	1983	January-March—		
				1983	1984	
Korea—	<u>3/</u>	0.3	1.9	1.4	1.7	
All countries—	33.4	33.8	35.2	28.9	39.1	

1/ Includes imports under TSUSA items 609.8005, 609.8015, 609.8035, 609.8041, and 609.8045.

2/ Consumption calculated as the sum of U.S. producers' domestic shipments and imports for consumption.

3/ Less than 0.05 percent.

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

Prices

Market conditions in industries that require carbon 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 structural shapes and their prices depend largely on the level of activity in the construction industry. The construction industry, in turn, is influenced by the business cycle, particularly movements in interest rates, and the level of Government spending. Because of falling construction levels, demand for carbon steel structural shapes decreased in 1978-81, fell sharply in 1982, and continued to decline in 1983. As demand for structural steel falls, competition and discounting increase, and the prices soften.

Public nonresidential building construction, measured by value put in place, reflects a downtrend spanning 1981 through 1983; such construction was down by 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/ Public nonresidential and nonbuilding construction continued their downward trend during 1982, declining by 5 and 4 percent, respectively, in real terms, from the levels of 1981. In 1983, the value of public nonresidential construction put in place fell by almost 2 percent below the 1982 level in real terms. This trend reversed in January-April 1984, with a 14-percent increase in such construction over the level in January-April 1983. Public nonbuilding construction, however, dropped by more than 20 percent during the same period. Private nonresidential building construction (office buildings) was the only strong segment of this market in 1981 and 1982. Private nonresidential building construction weakened in 1983, registering a 7 percent decline compared with such construction in 1982. Such construction, however, registered a 15-percent increase in January-April 1984 compared with that in the corresponding period of 1983.

U.S. producers usually quote prices for carbon steel products at the time of shipment on an f.o.b. mill basis. 3/ Importers of such products generally quote prices at the time of the order, either 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.

1/ These percentages are based on Bureau of the 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.

U.S. producers maintain published list prices; however, according to industry sources, discounting from list prices has increased during recent years. Discounting can take several forms. Freight absorption is one method. Others are foregoing the cost of extras and pricing primary quality steel mill products as secondary quality. Also, discounts can be simply a reduction in base price.

Trends in prices.—The Commission asked domestic producers and importers for their average net selling prices to steel SSC's and end users for four specified carbon steel structural shape products (numbered 4 through 7), by quarters, during January 1982–June 1984. ^{1/} Domestic producers' selling prices are weighted-average f.o.b. mill prices, net of all discounts and allowances (including freight allowances), and excluding inland freight charges. Importers' selling prices are 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 in a particular market area, but are useful for comparing trends in these prices and should reflect general patterns of underselling and any discounting that may have occurred. The f.o.b. net selling prices received by domestic producers and importers are presented in table II-13. The following discussion of trends in prices deals primarily with sales to SSC's. Because of incomplete data, price trends for importers' sales of Korean structural shapes to end users could not be adequately established.

Domestic producers' prices for structural products 4–7 sold to SSC's reflect a common pattern of almost steady price decline throughout 1982, 1983, and January–March 1984; they then held at or near that low level in April–June 1984. Product 4 prices dipped by 11 percent in 1982 from an initial level of \$446 per ton to \$399 per ton, continued to slide in 1983 to an average price of \$375 per ton in October–December, and then dropped to an average of \$354 per ton in January–June 1984, or overall by 21 percent (\$92 per ton). Similar price declines ranging from 15 percent (\$62 per ton) to 21 percent (\$106 per ton) characterize the price trends for sales of domestic products 5, 6, and 7 to SSC's. Prices of these domestic structurals sold to end users reflect a very similar trend.

Importers did not provide price data for January–September 1982. Therefore, price declines that characterize sales of the imported structurals are limited to a shorter subject period. The trends for products 4 and 5 however, are the same as for domestic prices, downward from October–December 1982 through January–March 1984 with a slight firming or upturn in prices in April–June 1984. Product 4 prices declined by *** percent (\$*** per ton) through January–March 1984 and then crept up to \$*** per ton in April–June of that year, still \$*** per ton below the yearend 1982 level. The patterns for imported products 5 and 6 show overall declines of 10 to 11 percent for these products. Not enough data were received on product 7 to establish a trend. No import price data were received for sales to end users.

