CERTAIN CAST-IRON PIPE FITTINGS FROM BRAZIL, THE REPUBLIC OF KOREA, AND TAIWAN

Determinations of the Commission In Investigations Nos. 731-TA-278 through 280 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 731-TA-278, 279, and 280 (Final)

CERTAIN CAST-IRON PIPE FITTINGS FROM BRAZIL, KOREA, AND TAIWAN

Determinations

On the basis of the record 1/ developed in the subject investigations, 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 3/ by reason of imports from Brazil, Korea, and Taiwan of certain nonalloy, malleable cast-iron pipe fittings, 4/ whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, provided for in items 610.70 and 610.74 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 these investigations effective January 13, 1986, following preliminary determinations by the Department of Commerce that imports of certain malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan 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 investigations and of a public hearing to be held in connection therewith was

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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 Liebeler dissenting.

3/ Commissioner Brunsdale determines that an industry in the United States is threatened with material injury by reason of the subject imports. She also determines, pursuant to section 735(b)(4)(B) of the Act (19 U.S.C. § 1673d(b)(4)(B)), that no material injury would have been found but for any suspension of liquidation of entries of the merchandise.

4/ Such fittings are those with standard pressure ratings of 150 pounds per square inch (psi) and heavy-duty pressure ratings of 300 psi. Groove-lock fittings are not included.

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 February 6, 1986 (51 F.R. 4659). The hearing was held in Washington, DC, on April 14, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONERS ECKES, LODWICK, ROHR AND BRUNSDALE

We determine that an industry in the United States is materially injured by reason of imports of malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan, that are sold at less than fair value (LTFV). 1/ 2/

We base these determinations on a cumulative assessment of the volume and effect of imports from Brazil, Korea, and Taiwan. We note that these imports have significantly increased in volume and U.S. market share over the period of the investigations, while the domestic industry's share of the U.S. market has declined. Further, this rise in import volume and market penetration has been accompanied by consistent underselling by the subject imports, at a time when the indicators of the condition of the U.S. industry fluctuated at low levels. 3/

Like product and domestic industry

As a threshold matter, we are required to define the scope of the relevant domestic industry to be examined for the purpose of assessing material injury. The term "industry" is defined by statute as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 4/ "Like product," in turn, is

1/ Commissioner Brunsdale determines that an industry in the United States is threatened with material injury by reason of imports from Brazil, Korea, and Taiwan. Pursuant to section 735(b)(4)(B) of the Tariff Act of 1930, 19 U.S.C. § 1673d(b)(4)(B), she also determines that no material injury would have been found but for the suspension of liquidation of entries of the merchandise. See her Additional Views.
2/ Material retardation of the establishment of an industry is not at issue in these investigations and will not be discussed further.
3/ See Additional Views of Commissioner Brunsdale.
4/ 19 U.S.C. § 1677(4)(A).

defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . . " 5/

In the preliminary determinations, we found that the like product was malleable cast-iron pipe fittings and the domestic industry was comprised of the producers of malleable cast-iron pipe fittings. 6/ No additional information collected during these final investigations warrants a revision in the definition of the like product or domestic industry. Therefore, we adopt the definition of the like product and domestic industry made in the preliminary determinations. 7/ 8/

5/ 19 U.S.C. § 1677(10). The "article subject to an investigation" is defined by the scope of the Department of Commerce's (Commerce) investigation. The scope of these investigations has been defined by Commerce as malleable cast-iron pipe fittings, other than grooved, currently classifiable under TSUSA items 610.7000 and 610.7400. See 51 Fed. Reg. 10,897-901 (March 31, 1986).

6/ See Certain Cast-Iron Pipe Fittings from Brazil, Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Preliminary), USITC Pub. 1753 at 4-5 (Sept. 1985). USITC Pub. 1753 also contained the Commission's determination in Inv. No. 731-TA-281 (Preliminary), dealing with nonmalleable cast-iron pipe fittings from Taiwan.

7/ See also, Certain Cast-Iron Pipe Fittings from Brazil, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 (Apr. 1985) (finding that malleable and nonmalleable pipe fittings are separate like products and that there are separate domestic industries producing malleable and nonmalleable pipe fittings).

8/ One domestic producer, U-Brand Corp., also imported significant quantities of malleable cast-iron pipe fittings from one of the countries under investigation. Accordingly, we have considered whether this domestic producer should be excluded as a "related party" under the statute, 19 U.S.C. § 1677(4)(B), though no party has requested that U-Brand be excluded as a related party. We do not find that it would be appropriate to exclude this producer as a related party. First, we note that despite its importations, U-Brand has remained predominantly a domestic producer of the like product, with imports constituting a fraction of its domestic production. Report at A-21. Second, the performance of U-Brand was generally not different from that of the rest of the domestic industry so that the inclusion of U-Brand in the domestic industry does not generally change industry trends for the annual periods covered by the investigations. Compare Report at A-25 with B-23. We would have reached the same result even if we had excluded U-Brand. Accordingly, we do not exclude U-Brand as a related party. See generally Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 at 12-13 (Jan. 1986).

Condition of the domestic industry

The Commission makes its findings as to the condition of the domestic industry, by considering, among other factors, U.S. consumption, production, capacity, capacity utilization, shipments, employment, domestic market share, domestic prices and financial data of the domestic producers of malleable cast-iron pipe fittings. 9/

In a countervailing duty determination made in 1985, the Commission found that the domestic malleable cast-iron pipe fitting industry was suffering material injury. 10/ Although some indicators suggest improvement in 1985, we find that the domestic industry continues to experience difficulties.

Apparent U.S. consumption of malleable cast-iron pipe fittings rose by 12 percent from 1983 to 1984, then declined by 2 percent from 1984 to 1985. 11/ U.S. production of malleable cast-iron pipe fittings increased by 4 percent from 44,368 tons in 1983 to 46,126 tons in 1984, then fell by 4 percent to 44,105 tons in 1985. 12/ Capacity has remained constant during the period of investigation. 13/ Capacity utilization has fluctuated at very low levels, rising from 46.3 percent in 1983 to 48.2 percent in 1984 and then declining to 46.1 percent in 1985. 14/

9/ See 19 U.S.C. § 1677(7)(C)(iii).
10/ See Certain Cast-Iron Pipe Fittings from Brazil, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 (Apr. 1985). The Commission found, however, that the material injury to the industry was not by reason of the subject imports in that case and rendered a negative determination. (Chairwoman Stern did not make separate determinations on material injury and causation, but did join the other Commissioners in noting that the domestic industry was experiencing economic problems. USITC Pub. 1681 at 5, n. 9). Commissioner Eckes dissented, finding material injury by reason of the subject imports to the malleable pipe fitting industry. USITC Pub. 1681 at 15.
11/ Report at A-12.
12/ Id. at A-20, Table 6.
13/ Id.
14/ Id.

Domestic producers' shipments rose from 43,322 tons in 1983 to 45,891 tons in 1984, then fell to 43,750 tons in 1985. 15/ Inventories as a share of domestic shipments declined over the period of investigation. 16/

The number of production and related workers declined by 4 percent from 1,984 in 1983 to 1,910 in 1984, then rose by 1 percent in 1985 to 1,929. 17/ The average number of hours worked increased slightly from 1983 to 1984, then dropped by 1 percent in 1985. 18/

Financial data reveal an industry in a weakened condition. Net sales of malleable cast-iron pipe fittings rose from $111,853,000 in 1983 to $122,231,000 in 1984, then fell to $120,169,000 in 1985, while the domestic industry's share of the market declined steadily from 1983 to 1985. 19/ Net sales remained generally steady for the interim period of 1986 compared to the same period of 1985. 20/ Operating income fell from $3,714,000 in 1983 to a loss of $543,000 in 1984, then rose to $1,245,000 in 1985, a level well below that of 1983. 21/ Operating losses worsened in the interim period of 1986 relative to the interim period of 1985. Operating margins declined from 3.3 percent in 1983 to a loss of 0.4 percent in 1984, then rose slightly to 1.0 percent in 1985. Operating margins declined in interim 1986 relative to interim 1985. 22/

15/ Id. at A-21, Table 7.
16/ Id.
17/ Id. at A-22, Table 8.
18/ Id.
19/ Id. at A-25, A-32.
20/ We note that because the interim period includes data from only two of the five domestic producers, Report at A-23, we give data for the interim period less weight than the data for the annual periods covered by the investigations.
21/ Report at A-25.
22/ Id.

Prices for the domestic product remained generally stagnant in 1983-84, then rose or fluctuated in 1985. However, any price increases were insufficient to allow operating income to recover even to 1983 levels. 23/

Accordingly, we find that the domestic industry is materially injured. 24/ 25/ 26/

Cumulation

We must apply the cumulation provisions of the Trade and Tariff Act of 1984 if three requirements are met. 27/ The imports must (1) compete with each other and with the domestic like product, (2) be marketed within a reasonably coincidental period, and (3) be subject to investigation. 28/ There has been no dispute that the imports from Brazil, Korea, and Taiwan are subject to investigation and have been marketed within a reasonably coincident

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23/ Id. at A-34-A-36; A-25.
24/ Chairwoman Stern does not regard it as analytically useful or appropriate to consider the question of material injury completely separate from the question of causation. See Additional Views of Chairwoman Stern in Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 18-19 (Dec. 1985).
25/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 20-21 (Dec. 1985).
26/ Commissioner Brunsdale does not agree with this conclusion, although she finds that the domestic industry is vulnerable to a threat of material injury. See her Additional Views, infra.
27/ Chairwoman Stern does not believe it is necessary to consider cumulation in those cases when an affirmative determination may be reached by individually analyzing subject imports.
28/ See 19 U.S.C. § 1677(7)(C)(iv); Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, Inv. Nos. 701-TA-261(A), 263(A) and 264(A) (Preliminary) and Invs. Nos. 289(A)-291(A) (Preliminary), USITC Pub. 1795 at 9 (Jan. 1986); Certain Steel Wire Nails from the People's Republic of China, Poland, and Yugoslavia, Invs. Nos. 731-TA-266 through 268 (Preliminary), USITC Pub. 1730 at 7 (July 1985).

period of time. Accordingly, the only issue with respect to the appropriateness of cumulation is whether the subject imports compete with each other and the domestic like product. 29/

We determine that the pipe fittings from Brazil, Korea, and Taiwan do compete with each other and the domestic like product. Although there is evidence of perceived quality differences between some of the imports as well as between some of the imports and the domestic like product, there is also evidence that the imports and domestic like product are comparable in quality

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29/ In determining whether the imported products compete with each other and with the like product in the United States market and whether the marketing of imports is reasonably coincident, the Commission has considered the following factors:

> (1) the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
> (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
> (3) the existence of common or similar channels of distribution of imports from different countries and the domestic like product;
> (4) whether the imports are simultaneously present in the market.

This list is not exhaustive and no single factor is determinative. This analysis is designed to provide a basis on which to decide whether the statutory criteria for cumulation are established. See, e.g., Iron Construction Castings from Canada, Inv. No. 731-TA-263 (Final), USITC Pub. 1811 at 8, n. 26 (Feb. 1986) (Stern, Eckes, Lodwick and Rohr).

and are essentially fungible. [30/] Further, channels of distribution for the imports and the domestic product appear to be generally similar. [31/]

Although it was argued that the imports subject to investigation do not compete with each other or the domestic like product because they were not sold in the same geographic or end-user markets, we find a reasonable overlap in the geographic and end-user markets in which the imports and the domestic like product are sold. While the imports from Brazil are imported into the northeastern and Middle Atlantic regions of the country, [32/] and appear to be sold largely in the northeast and midwest, we found evidence of Brazilian sales in the south and west. [33/] Moreover, the domestic product as well as imports from Korea and Taiwan are sold in the northeastern and midwestern portions of the country as well as elsewhere. [34/] While the data gathered

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30/ Report at A-18-A-19; A-38-A-39; A-40-A-47. While there is some evidence that some buyers prefer to purchase domestic fittings particularly in the end-use markets where pipe fittings are used in the nonresidential construction industry and in industrial applications such as use in the utility industry (commercial/industrial end-use markets), there is also evidence that there is significant import competition in those end-use markets as well as in other markets. Id. See also, e.g., Report at A-17-18.

31/ E.g., Report at A-13-A-14. Evidence of the similarity of channels of distribution is given by the fact that some importers import pipe fittings from more than one of the countries under investigation, do not distinguish between the imports when sold, and are unable to provide separate price data on a country of origin basis. See, e.g., Report A-33; see also Report at A-7, Transcript of the April 14, 1986 Hearing (Tr.) at 145, 149.

32/ The imports from Brazil enter the United States through the ports of Philadelphia, Baltimore, and New York. Report at A-31.

33/ See, e.g., Report at A-16, A-17, A-40-A-47.

34/ See, e.g., Report at A-13-A-17; A-40-A-47. The primary ports of importation for Korean imports are Los Angeles, Baltimore, and Miami while the primary ports of importation for Taiwan imports are Los Angeles, Chicago, New York, and Tampa. Imports from both Korea and Taiwan are also imported into other ports in the United States. Report at A-31.

by the Commission suggests that the imports from Brazil are sold predominantly in the commercial/industrial and residential construction end-use markets, we found evidence that imports from Korea and Taiwan as well as the domestic product are also sold in those markets. 35/ While, it was argued that imports from Korea and Taiwan cannot compete in large portions of the commercial/industrial end-use markets because of "Buy American" laws, it has not been established that such laws have a significant impact on the market. 36/ Consequently, we find that the statutory criteria for cumulation are satisfied. 37/ Analysis in this opinion is based upon a cumulative assessment of the volume and effect of the subject imports unless otherwise indicated. 38/

35/ See, e.g., Report at A-14-A-19; A-40-A-47.

