

LOW-FUMING BRAZING COPPER WIRE AND ROD FROM NEW ZEALAND

**Determination of the Commission
in Investigation No. 731-TA-246
(Final) Under the Tariff Act
of 1930, Together With the
Information Obtained
in the Investigation**



USITC PUBLICATION 1779

NOVEMBER 1985

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.---Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-246 (Final)

LOW-FUMING BRAZING COPPER WIRE AND ROD FROM NEW ZEALAND

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from New Zealand of low-fuming brazing copper wire and rod, provided for in items 612.62, 612.72, and 653.15 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation following a preliminary determination by the Department of Commerce on August 2, 1985, that imports of low-fuming brazing copper wire and rod from New Zealand were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of August 21, 1985 (50 F.R. 33859). The hearing was held in Washington, DC, on October 17, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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/ Vice Chairman Liebler and Commissioner Lodwick dissenting.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONER ECKES, AND COMMISSIONER ROHR

We determine that an industry in the United States is materially injured by reason of imports of low-fuming brazing copper wire and rod (LFBR) from New Zealand which are being sold at less than fair value (LTFV). 1/

We recognize that there are many complexities in this investigation, including the changing composition of the domestic industry and the distribution network that affect the analysis of the impact of the price and volume of imports on the domestic LFBR industry. Although many of the indicators relevant to the condition of the domestic industry show improving trends, the industry's profitability picture is poor, the ratio of inventories to shipments is increasing, and data for the most recent period indicate a deteriorating condition. Our analysis of these indicators and the conditions of trade in the LFBR industry shows that the domestic industry is experiencing material injury by reason of imports of LFBR from New Zealand.

The domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the "domestic industry" as "[t]he 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/ Thus, the Commission must first determine the appropriate like product. It then considers which firms in the United States are domestic producers of that product in order to define the domestic industry. A further consideration in the investigation is the appropriate scope of the domestic industry when

1/ Material retardation of the establishment of an industry is not at issue in this investigation and will not be discussed further.

2/ 19 U.S.C. § 1677(4)(A).

domestic producers of the like product are also importers of the subject merchandise. 3/

Like product 4/

The imported product which is the subject of this investigation is low-fuming brazing copper wire and rod, principally of copper and zinc alloy, whether bare or flux-coated. 5/ LFBR is a material used to bond dissimilar materials together in a process similar to welding. The brazing process involves heating the brazing material with an oxyacetylene apparatus and joining different materials together with the melted brazing material. 6/

The Copper Development Association (CDA) has designated standard chemical compositions for LFBR. 7/ Two LFBR copper-based alloys, CDA 680 and CDA 681, are produced in the United States. Almost all of the imported LFBR from New Zealand is CDA 681 alloy. 8/ The chemistries of CDA 680 and CDA 681,

3/ Section 771(4)(B) provides that the Commission may exclude these domestic producers from the domestic industry:

When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry. 19 U.S.C. § 1677(4)(B).

4/ The statute defines "like product" as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation" 19 U.S.C. § 1677(10).

5/ Commerce, Initiation of Antidumping Investigation, 50 Fed. Reg. 10518, 10522, 10524 (Mar. 15, 1985).

6/ Report of the Commission (Report) at A-3.

7/ Id. at A-4. There are five major types of non-ferrous, copper-based alloy brazing materials. LFBR accounts for an estimated 80 percent of the volume of copper-based alloy brazing materials consumed in the United States. Id. at A-3.

8/ Id. at A-23.

however, are very similar 9/ and are interchangeable in 90 percent of their uses. 10/

LFBR must be used with a flux in the brazing process in order to prevent oxidation. 11/ Thus, the use of LFBR requires either flux-coated rod or the dipping of the bare LFBR in flux during the brazing operation. 12/ Some end users use an automatic gas-fluxing apparatus that applies the flux and heats the LFBR at the same time. 13/ All of the imported LFBR is bare product. 14/ In the United States, two firms produce both bare LFBR and flux-coated LFBR. 15/ In addition, there are other domestic firms that primarily import bare LFBR and flux-coat the bare rod. These firms are known as processor/master distributors. 16/

Flux-coated LFBR is manufactured from bare LFBR, and the cost of the bare LFBR constitutes the majority of the cost of the flux-coated product. 17/ Both coated and uncoated LFBR are sold through the same distribution channels. Moreover, prospective customers for LFBR can use either bare or

9/ Id. at A-3. CDA 680 alloy contains a small amount of nickel which results in a more wear-resistant weld and enables the brazing material to flow more freely. Id.

10/ Conference Transcript held in conjunction with preliminary investigation (C.Tr.) at 71. The parties did not argue separate like products based on these slightly different compositions, and we find no reason to draw such a distinction between the alloys. Thus, the like product consists of LFBR formed from either 680 or 681 alloy.

11/ Report at A-4.

12/ Id.

13/ Id.

14/ Id. at A-31.

15/ Two firms in the United States, Century Brass Products (Century) and American Brass, only produce bare LFBR. Id. at A-8.

16/ Thermacote-Welco considers itself to be a master distributor. Id. at A-31.

17/ The cost of the metal used in LFBR accounts for approximately 50 percent of the value of coated rod, forming the brazing rod from the metal accounts for approximately 30 percent, and flux coating adds 20 percent. Hearing Transcript (H.Tr.) at 78 and 111-12.

pre-coated LFBR. Although the flux-coated product costs more than the bare LFBR, convenience or the end user's equipment generally governs the choice between bare and flux-coated LFBR. 18/

In the preliminary investigation, we determined that the like product was LFBR, whether bare or flux-coated. That determination was based on the similarities of the alloys, the interchangeability of the bare and flux-coated forms, and the common distribution channels of the products. None of the parties to this investigation has objected to this determination, and we again conclude that there is one like product consisting of bare and flux-coated LFBR.

Domestic producers

In making the factual determination regarding whether a particular firm is a domestic producer, the Commission has examined the overall nature of production related activities in the United States, including the extent and source of a firm's capital investment, the technical expertise involved in production activity in the United States, the value added to the product in the United States, employment levels, the quantity and type of parts sourced in the United States, and any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative, and the Commission's analysis should consider all of these factors and any other factors which are deemed relevant in light of the specific facts of the investigation. 19/

18/ C.Tr. at 44-45, 113, and 143.

19/ See Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134-135 (Final), USITC Pub. 1514 at 8 (1984); Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102 (Final), USITC Pub. 1410 at 8 (1983).

The petitioners and J.W. Harris Company (Harris) are producers of bare LFBR. 20/ These firms manufacture bare LFBR from its constituent metals. This involves extrusion, drawing, annealing and pickling processes. 21/ Flux-coating involves applying a wet mixture of several chemical ingredients to the bare LFBR, drying the rod on racks and packaging the product so that the coating will not be damaged during shipment. Cerro Metal Products, Inc. (Cerro), a petitioner, and Harris are flux-coaters as well as bare rod producers. Thermacote-Welco, Allweld, and Aufhauser flux-coat purchased LFBR. Allweld and Thermacote-Welco purchase a majority of their bare rod from New Zealand, and Aufhauser purchases bare LFBR from South Africa.

We have determined that Cerro, Harris, American Brass, and Century as well as Allweld, Thermacote-Welco, and Aufhauser are domestic producers of the like product. We have included firms that flux-coat purchased LFBR because they produce the like product, flux-coated LFBR, which is interchangeable with bare LFBR and distributed in the same channels of trade. Moreover, the value added to the final product by flux-coating is significant (approximately 20 percent), 22/ the capital investment in flux-coating equipment is substantial 23/, and for this industry the flux-coaters have significant employment levels. 24/ Thus, we determine that the domestic industry includes firms that only flux-coat bare LFBR as well as firms that manufacture bare LFBR.

20/ The petitioners are American Brass Co., Rolling Meadows, Illinois; Century Brass Products, Inc., Waterbury, Connecticut; and Cerro Metal Products, Inc., Bellefonte, Pennsylvania. J.W. Harris Co., Cincinnati, Ohio, supported this petition.

21/ Report at A-4.

22/ H.Tr. at 108.

23/ Report at A-20.

24/ Id. at A-16.

Related parties

In assessing whether appropriate circumstances exist for excluding firms, the Commission has considered the following factors:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reasons that the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
- (3) the position of the related producers vis-a-vis the rest of the domestic industry. 25/

Thermacote-Welco and Allweld import the majority of the bare LFBR used in their operations from New Zealand. These companies clearly benefit from the sales at LTFV. While these companies account for a substantial percentage of total domestic LFBR production, the clear benefit they derive from the importation of LFBR imports necessitates their exclusion as related parties. 26/

Thus, for purposes of this investigation the domestic industry consists of the petitioners, Cerro, Century, American Brass, as well as Harris.

Condition of the domestic industry

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, changes in U.S. production,

25/ See 12-Volt Motorcycle Batteries from Taiwan, Inv. No. 731-TA-238 (Preliminary), USITC Pub. 1654 (1985).

26/ A third major flux-coater, Aufhauser, imports bare LFBR used in its operations from South Africa. C.Tr. at 120. Thus, in view of the Commission's decision to cumulate imports of LFBR from South Africa with those from New Zealand, it may also be appropriate to exclude the South African importer under the related parties provision. The Commission did not receive sufficient information from Aufhauser to include such information with that of other domestic producers. The issue of whether to exclude Aufhauser is, therefore, moot. Commissioner Eckes did not cumulate, and therefore, did not reach this issue.

market share, capacity utilization, investment, employment, wages, productivity, domestic prices, and profitability.

Cerro and Harris are two LFBR producers that also flux-coat LFBR. Harris began production of bare LFBR in January 1983. Before that time Harris flux-coated imported bare rod. In October 1984, Harris acquired Unibraze, which imported and flux-coated bare LFBR before the acquisition. 27/ Harris now ships its bare LFBR to Unibraze for flux-coating. 28/ Century and American Brass have no flux-coating capabilities. On March 5, 1985, Century closed its Metals Division because of labor problems, and is no longer manufacturing bare LFBR. 29/ American Brass temporarily ceased production of bare LFBR in 1985. 30/

The U.S. distribution system for LFBR has five tiers: producers, processors/master distributors, master distributors, retailers, and end users. 31/ The producers manufacture bare rod, the processors add flux-coating and packaging. Cerro and Harris/Unibraze are both producers of bare rod and processors of their own bare rod. Cerro sells exclusively to master distributors. 32/ A small portion of Harris' sales are made to master distributors and outside processors, but most of Harris' product is sold to its subsidiary, Unibraze, for flux-coating, or is sold directly to retailers. American Brass and Century sell their product mainly to master distributors. 33/ Both Cerro and Harris have indicated that they have

27/ Report at A-7.

28/ Id. at A-9.

29/ Id. at A-8.

30/ Id.

31/ Id. at A-9.

32/ Id.

33/ Id. Thermacote-Welco considers itself to be a master distributor, selling primarily to retailers. Id. at A-31.

attempted to sell LFBR to distributors such as Thermacote-Welco and make limited volume "spot" sales to this firm. 34/

Imported LFBR from New Zealand is sold to processors such as Thermacote-Welco and Allweld. Thus, as further discussed in the pricing analysis, sales to processors and master distributors represent the initial and most direct competition between imported LFBR and the domestic product. 35/

The domestic LFBR industry is in a state of change. Two producers have recently ceased production, and Harris has become a major producer since its entry into the industry in 1983. Prior to that time, Harris had been an importer of LFBR. 36/ A Harris representative testified that the firm made the decision to begin producing bare LFBR in 1978 and anticipated that it would be selling to processors such as Thermacote-Welco. 37/

Although many of the indicators relevant to the condition of the domestic industry show improving trends during the period of the investigation, the industry has a poor profitability picture, an increasing ratio of inventory to shipments, and data for the most recent period show a deteriorating condition.

Apparent U.S. consumption of LFBR rose in the 1982-83 period, decreased in 1984, and sharply increased in the January-June 1985 period as compared with the corresponding period in 1984. 38/ U.S. production of LFBR increased throughout the period of investigation. 39/ Production capacity increased

34/ H.Tr. at 20, 27.

35/ This comparison is not absolutely direct because there is insufficient information that the principal importers have ever purchased the types of LFBR from the domestic producers that they import. It is, nevertheless, the most significant point of comparison. See Report at A-31.

36/ H.Tr. at 24.

37/ Id.

38/ Report A-10. At least some of the increase in apparent consumption reflects only a change in the timing of purchases to take advantage of major price cuts which occurred in early 1985.

39/ Id. at A-11.

sharply during 1982-84 due to the start-up of domestic production by Harris, and decreased in 1985 due to Harris' switch to production of different alloys on its LFBR equipment and Century's closing of its brass mill. 40/ Capacity utilization rose from 1982 to 1983, declined in 1984, and increased in the period of January-June 1985 over the corresponding period of 1984. 41/

Although domestic producers' shipments of bare LFBR increased steadily over the period of investigation, also reflecting the start-up of production by Harris, producers' inventories as a share of domestic shipments increased throughout the period. Indeed, the percentage of inventories to shipments nearly doubled from 1982-84 and increased significantly in the first half of 1985. 42/

Although employment in the domestic industry increased significantly in the 1982-1984 period, the increase was entirely attributable to the start-up by Harris. In interim 1985, however, the total number of workers decreased to pre-1982 levels. 43/ Total hours worked and wages paid increased over the period, again due to the start-up of Harris. 44/

Although net sales of bare LFBR by domestic producers grew during the period (again due to the start-up of domestic production by Harris), there were aggregate gross losses throughout the period on the bare LFBR

40/ Id.

41/ Id. at A-11-A-12. Undue emphasis should not be placed on the capacity utilization data because LFBR is not a main product line and represents only a small percentage of the producers' total sales. Id. at A-17-A-18. Moreover, the equipment used for LFBR production can be used to produce other product lines. Id. at A-12.

42/ Id. at A-14.

43/ Id.

44/ Id. at A-14 and A-16.

operations. 45/ The domestic industry also experienced aggregate operating losses throughout the period. 46/

The flux-coated LFBR represents the more profitable item of production for the domestic industry. Sales of flux-coated LFBR by domestic producers declined significantly throughout the period of the investigation. Indeed, this decline in sales has accelerated drastically for the period of January-June 1985 as compared with the corresponding period of 1984. 47/

Throughout the period of the investigation the financial condition of the domestic industry remained poor. Although the trends have differed slightly, two producers have experienced gross losses during the period of investigation. 48/ Both producers sustained operating losses on their coated LFBR operations throughout the period.

Although Harris' entry into the domestic industry has resulted in upward trends for production and shipments, the domestic industry has only been able to sell a declining percentage of its production. 49/ Net sales of flux-coated LFBR, the more profitable item, have declined. Moreover, the financial condition of the domestic industry has remained unhealthy. Thus, we conclude that the domestic industry as a whole is experiencing material injury.

45/ Id. at A-17-A-18.

46/ Id. at A-18.

47/ Id.

48/ Although a portion of this loss is due to captive shipments of the product between the two operating subsidiaries of this producer, the overall consolidated profitability information of this producer also shows significant losses.

49/ Report at A-15-A-18.