^{1/} Product specifications are provided in app. D.

Table II-13.—Ranges and weighted-average net selling prices for the largest sales of imports from Korea and of domestic products and the average margins by which imports from Korea undersold or oversold (–) domestic products, by types of customers, by types of products, and by quarters, January 1982–June 1984

* * * * *

Margins of underselling.—Data reported by domestic producers and importers enabled 22 comparisons of prices for the four representative structural steel products. All seven comparisons for product 4 show underselling by the imported product. The margins ranged from 12 percent (\$44 per ton) to 29 percent (\$124 per ton). Imported Korean product 5 also undersold the competing domestic product in all seven instances, by margins that ranged from 8 percent (\$26 per ton) to 22 percent (\$81 per ton). For product 6, the Korean product undersold the domestic product in six of seven examples. Margins of underselling ranged from 3 percent (\$10 per ton) to 23 percent (\$86 per ton). The single instance of overselling shows a margin of 8 percent (\$25 per ton). A lone comparison for product 7 shows the imported Korean product underselling the competing domestic product by a margin of 13 percent (\$63 per ton).

Lost sales

* * * submitted five allegations of lost sales of carbon steel structural shapes to competing imports from Korea. These instances named four purchasers located in * * * regions of the country. Total tonnage involved amounted to between *** and *** tons. The aggregate value of this volume totaled over \$*** million.

Two instances of alleged lost sales named * * * as purchaser of *** tons of Korean structurals in * * * and *** tons in * * *. The imported Korean wide-flange beams allegedly were priced at \$*** and \$*** per ton for the respective orders, compared with * * *'s price of \$*** per ton. * * *, purchasing manager of the firm, acknowledged the purchases of Korean beams. The alleged Korean quotes were correct, he affirmed, and the domestic figure was about average at those times. (* * * keeps quarterly records of foreign steel purchases, but as to domestic prices, he has no record except his memory.)

* * * buys through brokers such as * * * and * * *. As for quality, * * * tried small trial shipments of Korean wide-flange beams before placing the above orders. There were a couple of truckloads purchased from unsold dock inventory of Korean beams. * * * added that the discounted domestic prices were f.o.b. * * *. The price differential becomes even more than the stated figures show when freight is included. It costs * * * \$*** per ton for Korean beams coming from * * * or * * * compared with \$*** per ton for domestic beams out of * * *. This adds to the price advantage of the imported beams. * * * noted that in smaller size structurals, he purchases from * * *.

* * * named * * *, a distributor in * * *, as allegedly purchasing *** tons of Korean wide-flange beams in * * * at a price of \$*** per ton. * * *, purchasing manager, denied buying Korean beams. * * * is buying imported structurals from Europe, Spain, and the Republic of South Africa, placing its orders through large brokers. According to * * *, * * * "won't quote." He says domestic integrated producers are selling to end users "a lot cheaper" than they would to * * *. Last week, * * * tried to buy 1,000 tons from * * * but has had no response. Queried as to * * * as a domestic source, * * * stated that * * *'s structurals are not * * *. Consequently, he is forced to buy imports.

*** was cited as allegedly purchasing *** to *** tons of Korean wide-flange beams at \$*** per ton. *** noted on its questionnaire response that the "***" ***, purchasing manager, explained the dynamics of competition from ***'s perspective. *** has quit making the smaller size beams. Minimills such as *** and *** are producing beams through 12 inches. Korean mills produce up to 16 inches. ***'s market focus is more on 24 inch or larger. ***'s prices were \$20 per ton above the Korean prices. *** is quoting above *** but below **. Domestic competition and the lost sale in the alleged instance was in the minimill sizes, and thus ***, rather than *** or **, should be considered the loser. *** noted that for the named purchases the Korean price level was closer to \$*** per ton than \$***. Recently, prices have turned downward. *** cut its prices a month ago from \$*** per ton to \$*** per ton. Freight from *** is \$*** per ton compared with a truck rate of \$*** per ton from the *** area.