36/ Chairwoman Stern and Commissioner Rohr note that respondents provided no examples of any specific sales that could not be made because of either federal or local "Buy American" laws and cited as support for their contention only the fact that certain purchasers appear to have had preferences for the domestic product simply because it was domestic.

37/ See, e.g., Iron Construction Castings from Canada, Inv. No. 731-TA-263 (Final), USITC Pub. 1811 at 8 (Feb. 1986) (Stern, Eckes, Lodwick, Rohr); Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, Invs. Nos. 701-TA-261(A), 263(A), and 264(A) (Preliminary) and Invs. Nos. 731-TA-289(A) through 291(A) (Preliminary), USITC Pub. 1795 at 11 (Jan. 1986).

38/ It was argued that it is inappropriate to cumulatively assess the volume and effect of imports from Brazil with those from Korea and Taiwan because the market penetration of imports from Brazil is much smaller than the market penetration of imports from Korea and Taiwan. We have previously determined that the relative volumes and import penetrations on an individual country basis are not appropriate factors in deciding whether or not the statutory criteria for cumulation are satisfied. See Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany, Invs. Nos. 701-TA-269 and 270 (Preliminary) and Invs. Nos. 731-TA-311 through 317 (Preliminary), USITC Pub. 1837 at 10-11 (May 1986); Welded Steel Wire Fabric, supra, USITC Pub. 1795 at 9, n.29.

Material injury by reason of LTFV imports from Brazil, Korea & Taiwan [39/]

In making a determination whether the domestic industry is being materially injured "by reason of" LTFV imports from Brazil, Korea, and Taiwan, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. [40/]

In determining whether imports of malleable cast-iron pipe fittings from the countries subject to investigation are causing material injury to a domestic industry, we have cumulatively assessed the volume and effect of imports from Brazil, Korea, and Taiwan. We find that the increasing volume and penetration of the imports at a time of declining market share by the domestic industry, together with evidence of consistent underselling by the imports, indicate the subject imports are a cause of material injury to the domestic industry.

The volume of imports from the three countries subject to investigation increased significantly over the period of the investigations. The cumulative volume of imports rose from 5,230 tons in 1983 to 7,237 tons in 1984 and continued to increase to 9,761 tons in 1985. Cumulated market penetration for the imports showed a similar trend, steadily increasing from 8.9 percent in 1983 to 15.1 percent in 1985. [41/]

39/ Commissioner Brunsdale does not join the rest of this opinion. See her Additional Views, infra.
40/ 19 U.S.C. § 1677(7)(B).
41/ Report at A-30; A-32, Table 13. We have adjusted the import statistics to exclude any known imports of products not subject to these investigations that were included in the official statistics. We have also adjusted import volume and penetration figures to account for known importer inventories. See Report at A-12, n.1. We note, however, that import volume and penetration trends remain the same if the adjustments for known importer inventories had not been made. Compare Report at B-26-27.

At the same time, the domestic market share, measured as the ratio of U.S. produced domestic shipments relative to apparent U.S. consumption, declined steadily from 73.4 percent in 1983 to 69.4 percent in 1984 to 67.8 percent in 1985. 42/

The pricing data obtained by the Commission indicate consistent underselling by the imports in every quarter in which pricing comparisons with the domestic product were possible. 43/ 44/ Information obtained from purchasers of malleable pipe fittings indicate that the imports compete with the domestic product and that customers have purchased the imports because of the lower price of the imports. 45/ 46/

42/ Report at A-32, Table 13.
43/ Id. at A-33-A-39.
44/ Commissioner Rohr notes that a number of criticisms have been made of the Commission's pricing data. One criticism suggested that the Commission's pricing data was too narrow, because it was based on prices for only three types of pipe fittings, rather than on average prices for a multiproduct line of pipe fittings. However, the party making this criticism conceded that using average prices for a multiproduct line would be a virtual impossibility and was unable to suggest an alternative to the price comparisons on three products made by the Commission. See Tr. at 128-31.
45/ Report at A-38-A-39, A-40-A-47.
46/ Chairwoman Stern finds that an analysis of the role of the LTFV sales is appropriate to the Commission's analysis of causation. In these cases the Chairwoman has considered the weighted average LTFV margin for each country in light of the volume of imports from that country and the impact of those imports upon prices in the domestic industry. The significant dumping margins for Korea and Taiwan have played an important role in the ability of those countries to expand their market share over the period of the investigations. While the LTFV margin for Brazil is smaller than the weighted average LTFV margins for Korea and Taiwan, it is not insignificant. Moreover, even if the margin for Brazil were deemed to be insignificant in the marketplace, it is the Chairwoman's reading of the congressional intent, based on the legislative history regarding "contributory effect" and cumulation, that the impact of LTFV imports from one country, however insignificant taken alone, must be judged cumulatively with those of the other subject imports if the statutory criteria for cumulation are met. See Iron Construction Castings from Brazil, India, and the People's Republic of China, Inv. No. 701-TA-249 (Final) and Invs. Nos. 731-TA-262, 264 and 265 (Final), USITC Pub. 1838 (Apr. 1986) at 15, n. 44.

Conclusion

For the foregoing reasons, we determine that the domestic industry producing malleable cast-iron pipe fittings is materially injured by reason of LTFV imports from Brazil, Korea, and Taiwan.

ADDITIONAL VIEWS OF COMMISSIONER BRUNSDALE

Based on the record in these investigations, I find that a domestic industry in the United States is threatened with material injury by reason of less than fair value imports of malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan that have been the subject of affirmative antidumping determinations by the Department of Commerce. Moreover, I would not have found material injury by reason of the subject imports but for the suspension of liquidation of entries affecting the imported merchandise in this case.[1]

Like Product and Industry

I concur with my colleagues in the majority in this case that the like product is malleable cast-iron pipe fittings. I also agree with the majority that the domestic industry consists of the domestic producers of these pipe fittings.[2]

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[1] Material retardation of the establishment of an industry in the United States is not an issue in these investigations and will not be discussed.

[2] However, I have reservations whether the data relied on by the majority are appropriate to analyze the condition of the industry. My concern stems from the fact that the producers of malleable cast-iron fittings can also make other products using the same facilities and equipment. These products include, e.g., grooved malleable cast-iron and nonmalleable pipe fittings. Transcript at 30-31, Report at A-20, and Memorandum by Office of Economics, May 2, 1986, EC-J-192, at 2. This means that there is a commonality of inputs in the production of several products, including the like product. As I have argued previously, it is necessary in such conditions to apply a product line analysis, pursuant to 19 U.S.C. sec. 1677(4)(D), when analyzing the effect of imports. See Certain

(Footnote continued to page 16)

Condition of the Industry

In my evaluation of this case, I find that while the industry is experiencing problems, it is not materially injured. Several major indicators suggest that the industry's condition has changed little during the period of investigation. Between 1982 and 1985, domestic production, shipments, capacity, capacity utilization, employment, and average hourly earnings were all relatively steady. For example, production rose from 44,368 tons in 1983 to 46,126 in 1984, and then declined modestly to 44,105 in 1985. Similarly, total employment moved upward from 4,365 workers in 1983 to 4,486 in 1984 before falling somewhat to 4,239 in 1985.[3] Furthermore, prices of two domestic products were virtually unchanged over the three year period while the price of a third domestic product increased by about 10 percent over the same time interval.[4]

The financial condition of this industry is unclear. While net sales increased betweeen 1983 and 1985, from $112 to $120 million, the

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(Footnote continued from page 15)
Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, Invs. Nos. 731-TA-271 through 273 (Final), USITC Pub. No. 1839 (1986) at 34 (Views of Vice Chairman Liebeler and Commissioner Brunsdale), and Certain Welded Carbon Steel Pipes and Tubes from Turkey and Thailand, Invs. Nos. 701-TA-253 (Final) and 731-TA-252 (Final), USITC Pub. No. 1810 (1986) at 49 (Additional Views of Commissioner Brunsdale). In spite of my concern about this issue, I note that it does not affect my determination in this case.

[3] Report at A-20-2

[4] Id. at A-34-6.

industry had net losses before income taxes for all three years.[5] Furthermore, the industry's operating income dropped from $3.7 million in 1983 to $1.2 million in 1985. But it should be noted that operating income fell precipitously in 1984, to minus $543,000, and then recovered substantially in 1985. In addition, the financial results for the industry are strongly influenced by one company that recorded large operating losses in all three years. Moreover, in spite of these operating losses, this same firm led the industry in terms of growth in sales. Thus it is possible that the industry's financial picture is unduly affected by the experience of one company that may have experienced unusually heavy costs associated with its surge in sales. Finally, the financial data for interim 1986 are too limited to permit an assessment of the industry's recent financial condition. The interim results are for only two firms, both of which recorded losses, and one of these was consistently unprofitable over the period of investigation.

Cumulation

In this case three countries have been found by the Department of Commerce to have dumped malleable cast-iron pipe fittings into the

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5 Id. at A-25.

United States. In my analysis of this case I choose to cumulate all three countries, namely Brazil, Korea, and Taiwan.[6]

Threat of Material Injury

I believe there is a sufficient causal relationship between the statutory factors prescribed for determining threat of material injury and the present condition of the domestic industry to support my decision in this case.[7] While not all of the imports of the subject product from Brazil, Korea, and Taiwan were in fact dumped on the U.S. market, nonetheless the overall growth of cumulative total imports was significant. Import penetration for all cumulated imports rose from 8.9 percent to 15.1 percent between 1983 and 1985.[8] To assess the significance of dumped imports, the Commission in prior cases has also considered, as one factor among many, the weighted average dumping margin.[9] In this case it is relevant to note that this dumping

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[6] For determining actual material injury by reason of dumped imports, the statutory requirements for cumulation are given in 19 U.S.C. sec. 1677(7)(C)(iv). In my opinion, the three countries meet these requirements. I note, however, that it is unclear whether cumulation is required for purposes of analyzing threat of material injury. Nonetheless, I elect to cumulate in this case.

[7] The statutory factors are given in 19 U.S.C. sec. 1677(7)(F).

[8] Report at A-32.

[9] See Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada, Inv. No. 731-TA-254 (Final), USITC Pub. 1808 (1986).

margin for Taiwan is high, 44.87 percent, while the corresponding margin for Korea is moderate, 12.48 percent, and that for Brazil is relatively low, 5.64 percent.[10] Moreover, capacity utilization information raises the prospect of further and significant increase in imports from these countries in the near future.[11] Finally, inventory data for imports from the three countries are also consistent with the prospect of an imminent and adverse effect on the domestic industry.[12]

Conclusion

Because the condition of the domestic industry appears to be weak and because cumulative imports from Brazil, Korea, and Taiwan have increased rapidly in 1984 and 1985 and appear poised for a significant increase in the near future, I determine that the domestic industry is threatened with material injury by reason of dumped imports.

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[10] Report at A-6.

[11] The capacity utilization data for Korea and Taiwan are confidential. For both countries, capacity utilization fell significantly in 1985. Report at A-10 and A-11.

[12] As with capacity utilization data, data about inventories of imports from the three countries are also confidential. Cumulative inventories (both absolute levels and as a percent of cumulative imports) for Brazil, Korea, and Taiwan rose steadily from 1983 to 1985. Report at A-28.

VIEWS OF VICE CHAIRMAN LIEBELER

Investigation Nos. 731-TA-278, 279 & 280 (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 less than fair value (LTFV) imports of malleable cast-iron pipe fittings from Brazil, Korea and Taiwan.[1] I concur in the result reached by the majority with respect to like product, domestic industry, condition of the industry and related parties.

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. 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

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

answers both questions in the affirmative will it make an affirmative determination in the investigation.

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." The term harm is undefined. As for the causation test, "by reason of" lends itself to no easy interpretation. Therefore, it is proper to look to the legislative history for guidance.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off than if no competing imports had occurred. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish

causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> The ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[2]

The Senate Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[3]

The Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is matter for the judgment of the ITC."[4] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve

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[2] Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

[3] Id.

[4] Id.

further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[5]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[6]

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic analysis. One of the most important assumptions of

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

[6] Id.

traditional microeconomic theory is that firms, and hence industries, attempt to maximize profits.[7] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear.[8]

An assertion of unfair price discrimination should be accompanied by a factual record which can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any problems the domestic industry is suffering should not be treated as being "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not

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[7] See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

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

rational to charge a price below that which is necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign supplers from using unfair price discrimnation practices to the detriment of a United States industry."[9]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[10]

> 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).[11]

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[9] Id.

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

[11] Id. at 16.

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[12] The legislative history provides some guidance for applying these criteria. The five factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

The starting point for the five factor approach is import penetration data. It is well recognized that a large market share is a necessary though not sufficient condition for a seller to obtain or enhance market power through unfair price discrimination.

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

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[12] 19 U.S.C. 1677(7)(B)-(C) (1980 & cum. supp. 1985).

domestic industry and are subject to investigation.[13] I concur with the majority that the imports of the three countries under investigation in this case should be cumulated.