Cumulation 50/

Under the Trade and Tariff Act of 1984 (the 1984 Act), imports must be cumulated if they satisfy three requirements. They must (1) compete with both other imports and the domestic like product, (2) be marketed within a reasonable coincidental period, and (3) be subject to investigation. 51/

LFBR is also imported from South Africa. We find that these imports are basically fungible. Moreover, there are common or similar channels of distribution for all LFBR, 52/ and the prices of the imported product and the like product are within a reasonable range. 53/ Finally, there are sales or offers to sell in the same market. 54/ Thus, we find that imports of LFBR from New Zealand and South Africa are simultaneously present in the market.

At this time LFBR imports from South Africa are under final investigation. The Department of Commerce has made a preliminary determination that imports from South Africa are being sold at LTFV. Thus, we find that LFBR from South Africa is subject to investigation and that all of the criteria for cumulation are satisfied. 55/

Material injury by reason of imports

In making a determination whether the domestic industry is being materially injured "by reason of" LTFV imports from New Zealand, the Commission considers, among other factors, the volume of imports, the effect

50/ Commissioner Eckes did not cumulate imports. Rather, he reached his affirmative determination by assessing the impact of only LTFV imports from New Zealand on the domestic industry. Therefore, he does not join this discussion on cumulation.

51/ 19 U.S.C. § 1677(7)(E).

52/ Report at A-9-A-10.

53/ Id. at A-28-A-32.

54/ Id. at A-35-A-39.

55/ Chairwoman Stern and Commissioner Rohr would have reached the same affirmative determination without cumulating imports from South Africa.

of imports on prices in the United States for the like product, and the effect of such imports on the relevant domestic industry. 56/ Evaluation of these factors involves a consideration of (1) whether the volume of imports or increase in volume is significant, (2) whether there has been significant price undercutting by the imported products, and (3) whether imports have otherwise depressed prices to a significant degree or prevented price increases. 57/

In determining whether imports of LFBR from New Zealand are causing material injury to a domestic industry, we have considered the cumulative volume and effect of imports from New Zealand and South Africa. The volume of imports from these two countries was significant throughout the period of investigation, and accounted for the vast majority of imports in 1984 and interim 1985. 58/ The combined volume of imports from New Zealand and South Africa increased somewhat during the years 1982 to 1984 and rose dramatically in January-June 1985 over the corresponding period in 1984. 59/

The market share held by combined imports of LFBR from New Zealand and South Africa is substantial and has been consistently significant during the period of investigation. Market penetration by imports of LFBR from all other countries decreased sharply during the period of investigation. 60/

The price of imported bare LFBR from New Zealand to processor/master distributors such as Thermacote-Welco was consistently and substantially below

56/ 19 U.S.C. § 1677(B).

57/ 19 U.S.C. § 1677(7)(C).

58/ Report at A-26.

59/ Id.

60/ Id. We note that overall domestic market share has increased significantly over the period due primarily to the entrance of Harris into the market as a domestic producer.

the domestic price of bare LFBR sold to master distributors. 61/ This is the first point of competition between imported and domestically produced LFBR and represents a very significant volume of sales of this product. To the extent that pricing is important, it is most important at this stage in the distribution channel. Although price is a consideration in retailers' and master distributors' purchasing decision, other considerations play an important role. LFBR does not typically represent a high volume purchase for these customers. Retailers and other purchasers time their purchase of LFBR to complete orders and qualify for volume discounts or free shipping. 62/ Thus, the differences in price at these points further down the chain of distribution are less significant. Finally, the data show that there has been a downward trend in the prices of LFBR whether sourced domestically or imported during the period of investigation. 63/ Moreover, the Commission was able to confirm instances of lost sales and lost revenue because of imports from New Zealand. 64/

Although Thermacote-Welco and other processors/master distributors have expressed reluctance to purchase bare LFBR from a firm that is competing with them for sales to retailers, domestic producers have made limited sales to processors/master distributors and have stated that they will sell to the processors in the future. 65/ The domestic industry clearly has the capacity to make such sales.

61/ Id. at A-31-A-32.

62/ Id. at A-33 and A-38-A-39.

63/ Id. at A-28. We note that prices for sales of the New Zealand product sold to master distributors (not processors) did not change for the period of this investigation. These data, however, are based on limited sales to one customer. Id. at A-30 n.2.

64/ Id. at A-35-A-39.

65/ H.Tr. at 20, 27.

We conclude that the rising volume of LFBR imports from New Zealand and South Africa and increasing import penetration, together with underselling at a critical point in the distribution chain and generally declining prices, establishes a causal connection between the material injury to the domestic industry and the LTFV imports from New Zealand.

VIEWS OF VICE CHAIRMAN LIEBELER

Based on the record in Investigation No. 731-TA-246 (Final), I determine that an industry in the United States is not materially injured, or threatened with material injury, or materially retarded, by reason of imports of low-fuming brazing copper wire and rod from New Zealand that are sold at less than fair value (LTFV).¹ I concur in the decision of the majority with respect to like product, domestic industry, related parties and condition of the industry.²

In order for a domestic industry to prevail in a final investigation the Commission must determine that the dumped imports cause or threaten to cause material injury to the domestic industry producing the like product. This analysis is usually recognized to be a two-step procedure. First, the Commission must determine whether the domestic industry producing the like product is injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped imports. Only if the Commission answers both questions in the affirmative will it make an affirmative determination in the investigation.

¹Because the domestic industry is well-established, the issue of material retardation need not be addressed.

²I find that there is one like product and one industry. I note that it would be equally possible to find two like products and two domestic industries. Because there are no imports of the flux coated product, the industry producing flux coated product would be uninjured by reason of imports. The related party issue with respect to the firms that coat the product would then not need to be reached. The analysis that follows in the text applies equally to the industry composed of only producers of bare product.

In Certain Red Raspberries from Canada, I set forth a framework for examining causation in Title VII investigations:³

The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).⁴

These factors, when viewed together, serve as proxies for the inquiry that Congress has directed the Commission to undertake: whether foreign firms are engaging in unfair price discrimination practices that cause or threaten to cause material injury to a domestic industry.⁵

The starting point for the five factor approach is import penetration data. This factor is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The statute requires that, under certain conditions, imports of two countries must be cumulated to determine the effect of the imports on price and volume. Cumulation is mandated when imports from two or more countries compete with each other and with like products of the domestic industry and are subject to investigation.⁶ Imports of low-fuming brazing copper wire and rod from South Africa satisfy these conditions and must

³Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

⁴Id. at 16.

⁵Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

619 U.S.C. 1677(7)(C)(iv)(1985 cum. supp.).

be cumulated.⁷ The import penetration ratio of cumulated imports has been at moderate levels during the period of investigation and has been relatively stable. The ratio decreased during 1984 and January-June 1985.⁸ An unusual facet to this investigation is that the share of the market held by domestic producers increased substantially during the period of investigation.⁹

The second factor is a high margin of dumping. The higher the margin of dumping, ceteris paribus, the more likely it is that the product is being sold below marginal cost, which is a requirement for predatory pricing, and the more likely it is that the domestic producers will be adversely affected by the dumping. The margin of dumping is determined by the Department of Commerce. In this case, the weighted-average margin was 26.93 percent ad valorem.¹⁰

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. There is no significant evidence of record suggesting that these products are differentiable.¹¹

⁷Respondent contends that imports from South Africa are not subject to investigation. Respondent's Post-Hearing Brief at 4-5. The statute places no requirement that the imports be subject to the same investigation and thus respondent's reading of the law is overly narrow.

⁸Report at Table 13. Only a general discussion of information collected during this investigation is possible because most the information is confidential.

⁹See note 12, infra.

¹⁰Report at A-5.

¹¹Report at A-32.

The fourth factor is declining prices. Evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. Evidence with respect to price trends is mixed. According to information received in response to Commission questionnaires, the U.S. average price on several products declined while on other products, the price remained stable. No strong conclusions can be drawn from the pricing information in this case.

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer can gain market power. Many other countries exported low-fuming brazing copper wire and rod to the U.S. during the period of investigation. In 1982, imports from other countries captured a large portion of the U.S market, indicating that there are in fact no barriers to entry.¹²

These factors must be balanced in each case to reach a sound determination. Cumulated imports from New Zealand and South Africa do hold a significant share of the U.S. market and prices are declining in some product lines. Domestic production, however, both absolutely and in terms of market share, has increased. Moreover, despite the presence of moderately high dumping margins, the cumulated import penetration ratio has remained stable. To the extent that New Zealand has gained market

¹²Report at Table 13. Imports from other countries have decreased during the period of investigation by almost the same amount that the market share held by domestic producers has increased. There has been no evidence of record suggesting that the decrease in imports from other countries has been due to barriers to entry.

share, it has done so at the expense of imports from South Africa or from countries not subject to investigation. These trends would be inconsistent with a finding of unfair price discrimination. Thus, my analysis of the factors indicates that a domestic industry in the United States is not injured or threatened with injury by reason of LTFV imports of low-fuming brazing copper wire and rod from New Zealand.

VIEWS OF COMMISSIONER LODWICK

I determine that an industry is not materially injured or threatened with material injury by reason of imports of low-fuming brazing copper wire and rod (LFBR) from New Zealand which the Department of Commerce has determined to be sold at less than fair value. I find neither material injury to the domestic industry nor a causal connection between the condition of the domestic industry and the subject imports. Cumulating imports from South Africa with the subject imports does not change my determination.

LIKE PRODUCT AND DOMESTIC INDUSTRY

The imported product which is the subject of this investigation is low-fuming copper brazing rod and wire, principally of copper and zinc alloy, whether bare or flux-coated. I find one like product, including both bare and flux-coated LFBR. In turn I find the domestic industry to be the domestic producers of bare LFBR and the domestic producers of flux-coated LFBR. The question arises as to whether domestic flux-coaters that import bare rod should be eliminated from the domestic industry

as related parties. As a practical matter, the question is moot. The data provided by non-integrated firms that flux-coat imported bare LFBR is so limited that the analysis of material injury is necessarily based on the condition of firms that either produce bare or bare and flux-coated LFBR.

CHARACTERISTICS OF THE LFBR MARKET

The LFBR market possesses certain specific characteristics which affect the analysis of injury and causation. First, LFBR accounts for a minimal share of the sales from establishments within which LFBR is produced.¹ LFBR is not a main product line, but rather is more of a convenience item so that vendors can provide a fuller range of supplies and accommodate customers. As a result, the significance of operating results and capacity utilization for LFBR production is lessened, and the importance of overall establishment results and investment in LFBR activities is increased.

Second, LFBR generally accounts for a small share in a larger package of purchases from vendors by end users.

¹Report at A-17.

Decisions to purchase LFBR are largely determined by what other orders are being made, and purchasers have stated that the price of LFBR alone would not be significant enough to cause a purchaser to change vendors.²

Clearly, this characteristic diminishes the significance of pricing information. More broadly, these two characteristics raise the issue of how relevant any action on the supply side is to the condition of the LFBR industry.

NO MATERIAL INJURY

Consumption of LFBR is generally regarded as being in a long term decline. During the period of investigation, from January 1982 through June 1985, apparent consumption fluctuated widely but with no particular trend.³ Despite this lackluster demand, responses to Commission questionnaires show that between 1982 and the twelve month period from July 1984 to June 1985 (the period with the most current available data) domestic production and net sales roughly doubled, capacity grew considerably, and

²Report at A-38-39.

³Report at A-10.

employment, as measured by hours worked, rose.⁴ Further, the market share of the domestic industry (excluding domestically flux-coated LFBR made from imported bare LFBR) grew by approximately two thirds, and reached a majority position.⁵

LFBR operations did report losses and capacity utilization was low. However, as previously noted, the significance of these results is limited. Conversely, overall establishment operating income rose, and substantial LFBR production capacity was added. Capital investment in the LFBR industry was substantial relative to the value of fixed assets employed in the domestic industry.⁶ Finally, in 1983 an importer became a domestic producer. The firm is now a major domestic producer, and in fact acquired a large importer in 1984 which now performs domestic production activities for it.⁷

Based on the preceding discussion, I find no material injury to the domestic industry.

⁴Report at A-11-20.

⁵Report at A-27.

⁶Report at A-20.

⁷Report at A-7-8.

NO CAUSAL CONNECTION

Imports from New Zealand, as well as combined imports from New Zealand and South Africa, were higher during July 1984-June 1985 than during 1982, though the highest levels were achieved during 1983. However, imports from New Zealand as a share of domestic shipments (excluding domestically flux-coated LFBR made from imported bare LFBR) dropped dramatically to only about two thirds of the 1982 proportion by July 1984-June 1985. This result is not materially changed if imports from South Africa are cumulated with the New Zealand product. In other words, the domestic industry considerably improved its market position relative to the subject imports.⁸

Petitioners' primary argument apparently is that non-integrated flux-coaters that import bare LFBR could have purchased the bare LFBR from integrated domestic producers of bare and flux-coated LFBR. Any desire by the flux-coaters for another source of supply is understandable. Quite apart from this, however, the appropriate level at which to assess import competition

⁸Report at A-12-13, 27.

from New Zealand is the point at which these imports actually compete with the domestic product for sales to consumers. Pricing data to LFBR consumers at the same level of distribution does not indicate underselling by imports. In fact, the imported material on average generally oversells the domestic product.⁹ Further, as previously noted the significance of price in this investigation is limited. (Nonetheless the pricing data is consistent with the domestic industry gaining market position relative to the subject imports.)

Based on the domestic industry's investment, expansion, and growing market position, in the context of the characteristics of this industry I find no material injury by reason of the subject imports.

NO THREAT

The previous results certainly suggest no threat to the domestic industry. However, in assessing threat the condition of the foreign industry is also considered. The capacity of the New Zealand industry is asserted to be fully utilized, and shipments other than to the U.S. have

⁹Report at A-27-32.

increased modestly. Importer inventories in the U.S. have risen, but only fractionally, and the ratio of importer stocks to imports is below the ratio of domestic stocks to shipments. Clearly nothing suggests a real or imminent threat to the U.S. industry.¹⁰

¹⁰Report at A-21.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 19, 1985, countervailing duty and antidumping petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of American Brass Co., Rolling Meadows, IL; Century Brass Products, Inc., Waterbury, CT; and Cerro Metal Products, Inc., Bellefonte, PA. The petitions alleged that an industry in the United States is materially injured and is threatened with material injury by reason of imports from France, New Zealand, and South Africa of low-fuming brazing copper wire and rod 1/ upon which bounties or grants are alleged to be paid, 2/ and imports from France, New Zealand, and South Africa of low-fuming brazing copper wire and rod which are allegedly sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted preliminary investigations (Nos. 701-TA-237 and 238 (Preliminary) and Nos. 731-TA-245-247 (Preliminary)) under the provisions 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 an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

At the time the petitions were filed, New Zealand was a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore, an injury determination by the Commission was required. Effective April 1, 1985, however, the Office of the United States Trade Representative terminated New Zealand's status as a "country under the Agreement." Accordingly, the Commission terminated its countervailing duty investigation.

As a result of its preliminary investigations, the Commission, on April 5, 1985, notified Commerce that there was a reasonable indication that an industry in the United States was materially injured by reason of imports from New Zealand and South Africa of low-fuming brazing copper wire and rod which were alleged to be sold in the United States at LTFV. The Commission further determined 3/ that there was no reasonable indication that an industry in the United States was materially injured or threatened with material injury, or that the establishment of an industry in the United States was materially retarded, by reason of imports from France of low-fuming brazing copper wire and rod which were alleged to be subsidized by the Government of France and to be sold in the United States at LTFV. 4/

1/ For purposes of this investigation, low-fuming brazing copper wire and rod covers brazing wire and rod, of copper, whether or not flux-coated, provided for in items 612.62, 612.72, and 653.15 of the Tariff Schedules of the United States (TSUS).