, also located in ***, was identified as a lost sale for *** tons of wide-flange beams. This purchase of imported Korean structurals allegedly was made in **. ***, purchasing manager, acknowledged making this purchase and affirmed the import price of \$ per ton compared with domestic prices that ranged from \$*** to \$*** per ton. In larger quantities, Korean structurals could be purchased at \$*** per ton at that time. Since then, the import price crept up to \$*** per ton, but is back down to \$*** currently. There just is not much demand, *** noted, and "there is an over-abundance of wide flange in the *** area". Freight cost differential adds to the disadvantage of domestic integrated mills, which face freight costs of \$*** to \$*** per ton compared with \$*** per ton for imports sold to proximate purchasers.

Lost revenue

*** provided a single instance of lost revenue as a result of price reductions on sales of carbon steel structural shapes in competition with structurals imported from Korea.

, located in ***, was named as having purchased *** tons of beams in the first quarter of 1984 after *** reduced its price from a list of \$ per ton to \$*** per ton in the face of a Korean price quote of \$*** per ton. ^{1/} *** affirmed the purchase and the relative purchase price quotes. Competition is not only from imports, but between domestic producers. ***, a minimill, quotes prices more than \$*** per ton below integrated mill prices on occasion. *** produces beams through 12 inches as does **. *** emphasized that the large-size beams are not coming in from Korea. Their volume covers sizes no larger than the *** range. Although the price differential between integrated mill quotes and imported Korean beams was \$*** per ton, some quotes by *** were priced at the same level as the imported Korean structurals. *** states that the market is very bad in the *** area. *** loaded the market with first quarter shipments at low prices to boost capacity utilization in their new mill. Price quotes were about \$*** to \$*** per ton. *** believes that *** added to the downward price pressure attributable to imports at that time.

^{1/} Calculating lost revenue from list price to a discounted price level under such competitive conditions, given the soft market, is not an accurate method of determining lost revenue attributable to imports from South Korea.

APPENDIX A

NOTICE OF THE COMMISSION

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-218 and 219 (Preliminary)]

Certain Carbon Steel Structural Shapes and Cold-Rolled Carbon Steel Sheet From the Republic of Korea

AGENCY: International Trade Commission.

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

Effective date. June 18, 1984.

SUMMARY: The Commission gives notice of the institution of preliminary countervailing duty investigations Nos. 701-TA-218 and 219 (Preliminary), under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from the Republic of Korea of certain carbon steel angles, shapes and sections having a maximum cross-sectional dimension of 3 inches or more, provided for in item 609.80 of the Tariff Schedules of the United States (TSUS), and of cold-rolled carbon steel sheet as provided for in item 607.83, of the TSUS, upon which bounties or grants are alleged to be paid.

FOR FURTHER INFORMATION CONTACT: Judith Zeck, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0339.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed on June 18, 1984, by the United States Steel Corp., Pittsburgh, Pa. The Commission must make its determination in these investigations within 45 days after the date of the filing

of the petitions, or by August 2, 1984 (19 CFR 207.17).

Participation

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR § 201.11), not later than seven (7) days after the publication of this notice in the *Federal Register*. Any entry of appearance filed after this date will be referred to the Chairwoman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service of Documents

The Secretary will compile a service list from the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

Written Submissions

Any person may submit to the Commission on or before July 12, 1984, a written statement of information pertinent to the subject matter of these investigations (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

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

Conference

The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on July 10, 1984, at the U.S. International Trade Commission Building, 701 E Street, NW, Washington, D.C. Parties wishing to participate in the conference should contact Judith Zeck (202-523-0339), not later than 12:00 noon, July 9, 1984, to arrange for their appearance. Parties in support of the imposition of countervailing duties in these investigations and parties in

opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public Inspection

A copy of the petitions and all written submissions, except for confidential business data, will be available for public inspection during regular hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: June 25, 1984.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-17176 Filed 6-27-7020; 8:45 am]
BILLING CODE 7020-02-M

APPENDIX B

NOTICE OF THE DEPARTMENT OF COMMERCE

[C-580-403]

Initiation of Countervailing Duty Investigations; Structural Shapes and Cold-Rolled Carbon Steel Flat-Rolled Products From the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed with the U.S. Department of Commerce, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters in the Republic of Korea of structural shapes and cold-rolled carbon steel flat-rolled products as described in the "Scope of Investigations" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of the merchandise materially injure, or threaten material injury to, a U.S. industry. If our investigations proceed normally, the ITC will make its preliminary determinations on or before August 2, 1984, and we will make ours on or before September 11, 1984.