Cumulated imports from the subject countries accounted for 8.9, 10.9 and 15.1 percent of domestic consumption in 1983, 1984 and 1985, respectively. These market shares are in the low to moderate range. This first factor is not strongly suggestive of unfair price discrimination conditions.

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 the competitive price[14] 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 dumping margins were 5.64 percent for Brazil, 12.48 percent for Korea, and 44.87 percent for

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[13] 19 U.S.C. 1677(7)(C)(iv)(1985 cum. supp.).

[14] See text accompanying note __ supra.

Taiwan.[15] These margins range from fairly low to fairly high.

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.[16]

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. There is no evidence that this is the case for the malleable cast-iron pipe fittings industry. For the three products for which efforts were made to collect price data prices were either stable or increasing during the period of investigation.[17]

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer

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[15] Report at A-6.

[16] Memorandum to the Commission from the Office of Economics (prepared by Elizabeth Henning), EC-J-192, at 2-3 (May 2, 1986).

[17] Report a A-34-38.

can gain market power. The evidence found in this investigation indicates that achieving market power in malleable cast-iron pipe fittings would be difficult. Foreign producers of malleable cast-iron pipe fittings from countries not subject to investigation here might respond to higher prices by increasing shipments to the United States. Such imports could be very important, since imports from other countries exceeded cumulated imports from the three subject countries in every year of the investigation.[18] In addition, nonmalleable cast-iron pipe fittings and malleable grooved cast-iron pipe fittings can be produced on the same equipment by the same workers as the product that is the subject of these investigations.[19] This would suggest that engaging in unfair price discrimination to obtain market power would not be a rational strategy; any attempt to recoup the losses from below-cost sales by trying to raise prices would be unsuccessful since producers of these other products outside the scope of these investigations could switch production to the subject product in response to higher prices.

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[18] Report at Table 13.

[19] Report at A-20.

These factors must be balanced in each case to reach a sound determination. Taken together, these factors would be inconsistent with a finding of unfair price discrimination. Thus, my analysis indicates that a domestic industry in the United States is not materially injured or threatened with material injury by reason of LTFV imports of malleable cast iron pipe fittings from Brazil, Korea and Taiwan.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 31, 1985, the U.S. International Trade Commission and the U.S. Department of Commerce received petitions filed by counsel on behalf of the Cast Iron Pipe Fittings Committee, 1/ alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Brazil, 2/ the Republic of Korea (Korea), 3/ and Taiwan 4/ of nonalloy, malleable cast-iron pipe fittings, provided for in items 610.70 and 610.74 of the Tariff Schedules of the United States (TSUS), which are allegedly sold in the United States at less than fair value (LTFV). 5/ Accordingly, the Commission instituted these preliminary antidumping investigations under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)).

On August 7, 1985, the Commission received a letter from counsel for the petitioner stating that "groove-lock" pipe fittings are not covered by the petitions. On August 9, 1985, the Commission received amendments to the petitions modifying the definition of the malleable products to include only threaded products (finished and unfinished), and modifying the definition of the nonmalleable products to include only threaded and flanged products (finished and unfinished).

On September 11, 1985, the Commission preliminarily determined that there was a reasonable indication that an industry in the United States was materially injured, or threatened with material injury, by reason of imports from Brazil, Korea, and Taiwan of nonalloy, threaded, malleable cast-iron pipe fittings provided for in TSUS items 610.70 and 610.74, and by reason of imports from Taiwan of nonalloy, threaded and flanged, nonmalleable cast-iron pipe fittings, other than for soil pipe, provided for in TSUS items 610.62 and 610.65 (50 F.R. 38904, Sept. 25, 1985).

On January 14, 1986, Commerce published notice in the Federal Register (51 F.R. 1544) of its preliminary determinations that malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan are being, or are likely to be, sold in the United States at LTFV and that nonmalleable cast-iron pipe fittings

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1/ The 5 member producers of this committee are Stanley G. Flagg & Co., Inc., Grinnell Corp. (successor to the fittings business of ITT Corp.), Stockham Valves & Fittings Co., U-Brand Corp., and Ward Foundry Division of Clevepak Corp. U-Brand Corp. did not join the other members of the Committee in filing the petitions.

2/ Investigation No. 731-TA-278 (Preliminary).

3/ Investigation No. 731-TA-279 (Preliminary).

4/ Investigation No. 731-TA-280 (Preliminary).

5/ On the same date, a petition was also filed with respect to imports from Taiwan of nonalloy, nonmalleable cast-iron pipe fittings other than for cast-iron soil pipe, provided for in TSUS items 610.62 and 610.65, which are allegedly sold in the United States at LTFV (Investigation No. 731-TA-281 (Preliminary)).

from Taiwan are not being, or likely to be, sold in the United States at LTFV. Accordingly, effective January 13, 1986, the Commission instituted investigations Nos. 731-TA-278, 279, and 280 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's final investigations and of a 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 February 6, 1986 (51 F.R. 4659). 1/

On March 28, 1986, Commerce notified the Commission of its final determinations that certain malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan are being, or are likely to be, sold in the United States at LTFV and that "critical circumstances" do not exist with respect to such imports from Taiwan. The weighted-average LTFV margins are reported in the section of this report entitled "Nature and Extent of Sales at LTFV." A copy of Commerce's final determinations (51 F.R. 10897, Mar. 31, 1986) is presented in app. A.

In connection with the Commission's investigations, a public hearing was held in Washington, DC, on April 14, 1986. 2/ The Commission will transmit its final determinations to the Department of Commerce on May 12, 1986.

Previous Commission Investigations

On April 13, 1977, the Commission instituted an investigation (No. TA-201-26) under section 201 of the Trade Act of 1974 concerning malleable cast-iron pipe and tube fittings, provided for in TSUS items 610.70, 610.71, and 610.74, in response to a petition filed by the American Pipe Fittings Association. On September 19, 1977, the Commission reported to the President its unanimous finding that malleable cast-iron pipe and tube fittings were not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing like or directly competitive articles.

On January 7, 1980, the Department of Commerce advised the Commission of its preliminary determination that certain malleable cast-iron pipe fittings exported from Japan might be subsidized. Effective January 1, 1980, the Commission instituted investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930 to determine whether an industry in the United

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1/ A copy of the Commission's notice is presented in app. A. On Mar. 12, 1986, the Commission published in the Federal Register a notice clarifying the scope of these investigations, indicating that the products covered are certain malleable cast-iron pipe fittings, not of alloy cast-iron, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, other than groove-lock, as provided for in TSUS items 610.70 and 610.74. A copy of this notice is also presented in app. A.

2/ A list of witnesses appearing at the hearing is presented in app. B.

States was materially injured or threatened with material injury or the establishment of an industry was materially retarded by reason of the importation of these pipe fittings into the United States. On March 20, 1980, the Commission terminated the investigation upon written request by counsel for the petitioners, the American Pipe Fittings Association.

On September 18, 1984, the Commission instituted investigations in response to petitions filed by the Cast-Iron Pipe Fittings Committee, which alleged that an industry in the United States was materially injured, or threatened with material injury, by reason of imports of certain cast-iron pipe fittings that were allegedly subsidized by the Governments of Brazil and India. The investigation on India was terminated on October 9, 1984, following withdrawal of the petition. On March 5, 1985, the Department of Commerce made its final determination that the Government of Brazil was providing such subsidies. On April 17, 1985, the Commission determined that there were two domestic industries, producers of malleable cast-iron pipe fittings and producers of nonmalleable cast-iron pipe fittings, and that there was no material injury or threat thereof to these industries by reason of imports of nonalloy, malleable or nonalloy, nonmalleable cast-iron pipe fittings that were subsidized by the Government of Brazil (50 F.R. 16173, Apr. 24, 1985). 1/ This negative determination was "based on the lack of a causal nexus between the condition of the domestic industries and the subsidized imports from Brazil." 2/

The Product

Description and uses

Cast-iron pipe and tube fittings serve to join pipes in straight lines; to change, divert, divide, or direct the flow of liquid, gas, or steam in piping systems; to provide access for cleaning and permit branching in piping systems; and to reduce or increase the diameter of piping systems. Cast-iron fittings fall into two categories: nonmalleable fittings that have little ductility and do not stretch during the assembly of piping systems, and malleable fittings that are lighter in weight and more ductile than nonmalleable fittings. Malleable fittings are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. Only the malleable cast-iron fittings are included in these investigations.

Malleable fittings are available in hundreds of configurations, the most common being 90-degree elbows, tees, couplings, and unions. They are produced in both black (ungalvanized) and galvanized form and have inside diameters of 1/2 inch to 6 inches, with other sizes available on special order. Malleable fittings may be threaded and attached to pipes by screwing, or they may have grooved ends that attach to pipes with a locking device. 3/ The grooved

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1/ Commissioner Eckes determined that an industry in the United States was materially injured by reason of imports of malleable cast-iron pipe fittings.

2/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. 3.

3/ The petitioner amended the petitions to exclude grooved pipe fittings.

fittings are generally found in larger sizes than the threaded fittings. Malleable cast-iron fittings have a minimum performance rating of 150 pounds per square inch (psi) for the standard pressure class, which accounts for approximately 93 percent of sales, 1/ and 300 psi for the heavy-duty pressure class, as rated by the American Society for Testing and Materials and the American National Standards Institute. The principal uses of malleable cast-iron fittings are in gas lines, piping systems of oil refineries, and gas and water systems of buildings.

Manufacturing process

The manufacturing process for cast-iron pipe fittings begins with the making of molten iron, usually in a cupola furnace. The raw materials are scrap steel, pig iron, and other materials such as ferrosilicon, coke, and limestone. The molten iron for malleable fittings contains approximately 2.5 percent carbon, 1.4 percent silicon, and 0.4 percent manganese by weight. 2/

Sand-casting is the predominant method used in the making of cast-iron fittings. The casting process begins with the making of a pattern, which is the same configuration as the desired fitting. Molding sand is mixed with a binder, spread around the pattern in a mold, and then rammed by a machine to compact the sand. The pattern is withdrawn, leaving a cavity in which molded cores are inserted to form the internal shape of the fitting. The two mold halves (called the "cope" and the "drag") are put together, and the molten iron is poured into the cavity. After the iron solidifies, the red-hot fitting is shaken out of the sand on a shaker table or belt, allowed to cool, and cleaned. Malleable fittings, unlike nonmalleable fittings, must be annealed. Annealing consists of rapidly heating the fittings to approximately 1,750° F., followed by a quick cooling and then a slower cooling. The overall cooling process, which takes from 25 to 40 hours, improves the ductility and durability of the metal by reducing its brittleness. Almost all malleable cast-iron fittings are advanced (machined) after the casting stage. Advancement usually involves threading or other similar operations.

Cast-iron pipe fittings are produced in English dimensions for the North American market and metric dimensions for most other markets. English-sized and metric-sized fittings differ in overall dimensions, wall thicknesses, and threadings. Metric-sized fittings are uncommon in the United States because metric pipe is rarely used in U.S. construction. Foreign producers that export cast-iron fittings to the United States often produce both metric and English-sized fittings. The patterns, core-boxes, and toolings for the threading machines used in the production process are different for English and metric standards, thus retooling a metric plant to produce English fittings, or vice versa, requires the building or acquisition of some different equipment. The majority of larger equipment (e.g. furnaces, molding lines, sand systems, and threading machines) does not change. Since metric fittings use less hot metal than English fittings, a conversion requires a rescheduling of the furnace to account for the fittings' particular iron requirements. The costs of patterns, core boxes, threading taps, and furnace

1/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-4.

2/ Ibid.

reschedulings preclude frequent conversions of production facilities between English and metric fittings. However, these costs are relatively small enough to make a conversion attractive if the alternatives were an extended plant shutdown and/or a long term shift in the relative profitability of English and metric fittings.

U.S. tariff treatment

The cast-iron pipe fittings covered by these investigations are subject to the following most-favored-nation (MFN) (column 1) rates of duty: 1/

TSUS item	Rate of duty
610.70 1/	5.6 percent ad valorem
610.74	7.0 percent ad valorem

1/ National import specialists of the U.S. Customs Service at the major ports of entry for the subject merchandise reported to the staff that because of the implementation of a by-pass system for handling entries under TSUS items 610.70 and 610.74 during the period covered by the investigations, there may have been products entered under these TSUS items that should have been classified elsewhere. The by-pass system varies from port to port. A port may determine that a product will be put on by-pass if the shipment is below a certain dollar value, under a certain TSUS item, from a specified country, or subject to a combination of conditions. Under the by-pass arrangement, the entry documents are generally not presented to the U.S. Customs import specialist at the U.S. port of entry; the documents are instead immediately liquidated by a clerk. Discussion of staff inquiries into TSUS misclassifications is found in the "U.S. Imports" section of this report.

The above rates of duty are the current rates in the series of staged reductions that began in 1980 and will end in 1987. Imports of cast-iron pipe fittings have been eligible for duty-free treatment under the Generalized System of Preferences (GSP) since January 1, 1976. 2/ The Brazilian articles receive such GSP treatment. Imports of the subject cast-iron pipe fittings under TSUS item 610.74 from Korea and Taiwan have not been accorded GSP treatment since March 30, 1984; such imports from Taiwan under TSUS item 610.70 have also been ineligible under the GSP since that date.