2/ Inasmuch as South Africa is not a signatory to the General Agreement on Tariffs and Trade (GATT) Subsidies Code, the Commission was not required to make an injury determination.

3/ Commissioner Lodwick dissenting.

4/ Low-Fuming Brazing Copper Wire and Rod From France, New Zealand, and South Africa: Determinations of the Commission in Investigations Nos. 701-TA-237 and 731-TA-245-247 (Preliminary) . . . , USITC Publication 1673, April 1985.

On August 2, 1985, Commerce published in the Federal Register (50 F.R. 31405) its preliminary determination that imports of low-fuming brazing copper wire and rod from New Zealand are being, or are likely to be, sold in the United States at LTFV within the meaning of section 733 of the Act (19 U.S.C. § 1673b). As a result of Commerce's affirmative preliminary determination of LTFV sales from New Zealand, the Commission instituted investigation No. 731-TA-246 (Final), effective August 2, 1985, under section 735(b) of the Act (19 U.S.C. 1673d(b)), to determine whether an industry in the United States is materially injured or is threatened with material injury, or whether the establishment of an industry in the United States is materially retarded, by reason of LTFV imports from New Zealand of low-fuming brazing copper wire and rod. Upon request by petitioners, Commerce extended the date for its preliminary determination in the investigation of LTFV sales from South Africa by publishing a notice in the Federal Register on July 16, 1985 (50 F.R. 28826). 1/

Notice of the institution of the Commission's final investigation and a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of August 21, 1985 (50 F.R. 33859). 2/

On August 5, 1985, Commerce published in the Federal Register (50 F.R. 31638) its final determination that certain benefits which constitute bounties or grants are being provided to manufacturers, producers, or exporters in New Zealand of low-fuming brazing copper wire and rod. The subsidy margin calculated by Commerce is 7.03 percent ad valorem for the review period and 9.17 percent ad valorem for duty deposit purposes. 3/

On September 23, 1985, Commerce published in the Federal Register (50 F.R. 38567) its preliminary affirmative determination that imports of low-fuming brazing copper wire and rod from South Africa are being, or are likely to be, sold in the United States at LTFV within the meaning of section 733 of the Act (19 U.S.C. § 1673b). If the investigation proceeds normally, Commerce will make its final determination by December 2, 1985.

On October 21, 1985, the Commission received notice of Commerce's final determination that imports of low-fuming brazing copper wire and rod from New Zealand are being sold at LTFV. Commerce found that the weighted-average margin was 26.93 percent. 4/ A public hearing was held by the Commission in connection with this investigation on October 17, 1985, in Washington, DC. 5/ The briefing and vote was held on November 20, 1985.

1/ A copy of Commerce's extension notice is presented in app. A.

2/ A copy of the Commission's institution notice is presented in app. B.

3/ Also on Aug. 5, 1985, Commerce published (50 F.R. 31642) its final determination that no benefits that constitute bounties or grants within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the Republic of South Africa of low-fuming brazing copper wire and rod. As noted earlier in the report, South Africa is not a signatory to the GATT Subsidies Code; therefore, the Commission was not required to make a preliminary injury determination.

4/ A copy of Commerce's notice, as published in the Federal Register of Oct. 21, 1985 (50 F.R. 42580), is presented in app. A.

5/ A list of the witnesses who appeared at the hearing is listed in app. C.

The Product

Description and uses

Low-fuming brazing copper wire and rod is a general-purpose welding material used almost exclusively to bond dissimilar metal components together. It is used in the manufacture of such items as agricultural tools, bicycle frames, wheelchairs, and metal furniture. Equipment maintenance and repair is another major area where this product is used. Brazing produces a coalescence of materials by heating a filler metal that liquifies at a temperature above 450 degrees C (840 degrees F). The filler metal is distributed between the surfaces of the joint by capillary attraction. In the brazing process, only the filler metal, not the base metals being joined, is melted by heating with an oxyacetylene brazing apparatus. Brazing differs from soldering in that soldering employs a filler metal which liquifies below 450 degrees Celsius.

Low-fuming brazing material is one of five major types of nonferrous, copper-based alloy brazing filler metals, the others being silicon bronze, nickel silver, deoxidized copper, and phosphor bronze. The low-fuming type is estimated by industry sources to account for 80 percent of the volume of such brazing materials consumed in the United States.

Basically, a copper-zinc alloy, 1/ low-fuming brazing material is produced according to standard chemical compositions designated by the Copper Development Association (CDA). Two grades are sold in the United States, CDA 680 and CDA 681. CDA 680 is distinguished from CDA 681 by the former's nickel content of between 0.20 and 0.80 percent. Nickel ensures a more wear-resistant weld and also enables the brazing material to flow more freely. Otherwise, the two grades have very similar chemistries, as shown in the tabulation below (in percent):

<u>CDA Alloy 680</u>	<u>Element</u>	<u>CDA Alloy 681</u>
56.0-60.0	Copper	56.0-60.0
.05	Lead	.05
.25-1.25	Iron	.25-1.25
.75-1.10	Tin	.75-1.10
42.19-35.64	Zinc	42.39-36.44
.20-.80	Nickel	--
.01	Aluminum	.01
.01-.50	Manganese	.01-.50
.04-.15	Silicon	.04-.15
.50	All other	.50

Low-fuming brazing material may be sold in coiled wire or rod form, but it is chiefly sold as cut-to-length rod. The major sizes are 18-inch and

1/ The family of alloys in which low-fuming material is included is also known as "manganese bronzes."

36-inch lengths, with 1/8-inch, 3/32-inch, and 3/16-inch diameters most common. Approximately 55 to 60 percent of brazing rod is sold with a chemical flux-coating. 1/ Flux-coating the rod saves time and labor as the rod does not have to be lifted from the weld to be dipped in flux. Flux may also be applied to the rod during the brazing operation by dipping the rod into flux or by gas-fluxing, when the brazer applies flux through the brazing apparatus. Gas-fluxing is limited in its applications to small areas such as the welding step in an assembly line.

The growing use of robotics and changes in technology are shrinking the demand for low-fuming brazing wire and rod in some of its traditional markets. 2/ In the early 1980's, the automobile repair business began requiring steel welding wire in repair work instead of low-fuming brazing materials. In the furniture industry, aluminum has become more popular, which has also decreased demand in that market. Due to changing market conditions, some processors have diversified their product lines to remain competitive with the larger integrated producers.

Manufacturing processes

The first step in the production of low-fuming brazing material is the melting of the raw materials in an electric furnace to produce a molten material with the required chemistry. Brazing rod manufacturers generally buy copper on the spot market from dealers and producers at prices that reflect the price of copper as traded on the London Metal Exchange (LME) and the New York Commodity Exchange (COMEX). This material is then cast into ingots (typically 4 to 14 inches in diameter), which are subsequently cut to length into billets. After cooling, the billets are reheated in a furnace to extrusion temperature and then fed into an extruder where they are reduced in diameter. Next, the extruded material is cold drawn through a die or series of dies to further reduce the material to finished size. Cold drawing also strengthens the material. After drawing, the material is annealed to increase softness (so it can be further worked) and pickled in sulfuric acid. Pickling is followed by a rinse to remove the oxide scale that forms during the drawing process. The drawing, annealing, and pickling operations are repeated until the material reaches its finished size (typically 1/8-inch or 3/32-inch in diameter). The finished rod is then sent either to a straightener, where it is straightened and cut to length (typically 18-inch or 36-inch lengths), or is oiled on a coiler. The cut-to-length material is then chamfered to remove burrs and sharp edges. The rod may then be sold as an uncoated product, or may be coated with flux in an extrusion press, after which it is dried on racks.

1/ Most metals and alloys tend to form oxide scale on the surface when exposed to the atmosphere. This tendency increases as the temperature is raised, so a flux material is applied to protect the surfaces to be brazed. The flux must completely cover and protect the filler metal until the brazing temperature is reached. Recommended fluxes should be used in their proper temperature ranges and on the materials for which they are designed. Most brazing fluxes are proprietary mixtures of several ingredients. Ingredients of brazing fluxes include chlorides, fluorides, fluoroborates, borax, borates, boric acid, wetting agents, and water.

2/ Transcript of the public hearing, pp. 54 and 55.

U.S. tariff treatment

Imports of low-fuming brazing copper wire and rod subject to this investigation are classified and reported for tariff and statistical purposes under items 612.6205 (rod), 612.7220 (wire), and 653.1500 (flux-coated wire or rod) of the Tariff Schedules of the United States Annotated (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 Negotiations (MTN), rates of duty for imports from least developed developing countries (LDDC's) enumerated in general headnote 3(e)(vi), and column 2 duty rates are shown in table 1. Imports of the subject products are eligible for duty-free treatment, if from designated beneficiary countries under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA), or if from Israel under the United States-Israel Free Trade Area Agreement.

Nature and Extent of Sales at LTFV

Commerce's final determination that imports of low-fuming brazing copper wire and rod from New Zealand are being sold in the United States at LTFV was published in the Federal Register of October 21, 1985.

To determine whether sales of the subject merchandise in the United States were made at LTFV, Commerce compared the U.S. price with the foreign market value. Commerce used the purchase price to represent the U.S. price since the product was sold to unrelated purchasers prior to importation into the United States. The purchase price was based on the c.i.f. packed price to unrelated customers in the United States. The foreign market value was based on sales of the product in the home market. Commerce calculated the foreign market value on the basis of ex-railhead or delivered prices to unrelated purchasers.

The margins calculated by Commerce ranged from 19.5 percent ad valorem to 38.5 percent ad valorem and the weighted-average margin was 26.93 percent ad valorem. Accordingly, as of October 21, 1985, Commerce directed the U.S. Customs to continue to suspend liquidation of all entries of low-fuming brazing copper wire and rod from New Zealand that are entered, or withdrawn from warehouse, for consumption, on or after August 2, 1985, and to collect a cash deposit or bond equal to the calculated weighted-average margin of the entered value of the merchandise. Article VI.5 of the GATT provides that "[n]o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." The Act (19 U.S.C. § 1677a(d)(2)(D)) provides for increasing the purchase price by the amount of any countervailing duty imposed on the

1/ MFN rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, these rates do not apply to products of LDDC's or Israel or to articles afforded preferential treatment pursuant to the GSP or CBERA, under the special rate of duty column. The People's Republic of China, Yugoslavia, Romania, and Hungary are the only Communist countries now afforded MFN treatment.

Table 1.--Low-fuming brazing copper wire and rod: U.S. rates of duty, as of Jan. 1, 1980, Jan. 1, 1985, and Jan. 1, 1987

(Cents per pound; percent ad valorem)

TSUS item No.	Description	Rate of Duty <u>1/</u>					LDDC	Col. 2
		Col. 1						
		Jan. 1, 1980	Jan. 1, 1985	Jan. 1, 1987				
	Wrought rods, of copper:							
<u>2/</u> 612.62	Brass	<u>3/</u> 2.5%	<u>4/</u> 2.3%	<u>5/</u> 2.2%		<u>6/</u> 2.2%		9%
	Wire, of copper:							
	Other than nickel:							
	silver							
<u>7/</u> 612.72	Not metal coated	<u>8/</u> 0.7¢ +	<u>8/</u> 0.2¢ +	<u>9/</u> 4%		<u>10/</u> 4%		
	or plated.	<u>11/</u> 5.8%	<u>12/</u> 4.5%					28%
	Wire rods, etc., of							
	base metal, coated							
	with flux, used							
	for brazing of							
	metal or metallic							
	carbides:							
653.15	Other than lead-	4.4%	1.3%	Free		Free		35%
	tin solders.							

1/ Rates of duty for Tariff Schedules of the United States (TSUS) items 612.62 and 612.72 are divided into column 1-a and column 1-b rates of duty. Column 1-a rates apply when the market price of copper is 24 cents or more per pound. Column 1-b rates apply when the market price of copper is under 24 cents per pound.

2/ Includes TSUSA item 612.6205.

3/ Col. 1-a rate. Col. 1-b rate was 0.9¢ on copper content + 0.9¢.

4/ Col. 1-a rate. Col. 1-b rate is 0.8¢ on copper content + 0.8¢.

5/ Col. 1-a rate. Col. 1-b rate will be 0.8¢ on copper content + 0.8¢.

6/ Col. 1-a rate. Col. 1-b rate is 0.8¢ on copper content + 0.8¢.

7/ Includes TSUSA item 612.7220.

8/ On copper content.

9/ Col. 1-a rate. Col. 1-b rate will be 0.6¢ on copper content + 3.5%.

10/ Col. 1-a rate. Col. 1-b rate is 0.6¢ on copper content + 3.5%.

11/ Col. 1-a rate. Col. 1-b rate was 0.9¢ on copper content + 5.7%.

12/ Col. 1-a rate. Col. 1-b rate is 0.7¢ on copper content + 4.1%.

merchandise. Since dumping duties cannot be assessed on the portion of the margin attributable to export subsidies, there is no cash deposit or bond for that amount, which is 9.17 percent ad valorem. The amount of the countervailing duty is subtracted from the dumping margin for cash deposit or bonding purposes.

U.S. Producers

For purposes of this report, the U.S. low-fuming brazing copper wire and rod industry is defined as those companies that produce bare wire and rod. These companies cast, extrude, and draw the low-fuming material to its final dimensions. The following tabulation, compiled from data obtained in response to the Commission's questionnaires, lists the four U.S. producers and each firm's capacity and share of total U.S. production of low-fuming brazing copper wire and rod in 1984:

<u>Firm</u>	<u>Capacity</u> <u>(1,000 pounds)</u>	<u>Share of U.S.</u> <u>production</u> <u>(percent)</u>
J.W. Harris Corp-----	***	***
Cerro Metal Products, Inc-----	***	***
Century Brass Products, Inc---	***	***
American Brass Co-----	***	***
Total-----	***	***

J.W. Harris Corp. began production of CDA 681 low-fuming brazing copper rod at its plant in Cincinnati, OH, in January 1983. Prior to that time, J.W. Harris bought wire and rod * * *, and then cut, coated, and packaged the product for sale. In addition to low-fuming brazing material, J.W. Harris produces a full range of brazing and soldering alloys, along with brazing and soldering fluxes. J.W. Harris also serves as a major distributor of welding materials to retail outlets. In October 1984, Harris acquired Unibrazo Corp., which imported and flux-coated bare rod prior to its acquisition by Harris.

Cerro Metal Products, Inc., a division of the Marmon Group, Inc., produces both CDA 680 and CDA 681 low-fuming brazing copper rod 1/ at its plant in Bellefonte, PA. Cerro is one of two U.S. producers with flux-coating capabilities and is the only producer to flux-coat CDA 680 rod. 2/ In addition to low-fuming brazing rod, Cerro produces such brazing alloys as naval bronze, nickel silver, and silicon bronze. 3/ However, Cerro's major product groups include brass and bronze rods, wires, and shapes; brass, bronze, and aluminum forgings; and automatic screw machine parts of brass.