EFFECTIVE DATE: July 11, 1984.

FOR FURTHER INFORMATION CONTACT: Barbara Tillman or Rick Herring, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1785 or 377-0187.

SUPPLEMENTARY INFORMATION:

Petition

On June 18, 1984, we received a petition from the United States Steel Corporation, on behalf of the structural shapes and cold-rolled carbon steel flat-rolled products industry. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in the Republic of Korea of structural shapes and cold-rolled carbon steel flat-rolled products receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry. The Republic of Korea is a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore, Title VII of the Act applies to these

investigations and injury determinations are required.

Initiation of Investigations

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of countervailing duty investigations and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined this petition and we have found that the petition meets those requirements. Therefore, we are initiating countervailing duty investigations to determine whether the manufacturers, producers, or exporters in the Republic of Korea of structural shapes and cold-rolled carbon steel flat-rolled products, as described in the "Scope of Investigations" section of this notice, receive benefits which constitute subsidies. If our investigations proceed normally, we will make our preliminary determinations by September 11, 1984.

Scope of Investigations

The products covered by these investigations are carbon steel structural shapes and cold-rolled carbon steel flat-rolled products. The term "carbon steel structural shapes" covers hot-rolled, forged, extruded, or drawn, or cold-formed or cold-finished carbon steel angles, shapes, or sections, not drilled, not punched, and not otherwise advanced, and not conforming completely to the specifications given in the headnotes to Schedule 6, Part 2, Subpart B of the *Tariff Schedules of the United States Annotated (TSUSA)*, for blooms, billets slabs, wire rods, plates, sheets, strip, wire, rails, joint bars, tie plates, or any tubular products set forth in the *TSUSA*, having a maximum cross-sectional dimension of 3 inches or more, as currently provided for in items 609.8005, 609.8015, 609.8035, 609.8041, or 609.8045 of the *TSUSA*. Such products are generally referred to as structural shapes.

The term "cold-rolled carbon steel flat-rolled products" covers the following cold-rolled carbon steel products: cold-rolled carbon steel flat-rolled products are flat-rolled carbon steel products, whether or not corrugated or crimped; whether or not painted or varnished and whether or not pickled; no cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; over 12 inches in width, and 0.1875 or more in thickness; as currently provided for in item 607.8320 of the *TSUSA*; or over 12 inches in width and under 0.1875 inch in thickness whether or not in coil; as

currently provided for in items 607.8350, 607.8355, or 607.8360 of the *TSUSA*.

Allegations of Subsidies

The petition alleges that manufacturers, producers, or exporters in the Republic of Korea of structural shapes and cold-rolled carbon steel flat-rolled products receive benefits which constitute subsidies. We are initiating with regard to the following allegations:

- Preferential Export Financing.
- Preferential Government Financing Including Interest Rate Subsidies.
- Import Duty Reductions.
- Coal Import Subsidies.
- Financial Support for Raw Material Purchases.
- Tariff Reductions on Plant and Equipment.
- Preferential Tax Incentives for Exporters.
- Export Insurance.
- Subsidies to Trading Companies.

In addition to these alleged subsidies, we intend to investigate five programs which the petitioner did not allege but which were found to be countervailable in our 1982 investigations of Certain Steel Products from the Republic of Korea [see, *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from the Republic of Korea* (47 FR 57535)]. These programs include:

- Special Tax Incentives for Steel Producers.
- Preferential Utility Rates and Port Charges.
- Duty Deferrals.
- Free Export Zone Program.
- Foreign Capital Inducement Law.