1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. Imports from the latter countries are assessed the col. 2 duty rates of 20 percent ad valorem for TSUS item 610.70 and 45 percent ad valorem for TSUS item 610.74. These products, if from designated beneficiary countries, are also eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA).

2/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free entry to specified eligible articles imported directly from designated beneficiary developing countries. The GSP, implemented in Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and before the close of July 4, 1993.

Nature and Extent of Sales at LTFV

On March 28, 1986, Commerce notified the Commission of its final affirmative LTFV determinations that certain malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan are being, or are likely to be, sold in the United States at LTFV, and that "critical circumstances" do not exist with respect to imports of the subject merchandise from Taiwan (no allegations of critical circumstances were made with respect to imports from Brazil or Korea). Commerce's investigations covered the period February 1, 1985 through July 31, 1985. The full text of Commerce's final determinations is presented in appendix A of this report.

Commerce presented a questionnaire to Fundicao TUPY, S.A., Brazil, and found a weighted-average LTFV margin of 5.64 percent. This LTFV margin has been applied to all imports of the subject products from Brazil.

With respect to Korea, Commerce presented a questionnaire to Mijin Metal Industrial Co., Ltd., and found a weighted-average LTFV margin of 12.48 percent. This LTFV margin has been applied to all imports of the subject products from Korea.

Commerce reported having information that the Taiwan producers cited below accounted for more than 60 percent of the subject exports from Taiwan to the United States during the period of its investigation. Commerce found the following weighted-average LTFV margins (in percent):

San Yang Metal Industrial Co., Ltd	58.57
De Ho Metal Industrial Co., Ltd	13.12
Tai Yang Metal Industrial Co., Ltd	37.09
Kwang Yu Foundry Industrial Co., Ltd	7.93
Young Shieng Mfg. Co., Ltd	80.00
All others	44.87

In accordance with section 733(d) of the Tariff Act of 1930, Commerce directed the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise from Brazil, Korea, and Taiwan that are entered or withdrawn from warehouse for consumption on or after March 31, 1986 and to collect a cash deposit equal to the final margins stated above.

The U.S. Industry

The following five firms produce malleable pipe fittings subject to these investigations: Grinnell Corp. (a subsidiary of Tyco Laboratories, Inc.), with headquarters in Providence, RI, and a plant in Columbia, PA; Stanley G. Flagg & Co., Inc. (a subsidiary of Amcast Industrial Corp.), Stowe, PA; Stockham Valves & Fittings Co., Birmingham, AL; U-Brand Corp. (a subsidiary of Worthington Industries, Inc.), Ashland, OH; and Ward Foundry Division of Clevepak Corp., Blossburg, PA.

The shares of U.S. production and apparent U.S. consumption accounted for by each firm in 1985 are presented in table 1. * * * is the largest producer, followed by * * *.

Table 1.--Malleable cast-iron pipe fittings: U.S. producers' shares of U.S. production and apparent U.S. consumption, by firms, 1985

* * * * * * *

Each of these firms has been producing cast-iron pipe fittings for at least 35 years and offers an essentially complete line of fittings. 1/ Clevepak Corp. offered its Ward Foundry operation for sale in October 1984, and sold it to executives at Ward on March 10, 1986. 2/ On January 31, 1986, Grinnell Corp. became a 100-percent-owned subsidiary of Tyco Laboratories, Inc.

One U.S. producer is also an importer of the merchandise covered by these investigations. U-Brand Corp. imports malleable cast-iron pipe fittings from Korea. In 1985, U-Brand's imports of the subject products accounted for * * * percent of imports from Korea and * * * percent of imports from all countries. 3/

U.S. Importers

Brazil

The principal U.S. importer of record of cast-iron pipe fittings from Brazil is TUPY American Foundry Corp. of Lancaster, PA. 4/ Kuhns, Inc., a distributor, purchases virtually all of the imports of TUPY American Foundry Corp. * * *. 5/ TUPY American Foundry Corp. is a wholly owned subsidiary of Fundicao TUPY, S.A., of Joinville, Brazil, a producer and exporter of cast-iron pipe fittings.

Korea

Approximately 20 U.S. firms import cast-iron pipe fittings from Korea, but most of these firms account for only a small percentage of all such imports. Nine responding importers accounted for 85 percent of imports from Korea in 1985. 6/ In 1985, * * * accounted for * * * percent of such imports, * * * accounted for * * * percent, and U-Brand Corp., a U.S. producer, accounted for * * * percent.

1/ Malleable Cast-Iron Pipe and Tube Fittings, . . . investigation No. TA-201-26, USITC Publication 835, September 1977, p. A-12; Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-8.

2/ During a staff conversation with * * *.

3/ Data describing the U.S. industry not including U-Brand Corp. are presented in app. C.

4/ * * *.

5/ Letter from counsel for TUPY American Foundry Corp. and Kuhns, Inc., to the Commission in investigation No. 701-TA-221 (Final), Mar. 25, 1985, p. 2.

6/ Hereinafter, references to shares of imports accounted for by certain importers are based on official import statistics as adjusted to eliminate known misclassifications.

Taiwan

Approximately 50 U.S. firms import cast-iron pipe fittings from Taiwan. Nineteen of these firms responded to the Commission's importer's questionnaire, reporting imports in 1985 that accounted for 70 percent of imports from Taiwan. Three of these 19 firms imported comparatively large quantities of malleable fittings in 1985, accounting for * * * percent of imports. These firms are * * *.

The Foreign Industries

Brazil

Fundicao TUPY, S.A., is the Brazilian manufacturer of cast-iron pipe fittings that accounts for all exports of such fittings to the United States. TUPY, S.A., located in Joinville, Brazil, began manufacturing cast-iron pipe fittings in 1938.

Brazil's reported exports of malleable cast-iron pipe fittings to the United States * * * from 1983 to 1984, then decreased by * * * percent in 1985 (table 2). Such exports accounted for * * * percent of total exports in 1983, * * * percent in 1984, and * * * percent in 1985. Reported exports to all other countries increased by * * * percent from 1983 to 1984, then decreased by * * * percent in 1985.

Table 2.--Malleable cast-iron pipe fittings: Brazilian exports, home-market shipments, and capacity, 1983-85

Item	1983	1984	1985
Production----------tons--	***	***	***
Shipments:			
Exported to:			
The United States----------do----	***	***	***
All other markets----------do----	***	***	***
Subtotal----------do----	***	***	***
Home-market----------do----	***	***	***
Total----------do----	***	***	***
Capacity 1/----------do----	***	***	***

1/ These data represent capacity that TUPY has dedicated to the production of malleable cast-iron pipe fittings. TUPY reportedly operated its pipe fittings foundries * * * per day in 1983, and * * * per day in 1984 and 1985.

Source: Compiled from data submitted by counsel for TUPY.

Home-market sales increased by * * * percent from 1983 to 1984 and by * * * percent from 1984 to 1985. Such sales accounted for * * * percent of total sales in 1983, * * * percent in 1984, and * * * percent in 1985. Total sales rose by * * * percent from 1983 to 1984, then decreased by * * * percent

from 1984 to 1985. 1/ TUPY's reported capacity to produce cast-iron pipe fittings increased by * * * percent from 1983 to 1984, and * * * from 1984 to 1985.

TUPY maintains four foundries, each of which is dedicated to the production of a specific range of products. One foundry produces automotive engine cylinder blocks and heads, a second produces various automotive castings, a third produces automotive castings and nonmalleable pipe fittings on separate lines, and a fourth produces only malleable pipe fittings. 2/ As a share of total capacity, TUPY has dedicated * * * percent of its total manufacturing capacity to cast-iron pipe fittings, * * * percent to automotive engine blocks and cylinder heads, and * * * percent to other automotive castings such as differential housings, brake drums, and crankshafts.

In the course of investigation No. 701-TA-221, TUPY alleged that it would be uneconomical to divert capacity dedicated to automotive castings to pipe fittings owing to differences in materials and equipment used to produce each type of casting. For example, the machinery used to produce cylinder blocks could not be used to produce pipe fittings because the two castings are of different sizes. Although the same melting furnaces could be used to produce either automotive castings or pipe fittings, the starting materials for each of these castings are different. Therefore the melts would have to take place at different times.

Korea

Mijin Metal Industrial Co., Ltd., and Shin Han Cast Iron Co., Ltd., are two large Korean producers of cast-iron pipe fittings for export. Neither of these firms is * * *. 3/ The U.S. Embassy in Seoul, Korea provided the Commission with data on Mijin Metal, Shin Han, and other Korean producers' malleable cast-iron pipe fitting operations that show * * * in production and total shipments since 1983 (table 3).

Production by these Korean firms decreased from * * * tons in 1983 to * * * tons in 1984, or * * *, then fell by * * * percent to * * * tons in 1985. Projected production for 1986 was estimated to decrease by * * * percent from production in 1985. The Korean firms' capacity to produce malleable pipe fittings * * * during 1983-84, but dropped by * * * percent from 1984 to 1985. In * * *, * * * stopped production of the subject merchandise * * *, thereby reducing the firm's capacity by * * * tons. Capacity utilization * * * from * * * percent in 1983 to * * * percent in 1984, then dropped to * * * percent in 1985. Projected capacity utilization for 1986 is * * * percent.

1/ On Mar. 10, and 11, 1986, counsel for TUPY Brazil, Mr. Philip Simons, told staff that * * *. * * *.

2/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-10.

3/ Posthearing brief submitted by counsel for Mijin and Shin Han, at p. 13.

Table 3.--Malleable cast-iron pipe fittings: Korean production, capacity, and shipments, 1/ 1983-85

Item	1983	1984	1985	1986 2/
Production----------tons--	***	***	***	***
Capacity----------do----	***	***	***	***
Capacity utilization-------percent--	***	***	***	***
Shipments:				
Home market----------tons--	***	***	***	***
Exported to:				
United States----------do----	***	***	***	3/ ***
Other countries----------do----	***	***	***	***
Total shipments----------do----	***	***	***	***

1/ Data include malleable and threaded cast-iron pipe fittings, including galvanized and black cast-iron pipe fittings. Pipes and tubes are considered the same thing, and there is no distinction between "advanced" and "not advanced."

2/ Data are projected.

3/ Counsel for Korean producers stated at the hearing that he doubts that the Korean producers have no plans to export to the United States during 1986. (Transcript of the public hearing, p. 91.)

Source: Compiled from data submitted by U.S. Embassy in Seoul, Korea.

Total shipments reported by the Korean firms followed the same general trend as production. Shipments were * * * than production in each year reported, * * *. Shipments by these firms to their domestic market accounted for * * * percent of total shipments in 1983, * * * percent in 1984, * * * percent in 1985, and are projected to be * * * percent in 1986.

Exports to the United States of malleable cast-iron pipe fittings by the reporting Korean producers increased from * * * tons in 1983 to * * * tons in 1984, or by * * * percent, then declined to * * * tons, or by * * * percent, in 1985. At the same time, the share of total shipments exported to the United States rose from * * * percent in 1983 to * * * percent in 1984, and despite a decline in volume, continued to rise to * * * percent in 1985. The Korean firms' exports to other countries were consistently higher than those to the United States. Exports to other countries decreased steadily from * * * percent of total shipments in 1983 to * * * percent in 1984, to * * * percent in 1985, and are projected to increase to * * * percent in 1986.

Taiwan

There are reportedly 25 firms that produce malleable cast-iron pipe fittings in Taiwan. Five of these firms have provided data to the Commission on their operations producing malleable cast-iron pipe fittings.

Production of malleable fittings increased for the five reporting firms by 5 percent from 1983 to 1984, reaching 24,526 tons in 1984 (table 4). Production then declined by 12 percent in 1985. Data on capacity were reported by three firms that accounted for * * * percent of total reported production in 1985. For these three firms, capacity utilization levels increased from * * * percent in 1983 to * * * percent in 1984, and then declined to * * * percent in 1985.

Table 4.--Malleable cast-iron pipe fittings: Production, capacity, shipments, and employment in the Taiwan industry, 1/ 1983-85

Item	1983	1984	1985
Production----------tons--	23,455	24,526	21,639
Capacity 2/----------do----	***	***	***
Capacity utilization 2/----------percent--	***	***	***
Shipments:			
Home market----------tons--	2,208	2,079	1,762
Exported to:			
United States----------do----	4,180	4,175	4,527
Other countries----------do----	17,466	17,820	15,530
Total shipments----------do----	23,854	24,074	21,819
Employment----------	1,435	1,340	1,109

1/ Data are for 5 firms.
2/ Data are for 3 firms.

Source: Compiled from data submitted by counsel for the Taiwan manufacturers.

The reporting firms' shipments of malleable fittings to their home market accounted for 9 percent of their total shipments during 1983-84, and 8 percent of their total shipments in 1985. Exports to the United States accounted for 18 percent of total shipments of malleable fittings in 1983, 17 percent in 1984, and 21 percent in 1985. Exports to other countries consistently took a majority of the reporting firms' shipments. Such exports were 73 percent of total shipments in 1983, 74 percent in 1984, and 71 percent in 1985.

Employment in the firms that reported data on malleable fittings decreased steadily during the period of investigation, declining by 7 percent from 1983 to 1984 and by 17 percent from 1984 to 1985. A gross measure of productivity, tons produced per worker, shows productivity increasing from 16 tons in 1983 to 18 tons in 1984, and rising to 20 tons in 1985.