1/ * * *.

2/ The petitioners requested that the product scope of the investigation include flux-coated, as well as bare, wire and rod in order to avoid circumvention of any order that might result from the investigation (transcript of the hearing, pp. 9 and 10, and posthearing brief, p. 1). Petitioners also requested that both CDA 680 and CDA 681 alloys be included. There doesn't appear to be any imports of CDA 680.

3/ Low-fuming brazing rod accounts for 1 to 2 percent of Cerro's total production, transcript of the hearing, p. 35.

Like Cerro, Century Brass Products, Inc., located in Waterbury, CT, has been a producer of a wide range of brass products of both CDA 680 and CDA 681 alloy, including brass strip, wire, rod, and tubes. Century has produced * * *; its * * *. Century has no flux-coating operations, * * *. On March 5, 1985, Century announced the closing of its Metals Division after the United Auto Workers (UAW) refused to grant wage and benefit concessions. Century officials said the company had been hurt by cheap imports and by several strikes by workers in recent years. Due to the closing of its brazing operations, Century was unable to provide data for January-June 1985.

American Brass Co., a division of ARCO Metals Co., has produced a full line of brass, copper and alloy rods, wire, and extruded shapes at its Ansonia, CT, plant. Production of low-fuming brazing copper wire and rod * * *. In 1985, American temporarily ceased production of low-fuming brazing rod. 1/ Like Century, American has no flux-coating equipment.

As indicated above, two of the four wire and rod producers, Cerro and J.W. Harris, have flux-coating operations. In addition to these two companies, there are four other U.S. companies, 2/ which are known as processors, who flux-coat bare brazing rod. These companies buy bare rod, primarily from imported sources, add the flux-coating on their own equipment, and sell the product mostly to master distributors or retailers. * * * consider themselves to be U.S. manufacturers of flux-coated low-fuming brazing copper rod. 3/ A third processor, * * *, does not consider itself to be a producer of the product.

U.S. Importers

The net import file maintained by the U.S. Customs Service identified 10 importers of low-fuming brazing copper wire and rod (under TSUSA item 612.6205 only) from New Zealand during October 1982 through June 1985. Four companies accounted for almost * * * percent of total imports during the period. 4/ All four are processors with flux-coating capabilities that sell the brazing material to master distributors, such as industrial gas firms, and to retailers (welding supply houses). * * *, purchases * * * of its bare rod from New Zealand, of which * * * percent is flux-coated in its plant and resold to master distributors and retailers. * * * was the largest importer from New Zealand during the period accounting for * * * percent of total imports. The next largest importers were * * *, and * * *, accounting for

1/ Transcript of the public hearing, pp. 7 and 31.

2/ * * * stated that it has the capability to flux-coat rod but has not processed any to date.

3/ Petitioners argue that any company that purchases all of its bare low-fuming brazing rod and does no more than flux-coat the rod should not be considered a U.S. producer of the product under investigation (transcript of the hearing, pp. 10 and 11). Counsel for McKechnie (the New Zealand firm that accounts for all exports to the United States) argues that the processors are part of the industry because flux-coating is a manufacturing process of the finished product and that the value added by the flux-coating is substantial (transcript of the hearing, pp. 68 and 70-80, and posthearing brief, pp. 2-3).

4/ * * *.

* * * percent and * * * percent of total imports respectively. * * * imports * * * from New Zealand. Six of the ten importers listed in the net import file * * * of low-fuming brazing copper wire and rod from New Zealand during the period (all in late 1983 or early 1984).

Counsel for the New Zealand respondent maintains that petitioners have not sold low-fuming brazing rod to Thermacote-Welco in 10 years, and that it is the U.S. producers' rising cost structure and outdated sales approach that has caused any injury. 1/ Counsel for petitioners maintains that they are capable of supplying the market at all levels of distribution and that Cerro continues to sell CDA 680 alloy to Thermacote.

The U.S. Market

Channels of distribution

The U.S. distribution system for low-fuming brazing copper wire and rod has five tiers: producers, processors, master distributors, welding supply houses (retailers), and end users. The producers manufacture the wire, the bulk of which is cut into rod lengths by the producers themselves. The rod may be flux-coated or left bare, and it is then boxed and shipped. The bare rod is packed in boxes, whereas, the flux-coated rod is typically placed in 10-pound tubes for protection and then packed in 50-pound boxes for shipment. For the petitioning firms, most of the rod is shipped to master distributors. Cerro sells exclusively to master distributors. There are approximately 10 large master distributors, including industrial gas firms such as the Linde Division of Union Carbide, 2/ which sell gas, brazing rods, and other welding supplies and equipment to retailers. Most of the retailers, in turn, sell to end users. Some retailers purchase cut flux-coated rod which they then repackage and sell to distributors, franchises, and end users. For the newest U.S. producer, J.W. Harris, sales to master distributors and processors constitute a very small portion of total rod sales; most of the firm's low-fuming brazing rods are sold to its subsidiary, Unibraze, or directly to retailers. 3/

Most of the imported brazing wire and rod is imported by processors. These processors also buy some U.S.-produced wire and rod. J.W. Harris testified at the hearing that the processors are the largest market segment for sales of low-fuming brazing copper wire and rod. 4/ The processors cut, flux-coat, 5/ and package rod for sale to master distributors or to retailers.

1/ Respondents' posthearing brief, pp. 8-10.

2/ In June 1985, the Linde Division was sold to L-Tec Welding & Cutting Systems.

3/ Transcript of the public hearing, pp. 27 and 28.

4/ Ibid, p. 47.

5/ All imported wire and rod is bare (wire in coiled form is never coated). The coated product is susceptible to chipping in shipping over long distances. However, petitioners questioned this statement at the hearing (see transcript, pp. 32 and 33). Also, some end users prefer to hand dip the rod in flux, so importing bare rod allows more flexibility in selling the product (see transcript, p. 11).

The majority of their sales are to retailers. Most processors also do flux-coating for other companies on a private label basis.

The petitioners argue that the processors and master distributors are basically at the same level in the distribution process and that it is at this level of distribution that the most serious competition with imported low-fuming brazing rod takes place. 1/

Apparent U.S. consumption

Apparent U.S. consumption of low-fuming brazing copper wire and rod rose from * * * pounds in 1982 to * * * pounds in 1983 (table 2). Consumption decreased in 1984, to * * * pounds, or * * * percent below the 1982 level. Apparent consumption increased from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent.

Table 2.--Low-fuming brazing copper wire and rod: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1982-84, January-June 1984, and January-June 1985 1/

Year	Producers' shipments 2/	Imports	Apparent consumption	Ratio to consumption of--	
				Producers' shipments	Imports
				----- Percent	-----
		1,000 pounds			
1982-----	***	***	***	***	***
1983-----	***	***	***	***	***
1984-----	***	***	***	***	***
Jan.-June--					
1984-----	***	***	***	***	***
1985-----	***	***	***	***	***

1/ J.W. Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-June 1984 and January-June 1985.

2/ These data include intracompany shipments of rod from J.W. Harris to Unibraz, as well as rod that was produced and flux-coated domestically; they do not include imported material that was flux-coated in the United States.

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

1/ Posthearing brief, pp. 5-6.

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

U.S. production, capacity, and capacity utilization

U.S. production of low-fuming brazing copper wire and rod increased from * * * pounds in 1982 to * * * pounds in 1984 (table 3). Production increased from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. Rod accounted for the bulk of production; its share of production grew steadily from * * * percent in 1982 to * * * percent in 1984, and accounted for all production during January-June 1985. J.W. Harris and Cerro reported that * * * percent and * * * percent respectively, of their rod production is flux-coated.

Production capacity increased nearly * * * percent during 1982-84, rising from * * * pounds in 1982 to * * * pounds in 1984. The startup of domestic production by J.W. Harris in January 1983 accounts for the higher capacity

Table 3.--Low-fuming brazing copper wire and rod: U.S. production, capacity, and capacity utilization, 1982-84, January-June 1984, and January-June 1985

Item	1982 1/	1983	1984	January-June--	
				1984	1985
Wire:					
Production-----1,000 pounds--	***	***	***	***	***
Capacity-----do-----	***	***	***	***	***
Capacity utilization--percent--	***	***	***	***	***
Rod: 2/					
Production-----1,000 pounds--	***	***	***	***	***
Capacity-----do-----	***	***	***	***	***
Capacity utilization--percent--	***	***	***	***	***
Total: 2/					
Production-----1,000 pounds--	***	***	***	***	***
Capacity-----do-----	***	***	***	***	***
Capacity utilization--percent--	***	***	***	***	***

1/ Since J.W. Harris began production in 1983, it is not included in data for 1982. Also, Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-June 1984 and January-June 1985.

2/ These data include rod that was produced and flux-coated domestically; they do not include imported material that was flux-coated in the United States by the producers or processors.

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

levels in 1983 and 1984. Production capacity decreased from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. The decrease is due both to J.W. Harris' beginning production of other alloys on its low-fuming brazing copper wire and rod equipment and to Century closing its brazing mill operations in 1985. Capacity utilization rose from * * * percent in 1982 to * * * percent in 1983, then declined to * * * percent in 1984. Conversely, capacity utilization increased from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985.

* * * processors, * * *, reported that their capacity to flux-coat brazing rod increased from * * * pounds in 1982 to * * * pounds in 1984 (not included in table 3). This increase is due to the entry of * * * as a processor of the flux-coated product in 1984. Prior to 1984, * * * flux-coated most of * * * rod. The * * * processors' share of total U.S. production of flux-coated brazing rod, as reported by all firms responding to the Commission's questionnaires * * *, decreased from * * * percent in 1982 to * * * percent in 1984. Their share of production then increased from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985. * * * share of total low-fuming brazing copper wire and rod production was * * * percent in 1984, * * *, and then decreased from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985. * * * experienced a declining share of total production, decreasing from * * * percent in 1982 to * * * percent in 1984. Its share decreased from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985.

U.S. producers' domestic shipments

U.S. producers' total domestic shipments of low-fuming brazing copper wire and rod increased steadily, from * * * pounds in 1982 to * * * pounds in 1984, or by * * * percent (table 4). Again, the entry of J.W. Harris into domestic production accounts for the increases in 1983 and 1984. Total shipments increased from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. Shipments of flux-coated rod increased from * * * percent of total shipments in 1982 to * * * percent in 1984 and then dropped to * * * percent during January-June 1985.

Total domestic shipments of flux-coated rod by * * * (not included in table 4) increased from * * * pounds in 1982 to * * * pounds in 1984. Again this was due to the * * * in 1984 as a processor of bare rod. Shipments continued to increase from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985.

Table 4.--Low-fuming brazing copper wire and rod: U.S. producers' domestic shipments, 1982-84, January-June 1984, and January-June 1985

Item	1982 <u>1/</u>	1983	1984 <u>2/</u>	January-June--	
				1984	1985 <u>2/</u>
Wire shipments:					
Quantity--1,000 pounds--	***	***	***	***	***
Value--1,000 dollars--	***	***	***	***	***
Unit value--per pound--	***	***	***	***	***
Rod shipments: <u>3/</u>					
Quantity--1,000 pounds--	***	***	***	***	***
Value--1,000 dollars--	***	***	***	***	***
Unit value--per pound--	***	***	***	***	***
Total shipments: <u>3/</u>					
Quantity--1,000 pounds--	***	***	***	***	***
Value--1,000 dollars--	***	***	***	***	***
Unit value--per pound--	***	***	***	***	***

1/ Since J.W. Harris began production in 1983, it is not included in data for 1982. Also, Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-June 1984 and January-June 1985.

2/ These data include Harris' intracompany transfers of brazing rod to Unibraze.

3/ These data include rod that was produced and flux-coated domestically; they do not include shipments of imported material that was flux-coated in the United States by the producers or processors.

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

U.S. producers' exports

The * * * U.S. producers, * * *, reported exports of brazing rod. Exports increased from * * * pounds in 1982 to * * * pounds in 1984. Exports declined from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985, as shown in the following tabulation:

	<u>Quantity</u> <u>(1,000</u> <u>pounds)</u>	<u>Value</u> <u>(1,000</u> <u>dollars)</u>	<u>Unit value</u> <u>(per pound)</u>
1982-----	***	***	***
1983-----	***	***	***
1984-----	***	***	***
Jan.-June--			
1984-----	***	***	***
1985-----	***	***	***

Included in the totals above are exports reported by * * * of * * * pounds of flux-coated rod in 1983 and * * * pounds in 1984 to * * *. These exports decreased from * * * pounds during January-June 1984 to * * * pounds in the corresponding period of 1985.

U.S. producers' inventories

End-of-period inventories of low-fuming brazing copper wire and rod, as reported by U.S. producers in response to the Commission's questionnaires, more than doubled between 1982 and 1983, from * * * pounds to * * * pounds. A further increase, to * * * pounds, occurred in 1984. Inventories increased from * * * pounds as of June 30, 1984, to * * * pounds by June 30, 1985, as shown in the following tabulation (in thousands of pounds):

	<u>Inventories</u>
As of Dec. 31--	
1982-----	***
1983-----	***
1984-----	***
As of June 30--	
1984-----	***
1985-----	***

Producers' end-of-period inventories as a share of domestic shipments were * * * percent in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent during January-June 1984, and * * * percent in the corresponding period of January-June 1985.

Employment and wages

Production and related workers producing low-fuming brazing copper wire and rod for three producers accounted for * * * percent of their total production and related workers producing all products during January-June 1985. ^{1/} As shown in table 5, employment of workers in the production of low-fuming brazing copper wire and rod increased * * * percent during 1982-84, from * * * in 1982 to * * * in 1984. This increase is attributable entirely to J.W. Harris' entry into the industry. Employment decreased slightly from * * * workers during January-June 1984 to * * * workers in the corresponding period of 1985. Employment of production workers at * * *, increased from * * * during January-June 1984 to * * * in the corresponding period of 1985. Employment of production workers at * * *, dropped from * * * in 1982 to * * * during January-June 1985. ^{2/} There was no change in the number of production workers at * * * during 1982-84. * * *.

Total hours worked increased from * * * in 1982 to * * * in 1984, and remained at * * * during January-June 1984 and January-June 1985. * * *

^{1/} American Brass, which reported * * * in 1983 and 1984, is excluded from these numbers because it was unable to provide separate data on hours worked and wages and total compensation paid.

^{2/} In its questionnaire response, * * *.

Table 5.--Average number of production and related workers engaged in the manufacture of low-fuming brazing copper wire and rod, hours worked by such workers, wages paid, and total compensation, by firms, 1982-84, January-June 1984, and January-June 1985 ^{1/}

Item	: Number : of : workers	: Hours : worked : Thousands	: Wages : paid : ---1,000 dollars---	: Total : compensation
Harris:				
1982-----	***	***	***	***
1983-----	***	***	***	***
1984-----	***	***	***	***
January-June--				
1984-----	***	***	***	***
1985-----	***	***	***	***
Cerro:				
1982-----	***	***	***	***
1983-----	***	***	***	***
1984-----	***	***	***	***
January-June--				
1984-----	***	***	***	***
1985-----	***	***	***	***
Century:				
1982-----	***	***	***	***
1983-----	***	***	***	***
1984-----	***	***	***	***
January-June--				
1984-----	***	***	***	***
1985-----	***	***	***	***
Total:				
1982-----	***	***	***	***
1983-----	***	***	***	***
1984-----	***	***	***	***
January-June--				
1984-----	***	***	***	***
1985-----	***	***	***	***

^{1/} Data for 1983 and 1984 are for 3 firms that accounted for * * * percent of U.S. producers' shipments in 1984. However, 1982 data are for only two firms, * * *, since J. W. Harris did not produce this product until 1983.