We have determined not to investigate the following allegations:

- Petitioner alleges that the government has assisted the steel industry in the acquisition of scrap steel. To secure scrap, the government and steel industry have established measures such as stockpiling and the stimulation of imports of salvage vessels. Petitioners have provided no reasons why these measures constitute subsidies or that any services provided to the steel industry under this program are at preferential rates.
- Petitioners allege that the government imposes wage controls on POSCO employees. In *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from the Republic of Korea* (47 FR 57535), we determined that the Korean government does not have a system of wage controls. Although due to its quasi-governmental status, POSCO cannot compete with the higher salaries offered by business, it does offer other benefits

to its employees such as housing, a hospital, recreational facilities, and tuition-free schooling which compensate for the lower salaries. We do not consider that the petitioner has provided sufficient new information on wage controls to warrant initiating on this program.

- Petitioner alleges that the government provides training aid to the steel industry. The source of petitioner's information stated that this was one of the programs embarked on by the government when developing its steel industry in the 70's. No information is provided on whether training aid is still given to the steel industry or that training aid is targeted to only selected industries.

- Petitioner alleges that the Korean government is constructing a port at Kwangyang Bay. This port is not yet completed. Petitioner does not provide sufficient information why an uncompleted port provides benefits that constitute subsidies.

Notification of ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission (ITC) of these actions, and to provide it with the information we used to arrive at these determinations. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determinations by ITC

The ITC will determine by August 2, 1983, whether there is a reasonable indication that imports of structural shapes and cold rolled carbon steel flat-rolled products from the Republic of Korea materially injure, or threaten material injury to, a U.S. industry. If its determinations are negative, these investigations will terminate; otherwise, these investigations will proceed to conclusion.

Dated: July 3, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-18332 Filed 7-10-84; 8:45 am]

BILLING CODE 3510-05-M

APPENDIX C

LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

B-8
CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-218 and 219 (Preliminary)

STRUCTURAL SHAPES AND COLD-ROLLED CARBON STEEL SHEET FROM
THE REPUBLIC OF KOREA

Those listed below appeared at the United States International Trade Commission conference in connection with the subject investigations on July 10, 1984, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the imposition of countervailing and antidumping duties

United States Steel Corp.
Pittsburgh, Pa.

John J. Mangan, General Attorney
Craig D. Mallick, Attorney
John Satterfield, General Manager--Sheet Products
Timothy Moran, General Manager--Heavy Products

Patton, Boggs & Blow Counsel
Washington D.C.
on behalf of

Chaparral Steel Co.

Charles Owen Verrill, Jr.)--OF COUNSEL
Frank R. Samolis) --OF COUNSEL

In opposition to the imposition of countervailing and antidumping duties

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

Korean Iron & Steel Association
Pohang Iron & Steel Co., Ltd.
Union Steel Mfg. Co., Ltd.
Dong Jin Steel Co., Ltd.
Inchon Iron & Steel Co., Ltd.

Donald B. Cameron, Jr. --OF COUNSEL

APPENDIX D

DESCRIPTIONS OF PRODUCTS COVERED IN THE PRICE SECTIONS

The products identified below are those used by the Commission to collect pricing information in its producer and importer questionnaire.

Product 1: Cold-rolled carbon steel sheets, in coils, commercial quality, class 1, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 2: Cold-rolled carbon steel sheets, in coils, commercial quality, class 2, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 3: Cold-rolled carbon steel sheets, in coils, AKDQ A-620, 0.0280 inch through 0.0630 inch in thickness, 45 inches through 60 inches in width.

Product 4: Wide-flange carbon steel beams, A-36 or equivalent, 8 inches by 6-1/2 inches, 24-28 lb/ft, 40-60 feet in length.

Product 5: Wide-flange carbon steel beams, A-36 or equivalent, 8 inches by 8 inches, 31-67 lb/ft, 40-60 feet in length.

Product 6: Wide-flange carbon steel beams, A-36 or equivalent, 10 inches by 10 inches, 49-112 lb/ft, 40-60 feet in length.

Product 7: Standard carbon steel I-beams, A-36 or equivalent, 3 inches and over in maximum cross-sectional dimension, 50 lb/ft and under.