The Domestic Market

Apparent U.S. consumption 1/

Apparent U.S. consumption of malleable cast-iron pipe fittings covered by the investigations increased by 12 percent from 1983 to 1984, then decreased by 2 percent from 1984 to 1985 (table 5).

Table 5.--Malleable cast-iron pipe fittings: Imports, U.S.-produced domestic shipments, and apparent U.S. consumption, 1983-85

(In tons 1/)

Item	1983	1984	1985
Imports 2/	15,736	20,254	20,747
U.S.-produced domestic shipments	43,322	45,891	43,750
Apparent U.S. consumption	59,058	66,145	64,497

1/ Unless otherwise noted, the term "ton" refers to a short ton (2,000 pounds).

2/ Official import statistics include only imports under TSUS item 610.74 and are adjusted to eliminate known misclassifications and to account for known inventories of imports from Brazil, Korea, and Taiwan.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

1/ Apparent U.S. consumption as presented in this section is calculated by adding U.S.-produced domestic shipments to adjusted official import statistics. Official import statistics are adjusted in the following ways:

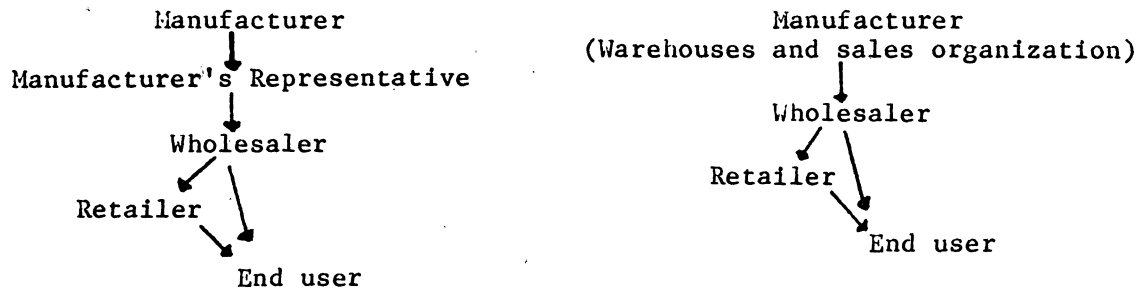
First, responses to staff inquiries into the products being imported under TSUS item 610.70 have revealed no imports of the subject products have entered the United States under this item. Consequently, imports under this item have been excluded from calculations in this report (see the section entitled "U.S. imports" for a description of these items).

Second, imports of items that are not covered by these investigations but are known to be included in official import statistics for TSUS item 610.74 are subtracted from such statistics (see the section entitled "U.S. imports" for a description of these items).

Third, import statistics are adjusted to account for inventories of imports reported to the Commission via importers' questionnaires. Thus, if inventories declined from the end of 1983 to the end of 1984, the amount of that decline would be added to the amount of imports. Similarly, if inventories increased, the amount of that increase would be subtracted from the amount of imports. This adjustment can only be made for those inventories for which information is available--inventories of imports from countries covered by these investigations. Statistics on imports from other countries are not adjusted, which in effect operates as an assumption that inventories of imports from those countries do not change from year to year. The intent of this adjustment is to more accurately portray the amount of imports that actually entered the marketplace, rather than the amount that simply entered into the United States. Apparent U.S. consumption calculated without adjusting for inventories of imports is presented in app. D.

Channels of distribution

U.S.-produced cast-iron pipe fittings are generally sold through one of two similar channels of distribution, diagrammed as follows:



A U.S. producer generally sells either through a manufacturer's representative or through a sales arm of its own organization. Sales generally consist of a full line of pipe fittings, including a range of the most common configurations and sizes. The manufacturer's representative is responsible for a defined territory, and the U.S. producer will usually sell to no other distributor in that territory. 1/ One manufacturer, for example, * * *. * * *. 2/ Manufacturers' representatives or manufacturers' warehouses stock pipe fittings (as well as other products) for large territories. The fittings are then sold to approximately 10,000 wholesalers across the country, 3/ and are resold again to retailers (such as hardware stores) or directly to large endusers (such as contractors). 4/

There are exceptions to the general statements presented above, as a review of the practices of domestic producers shows. In 1985, * * * of the five U.S. producers sold the subject products exclusively to unrelated distributors. * * *. All U.S. producers sell throughout the United States, maintaining warehouses in various locations and selling from inventory. 5/

The sole importer of record of Brazilian cast-iron pipe fittings, TUPY American Foundry Corp., sells the majority of its fittings through an unrelated distributor, Kuhns, Inc. Kuhns sells its imported product to unrelated distributors. Kuhns also accounted for * * * percent of total imports of malleable fittings from * * * in 1985.

Channels of distribution for malleable cast-iron pipe fittings imported from Korea tend to be similar to those for U.S.-produced fittings. In 1985, responding importers of malleable pipe fittings from Korea sold 95 percent of the subject merchandise to unrelated distributors, either directly or through

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1/ Transcript of the preliminary conference, pp. 57-58.
2/ Staff conversation with * * *.
3/ Ibid.
4/ Transcript of the preliminary conference, p. 57.
5/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-7.

firms that function as manufacturers' representatives; the remaining 5 percent of such imports were sold to unrelated hardware/do-it-yourself (D.I.Y.) stores.

Some importers of the Korean products have distribution systems limited to certain geographic areas. The Mundo Corp., which accounted for * * * percent of imports of malleable fittings from Korea in 1985, has operations concentrated in California and Texas. 1/ * * *, which accounted for * * * percent of imports from Korea in 1985, directs most of its sales to the Southeastern United States. 2/ Other firms dealing in malleable fittings from Korea distribute nationwide. For example, * * *, which accounted for * * * percent of imports from Korea in 1985, ships its imported products to its warehouses throughout the United States, from which the fittings are sold to wholesalers. 3/ * * *, which accounted for * * * percent of imports from Korea in 1985, sells nationwide through * * * regional divisions. 4/

Channels of distribution for malleable fittings from Taiwan tend to be similar to those from Korea. In 1985, responding importers sold 91 percent of the subject merchandise to unrelated distributors (either directly or through manufacturers' representatives), 2 percent to related distributors, and 7 percent to unrelated endusers (typically to hardware/D.I.Y. stores, with small amounts to residential and nonresidential construction markets).

Some importers are large national distributors, whereas others are smaller and focus their sales efforts on a local area. Sequoia International, Inc., for example, accounting for * * * percent of 1985 imports from Taiwan, distributes Plum brand fittings through representatives located throughout the country. 5/ On the other hand, * * *, which accounted for * * * percent of imports from Taiwan in 1985, sells the bulk of its fittings in the Southeastern United States. 6/

Market factors

The petitioner in these investigations argued that imported malleable cast-iron pipe fittings compete directly with U.S.-produced fittings. 7/ Certain respondents argued that this is not so, that imports from Korea 8/ and

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1/ Transcript of the preliminary conference, pp. 103-4.
2/ Staff conversation with * * *.
3/ Staff conversation with * * *.
4/ Staff conversation with * * *.
5/ Transcript of the preliminary conference, p. 148.
6/ Staff conversation with * * *.
7/ "The U.S. industry competes with the imports under investigation in all regions of the United States and in all major end-use categories." Petitioners' posthearing brief at p. 6.
8/ "We believe that the Commission's data will confirm that the vast majority of imported fittings from Korea do not compete in the principle market of the U.S. industry--the commercial/industrial market." Counsel for the Korea Foundry and Forging Cooperative Association, Mijin Metal Industrial Co., and Shin Han Cast-Iron Co., posthearing brief at p. 7.

Taiwan 1/ are sold to the residential construction industry and to hardware and do-it-yourself stores, whereas Brazilian 2/ and U.S.-produced fittings are sold to the nonresidential construction industry and to other industrial users such as utilities.

* * * of the five U.S. producers reported that 100 percent of their 1985 domestic shipments were to unrelated distributors/wholesalers. 3/ * * *. Fourteen of the 21 responding importers reported sales exclusively to unrelated distributors/wholesalers, 2 importers reported sales to both related and unrelated distributors/wholesalers, and the remaining 5 importers reported sales to endusers. The following data were submitted in questionnaire responses by importers and * * *, identifying the quantities of the subject merchandise sold directly to specified enduser markets. Data are for 1985 (in percent):

	Shipments to endusers in the--			
Country of origin	Residential construction market	Nonresidential construction market	Hardware/do-it-yourself market	Other markets
Brazil 1/	***	***	***	***
Korea 2/	***	***	***	***
Taiwan 3/	***	***	***	***
United States 4/	***	***	***	5/ ***

1/ 1 importer, accounting for 100 percent of imports from Brazil in 1985, sold only to unrelated wholesalers/distributors.
2/ Data are for 4 importers, reporting shipments to endusers of 757 tons, or * * * percent of total imports from Korea in 1985, as adjusted for known misclassifications.
3/ Data are for 3 importers, reporting shipments to endusers of 511 tons, or * * * percent of total imports from Taiwan in 1985, as adjusted for known misclassifications.
4/ Data are for * * *. * * *.
5/ Shipments were to original equipment manufacturers and industrial markets.

The staff received a limited response to a questionnaire mailed to about 80 purchasers that were identified by importers and U.S. producers as their largest volume purchasers of the subject products during 1983-85. Two responding purchasers of the imports from Brazil reported that the majority of their sales were to the nonresidential construction market. Two responding purchasers of the imports from Korea reported sales mostly to phosphate mines,

1/ "We believe that closer scrutiny of the confidential data in the Commission's possession will reveal that the substantial majority of the quantity from Taiwan is sold in the residential/hardware store market." Counsel for Taiwan respondents, prehearing brief at p. 8.
2/ "In short there is no question that the Brazilian fittings in issue are marketed only to the industrial segment of the domestic market." Counsel for TUPY, Brazil, posthearing brief at p. 9.
3/ Some of the unrelated distributors/wholesalers are suppliers to the hardware market, as reported in counsel for petitioners' posthearing brief, Confidential app. B. * * *.

and seven responding purchasers of the imports from Taiwan reported that the majority of their sales were to the residential construction market.

To supplement the above data, the staff contacted more than 45 purchasers of the subject product that had not responded to the Commission's purchaser questionnaire. 1/ The following discussion summarizes the content of those conversations and relevant information obtained during lost sales inquiries, with respect to the marketing issue, the influence of Buy American laws, and the comparisons of the quality of fittings from different sources.

Enduser markets.--The staff contacted six purchasers of malleable pipe fittings that purchase both domestic and Brazilian fittings. 2/ All respondents were distributors/wholesalers, selling to residential construction as well as commercial/industrial markets. These purchasers distribute both the domestic and Brazilian products to the same enduser markets: residential construction contractors, industrial manufacturing plants such as food processing and fertilizer plants, mechanical contractors, utility companies, and the petrochemical industry.

The staff contacted five firms that reported purchases of Korean fittings to the exclusion of other imported fittings, and U-Brand, a U.S. producer of the subject products that also purchases Korean fittings. 3/ One wholesaler/distributor stated that his firm sells all products to every enduser market. Three purchasers reported that 100 percent of their sales are to hardware/D.I.Y. retail stores. One purchaser sells to rehabilitation and new construction markets.

U-Brand sells the Korean product * * *. * * *.

The staff contacted several purchasers that reported buying mostly imports from Taiwan, and seven firms that operate as manufacturers' representatives for Sequoia International, Inc., New York, NY, a large importer of the Plum brand name fittings made by San Yang in Taiwan. 4/ Four of the purchasers are plumbing wholesalers. Of the remaining two, one purchaser distributes to * * * stores, and another distributes to * * * stores; both of these firms carry mostly domestic fittings. Of the plumbing wholesalers, one reported sales to plumbers and retail stores, another to plumbing shops and heating contractors in the residential construction market, a third to the residential and industrial/commercial market, and a fourth to the industrial and residential construction markets.

The seven manufacturers' representatives sell only Taiwan (Plum brand) fittings. They do not sell directly to endusers. However, one official stated that the Taiwan fittings are sold in both commercial and residential construction markets; less than 3 percent is sold in the hardware market. Another official reported sales to plumbing and heating wholesalers and suggested that the Taiwan fittings are sold to all enduser markets, with less going to the commercial/industrial markets. One official reported sales only

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1/ Such purchasers nevertheless accounted for a small percentage of total purchases of the domestic and imported products.
2/ * * *.
3/ * * *.
4/ * * *.

to the residential construction market, and none to retail, hardware/D.I.Y. wholesalers/distributors, whereas another official reported sales to a wholesaler that supplies hardware stores and plumbing contractors. Another official reported sales to the commercial/industrial markets, in particular mill and plumbing wholesalers.

An official of a firm that manufactures pipe nipples and imports fittings from Japan said that the Taiwan fittings compete directly with the Japanese and U.S.-produced fittings. He indicated that in the last 3 years the Taiwan fittings have penetrated every market--plumbing wholesalers, industrial wholesalers, etc.

Other purchasers that were contacted sold U.S.-produced fittings as well as fittings from Brazil, Korea, and/or Taiwan. An official of * * *, reported selling imports from Brazil and Taiwan as well as domestic fittings, all to the industrial market.

Another plumbing wholesaler sells U.S., Korean, and Taiwan fittings to the residential construction market in * * * western states. One purchaser had sold fittings from Korea and Taiwan, but due to severe quality problems, now only purchases fittings from Japan. This purchaser sells to commercial/original equipment manufacturers and plumbing contractors. Another purchaser sells U.S., Korean, and Taiwan fittings exclusively to industrial manufacturers such as * * *. Another sells fittings from Korea, Taiwan, and * * * through a catalog.