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

reported declines in total hours worked from 1982 to 1984. Wages and total compensation paid to production and related workers producing low-fuming brazing copper wire and rod increased overall between 1982 and 1984 * * *, but declined for * * * over the same time period. Overall, productivity increased during the period of investigation, from * * * pounds per hour in 1982 to * * * pounds per hour in 1984 and from * * * pounds per hour during January-June 1984 to * * * pounds per hour in the corresponding period of 1985.

Employment of workers by * * * in the production of flux-coated rod was * * * in 1984 and January-June 1985. Employment of workers by * * * in the production of flux-coated rod increased from * * * in 1982 to * * * in 1984 and January-June 1985. Total hours worked in processing the rod for * * * increased from * * * in 1982 to * * * in 1983. Total hours worked * * * was * * * in 1984. Total hours worked increased from * * * during January-June 1984 to * * * in the corresponding period of 1985. Similarly, wages and total compensation paid to workers processing flux-coated rod increased throughout the period.

Employees at Century and Cerro are represented by the United Auto Workers Union; those at American are represented by the United Steelworkers. There is no union representation for employees of J.W. Harris.

Financial experience of U.S. producers

Three firms, J.W. Harris, Cerro, and American Brass, furnished usable income-and-loss data on their operations producing low-fuming brazing copper wire and rod and also on their overall establishment operations. As indicated previously, Century ceased producing low-fuming brazing copper wire and rod in March 1985 and did not return its producer's questionnaire in this final investigation. The three responding firms' aggregate sales of low-fuming brazing copper wire and rod were * * * percent of their total establishment sales in 1984. As mentioned in earlier sections, 1982 data do not include J.W. Harris, since it began operations in 1983.

Overall establishment operations.--The income-and-loss data of the three establishments within which low-fuming brazing copper wire and rod is produced are presented for each individual company in table 6. Aggregate establishment sales of the three producers in 1983-84 are over * * * higher than those reported in the preliminary investigation because * * * previously provided incorrect data on its overall establishment operations. American Brass' data are not included in the interim period ended June 30, 1985, because the company did not provide income-and-loss data on its operations producing uncoated brazing copper wire and rod for interim 1985. Therefore, the exclusion of Harris in 1982 and American Brass in interim 1985 limits period-to-period comparisons and trend analysis of the aggregate data.

Aggregate establishment net sales of the three producers increased from * * * in 1983 to * * * in 1984, or by * * * percent. An aggregate operating loss of * * *, or * * * percent of sales, was incurred in 1983, whereas, operating income of * * *, or * * * percent of sales, was reported in 1984. * * * was the only producer to sustain operating losses on overall establishment operations, and it did so in all 3 years 1982-84 and in interim 1984.

Table 6.--Income-and-loss experience of U.S. producers on the overall operations of their establishments within which low-fuming brazing copper wire and rod are produced, accounting years 1982-84, and interim periods ended June 30, 1984, and June 30, 1985

* * * * *

Combined operations producing uncoated and flux-coated brazing copper wire and rod.--Although Century Brass did not submit a producers' questionnaire for this final investigation, having closed its Metals Division in March 1985, its 1982-84 financial data on its operations producing low-fuming brazing copper wire and rod are available from the preliminary questionnaire. A comparison of Century Brass' sales and operating income-or-loss data with that of American Brass, Cerro, and Harris on their total low-fuming brazing copper wire and rod operations (uncoated and flux-coated) is presented in the following tabulation:

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Net sales:			
American Brass-----1,000 dollars--	***	***	***
Cerro-----do-----	***	***	***
Harris-----do-----	***	***	***
Subtotal-----do-----	***	***	***
Century Brass-----do-----	***	***	***
Total-----do-----	***	***	***
Operating income or (loss):			
American Brass-----1,000 dollars--	***	***	***
Cerro-----do-----	***	***	***
Harris-----do-----	***	***	***
Subtotal-----do-----	***	***	***
Century Brass-----do-----	***	***	***
Total-----do-----	***	***	***
Operating income or (loss) margins:			
American Brass-----percent--	***	***	***
Cerro-----do-----	***	***	***
Harris-----do-----	***	***	***
Subtotal-----do-----	***	***	***
Century Brass-----do-----	***	***	***
Total-----do-----	***	***	***

Uncoated brazing copper wire and rod.--The financial data of the three producers on their operations producing uncoated low-fuming brazing copper wire and rod are presented for each individual firm in table 7.

Aggregate net sales grew from * * * in 1983 to * * * in 1984, an increase of * * * percent, because * * * sales in 1984 jumped by * * * percent over sales in 1983. During the interim periods ended June 30, sales increased by * * * percent from * * * in 1984 to * * * in 1985, as * * * sales more than doubled.

Table 7.--Income-and-loss experience of U.S. producers on their operations producing uncoated low-fuming brazing copper wire and rod, accounting years 1982-84, and interim periods ended June 30, 1984, and June 30, 1985

* * * * *

There were aggregate gross losses in all periods. * * * reported a nominal gross profit in 1982, at * * * percent of sales, then suffered gross losses ranging between * * * percent and * * * percent of sales. * * * reported small gross profits in 1983 and interim 1984, but incurred gross losses in 1984 and interim 1985. During both gross loss periods, particularly in interim 1985, * * * reported substantial * * *. * * *; its gross loss of * * * in 1983 was * * * percent of * * * in sales, and its gross profit of * * * in 1984 was * * * percent of * * * in sales.

There were aggregate operating losses in all periods, with operating loss margins of * * * percent in 1982, * * * percent in 1983, * * * percent in 1984, and * * * percent and * * * percent in interim 1984 and interim 1985, respectively. At the operating income or loss level, * * * incurred a slight loss in 1982 (* * * percent of sales) and heavy losses in 1983-84 and both interim periods, ranging between * * * percent and * * * percent of sales. Although * * * also sustained operating losses in 1983-84 and both interim periods, its loss margins were lower, ranging between * * * percent and * * * percent of sales. * * *, after incurring operating losses of * * * and * * * in 1982 and 1983, respectively, reported operating income of * * * for interim 1984 and for the full year 1984.

Flux-coated brazing copper rod.--The income-and-loss data of Cerro and Harris in producing flux-coated low-fuming brazing copper rod are presented in table 8.

Table 8.--Income-and-loss experience of U.S. producers on their operations producing flux-coated low-fuming brazing copper rod, accounting years 1982-84, and interim periods ended June 30, 1984, and June 30, 1985

* * * * *

Whereas, * * *'s net sales * * *, * * *'s sales * * *. Their combined sales * * * from * * * in 1983 to * * * in 1984, or by * * * percent. During the interim periods, * * *'s sales declined by * * * percent from 1984 to 1985; * * *'s sales were down * * * percent; and aggregate sales decreased by * * * percent from 1984 to 1985.

The profitability situation was similar to that for uncoated wire and rod. * * *, but the * * * margins as a percent of sales were somewhat smaller than for uncoated wire and rod. * * * reported * * * in 1983, 1984, and in interim 1984, but * * * in interim 1985. * * *. There were aggregate operating losses in all periods, with operating loss margins of * * * percent in 1982 * * *, * * * percent in 1983, * * * percent in 1984, and * * * percent and * * * percent in interim 1984 and interim 1985, respectively.

Processors' financial data.--* * * reported only net sales, ranging between * * * in 1982 and 1984 and * * * in 1983, and * * * and * * * for interim 1984 and 1985, respectively. * * * stated that they do not know their costs and income-or-loss by product line.

* * * provided income-and-loss data for 1984 and the interim periods of 1984 and 1985, as summarized in the following tabulation:

		<u>Interim period ended June 30--</u>		
		<u>1984</u>	<u>1984</u>	<u>1985</u>
Net sales-----	1,000 dollars--	***	***	***
Gross profit or (loss)-----	do-----	***	***	***
Operating income or (loss)-----	do-----	***	***	***
Ratio to net sales:				
Gross profit or (loss)----	percent--	***	***	***
Operating income or (loss)----	do-----	***	***	***

* * * furnished income-and-loss data on its * * *. A comparison of the profit or loss margins on flux-coated operations of * * * are presented in the tabulation below:

		<u>Interim period ended June 30--</u>				
		<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1984</u>	<u>1985</u>
Gross profit or (loss) margin:						
		*	*	*	*	*
Operating income or (loss)		*	*	*	*	*
margin:		*	*	*	*	*
		*	*	*	*	*

Capital expenditures.--The three producers provided usable data on capital expenditures for all products of their establishments (table 9). The * * * capital expenditure in 1983 for machinery, equipment, and fixtures for producing both uncoated and flux-coated low-fuming brazing copper wire and rod was reported by * * *.

Table 9.--U.S. producers' capital expenditures and fixed assets employed in their establishments within which low-fuming brazing copper wire and rod are produced, 1982-84, January-June 1984, and January-June 1985

(In thousands of dollars)						
Item	1982	1983	1984	January-June--		
	<u>1/</u>			1984	1985	
Capital expenditures--						
All products of the establishments:						
Land and land improvements-----	***	***	***	***	***	
Building or leasehold improvements--	***	***	***	***	***	
Machinery, equipment, and fixtures--	***	***	***	***	***	
Total-----	***	***	***	***	***	
Brazing wire and rod:						
Land and land improvements-----	***	***	***	***	***	
Building or leasehold improvements--	***	***	***	***	***	
Machinery, equipment, and fixtures--	***	***	***	***	***	
Total-----	***	***	***	***	***	
Fixed assets employed in the						
production of--						
All products of the establishments:						
Original cost-----	***	***	***	<u>2/</u> ***	<u>2/</u> ***	
Book value-----	***	***	***	<u>2/</u> ***	<u>2/</u> ***	
Brazing wire and rod:						
Original cost-----	***	***	<u>3/</u> ***	<u>4/</u> ***	<u>3/</u> ***	
Book value-----	***	***	***	<u>4/</u> ***	<u>3/</u> ***	

1/ Data for * * * are not included.

2/ * * * did not provide data.

3/ The * * * increase was an investment by * * * in * * *; this equipment is not used in the production of brazing copper wire and rod.

4/ Data are for * * *.

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

* * * invested * * * in machinery, equipment, and fixtures for producing flux-coated brazing copper rod in 1983, * * *, compared with * * * invested by * * * in 1984, * * *.

Investment in productive facilities.--The three producers supplied usable data concerning their investment in facilities employed in the production of all products of the establishments. * * * reported such data used in the production of low-fuming brazing copper wire and rod. As shown in table 9, their aggregate investment in such facilities, valued at cost, grew from * * * in 1982 to * * * in 1984. Most of the increase is accounted for by * * * investment in 1983. The book value of such facilities increased from * * * in 1982 to * * * in 1983, then declined slightly to * * * in 1984.

Research and development expenses.--* * * was the only company that incurred research and development expenses related to the production of low-fuming brazing copper wire and rod. It reported expenditures of * * * in 1983, * * * in 1984; * * * in interim 1984; and * * * in interim 1985.

Capital and investment.--U.S. producers were asked to describe any actual or potential negative effects of imports of low-fuming brazing copper wire and rod from New Zealand on their firm's growth, investment, and ability to raise capital. 1/ One company, * * *, responded; its comment is quoted in part below:

* * * * *

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

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in New Zealand to generate exports (including the availability of export markets other than the United States).

Trends in imports and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and LTFV imports. A discussion of U.S. importers' inventories of low-fuming brazing copper wire and rod and the available data on the capacity of the New Zealand producer to generate such exports follows.

U.S. importers' inventories

Three importers submitted information on inventories of low-fuming brazing copper wire and rod from New Zealand. Yearend inventories were * * * pounds in 1982; * * * pounds in 1983; and * * * pounds in 1984. Inventories on June 30, 1985, were * * * pounds, representing an increase of * * * percent from the level of June 30, 1984. As a share of imports from New Zealand reported by these firms, inventory levels accounted for * * * percent in 1982, * * * percent in 1983, and * * * percent in 1984. As a share of annualized imports, inventories accounted for * * * percent on June 30, 1985, in comparison with * * * percent in the corresponding period of 1984.

1/ As indicated previously, the Commission made negative injury determinations in its preliminary investigations concerning allegedly subsidized and LTFV imports from France. The Commission is currently conducting a final investigation concerning imports from South Africa, which Commerce preliminarily found are being sold at LTFV.

The New Zealand industry and its capacity to generate exports

McKechnie Bros., New Zealand, Ltd., is the sole producer of low-fuming brazing rod in New Zealand. In addition to low-fuming brazing rod, McKechnie produces a large number of aluminum, copper, and brass extruded products. 1/ Low-fuming brazing wire and rod are produced in McKechnie's brass products division and account for approximately 1 percent of all product sales by this division in the home market. However, exports of low-fuming brazing rod account for a much larger share of McKechnie's total exports and are a significant factor in determining the firm's overall profitability. 2/

Domestic shipments by McKechnie of low-fuming brazing copper wire and rod declined from * * * pounds in 1982 to * * * pounds in 1983 and * * * pounds in 1984. Domestic shipments decreased to * * * pounds during January-September 1985 from * * * pounds in the corresponding period of 1984 (table 10). Total exports increased from * * * pounds in 1982 to * * * pounds in 1983 before dropping back to * * * pounds in 1984. Total exports decreased to * * * pounds during January-September 1985 from * * * pounds in the corresponding period of 1984. Exports to the United States increased from * * * pounds in 1982 to * * * pounds in 1983 before dropping back to * * * pounds in 1984. Exports to the United States decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985. A representative for McKechnie Bros., N.Z., Ltd., testified at the Commission's public hearing that capacity to produce low-fuming brazing copper wire and rod is fully utilized.

Table 10.--Low-fuming brazing copper wire and rod: New Zealand's domestic shipments and exports, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	January-September--	
				1984	1985
Domestic shipments					
1,000 pounds---	***	***	***	***	***
Exports to--					
United States-----do-----	***	***	***	***	***
All other <u>1/</u> -----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***

1/ * * *.

Source: Data provided by counsel for McKechnie Bros., N.Z., Ltd.

1/ McKechnie Bros., New Zealand, Ltd., is an independent corporation. McKechnie Bros., U.K., Ltd., owns a controlling interest in the New Zealand company.

2/ Transcript of the hearing, pp. 95 and 96.

Consideration of the Causal Relationship Between
LTFV Imports and the Alleged Injury

U.S. imports

Official import data of the U.S. Department of Commerce indicate that U.S. imports from New Zealand of low-fuming brazing copper wire and rod increased from 790,000 pounds in 1982 to 1.2 million pounds in 1984, an increase of 52 percent. Imports declined slightly during January-August 1985 compared with imports in the corresponding period of 1984. Total U.S. imports increased from 2.6 million pounds in 1982 to 2.9 million pounds in 1984, or by 12 percent. Imports then decreased by 38 percent during January-August 1985 compared with imports during the corresponding period in 1984 (table 11). The official data presented in table 11 may include imports of material that has been misclassified by Customs as to the proper TSUSA number and as to country of origin. 1/ Accordingly, import data shown elsewhere in this report are from responses to Commission questionnaires. 2/

According to questionnaire responses, U.S. imports of low-fuming brazing copper wire and rod from New Zealand increased from * * * pounds in 1982 to * * * pounds in 1984, or by * * * percent. Imports from New Zealand during January-June 1985 were * * * pounds, or * * * percent below the * * * pounds imported in the corresponding period of 1984 (table 12). Almost all of the imports from New Zealand were of low-fuming brazing copper rod of CDA 681 alloy.

The landed, duty-paid value of U.S. imports from New Zealand of the subject products increased from * * * in 1982 to * * * in 1984, or by * * * percent. The value of the imports from New Zealand during January-June 1985 was * * *, representing a decrease of * * * percent from the value in the corresponding period of 1984.

According to data submitted in response to Commission questionnaires mailed to all known importers of low-fuming brazing copper wire and rod (shown in table 12), New Zealand and South Africa were the principal sources of imports during the period of the investigation. The principal sources of other imports were * * *. New Zealand accounted for * * * percent of the quantity and * * * percent of the value of U.S. imports of low-fuming brazing copper wire and rod during January-June 1985.

1/ Transcript of the hearing, pp. 12-15.

2/ Questionnaire responses indicate that most of the imported material is in rod form, although some does enter in wire form. Counsel for McKechnie Bros., N.Z., Ltd., stated in a telephone conversation that low-fuming brazing wire from New Zealand enters the United States under TSUS item 612.6205.

Table 11.--Low-fuming brazing copper wire and rod: 1/ U.S. imports for consumption, by principal sources, 1982-84, January-August 1984, and January-August 1985 2/

Source	1982	1983	1984	January-August--	
				1984	1985
Quantity (1,000 pounds)					
New Zealand-----	790	900	1,201	869	866
South Africa-----	526	871	1,013	867	598
France-----	743	618	240	240	0
West Germany-----	118	0	20	15	0
Spain-----	0	0	0	0	11
Brazil-----	0	0	18	8	0
Portugal-----	200	0	276	276	40
All other-----	233	271	159	159	0
Total-----	2,611	2,660	2,927	2,433	1,515
Value (1,000 dollars)					
New Zealand-----	747	775	1,023	753	685
South Africa-----	537	760	867	756	509
France-----	693	543	207	207	-
West Germany-----	76	--	21	15	-
Spain-----	--	--	--	--	10
Brazil-----	--	--	26	17	-
Portugal-----	177	--	252	252	31
All other-----	210	249	158	157	-
Total-----	2,440	2,327	2,554	2,157	1,235
Unit value (per pound)					
New Zealand-----	\$0.95	\$0.86	\$0.85	\$0.87	\$0.79
South Africa-----	1.02	.87	.86	.87	.85
France-----	.93	.88	.86	.86	-
West Germany-----	.64	--	1.05	1.00	-
Spain-----	--	--	--	--	.91
Brazil-----	--	--	1.44	2.13	-
Portugal-----	.89	--	.91	.91	.78
All other-----	.90	.92	.99	.99	-
Total-----	.93	.87	.87	.89	.81

1/ The data reported in this table are for TSUSA item 612.6205 only.

2/ Petitioners in their prehearing brief discuss and document the fact that imports during the period of the investigation have been misclassified by TSUSA number and by country of origin. The import statistics presented in the table reflect all of the Census Bureau's corrections to date.

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

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

Table 12.--Low-fuming brazing copper wire and rod: 1/ U.S. imports for consumption, by sources, 1982-84, January-June 1984, and January-June 1985

Source	1982	1983	1984	January-June--	
				1984	1985
Quantity (1,000 pounds)					
New Zealand-----	***	***	***	***	***
South Africa <u>2/</u> -----	***	***	***	***	***
All other-----	***	***	***	***	***
Total-----	***	***	***	***	***
Value (1,000 dollars) <u>3/</u>					
New Zealand-----	***	***	***	***	***
South Africa-----	***	***	***	***	***
All other-----	***	***	***	***	***
Total-----	***	***	***	***	***
Unit value (per pound)					
New Zealand-----	***	***	***	***	***
South Africa-----	***	***	***	***	***
All other-----	***	***	***	***	***
Total-----	***	***	***	***	***

1/ Includes imports by two U.S. producers.

2/ * * *.

3/ Data submitted on a landed, duty-paid basis.

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

Two U.S. producers, * * * and * * *, reported imports of low-fuming brazing copper rod during the period of the investigation. * * * imports were from * * *, and * * * imports were from * * *. U.S. producers' imports of the subject merchandise represented * * * percent of the total quantity of imports in 1982, * * * percent in 1983, and * * * percent in 1984. They reported * * * imports of the product during January-June 1985. Their imports of low-fuming brazing copper rod represented * * * percent of the quantity of U.S. producers' domestic shipments in 1982, * * * percent in 1983, and * * * percent in 1984.

Cumulative New Zealand and South African imports

The Trade and Tariff Act of 1984, section 612(a)(2)(A), amends title VII of the Tariff Act of 1930 by adding the following subsection:

Cumulation--for purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

Because the investigation of LTFV imports from South Africa was postponed by Commerce, counsel for the respondent argues that South African imports are not a subject of this investigation. ^{1/} Should the Commission cumulate, however, combined imports from New Zealand and South Africa increased by * * * percent from 1982 to 1984, or from * * * pounds to * * * pounds. Imports during January-June 1985 were up * * * percent over those in the corresponding period of 1984. Low-fuming brazing wire and rod imports from New Zealand and South Africa accounted for * * * percent, by value, and * * * percent, by volume, of imports from all countries in 1982; these shares rose to * * * percent and * * * percent, respectively, in 1984.

U.S. market penetration

The market share held by U.S. imports of low-fuming brazing copper wire and rod from New Zealand increased from * * * percent in 1982 to * * * percent in 1984 (table 13). The market share held by imports from New Zealand decreased from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985. The market share held by combined imports from New Zealand and South Africa increased from * * * percent in 1982 to * * * percent in 1984. This trend continued, increasing from * * * percent during January-June 1984 to * * * percent in the corresponding period of 1985. Market penetration by imports of brazing wire and rod from all other countries decreased to * * * percent in 1984, well below the 1982 level of * * * percent and the 1983 level of * * * percent. The trend of declining market penetration changed during January-June 1985, increasing to * * * percent from * * * percent in the corresponding period of 1984. The U.S. producers' share of the market increased from * * * percent in 1982 to * * * percent in 1984, then fell to * * * percent during January-June 1985 from * * * percent in the corresponding period of 1984.

^{1/} Respondents' posthearing brief, pp. 4 and 5.

Table 13.--Low-fuming brazing copper wire and rod: Ratios of imports and U.S. producers' domestic shipments to consumption, 1982-84, January-June 1984, and January-June 1985

(In percent)						
Item	1982	1983	1984	January-June--		
				1984	1985	
Imports from--						
New Zealand-----	***	***	***	***		***
South Africa 1/-----	***	***	***	***		***
All other imports-----	***	***	***	***		***
Total-----	***	***	***	***		***
U.S. producers' domestic						
shipments-----	***	***	***	***		***
Total-----	100.0	100.0	100.0	100.0		100.0

1/ On Sept. 23, 1985, Commerce published in the Federal Register (50 F.R. 38567) its preliminary affirmative determination that imports of low-fuming brazing copper wire and rod from South Africa are being, or are likely to be, sold in the United States at LTFV.

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

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

Prices and margins of underselling or overselling

Producers and processors of low-fuming brazing copper wire and rod quote prices on a per pound basis. Quantity discounts are generally available, and prices are quoted on a delivered basis, assuming that a certain minimum shipment value is attained. Purchasers of low-fuming brazing copper rod, whether master distributors, retailers, or end users, often combine low-fuming brazing copper rod with other brazing and welding alloys (silver, silicon, and aluminum) in order to meet the prepaid freight purchase level.

Seven product specifications of CDA 681 low-fuming brazing copper wire and rod were selected for price study. The selection was intended to include the largest volume items, while maintaining some variety in the types of products. All seven items are of alloy CDA 681 since all imports are believed to be of this material. Similarly, four of the seven items are uncoated since imports are brought into the country in this form. The following products were selected:

- (1) Uncoated 36-inch rod, 1/8-inch in diameter.
- (2) Flux-coated 36-inch rod, 1/8-inch in diameter.
- (3) Uncoated 36-inch rod, 3/32-inch in diameter.
- (4) Flux-coated 36-inch rod, 3/32-inch in diameter.
- (5) Uncoated 18-inch rod, 1/8-inch in diameter.
- (6) Flux-coated 18-inch rod, 1/8-inch in diameter.
- (7) Uncoated coiled wire, 1/16-inch in diameter.

The Commission requested U.S. producers and importers to provide quarterly price data from January 1983 through June 1985 for sales to their largest customers. Prices were requested at different levels of distribution: master distributors, processors, retailers, and end users.

Information submitted in response to the Commission questionnaires indicates that the 36-inch length rod (both 1/8-inch and 3/32-inch diameters) accounts for most sales of low-fuming brazing copper rod in the United States. In fact, the 1/8-inch diameter, 36-inch length, uncoated rod is considered to be the benchmark product for pricing comparisons within the industry. 1/

Three of the four U.S. producers responded to the questionnaire. 2/ Of these, * * *, provided information that could be included in the price analysis. * * * showed sales of products 1 through 4 (36-inch rod) to master distributors, retailers, and end users. * * * showed sales of the same products only to master distributors.

Seven firms responded to the importers' questionnaire. Only two indicated imports from New Zealand. 3/ * * * had difficulty responding to the questionnaire with the detail requested, but eventually provided representative price data. 4/

Comparison of producers' and importers' selling prices.--The following price analysis is based on two U.S. producers--* * * and * * *--which together accounted for * * * percent of total domestic low-fuming brazing copper rod production in 1984 and two importers--* * * and * * *--which together accounted for * * * percent of low-fuming brazing copper rod imports from New Zealand in 1984. Because not all U.S. producers and importers sell to the same level of distribution, a direct comparison of the selling prices of producers and importers, based on a complete set of information (i.e., two producers and two importers), is not possible. Both importers sell to retailers, while one U.S. producer * * *. Tables 14 and 15 show U.S. producers' and importers' delivered prices to retailers for the four principal products, with the U.S. average price being based on * * *. Tables 16 and 17 show the same producers' and importers' delivered prices at the master distributor level, the comparison being based on * * *.

1/ Transcript of the public hearing, p. 82.

2/ One of the petitioners, * * * and did not return a questionnaire. Its response to the questionnaire in the preliminary investigation provided no information on sales of the products selected for price analysis. The response of another petitioner, * * *, indicated only two quarterly sales of the products covered during the period under investigation.

3/ One U.S. producer, * * *. Thus, for purposes of this analysis, it is considered a domestic producer. Also, one of the importers, * * *.

4/ * * *.

Table 14.--U.S. producers' and importers' delivered prices of CDA 681 low-fuming brazing copper rod (1/8-inch diameter, 36-inch length) to retailers and margins of underselling or overselling, by quarters, January 1983-June 1985

* * * * *

Table 15.--U.S. producers' and importers' delivered prices of CDA 681 low-fuming brazing copper rod (3/32-inch diameter, 36-inch length) to retailers and margins of underselling or overselling, by quarters, January 1983-June 1985

* * * * *

Table 16.--U.S. producers' and importers' delivered prices of CDA 681 low-fuming brazing copper rod (1/8-inch diameter, 36-inch length) to master distributors and margins of underselling or overselling, by quarters, January 1983-June 1985

* * * * *

Table 17.--U.S. producers' and importers' delivered prices of CDA 681 low-fuming brazing copper rod (3/32-inch diameter, 36-inch length) to master distributors and margins of underselling or overselling, by quarters, January 1983-June 1985

* * * * *

The data show there has been a downward trend in both U.S. and imported prices at both levels of distribution. The average U.S. price for 1/8-inch diameter, 36-inch uncoated rod sold to retailers declined by * * * percent from April-June 1983 to April-June 1985, from * * * per pound to * * * (table 14). The price for the same size fluxed rod sold to retailers was constant during the period, except during January-March 1985, when it declined by * * * percent. 1/ The U.S. price for 3/32-inch diameter, 36-inch uncoated rod sold to retailers declined slightly from * * * per pound to * * * (table 15); the price decline for 3/32-inch, 36-inch coated rod sold to retailers was * * * percent over the period.

U.S. prices to master distributors of 36-inch bare rod decreased by * * * percent and * * * percent for 1/8-inch (table 16) and 3/32-inch (table 17) diameters, respectively. The comparable price declines for flux-coated rod were * * * and * * * percent.

The value added by the flux-coating process ranges between \$0.13 and \$0.16 per pound. 2/ The price differences between bare and coated rod, whether at the retailer or master distributor level, generally bear this out.

Prices for rod imported from New Zealand also declined from January-March 1983 to April-June 1985. The average price for 36-inch length, uncoated rod of 1/8-inch diameter sold to retailers declined by * * * percent from January-March 1983 to April-June 1985. The decrease was the same for similar coated rod, imported and sold to retailers (table 14). Delivered prices of smaller diameter rod (3/32-inch) sold to retailers showed greater declines: * * * percent for both bare and flux-coated rod (table 15).

Prices of the New Zealand product sold to master distributors for each of the four products did not change in the period under review. 3/

The producer and importer selling price comparisons illustrate a consistent pattern of overselling. For three of the four products investigated, the New Zealand average price to retailers was greater than the U.S. average price. Only for 3/32-inch diameter, 36-inch length, uncoated rod (table 15) is slight underselling demonstrated, and then only during April-June 1985. The overselling was greatest during January-March 1985 when J.W. Harris offered particularly low prices to its customers in what it claims was an attempt to meet competition from imports. During April-June 1985, * * * average price to retailers remained below that of imports from New Zealand.

1/ * * *.

2/ Transcript of the public hearing, p. 37 and enclosure 2 of petitioners' posthearing brief.

3/ When * * *, was questioned further on this constant level of prices for each of four product lines, a spokesman stated that prices to the particular customer involved (i.e., that with the largest quarterly sale of specified low-fuming brazing copper rod) were unchanged over the period.

Comparisons of producers' and importers' delivered prices to master distributors * * *. The pattern of overselling continued at this level from July-September 1983 to April-June 1985. Only during January-March and April-June 1983 was the price of the New Zealand product generally below its U.S. counterpart. For all four products considered, the U.S. average price was less than the New Zealand price during April-June 1985.