Several purchasers reported that they did not know the country of origin of the imported fittings they stock. 1/ Two of the purchasers sell over 90 percent of their fittings to the hardware/D.I.Y. market, two are wholesalers supplying the industrial/commercial market, and the fifth sells to the phosphate mining industry.

Buy American laws. 2/--Another issue that has been raised in these investigations is whether Buy American laws or customers' preferences for domestic products exclude imported pipe fittings from a significant percentage of purchases in selected markets. Sequoia argued that its products are of the same quality as the U.S.-produced fittings, but that they are prevented from participating strongly in the commercial market because of Buy American laws, the requirements of certain labor unions that only U.S.-produced fittings be used, and the traditional practices of many contractors and companies of not buying imported fittings.

1/ * * *.

2/ In general, Buy American laws require that purchases of goods used on public projects must be of goods produced in the United States, although there are often exceptions to this requirement. For example, the federal Buy American statute, 41 U.S.C. § 10a et seq. requires that domestically produced goods be purchased for the public use, building, and works of the 50 States, the District of Columbia, Puerto Rico, American Samoa, the Canal Zone, and the Virgin Islands. Among the exceptions the statute provides to this requirement is that the domestic articles need not be purchased if the cost of doing so would be unreasonable. An Executive Order appended to the statute indicates that the cost of purchasing the U.S.-produced product would be unreasonable if the price of the domestic article exceeded 6 to 10 percent of the cost of the imported article.

Many officials contacted told staff that they have encountered resistance to the fittings from Brazil by certain endusers. Two purchasers reported supplying federally funded projects only with domestic fittings, and a third purchaser stated that the union shops he supplies will not install imported fittings. One distributor of Brazilian fittings sells primarily to the residential construction market, although some fittings do end up in commercial construction.

A * * * official indicated that Buy American policies are more of a gesture than a legal procedure. He stated that as a patriotic gesture perhaps he could not sell imports in Nebraska, but that in a major metropolitan area price would be the primary consideration. One hardware distributor that sells Korean fittings told staff that his customers rely on the best products at the best prices, adding that he has not experienced any formal Buy American pressures. One purchaser of Korean fittings stated that there is a small percentage of endusers who buy only American products, and another purchaser of the Korean fittings stated that only domestic fittings are sold to industrial/commercial markets.

A plumbing wholesaler that carries both Korean and Taiwan fittings reported that all types of Government bid jobs required domestic fittings, and that the State of California had recently accepted some imported valves, but not fittings. On the other hand, another purchaser of Korean and Taiwan fittings that sells exclusively to the commercial/industrial market reported absolutely no resistance to imported fittings. A hardware distributor reported that only about 1 of every 165 customer orders requests domestic fittings.

An official of a hardware distributor stated that most of his customers prefer imported fittings because of their lower prices. Another company official reported that at one time union employees and the steel-related industries required U.S.-produced fittings, but the preference for U.S.-produced fittings has given way to a preference for lower-priced fittings.

One purchaser stated that large companies such as * * * and * * * purchase foreign fittings, and another noted that small plumbing contractors and individual purchasers base their buying decisions on price and do not care where the product is made.

Quality.--Some parties have argued during the course of the investigation that imported fittings from Korea, and to a lesser extent, Taiwan, have been inferior in quality to domestic fittings. In order to evaluate the allegations with respect to the issue of quality variances, staff contacted the relevant standards-developing organizations. The American National Standards Institute (ANSI) is a federation of standards-developing organizations. The institute provides its members with a consistent set of criteria for developing standards and, if the developed standards meet the criteria, they are promulgated as ANSI-approved. The standards, as promulgated, are voluntary, but may be made mandatory by inclusion in building codes or contractors' specifications. The American Society for Testing & Materials (ASTM) is a standards developer and a member of ANSI. 1/

1/ Staff conversation with information office, ANSI, Aug. 30, 1985.

Standards for cast-iron pipe fittings are ANSI standards developed under the auspices of the American Society of Mechanical Engineers. These standards cover such characteristics of the fittings as thickness and manner of threading, as well as methods of testing to determine if fittings meet the standards. Standards for the materials of which pipe fittings are composed are developed by ASTM. Pipe fittings are not certified by ANSI as having met its standards, and they are not marked as approved. It is up to individual contractors to ensure that fittings meet the specifications. Thus, testing of fittings is done by contractors or their suppliers. 1/ For example, * * *. The * * * spokesman has "not heard of" any such fitting that has failed to meet the standards for sale to the industrial market. 2/ One industry representative echoed a number of similar views when he said that there are few quality issues: if "the thing stands up to pressure . . . it's of acceptable quality." 3/

Purchasers reported no quality complaints from customers regarding the Brazilian fittings. Four purchasers alleged that Brazilian fittings are superior in quality compared with the U.S. fittings they stock.

One purchaser stated that there had been a quality difference between the Korean fittings and other fittings, but that lately the firm's purchases of Korean fittings have been acceptable. Another purchaser reported that he had seen differences in quality of the uninspected fittings, usually due to inconsistent threadings. Six other purchasers had no quality complaints and plan to continue to purchase Korean fittings.

* * * * * * *

Officials of four plumbing wholesalers and San Yang's seven manufacturers' representatives reported that fittings imported from Taiwan were equal or superior in quality to U.S.-produced fittings. Quality complaints were reported to be negligible.

Four purchasers did report some quality problems with fittings from both Korea and Taiwan; such problems were more serious with respect to Korea. However, one purchaser also found quality problems with U.S.-produced fittings, citing sand holes, bad threads, and oil residue.

Consideration of Material Injury to an Industry in the United States

In order to evaluate the condition of the U.S. industry producing nonalloy, malleable cast-iron pipe fittings, other than groove-lock, the Commission surveyed all known U.S. producers of such items. These producers are the five firms discussed above in the section entitled "The U.S.

1/ Staff conversation with * * *, American Society of Mechanical Engineers, Aug. 30, 1985.
2/ Staff conversation with * * *.
3/ Staff conversation with * * *.

Industry." 1/ The following information describing the condition of this industry includes all five producers, unless otherwise noted.

U.S. production, capacity, and capacity utilization 2/

U.S. production of the cast-iron pipe fittings covered by these investigations increased by 4 percent from 1983 to 1984, then decreased by the same percentage in 1985 (table 6). Capacity to produce malleable fittings remained stable throughout the period covered by the investigations, and capacity utilization decreased irregularly.

Table 6.--Malleable cast-iron pipe fittings: U.S. production, capacity, and capacity utilization, 1983-85

Item	1983	1984	1985
Production----------tons--	44,368	46,126	44,105
Capacity----------do----	95,760	95,760	95,760
Capacity utilization----------percent--	46.3	48.2	46.1

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

1/ Certain U.S. producers produce other products that, although they are not covered by these investigations, may in certain circumstances compete directly with the products covered by these investigations. For example, nonalloy, malleable, threaded cast-iron pipe fittings may compete directly with nonalloy, malleable, grooved cast-iron pipe fittings. Grooved fittings are clamped to the pipe, as opposed to threaded fittings, which require turning the fitting or the pipe. Grooved fittings thus save labor, especially when the work is being performed at a height or with large-sized pipe. Grooved fittings are reportedly most competitive in larger sizes, and threaded fittings are best used in smaller sizes (staff conversation with * * *, Aug. 9, 1985). In certain circumstances, grooved fittings compete directly with threaded fittings (transcript of the conference, p. 59), especially with pipe sizes of between 2 and 4 inches in diameter (staff conversation with * * *, Aug. 8, 1985). Such competition may be characterized as "peripheral," occurring in "very limited circumstances" (letter from counsel for petitioner, Aug. 27, 1985).

Three U.S. producers that produce malleable, threaded cast-iron pipe fittings also produce malleable, grooved cast-iron pipe fittings: Grinnell Corp., Stockham Valves & Fittings, Inc., and Ward Foundry. Both threaded and grooved fittings can be made on the same production line, at the same time, using the same personnel. This is done, for example, at * * * (conversation with * * *, Aug. 14, 1985). No respondent has challenged the exclusion of grooved pipe fittings from these investigations.

2/ Data on the U.S. industry not including U-Brand Corp. are presented in app. C.

U.S. producers' domestic shipments, exports, and inventories 1/

Domestic shipments of U.S.-produced malleable fittings increased irregularly during 1983-85 (table 7). Such shipments rose 6 percent from 1983 to 1984, then decreased by 5 percent in 1985. Exports of U.S.-produced malleable fittings rose * * * percent from 1983 to 1984, then dropped * * * percent in 1985. The amount of yearend inventories declined, in nominal terms and as a percent of U.S.-produced shipments, during 1983-85.

Table 7.--Malleable cast-iron pipe fittings: U.S.-produced domestic shipments, exports, and total shipments, 1983-85, and yearend inventories as of Dec. 31, 1983-85

Item	1983	1984	1985
Domestic shipments----------tons--	43,322	45,891	43,750
Exports----------do----	***	***	***
Total shipments----------do----	***	***	***
Yearend inventories----------do----	***	***	***
Ratio of inventories to total shipments----------percent--	34.8	28.4	26.9

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

U.S. producers' domestic purchases and imports

During 1983-85, * * *. The * * * U.S. producers' domestic purchases of the subject merchandise as a ratio to production by those producers was * * * percent or less during 1983-85. Data on these imports and domestic purchases, as reported in questionnaire responses, are presented in the following tabulation (in tons):

	1983	1984	1985
Imports from Korea 1/----------	***	***	***
Purchases of U.S.-produced product 2/--	***	***	***

1/ Reported by U-Brand Corp.
2/ Reported by * * *.

U-Brand's reported imports of malleable fittings from Korea 2/ and its U.S. production of such fittings are compared in the following tabulation:

	1983	1984	1985
Imports----------tons--	***	***	***
U.S. production----------do----	***	***	***
Ratio of imports to production--percent--	***	***	***

1/ Ibid.
2/ During an Apr. 10, 1986 staff conversation with * * *. * * *.

Employment and productivity 1/

The total number of employees in the establishments producing the subject merchandise increased by 3 percent from 1983 to 1984, then decreased by 6 percent from 1984 to 1985. The number of production and related workers producing malleable fittings in the U.S. industry decreased irregularly during the period covered by the investigation, declining by 4 percent from 1983 to 1984, then increasing by 1 percent from 1984 to 1985 (table 8). The average number of hours worked per worker, per week increased by 2 percent from 1983 to 1984, then decreased by 1 percent from 1984 to 1985. The average wages paid per hour to production and related workers rose 10 percent from 1983 to 1984, then decreased by 1 percent from 1984 to 1985. The average total compensation paid to such workers per hour increased by 14 percent from 1983 to 1984, and then decreased by 1 percent from 1984 to 1985. The productivity of workers producing malleable fittings increased by 7 percent from 1983 to 1984, then declined by 4 percent from 1984 to 1985.

Table 8.--Malleable cast-iron pipe fittings: Number of employees in producing establishments, number of production and related workers, average hours worked by such workers per week, average hourly wages and total compensation paid to such workers, and productivity, 1983-85

Item	1983	1984	1985
All employees	4,365	4,486	4,239
Production and related workers	1,984	1,910	1,929
Average hours worked----per worker, per week	37.0	37.7	37.4
Average wages paid------per worker, per hour	$9.02	$9.93	$9.81
Average total compensation paid per worker, per hour	$10.54	$12.02	$11.86
Productivity-----tons per 1,000 hours worked	12.2	13.1	12.6

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

Two unions represent the workers in this industry: the United Steel Workers of America (AFL-CIO) and the International Molders and Allied Workers Union (AFL-CIO).

1/ Data on the U.S. industry not including U-Brand Corp. are presented at app. C.

Three producers reported significant layoffs during 1983-85. All of the layoffs were attributed to decreased orders. The dates of each layoff and the number of workers involved are shown in the following tabulation:

Producer	Number of workers	Period of layoff
* * *	* * *	* * *

Financial experience of U.S. producers

Five firms, 1/ which accounted for 100 percent of total reported 1985 shipments of malleable cast-iron pipe fittings, furnished usable income-and-loss data on both their overall establishment operations and their operations producing malleable cast-iron pipe fittings.

Overall establishment operations.--Net sales of all products produced in the establishments within which malleable cast-iron pipe fittings are produced increased from $236 million in 1983 to $267 million in 1984, or by 13 percent, and then increased slightly to $269 million in 1985 (table 9).

Aggregate operating income declined from $13.4 million in 1983 to $5.3 million in 1984, a drop of 60.1 percent, then increased by 9.5 percent to $5.8 million in 1985. The operating income margins were 5.7 percent in 1983, 2.0 percent in 1984, and 2.2 percent in 1985. One firm reported an operating loss in 1983, two firms had operating losses in 1984, and one firm incurred an operating loss in 1985.

Malleable cast-iron pipe fittings. 2/ --Net sales of malleable cast-iron pipe fittings grew from $112 million in 1983 to $122 million in 1984, a gain of 9 percent, then declined slightly to $120 million in 1985 (table 10). Two producers, * * *, which have accounting years that end on * * *, provided data for the interim periods ended February 28, 1985 and 1986. Sales * * * from * * * in interim 1985 to * * * in interim 1986.