Comparison of importers' costs of bare rod with domestic alternatives.--All imports of CDA 681 material enter in uncoated (bare) rod form. ^{1/} Importers then coat much of the bare rod for resale. These importers/processors alternatively could purchase bare rod from U.S. producers. Additionally, * * * considers itself to be a master distributor, selling primarily to retailers. Therefore, a comparison of transaction prices of bare rod sold by U.S. producers to master distributors (the first level of distribution) with purchase prices of bare rod paid by importers may be useful to explain purchasing patterns. Since importers do not purchase bare rod from U.S. producers, this comparison only approximates a situation of direct competition between U.S.-produced and foreign-produced rod at the master distributor level. Table 18 shows such a comparison for 1/8-inch and 3/32-inch diameter rod; the prices shown represent sales and purchases of similar quantities. U.S. average delivered prices to master distributors of 1/8-inch diameter rod declined * * * percent during the period, from * * * per pound during January-March 1983 to * * * per pound during April-June 1985. The purchase price of the New Zealand product as delivered to importers in the United States declined by * * * percent from * * * to * * *. The declines for 3/32-inch diameter rod were * * * percent for U.S. prices (from * * * to * * * per pound) and * * * percent for New Zealand prices (from * * * to * * * per pound). In this comparison, delivered costs of the foreign product to importers were consistently below the transaction prices of the U.S. product to master distributors. The data indicate that during the period under review, the importers' costs ranged from * * * percent below their apparent costs had they purchased from U.S. sources.

Table 18.--U.S. producers' delivered sales prices and importers' delivered purchase prices of CDA 681 low-fuming brazing copper rod (uncoated, 36-inch length), by quarters, January 1983-June 1985

* * * * * *

^{1/} Staff has identified no imports of CDA 680 alloy. Counsel for petitioners produced evidence of Cerro sales of CDA 680 to Thermacote-Welco during the period under review (enclosure 2 of petitioners' posthearing brief). The following information was supplied by Thermacote to Commission staff: * * *.

Comparison of purchasers' delivered prices.--In the preliminary investigation, respondents to Commission questionnaires were requested to identify their five largest customers for low-fuming brazing rod during 1984. Using this information, purchaser's questionnaires were sent in this final investigation to 35 low-fuming brazing copper rod customers. Twenty-six purchasers responded to the questionnaire, of which 13 provided usable price data. 1/ Information on a firm's largest quarterly purchase of the seven specified low-fuming brazing copper wire and rod products, as well as the supplier, was requested. Prices were reported on a per pound, delivered basis.

The Commission's staff ascertained that most low-fuming brazing copper rod purchasers cannot distinguish the imported from the U.S. product. There are no country-of-origin markings, and in many cases the original product (bare rod) has been coated so that only its cut end is visible to a purchaser. That the U.S. and imported products are indistinguishable was supported by respondents' statements that they were not aware of the country of origin of the products. To distinguish between purchase prices of U.S. produced and imported low-fuming brazing copper rod, staff separated the data by vendors as identified by the purchasers. 2/ An average transaction price for each vendor for each product was constructed, and the vendor averages were combined into weighted averages for the U.S. and the New Zealand products. A comparison of these averages across all four product lines (tables 19 and 20) shows consistent overselling by the New Zealand product from July-September 1983 through April-June 1985.

Table 19.--Master distributors' delivered prices of CDA 681 low-fuming brazing copper rod (1/8-inch diameter, 36-inch length), by vendors and by quarters, January 1983-June 1985

* * * * * *

Table 20.--Master distributors' delivered prices of CDA 681 low-fuming brazing copper rod (3/32-inch diameter, 36-inch length), by vendors and by quarters, January 1983-June 1985

* * * * * *

In addition to price data, purchasers were asked to rank certain factors according to the influence each might have in the decision to purchase low-fuming brazing copper rod from a particular vendor. Eight of the 13 firms indicated that price was the most important factor, with 3 others ranking price second only to the quality of the product.

1/ Six purchasers classified themselves as master distributors, six as retailers, and one as an end user.

2/ Separating data by level of distribution resulted in an insufficient number of observations of sales to retailers by U.S. producers for analysis.

Transportation costs

U.S. producers and importers were requested to provide data on the transportation costs paid by themselves and their customers. In virtually all instances, respondents showed f.o.b. and delivered prices as being the same. Low-fuming brazing copper wire and rod is traditionally sold on a prepaid freight basis, when orders are above a certain dollar amount. Purchasers consistently reported that orders are generally prepaid, with shipping charges being absorbed by the vendor. Standard practice for most welding supplyhouses is to order a number of items together in a shipment. Quantity discounts apply to the value of the total shipment (generally a minimum of \$1,000), not just to the low-fuming brazing copper rod portion. Freight costs were almost always reported to have been paid by the seller. When the purchaser assumed the cost of freight, it was reported to range from 3 to 5 percent of the purchase price.

Exchange rates

The U.S. dollar appreciated substantially over the past 3 years against the New Zealand dollar (table 21). Quarterly data reported by the International Monetary Fund indicate that the nominal value of the New Zealand dollar depreciated relative to its U.S. counterpart in 11 of the 14 quarters during January 1982 through September 1985. The depreciation was a substantial 34.5 percent. 1/ A great deal of the depreciation in the nominal exchange rate can be attributed to the relative decline in the purchasing power of the New Zealand dollar compared with that of the U.S. dollar. Given the high level of inflation in New Zealand compared with that in the United States over the 13-quarter period ended June 1985, the international purchasing power of the New Zealand currency depreciated by 23.9 percent relative to the U.S. dollar--significantly less than the commensurate depreciation of 42.8 percent in the nominal exchange rate during the same period. 2/ The depreciation--whether viewed in terms of the nominal or real index--was particularly sharp during July-September and October-December 1984. On July 18, 1984, the New Zealand dollar was officially devalued by 20 percent. The level of the New Zealand dollar during January-June 1985 averaged 30 percent below its level during the corresponding period of 1984.

1/ International Financial Statistics, November 1985.

2/ The percentage change in the international purchasing power of the New Zealand currency from the reference period January-March 1982 provides an indication of the maximum amount that a foreign producer or its agent can reduce its U.S. dollar prices of New Zealand products in the U.S. market without reducing profits assuming it has no dollar-denominated costs or contracts. A foreign producer, however, may choose to increase profits by not reducing its U.S. dollar prices or by reducing its prices by less than the depreciation would allow. Within specific industries such as the copper wire and rod industry the proportion of foreign producers' costs attributable to imports of raw materials and energy from the United States or from countries whose currencies are linked to the U.S. dollar would vary by specific product and producer.

Table 21.--Exchange rates: 1/ Indexes of producer prices in the United States and New Zealand, 2/ and of the nominal and real exchange rates between the U.S. dollar and the New Zealand dollar, by quarters, January 1982-September 1985

Period	U.S. producer price index	New Zealand producer price index	Nominal- exchange- rate index	Real- exchange- rate index <u>3/</u>
			US\$ per	\$NZ
1982:				
January-March-----	100.0	100.0	100.0	100.0
April-June-----	100.1	104.1	95.9	99.7
July-September-----	100.5	107.7	92.1	98.7
October-December-----	100.6	108.8	90.2	97.5
1983:				
January-March-----	100.7	109.3	88.7	96.3
April-June-----	101.0	110.7	82.8	90.8
July-September-----	102.0	111.6	82.1	89.9
October-December-----	102.5	112.2	82.7	90.6
1984:				
January-March-----	103.6	113.0	82.8	90.3
April-June-----	104.3	115.2	81.8	90.4
July-September-----	104.1	120.8	65.0	75.5
October-December-----	103.8	126.4	61.3	74.7
1985:				
January-March-----	103.6	131.6	57.8	73.4
April-June-----	103.7	137.9	57.2	76.1
July-September-----	103.0	<u>4/</u>	65.5	<u>4/</u>

1/ Exchange rates expressed in U.S. dollars per unit of New Zealand currency.

2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

3/ The real value of a currency is the nominal value adjusted for the relative rate of inflation, here measured by the producer price indexes in the United States and in New Zealand. Producer prices in the United States increased by 3.7 percent during January 1982 through June 1985 compared with a 37.9-percent increase in New Zealand during the same period.

4/ Not available.

Source: International Monetary Fund, International Financial Statistics, November 1985.

Note.--January-March 1982=100.0.

Lost sales and lost revenue

Three U.S. producers made allegations of lost sales and lost revenue because of price suppression or depression. * * * cited two sales lost to imports from New Zealand. 1/ * * * cited nine specific instances of sales lost to imports from New Zealand and five instances of lost revenue. 2/ All lost sales reported by * * * were in the range of 500 to 5,000 pounds. * * * lost revenue allegations gave no indication of the amount of price reduction or the quantity involved. In the preliminary investigation, * * * cited eight cases 3/ of sales lost to imports during 1982-84, but was not specific as to the amounts involved or the country of origin. * * * allegations of lost sales from the preliminary investigation are included here.

Each instance of a sale allegedly lost to imports from New Zealand was investigated by the Commission staff. Although imports from South Africa are not the subject of the present investigation, some of the information in this section pertains to the South African product imported by * * * and is presented in order to provide a more complete understanding of the U.S. market for low-fuming brazing copper wire and rod. Most of the firms that were contacted stated that they did not know if the low-fuming brazing material they purchased had been imported.

Lost sales allegations by * * *.--In its questionnaire response * * * maintained that it lost sales to * * *, a master distributor, as a result of imports of low-fuming brazing copper wire and rod from New Zealand. * * *. * * * explained that * * *. The low-fuming brazing rod line was dropped as it was not profitable. He said that the distributors formerly supplied by * * * went to * * * for their low-fuming brazing rod needs, but he could not confirm that the former business was captured by imports.

* * * is a master distributor of low-fuming brazing copper materials, * * *. In early 1985, it accounted for * * * percent of * * * sales and at least * * * percent of * * *, according to industry estimates. * * *. * * *, like * * *, prefers long-standing business associations with its suppliers. It does not actively seek lower bids from competitors and is reluctant to switch suppliers when one is offered. * * * was * * *'s exclusive supplier for many years. However, a few years ago, * * * could not resist the lower prices offered by * * * and began placing orders with that company to fill part of its needs. In time, * * * responded by lowering its prices, but still is not completely competitive with * * *. According to its spokesman, * * * now divides its purchases just about evenly between * * * and * * *.

1/ * * * also cited eight cases of lost sales and lost revenue because of imports from South Africa; these allegations will be investigated by the staff in the investigation concerning imports from South Africa. Almost * * * pounds in sales were reported to have been lost, valued at roughly * * *. Alleged price reductions ranged from * * * to * * * per pound.

2/ In total, * * * cited 19 instances of lost sales and 11 instances of lost revenue. In some instances, * * * was not specific about the country of origin. Again, * * * allegations of sales and revenue lost because of imports from South Africa will be considered in that investigation.

3/ Of the eight cases cited by * * *, two involved * * *.

Lost sales allegations by * * *.--The staff contacted all firms cited as lost sales by * * *. The responses of these purchasers are summarized below.

* * *, general manager of * * *, stated that his firm is a welding supplyhouse that purchases from many sources, among them * * *. He stated that he had no way of knowing whether the low-fuming brazing material he purchased was imported, but he suspects that some, if not all, of what they are currently purchasing is imported due to the change in prices. He could not elaborate on the change in prices. Although he purchased small quantities from * * * in the past, he is currently not buying * * * product because their prices are not competitive.

* * * stated that to his knowledge, his firm purchases exclusively from * * *. His company is a major welding distributor that purchases all types of welding products from * * *. * * * range of products enables * * * to qualify for a lower price by combining their low-fuming brazing rod purchases with other welding products. Although * * * has received price quotes from other producers/suppliers of low-fuming brazing material that are competitive with those offered by * * *, they cannot compete with * * * prices when purchasing a full line of welding products. To his knowledge, his company does not purchase imported low-fuming brazing material.

* * *, in the purchasing department of * * *, stated that his firm is a retailer and purchases only prepackaged low-fuming brazing rod. He has purchased low-fuming brazing rod from * * * but he has no idea if any of the product is imported. He stated that some companies will not purchase from U.S. producers because they lock their buyers into purchasing exclusively from them. According to * * *, "In this business, greed is king."

* * *, in the purchasing department of * * *, stated that his firm is a wholesale welding supplyhouse and that he purchases exclusively from * * *. His company has cut back the amount of low-fuming brazing rod they purchase because * * * prices are higher than the prices of companies selling imported low-fuming brazing material and because the demand for the product has slumped. He stated that he cannot compete with the prices offered by companies who sell imported low-fuming brazing rod, and that prices, not quality, determine sales. His company's sales of low-fuming brazing rod are down because bronze welding products are not as popular as they used to be, as firms are switching to other welding alloys.

* * *, purchasing agent for * * *, stated that his company purchases almost exclusively from * * *. He has been purchasing from * * * for the last 25 years. He considers * * * low-fuming brazing rod to be the best in the market. He has purchased small amounts of low-fuming brazing rod from * * * over the last 3 years but their flux-coating is inferior to * * *. He said that * * * offers competitively low prices but he cannot afford to stock * * * product because the flux falls off. He thinks * * * buys the bare rod from * * *. He believes in buying American products and would like to buy from * * * because of their location.

* * * stated that his firm has purchased all of its low-fuming brazing rod from * * * for the last 4 to 5 years. He stated that he had received offers from * * * that were competitively priced with * * * but that they were 1-month specials, and he preferred to stay with a known source. He places all his orders with * * * and does not shop the market.

A spokesman for * * * stated that his company has not bought or sold any low-fuming brazing material.

* * *, president of * * *, stated that his firm buys from * * *, with * * * being their main supplier of low-fuming brazing rod. The firm sometimes purchases from * * * when they offer a special, but has not done so in the last 8-10 months.

* * *, marketing manager for * * *, stated that his firm is a * * * distributor and has been for 28 years. As a result * * *, he traditionally purchases from * * *. He has purchased other alloys (* * *) from * * *, and began buying significant quantities of low-fuming brazing rod from * * * in late 1984 and early 1985 * * *, because the * * * product was significantly lower in price. Late in the first quarter of 1985, * * * was able to provide some price relief, and * * * again purchased low-fuming brazing rod from * * *. At present, there is a conscious effort to divide purchases of low-fuming brazing rod between * * *. * * * said that the industry is generally very price conscious and therefore competitive. He does not buy from * * *, and does not buy any low-fuming brazing rod from * * *. As a * * * distributor, he cited problems with the previous * * * operation (e.g., delays in delivery and large quantity purchase requirements) that, along with prices, made other vendors more attractive. He noted that there have been no significant changes in the master distributor/retailer relationship since * * *. He continues to buy from * * * and is hoping that some of the earlier problems will be corrected by the new management.

Lost sales allegations by * * *.---* * *, president of * * *, said that he purchased a large quantity of low-fuming brazing rod * * * from * * * during 1981 and 1982. Since then, * * * has bought several products from * * * in small quantities. * * * explained that the large purchase was only because of a temporary low-price offer; he switched to other sources when the prices were raised.

* * *, said that his company does not now, nor has it in the recent past, bought or sold low-fuming brazing material.

* * * in the purchasing department of * * *, stated that * * * they purchased most of their U.S.-produced low-fuming brazing rod from * * *. They also had a few purchases of low-fuming brazing rod from * * * prior to 1984. All of their product is now purchased from * * *.

* * *, a purchasing agent for * * *, stated that his firm purchases very small quantities of low-fuming brazing rod. They purchase most of their low-fuming brazing rod from * * * because the product is available immediately, whereas, orders placed with U.S. mills take 6-8 weeks. Price is also a factor, and he shops the market.

***, general manager of ***, stated that his firm purchases low-fuming brazing rod from ***. He has been in this business for *** and his first order for *** pounds of low-fuming brazing rod from *** was placed in July. He said his firm is a processor and a welding supplyhouse. Although they have the capability to flux-coat the bare rod, they have not produced any to date. His firm also buys small quantities of the bare rod from ***. He has received some quotes from *** but they purchase the imported product because of price and availability. He stated that the low-fuming brazing rod market is very competitive, and to stay in business, he has to buy the lower priced imported product.

***, vice-president of ***, stated that his firm had not been quoted a price by any of the petitioners in this investigation in the last 3 years. He said that *** has never bought low-fuming brazing rod from any of the petitioners. Alloys other than CDA 681 have been purchased from ***, but bronze has never been discussed, either orally or in writing.

Lost sales and lost revenue allegation by ***.---***, materials manager of ***, stated that in his 5 years with the firm, no purchases had ever been made from any of the petitioners. He was not even aware that *** manufactured low-fuming brazing rod. At one time, when *** was considering expanding into the auto market, it considered purchasing silicon bronze, an alloy other than the one under investigation, from ***, but this expansion did not take place. *** tried to sell low-fuming brazing copper wire and rod to the firm in 1983-84, but "was not competitive at all." *** stated that *** is always a strong competitor and was his firm's biggest supplier in 1984 and through January-June 1985. He could not confirm whether *** had lowered its prices in response to competition from imports, but did cite ***. He stated that *** seemed to be able to meet *** lower prices, ***.

Lost revenue allegations by ***.---***, product manager of ***, stated that his firm has never purchased low-fuming brazing rod from ***. *** percent of his business is with ***. He said this percentage has not changed in the last year. He indicated that in dealing with his firm, *** may have been forced to lower its prices in order to meet competition from ***. He was unable to identify any imported product that *** purchased. He did state that since mid-1985, the firm, for the first time, began purchasing from ***, a processor they had not dealt with previously. Purchases from *** are the result of customers specifically requesting the firm as a supplier. Such purchases have displaced purchases from ***, but they have not been significant.

***, purchasing agent for ***, stated that his firm is a wholesaler (distributor) and receives quotes from ***. The firm normally orders *** pounds of low-fuming brazing rod at a time. His experience indicates that *** companies can meet any price quoted. Although the firm does not deal with ***, it would "if the situation warranted." *** is the firm's sole supplier of silver solder. *** stated that the decision on where to purchase low-fuming brazing rod is determined by what other orders are being made at a particular time. That is, bronze purchases are used to round or fill out an order from a producer or processor so that they can meet the minimum requirements for a prepaid shipment.

* * *, general manager of * * *, stated that his firm deals with * * * for its purchases of low-fuming brazing rod. The association with * * * has been a longstanding one. The firm, a master distributor, does not buy from * * *, which it considers a direct competitor. Low-fuming bronze, either bare or fluxed, is strictly "an accommodation item" for the company, used to help meet retailers' needs and fill out their orders.

* * *, regional purchasing manager for * * *, said that his firm traditionally shops around for the best price available on low-fuming brazing rod. As a result, he rarely pays the prices quoted in a published pricelist. He purchases from * * *, as well as from * * *. He makes spot purchases from * * * (irregular purchases of about * * * pounds), and has not purchased from * * * in 4 years. He always negotiates prices and could not verify whether, or for what reason, a particular vendor might have offered him a better price.

* * *, purchasing agent for * * *, stated that he does business exclusively with * * * and has done so for the 6 years he has been with the firm. He said that price is a major factor in determining the supplier, but not the only consideration. He also mentioned that since low-fuming brazing copper wire and rod is not that significant in terms of the overall mix of products carried by his firm, its price would not be the sole basis on which a vendor would be chosen, nor would the price of low-fuming brazing copper wire and rod alone be significant enough to cause a purchaser to change vendors.

APPENDIX A

COMMERCE'S FEDERAL REGISTER NOTICES

Notices

Federal Register

Vol. 50, No. 138

Tuesday, July 16, 1985

DEPARTMENT OF COMMERCE

International Trade Administration

(A-791-502)

Low-Fuming Brazing Copper Rod and Wire From South Africa; Postponement of Preliminary Antidumping Determination

AGENCY: International Trade
Administration, Import Administration,
Commerce.

ACTION: Notice.

SUMMARY: The preliminary antidumping determination involving low-fuming brazing copper rod and wire from South Africa is being postponed until not later than September 17, 1985.

EFFECTIVE DATE: July 16, 1985.

FOR FURTHER INFORMATION CONTACT:
Michael Ready, Office of Investigations,
Import Administration, U.S. Department
of Commerce, 14th Street and
Constitution Avenue, NW., Washington,
DC 20230; telephone (202) 377-2513.

SUPPLEMENTARY INFORMATION: On March 11, 1985, we announced the initiation of an antidumping investigation to determine whether low-fuming brazing copper rod and wire from South Africa is being, or is likely to be, sold in the United States at less than fair value (50 FR 10524). The notice stated that we would issue preliminary determination by July 29, 1985.

As detailed in that notice, the petition alleged that imports from South Africa of low-fuming brazing copper rod and wire are being, or are likely to be, sold in the United States at less than fair value.

On July 3, 1985, counsel for petitioners, American Brass, Century Brass, and Cerro Metal Products, requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition in accordance with section 733(c)(1)(A) of the Tariff Act of 1930, as amended (the Act). Accordingly, the period for determination in the case is hereby extended. We intend to issue a preliminary determination not later than September 17, 1985.

This notice is published pursuant to section 733(c)(2) of the Act.

Gilbert B Kaplan,

Acting Deputy Assistant Secretary for Import
Administration.

July 9, 1985.

[FR Doc. 85-16878 Filed 7-15-85; 8:45 am]

[A-614-602]

Low-Fuming Brazing Copper Rod and Wire from New Zealand; Final Determination of Sales at Less Than Fair Value**AGENCY:** International Trade Administration, Import Administration, Commerce.**ACTION:** Notice.

SUMMARY: We have determined that low-fuming brazing copper rod and wire from New Zealand is being sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: October 21, 1985.

FOR FURTHER INFORMATION CONTACT: Michael Ready, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone: (202) 377-2613.

SUPPLEMENTARY INFORMATION:**Final Determination**

We have determined that low-fuming brazing copper rod and wire from New Zealand is being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). For low-fuming brazing copper rod and wire sold by McKechnie Brothers (N.Z.) Limited, the only known exporter of the subject merchandise, we have found that the foreign market value exceeded the United States price on 100 percent of the sales compared. The margin of dumping ranged from 19.5 percent to 38.5 percent. The weighted-average was 26.93 percent.

Case History

On February 19, 1985, we received a petition in proper form from American Brass, Century Brass, and Cerro Metal Products of Meadows, IL, Waterbury, CT, and Bellefonte, PA, respectively, filed on behalf of the U.S. low-fuming brazing copper rod and wire industry. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that

imports of the subject merchandise from New Zealand are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports are materially injuring, or threatening material injury to, a U.S. industry. On May 10, 1985, a letter supporting the petition was filed by J.W. Harris Company of Cincinnati, OH, another producer of low-fuming brazing rod and wire.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated the investigation on March 11, 1985 (50 FR 10522), and notified the ITC of our action.

On April 5, 1985, the ITC found that there is a reasonable indication that imports of low-fuming brazing copper rod and wire from New Zealand are materially injuring, or threatening material injury to, a U.S. industry (USITC Pub. No. 1673, April 1985).

On March 22, 1985, we presented a questionnaire to counsel for the manufacturer McKechnie Brothers (N.Z.) Limited (McKechnie), who accounts for all New Zealand exports of the subject merchandise to the United States. On May 10, 1985, we received a reply to the questionnaire. We examined 100 percent of the sales made by McKechnie during the period of investigation.

We published a preliminary determination of sales at less than fair value on August 2, 1985 (50 FR 31405). Our notice of the preliminary determination provided interested parties with an opportunity to submit views orally or in writing.

We made fair value comparisons between sales of identical merchandise which was sold by McKechnie in both the United States and New Zealand markets. Such merchandise comprised 93 percent of McKechnie's sales to the United States.

Standing

On March 20, 1985, Aufhauser Brothers Corporation ("Aufhauser") requested that we rescind our initiation of this investigation, alleging that the petitioners had not filed "on behalf of" the domestic industry, as required by section 732 of the Act. This allegation was also raised in the context of our countervailing duty investigation of low-fuming brazing copper rod and wire from New Zealand. We investigated and found in the preliminary countervailing duty determination that there is no reason to conclude that petitioners do not have standing (50 FR 21328). We have received no further evidence to change that determination, as stated in

our final countervailing duty determination (50 FR 31638).

Scope of Investigation

The products covered by this investigation are low-fuming brazing copper rod and wire, principally of copper and zinc alloy ("brass"), of varied dimension in terms of diameter, whether cut-to-length or coiled, whether bare or flux-coated, currently classified in the *Tariff Schedules of the United States Annotated* (TSUSA) under items 612.6205, 612.7220 and 653.1500. The chemical composition of the products under investigation is defined by Copper Development Association (CDA) standards 680 and 681.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price based on the CIF packed price to unrelated customers in the United States. We made deductions for New Zealand inland freight, ocean freight and marine insurance.

Foreign Market Value

In accordance with section 773(a) of the Act, we calculated foreign market value based on home market sales.

We calculated foreign market value on the basis of ex-railhead or delivered prices to unrelated purchasers. From these prices, we deducted, where appropriate, New Zealand inland freight. We made adjustments, where appropriate, for differences in credit costs in accordance with § 353.15 of our Regulations (19 CFR 353.15). We added the amount of commissions paid on certain sales to the United States to the home market price. We did not offset this commission with home market selling expenses in accordance with § 353.15(c) of our Regulations because the respondent was unable to provide the amount of such expenses. We deducted home market packing costs and added U.S. packing.

For reasons stated below under Petitioners' comments 1 and 2, we disallowed claimed adjustments for differences in level of trade and quantities.

Verification

As provided in section 778(a) of the Act, we verified data used in making this determination by using verification procedures which included examination of company records and selected original source documentation containing relevant information.

Petitioners' Comments**Comment 1**

The petitioners argue that no level of trade adjustment should be made.

DOC Response

We agree. All of McKechnie's sales to the United States are to wholesalers. In the home market, McKechnie's sales are all to retailers. McKechnie is the only producer in New Zealand of low-fuming brazing copper rod and wire. McKechnie provided information as to the markups of wholesalers in New Zealand of other metal products which are not the subject of this investigation, but inasmuch as there is no information regarding sales in New Zealand by manufacturers of the product under investigation, there is no basis on which to quantify a level of trade adjustment.

Comment 2

The petitioners argue that no adjustment should be made for different quantities.

DOC Response

We agree. The verified data indicate that quantity discounts do not exist. Furthermore, the data do not contain evidence of differences in price associated with differences in quantity as required by § 353.14 of our Regulations (19 CFR 353.14).

Comment 3

The petitioners argue that the respondent understated its credit costs incurred on sales to the United States.

DOC Response

We agree. For the final determination we have based the credit adjustment for U.S. sales on verified data which support an adjustment larger than that claimed by the respondent.

Comment 4

The petitioners argue that the respondent overstated its credit costs incurred on home market sales.

DOC Response

We agree. For the final determination we have based the credit adjustment for home market sales on verified data which support an adjustment smaller than that claimed by the respondent.

Respondents' Comments**Comment 1**

The respondent argues that we should make an adjustment for differences in level of trade.

DOC Position

We disagree. See our response to petitioners' comment 1 above.

Comment 2

The respondent argues that we should make an adjustment for differences in quantities.

DOC Position

We disagree. See our response to petitioners' comment 2 above.

Continuation of suspension of Liquidation

We are directing the United States Customs Service to continue to suspend liquidation of all entries of low-fuming brazing copper rod and wire from New Zealand that are entered, or withdrawn from warehouse, for consumption, on or after August 2, 1985, the date of publication of the preliminary determination in the Federal Register. The United States Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The bond or cash deposit amounts established in our preliminary determination of August 2, 1985, remain in effect with respect to entries or withdrawals made prior to the date of publication of this notice in the Federal Register. With respect to entries or withdrawals made on or after the publication of this notice, the bond or cash deposit amounts required are shown below.

Article VI.5 of the General Agreement on Tariffs and Trade provides that "[n]o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act. Since dumping duties cannot be assessed on the portion of the margin attributable to export subsidies, there is no reason to require a cash deposit or bond for that amount. Accordingly, the level of export subsidies, as determined in the final affirmative countervailing duty determination on low-fuming brazing copper rod and wire from New Zealand (50 FR 31638), will be subtracted from the dumping margin for deposit or bonding purpose.

Manufacturer / producer / exporter	Weighted-average margin percentage
McKechnie Brothers (N.Z.) Ltd.	29.93
All others	29.93

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC 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.

The ITC will make its determination whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on low-fuming brazing copper rod and wire from New Zealand entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Dated: October 15, 1985.

Walter J. Olson,
Acting Assistant Secretary for Trade Administration.

[FR Doc. 85-25024 Filed 10-18-85; 8:45 am]
BILLING CODE 3510-03-M

APPENDIX B

THE COMMISSION'S FEDERAL REGISTER NOTICES

determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of low-fuming brazing copper wire and rod, provided for in items 612.8205 (rod), 612.7220 (wire), and 653.1500 (flux-coated wire or rod) of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before October 15, 1985 and the Commission will make its final injury determination November 29, 1985 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673(b))).

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: August 13, 1985.

FOR FURTHER INFORMATION CONTACT: Valerie Newkirk (202-523-0165), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20438. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background.

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of low-fuming brazing copper wire and rod from New Zealand are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on February 19, 1985 by American Brass Co., Rolling Meadows, IL; Century Brass Products, Inc., Waterbury, CT; and Cerro Metal Products, Inc., Bellefonte, PA. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason

(Investigation No. 731-TA-246 (Final))

Low-Fuming Brazing Copper Wire and Rod From New Zealand

Agency: United States International Trade Commission.

ACTION: Institution of a final antidumping investigation and scheduling of a hearing to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-246 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to

APPENDIX C

LIST OF WITNESSES

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Low-Fuming Brazing Copper Wire and
Rod from New Zealand

Inv. No. : 731-TA-246 (Final)

Date and time: October 17, 1985 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

IN SUPPORT OF THE IMPOSITION OF
ANTIDUMPING DUTIES:

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

Cerro Metal Products, Century Brass, and American Brass

Robert A. Cucuel, Vice President of Marketing and
Sales of Mill Products

James E. Cleminshaw, Product Manager-wire, for
Cerro Metal Products

Judy Fudge, Manager of Inside Sales/Purchasing for
J. W. Harris, Inc.

Nicholas D. Giordano of Georgetown Economic Services

Robert J. Wardell, President, Copper & Brass
Fabricators Council, Inc.

David A. Hartquist)
Jeffrey S. Beckington)--OF COUNSEL

**IN OPPOSITION TO THE IMPOSITION OF
ANTIDUMPING DUTIES:**

Bronz and Farrell--Counsel
Washington, D.C.
on behalf of

McKechie Brothers (N.Z.) Ltd.

Peter Sukolski, Managing Director, McKechie Bros.
(N.Z.) Ltd.

Graham R. Harris, President, Marlyn International, Inc.

Edward E. Martin, Consulting Economist, Edward E.
Martin Associates

Edward J. Farrell--OF COUNSEL

Aufhauser Brothers Corporation, Plainview, New York

Keith Aufhauser, President

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INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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