The producers reported aggregate operating income of $3.7 million in 1983, an operating loss of $543,000 in 1984, and operating income of $1.2 million in 1985. The operating margins during 1983, 1984, and 1985 were 3.3 percent, (0.4) percent, and 1.0 percent, respectively. Two firms reported operating losses in 1983, three firms in 1984, and two firms in 1985. Operating losses were incurred in both interim periods. The operating loss margins were * * * percent and * * * percent in interim periods 1985 and 1986, respectively.

1/ The 5 firms are Grinnell Corp.; U-Brand Corp.; the Ward Foundry Division of Clevepak Corp.; Stockham Valves & Fittings, Inc; and Stanley Flagg & Co, Inc.

2/ Data on the U.S. industry not including U-Brand Corp. are presented at app. C.

Table 9.--Income-and-loss experience of 5 U.S. producers on the overall operations of their establishments within which malleable cast-iron pipe fittings are produced, accounting years 1983-85, and interim periods ending February 28, 1985 and February 28, 1986

Item	1983	1984	1985	Interim period ended Feb. 28-- 1985	1986
Net sales----------1,000 dollars--	235,548	267,122	268,803	***	***
Cost of goods sold----------do----	189,558	225,472	224,920	***	***
Gross profit----------do----	45,990	41,650	43,883	***	***
General, selling and administrative expenses----------1,000 dollars--	32,611	36,307	38,034	***	***
Operating income or (loss)--------do----	13,379	5,343	5,849	***	***
Interest expense----------do----	5,912	5,226	1/ 6,978	***	***
Other income or (expense), net----do----	611	1,656	2/ 5,062	***	***
Net income or (loss) before income taxes----------	8,078	1,773	3,933	***	***
Depreciation and amortization expense included above---------1,000 dollars--	12,150	12,812	13,683	***	***
Cash flow 3/----------do----	20,228	14,585	17,616	***	***
As a share of net sales:					
Cost of goods sold----------percent--	80.5	84.4	83.7	***	***
Gross profit----------do----	19.5	15.6	16.3	***	***
General, selling and administrative expenses ----------do----	13.8	13.6	14.1	***	***
Operating income or (loss)------do----	5.7	2.0	2.2	***	***
Net income or (loss) before income taxes----------do----	3.4	0.7	1.5	***	***
Number of producers reporting operating losses----------	1	2	1	***	***

1/ Includes * * * of $* * * incurred by * * *; the firm did not report any * * * in 1983 and 1984.
2/ Includes a nonrecurring gain of $* * * reported by * * * caused by a * * *.
3/ Net income before income taxes plus depreciation and amortization expense.

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

Table 10.--Income-and-loss experience of 5 U.S. producers 1/ on their operations that produce malleable cast-iron pipe fittings, accounting years 1983-85, and interim periods ending February 28, 1985 and February 28, 1986

Item	1983	1984	1985	Interim period ended Feb. 28-- 1985	1986
Net sales----------1,000 dollars--	111,853	122,231	120,169	***	***
Cost of goods sold----------do----	91,231	104,617	101,091	***	***
Gross profit----------do----	20,622	17,614	19,078	***	***
General, selling and administrative expenses----------1,000 dollars--	16,908	18,157	17,833	***	***
Operating income or (loss)--------do----	3,714	(543)	1,245	***	***
Interest expense 2/----------do----	***	***	***	***	***
Other income or (expense), net 2/-do----	***	***	***	***	***
Net (loss) before income taxes----------	***	***	***	***	***
Depreciation and amortization expense included above 3/------1,000 dollars--	5,797	5,699	5,792	***	***
Cash flow 4/----------do----	5,176	1,531	3,533	***	***
As a share of net sales:					
Cost of goods sold----------percent--	81.6	85.6	84.1	***	***
Gross profit----------do----	18.4	14.4	15.9	***	***
General, selling and administrative expenses ----------do----	15.1	14.9	14.8	***	***
Operating income or (loss)------do----	3.3	(0.4)	1.0	***	***
Net (loss) before income taxes----------do----	***	***	***	***	***
Number of producers reporting operating losses----------	2	3	2	***	***

1/ These producers accounted for all shipments of malleable cast-iron pipe fittings in 1985.

2/ Two firms, accounting for * * * percent of reported 1985 net sales, did not provide the Commission with data on interest expense, and 3 firms, accounting for * * * percent of 1985 net sales, did not furnish data on other income or expenses. Hence, net income before taxes may be overstated or understated.

3/ One firm, which accounted for * * * percent of 1985 sales, estimated depreciation and amortization expense.

4/ Net loss before income taxes plus depreciation and amortization expense.

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

Capital expenditures and research and development expenses.-- All five U.S. producers supplied information on their capital expenditures for land, buildings, machinery, and equipment for all establishment products, and four firms provided capital expenditures for malleable pipe fittings. Three firms furnished research and development expenses incurred in developing malleable pipe fittings. Capital expenditures and research and development expenses are shown in the following tabulation:

	Capital expenditures for: Establishment products 1/	Malleable pipe fittings 2/	Research and development expenses 3/
1983-------	$13,393,000	$5,568,000	$***
1984-------	10,412,000	5,930,000	***
1985-------	10,258,000	5,584,000	***

1/ Data are for 5 firms.
2/ Data are for 4 firms.
3/ Data are for 3 firms.

Capital and investment.--Two producers provided questionnaire comments on the actual and potential negative effects of imported malleable cast-iron pipe fittings on their firms' growth, investment, and ability to raise capital. Their comments are quoted below:

* * * * * * *

The Question of Threat of Material Injury to an Industry in the United States

In its examination of the question of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase in LTFV imports, the rate of increase in 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 Brazil, Korea, and Taiwan to generate exports (including the availability of export markets other than the United States).

A discussion of the rates of increase in imports of certain cast-iron pipe fittings and of the U.S. market penetration of such imports is presented in the section of this report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and LTFV Imports." Information regarding the capacity of the foreign producers to generate exports is discussed in the section of this report entitled "The Foreign Industries." The following discussion addresses inventories in the United States of imported cast-iron pipe fittings from Brazil, Korea, and Taiwan.

Brazil

Both TUPY American Foundry Corp., the sole importer of cast-iron pipe fittings from Brazil, and Kuhns, Inc., an unrelated distributor that purchases virtually all of the cast-iron pipe fittings imported by TUPY American Foundry Corp., hold inventories of imports from Brazil. These inventories are shown in table 11. TUPY American's inventories decreased by * * * percent from 1984 to 1985. Kuhns' inventories, as a percent of reported imports from Brazil, decreased from * * * percent in 1983 to * * * percent in 1984; however, such inventories were * * * of reported imports from Brazil in 1985.

Table 11.--Malleable cast-iron pipe fittings: Inventories of Brazilian imports held in the United States, and ratio to reported Brazilian imports, by firms, 1983-85

Item	1983	1984	1985
TUPY American's reported inventories----------tons--	***	***	***
Ratio of TUPY American's inventories to reported imports from Brazil----percent--	***	***	***
Kuhns' reported inventories----------tons--	***	***	***
Ratio of Kuhns' reported inventories to reported imports from Brazil-------percent--	***	***	***

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

Korea

Five of the nine responding importers of malleable fittings from Korea reported yearend inventories during 1983-85. Such inventories increased steadily in nominal terms, and increased irregularly as a share of reported imports of such fittings from Korea. Data on such inventories, derived from responses to Commission questionnaires, are presented in the following tabulation:

Item	1983	1984	1985
Inventories of reported imports from Korea----------tons--	***	1,315	1,720
Ratio of reported inventories from Korea to reported imports from Korea-----percent--	***	43.4	42.1

Taiwan

In 1985, 15 of the 19 responding importers of malleable fittings from Taiwan held yearend inventories. Reported inventories of Taiwan fittings tracked the same trend as inventories of Korean fittings, as the following tabulation of data from the Commission questionnaires shows:

Item	1983	1984	1985
Inventories of reported imports from Taiwan----------tons--	964	1,041	1,320
Ratio of inventories of imports from Taiwan to reported imports from Taiwan----percent--	30.8	27.4	37.8

The following tabulation presents the aggregated reported inventories of importers of fittings from the subject countries:

Item	1983	1984	1985
Inventories of reported imports from Brazil, Korea, and Taiwan----------tons--	***	***	***
Ratio of inventories of imports from Brazil, Korea, and Taiwan to reported imports from Brazil, Korea, and Taiwan----------percent--	***	***	***

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

U.S. imports

U.S. imports of malleable cast-iron pipe fittings covered by these investigations are presented in table 12. These data, compiled from official statistics, include certain products that do not meet the definition of the articles covered by these investigations. These investigations include imports of certain malleable cast-iron pipe fittings, not of alloy cast-iron, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, other than groove-lock, as provided for in TSUS items 610.70 and 610.74. As stated in the "U.S. tariff treatment" section of this report, U.S. Customs import specialists informed staff that TSUS items 610.70 and 610.74 were treated as by-pass items at the majority of U.S. ports of entry during the period covered by these investigations; hence, product misclassification may be frequent.

The staff has received questionnaire responses from more than 25 firms that appeared on the U.S. Customs net import file as being the importers of record for products entering under TSUS item 610.70, which is intended to include products not further processed after casting. Unthreaded, unfinished malleable pipe fittings, if any, should enter under this item. Not one of the responding importers reported importing malleable pipe fittings that were not further processed after casting, or that would be properly classified under TSUS item 610.70. 1/

1/ Importers reporting importing ductile products, valve boxes, tires, clothing, brass, and other products under TSUS item 610.70. The staff has received statements from counsel for the Brazilian producer, TUPY, counsel for the Korean producers, Mijin Metal and Shin Han Cast Iron, and counsels for the following Taiwan producers: San Yang Metal Ind., Tai Yang Metal Ind., Kwang Yu Foundry Ind. Co., De Ho Metal, Tai Wan Fittings Foundry, and Young Shieng Mfg. Co., Ltd., verifying that these producers are not exporting to the United States products that would be properly classified under TSUS item 610.70.

Table 12.--Certain malleable cast-iron pipe fittings: U.S. imports for consumption, 1/ by selected sources, 1983-85

Source	1983	1984	1985
	Quantity (tons)		
Brazil	698	1,637	238
Korea	1,440	3,395	5,048
Taiwan	3,709	4,388	5,516
Japan	8,716	10,870	7,047
India	1,573	1,543	1,224
All other	1,547	1,909	3,749
Total	17,682	23,742	22,821
	Value (1,000 dollars)		
Brazil	794	1,738	249
Korea	1,466	3,191	4,869
Taiwan	4,947	5,721	7,346
Japan	11,025	14,838	9,479
India	769	812	736
All other	2,163	2,400	4,741
Total	21,164	28,700	27,421
	Unit value (per pound)		
Brazil	$0.57	$0.53	$0.52
Korea	.51	.47	.48
Taiwan	.67	.65	.67
Japan	.63	.68	.67
India	.24	.26	.30
All other	.70	.63	.63
Average	.60	.60	.60
	Percent of total quantity		
Brazil	3.9	6.9	1.0
Korea	8.1	14.3	22.1
Taiwan	21.0	18.5	24.2
Japan	49.3	45.8	30.9
India	8.9	6.5	5.4
All other	8.7	8.0	16.4
Total	100.0	100.0	100.0

1/ Includes imports entered under TSUS item 610.74. Data for India, Korea, and Taiwan include certain products not covered by these investigations.

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

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

Responses to Commission questionnaires indicate that certain imports from Korea and Taiwan entering the United States under TSUS item 610.74 were not products covered by these investigations. These imports included tea, flanges, couplings, brass, ductile products, and grooved cast-iron pipe fittings. In 1985, such unrelated products accounted for 6 percent of imports from Taiwan and 5 percent of imports from Korea, as reported in official statistics.

Accordingly, for the purposes of this report, official and adjusted import statistics relate only to imports under TSUS item 610.74. Official statistics (reported in table 12) describing imports from India, 1/ Korea, and Taiwan overstate actual imports of cast-iron pipe fittings. In the sections of this report discussing apparent U.S. consumption and market penetration of imports, official import statistics for TSUS item 610.74 are adjusted to exclude any known imports of products not subject to these investigations and to account for known inventories of imports from Brazil, Korea, and Taiwan. These adjusted import statistics are shown in the following tabulation (in tons):

	1983	1984	1985
Imports from Brazil	698	1,239	469
Imports from Korea	1,610	2,332	4,377
Imports from Taiwan	2,922	3,666	4,915
Imports from all other sources	10,506	13,017	10,986
Total	15,736	20,254	20,747

According to these adjusted statistics, the quantity of imports of malleable fittings from Brazil increased by 78 percent from 1983 to 1984, then plunged by 62 percent in 1985. The quantity of such imports from Korea increased by 45 percent from 1983 to 1984, then rose by 88 percent in 1985. Imports of malleable fittings from Taiwan, like those from Korea, increased steadily during 1983-85, climbing by 25 percent from 1983 to 1984, and by 34 percent in 1985.

According to official statistics, the leading source of imports of malleable cast-iron pipe fittings under TSUS item 610.74 in 1985 was Japan, with 31 percent of the quantity of all such imports, followed by Taiwan at 24 percent, and Korea at 22 percent; Brazil accounted for 1 percent. Most of the imports of malleable fittings from Brazil and Korea entered the United States through a small number of customs districts. Imports of malleable fittings from Taiwan came through various districts. The Brazilian malleable fittings entered through three eastern ports, whereas entries of the Korean and Taiwan malleable fittings were more widely dispersed.

1/ Approximately 84.5 percent of imports of malleable cast-iron pipe fittings from India as described by official statistics are not products covered by these investigations. Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-26.

The following tabulation presents data on the principal districts through which such imports entered under TSUS item 610.74 in 1985, by percent of total quantity:

Source and port	Percent
Brazil:	
Philadelphia	62
Baltimore	31
New York	7
Total	100
Korea:	
Los Angeles	40
Baltimore	24
Miami	15
9 other districts	21
Total	100
Taiwan:	
Los Angeles	29
Chicago	12
New York	10
Tampa	9
18 other districts	40
Total	100

Pursuant to section 304(a)(3)(J) of the Tariff Act of 1930 and Treasury Decision 71-89, imported cast-iron pipe fittings covered by the investigations were, until recently, excepted from country-of-origin marking requirements. This exception was revoked under section 207 of the Trade and Tariff Act of 1984, which requires that imports of these articles entering on or after November 14, 1984, have country-of-origin markings by means of die stamping, cast-in-mold lettering, etching, or engraving.

Market penetration of imports 1/

U.S.-produced domestic shipments of the subject merchandise captured a declining share of the U.S. market from 1983 to 1985, while imports took an increasing share (table 13). In 1983, U.S.-produced malleable fittings accounted for 73.4 percent of apparent U.S. consumption, but that share declined to 69.4 percent in 1984, and to 67.8 percent in 1985. The share of the U.S. market held by imports from Korea and Taiwan increased steadily during 1983-85, but the share held by imports from Brazil declined. Imports from Korea increased from 2.7 percent of apparent U.S. consumption in 1983 to 6.8 percent in 1985, and imports from Taiwan increased from 4.9 percent of the market in 1983 to 7.6 percent in 1985. Imports from Brazil remained below 2 percent of apparent U.S. consumption in 1983 and 1984, then dropped to 0.7 percent of such consumption in 1985.

1/ Data on market penetration as presented in this section are calculated by adjusting official import statistics to delete any items that are not covered by these investigations and to account for inventories of imports reported to the Commission via importers' questionnaires. See the discussion of this calculation in the section entitled "Apparent U.S. consumption." Market penetration information calculated without adjusting for inventories of imports is presented in app. D.

Table 13.--Malleable cast-iron pipe fittings: Ratios of the quantity of imports 1/ and of domestic shipments of U.S. production to apparent U.S. consumption, by selected sources, 1983-85

(In percent)

Type and source	1983	1984	1985
Imports from Brazil	1.2	1.9	0.7
Imports from Korea	2.7	3.5	6.8
Imports from Taiwan	4.9	5.5	7.6
Subtotal, subject countries	8.9	10.9	15.1
Imports from all other countries	17.8	19.7	17.0
Subtotal, all imports	26.6	30.6	32.2
U.S.-produced	73.4	69.4	67.8
Total	100.0	100.0	100.0

1/ Official import statistics are adjusted to eliminate known misclassifications and to account for known inventories of imports. Statistics on U.S. production include only domestic shipments of such products.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from adjusted official statistics of the U.S. Department of Commerce.

Prices

Domestic producers and importers of cast-iron pipe fittings quote prices on both f.o.b. and delivered bases with actual transaction prices generally discounted from the published list price. All domestic producers and a majority of importers discount from the list price on all sales. Within the industry, producers and importers apply a complex discounting structure on sales of pipe fittings. A base discount of 55 percent is commonly applied to all sales. Trailing discounts, in intervals of 5, 7.5 or 10 percent, can then be added to the base discount: for example, a discount of '55 plus 4 10's' applied to a $100 list price would equal a final transaction price of $29.52. 1/

Some producers and importers maintain minimum quantity purchase policies, based on weight, container load, or dollar value of the purchase. In addition, several importers reported price premiums on sub-minimum purchases ranging from 5 to 15 percent. While lead times on orders from producer or importer warehouses varied depending on inventories, they generally averaged 2 days to 2 weeks. Indent orders, which are produced and shipped to a customer's specification direct from the production location, average 1 to 3 months.

The Commission requested f.o.b. and delivered price data from U.S. producers and importers of cast-iron pipe fittings for each firm's largest sale to a distributor in each quarter during 1983-85. Producers and importers generally were not able to provide f.o.b. price data; thus, only delivered

1/ More specifically, the following formula would be used in calculating the transaction price: price=$100(.45)(.9)(.9)(.9)(.9).

price data were compiled. Specifications of pipe fittings for which price data were requested included:

Product 1: 1/2-inch, malleable, black, threaded, standard pressure (150 p.s.i.), 90-degree elbow ("L").

Product 2: 1/2-inch, malleable, galvanized, threaded, standard pressure (150 p.s.i.), 90-degree elbow ("L").

Product 3: 1/2-inch, malleable, black, threaded, standard pressure (150 p.s.i.), "T"-fitting.

Questionnaires with usable price data were received from 5 domestic producers and 12 importers. Eight importers reported data for imports from Taiwan, three for imports from Korea, and one for imports from Brazil. 1/ Data represent, for 1985, 52 percent of imports from Taiwan, 68 percent of imports from Korea, and 100 percent of imports from Brazil. In addition, price data from * * *, all of which import from Korea and Taiwan, are reported in footnotes to tables 14-16, but are not included in weighted-average price data reported in this section as these companies were not able to provide quantities sold by country of origin. 2/

Price trends and price comparisons.--Weighted-average prices for U.S.-produced 1/2-inch, black, 90° elbows ("L's"), increased by 11 percent during the period of the investigation, 1983-85 (table 14). Prices for domestic 1/2-inch, galvanized, 90° elbows ("L's"), fluctuated throughout 1983-85, showing no overall increase during the time period (table 15). During this same period, prices for domestic 1/2-inch "T" fittings increased by 13 percent (table 16). Imported fittings for which prices were collected also showed price increases during 1983-85 but consistently undersold domestic fittings.

U.S. producers' weighted-average prices for 1/2-inch 90° black "L's" (product 1) increased from $0.19 per unit during January-March 1983 to $0.20 during April-December 1983. This pattern was repeated in 1984. Prices increased to $0.21 during January-March 1985 and remained at that level throughout most of 1985, except for a drop to $0.20 per unit during April-June.

Weighted-average prices for U.S.-produced 1/2-inch, galvanized 90° "L's" (product 2) increased from an initial price of $0.21 per unit during January-March 1983 to $0.22 during April-June 1983, remaining at that level until April-June 1984, when the per unit price decreased to $0.21. Prices fluctuated with no apparent pattern throughout the remainder of the investigation period, moving between $0.21 and $0.20 per unit.

1/ As in previous investigations of certain cast-iron pipe fittings, Nos. 701-TA-221 (Final) and 731-TA-278-281 (Preliminary), Brazilian price data were obtained from the questionnaire response of * * *. * * *.

2/ * * *.

Table 14.--Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, black, threaded, standard pressure (150 p.s.i.), 90 degree elbows (product 1), by quarters, January 1983-December 1985

Period	U.S. product	Brazilian product	Imports' margins of underselling		Korean product 1/	Imports' margins of underselling		Taiwan product 1/	Imports' margins of underselling	
			Amount	Percent		Amount	Percent		Amount	Percent
	--Per unit--				Per unit			Per unit		
1983:										
Jan.-Mar--	$0.19	$***	$***	***	$***	$***	***	$0.15	$0.04	22.5
Apr.-Jun--	.20	***	***	***	***	***	***	.15	.05	25.6
Jul.-Sep--	.20	***	***	***	***	***	***	.16	.04	18.1
Oct.-Dec--	.20	***	***	***	***	***	***	.18	.02	11.9
1984:										
Jan.-Mar--	.19	***	***	***	***	***	***	.16	.03	16.7
Apr.-Jun--	.20	***	***	***	***	***	***	.18	.02	8.4
Jul.-Sep--	.20	***	***	***	***	***	***	.17	.03	15.2
Oct.-Dec--	.20	***	***	***	***	***	***	.17	.03	15.7
1985:										
Jan.-Mar--	.21	***	***	***	***	***	***	.17	.04	18.9
Apr.-Jun--	.20	***	***	***	***	***	***	.17	.03	17.8
Jul.-Sep--	.21	***	***	***	***	***	***	.17	.04	21.9
Oct.-Dec--	.21	***	***	***	***	***	***	.18	.03	16.0

1/ * * *.

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the tables.

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Table 15.--Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, galvanized, threaded, standard pressure (150 p.s.i.), 90 degree elbows (product 2), by quarters, January 1983-December 1985

Period	U.S. product	Brazilian product	Imports' margins of underselling		Korean product 1/	Imports' margins of underselling		Taiwan product 1/	Imports' margins of underselling	
			Amount	Percent		Amount	Percent		Amount	Percent
	--Per unit--				Per unit			Per unit		
1983:										
Jan.-Mar--	$0.21	$***	$***	***	$***	$***	***	$0.16	$0.05	23.8
Apr.-Jun--	.22	***	***	***	***	***	***	.15	.07	32.9
Jul.-Sep--	.22	***	***	***	***	***	***	.15	.07	30.4
Oct.-Dec--	.22	***	***	***	***	***	***	.16	.04	29.7
1984:										
Jan.-Mar--	.22	***	***	***	***	***	***	.17	.05	20.9
Apr.-Jun--	.21	***	***	***	***	***	***	.17	.04	19.2
Jul.-Sep--	.20	***	***	***	***	***	***	.15	.05	22.5
Oct.-Dec--	.20	***	***	***	***	***	***	.17	.03	17.1
1985:										
Jan.-Mar--	.21	***	***	***	***	***	***	.18	.03	14.9
Apr.-Jun--	.20	***	***	***	***	***	***	.18	.03	13.4
Jul.-Sep--	.21	***	***	***	***	***	***	.17	.04	20.9
Oct.-Dec--	.21	***	***	***	***	***	***	.18	.03	15.6

1/ * * *.

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the tables.

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Table 16.--Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, black, threaded, standard pressure (150 p.s.i.), "T" fittings (product 3), by quarters, January 1983-December 1985

Period	U.S. product	Brazilian product	Imports' margins of underselling		Korean product 1/	Imports' margins of underselling		Taiwan product 1/	Imports' margins of underselling	
			Amount	Percent		Amount	Percent		Amount	Percent
	--Per unit--				Per unit			Per unit		
1983:										
Jan.-Mar--	$0.24	$***	$***	***	$***	$***	***	$0.18	$0.06	25.5
Apr.-Jun--	.25	***	***	***	***	***	***	.18	.07	26.8
Jul.-Sep--	.24	***	***	***	***	***	***	.18	.06	23.6
Oct.-Dec--	.25	***	***	***	***	***	***	.18	.07	27.2
1984:										
Jan.-Mar--	.25	***	***	***	***	***	***	.19	.06	21.7
Apr.-Jun--	.25	***	***	***	***	***	***	.20	.05	20.1
Jul.-Sep--	.25	***	***	***	***	***	***	.20	.05	22.5
Oct.-Dec--	.25	***	***	***	***	***	***	.21	.04	18.3
1985:										
Jan.-Mar--	.26	***	***	***	***	***	***	.20	.06	21.0
Apr.-Jun--	.27	***	***	***	***	***	***	.21	.06	23.1
Jul.-Sep--	.27	***	***	***	***	***	***	.20	.07	23.8
Oct.-Dec--	.27	***	***	***	***	***	***	.22	.05	18.7

1/ * * *.

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the tables.

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Prices for 1/2-inch black "T" fittings (product 3) produced domestically moved between $0.24 and $0.25 per unit during 1983, then stabilized at $0.25 during October-December 1983 and throughout 1984. Prices increased to $0.26 during January-March 1985, then reached $0.27 per unit during April-June 1985, where they remained during the rest of the year.

Brazil.-- Prices for the Brazilian black "L" fittings were constant at $* * * per unit from January-March 1984 through January-March 1985. Importers reported a one-quarter price of $* * * for October-December 1985, an 18-percent increase over the $* * * price. Brazilian fittings undersold domestic fittings by $* * * to $* * * per unit, a percentage margin ranging from 7 to 16 percent.

Prices for Brazilian galvanized "L" fittings rose from $* * * per unit during July-December 1984 and January-March 1985 to $* * * per unit during the remainder of 1985. Underselling occurred in all six quarters for which data were available, with margins ranging from 3 to 16 percent.

Imports of the Brazilian-produced "T's" were constant at $* * * during July-December 1984 and January-March 1985 before increasing to $* * * per unit during April-December 1985. The Brazilian fittings undersold the domestic product by margins ranging from 13 to 20 percent.

Korea.--Prices of the Korean black "L" fittings were at a level of $* * * per unit from January-March 1983 through January-March 1984 before increasing to $* * * and remaining at that level through April-June 1985. Prices increased to $* * * per unit during July-December 1985. The Korean product undersold the domestic product in all quarters in which price comparisons were possible, with margins ranging from 9 to 34 percent.

Weighted-average prices for galvanized "L" fittings remained at $* * * per unit during January-March 1983 through January-March 1984. Prices then fluctuated between $* * * and $* * * per unit during April-June 1984 and July-September 1985 before increasing to $* * * per unit during October-December 1985. Korean fittings undersold domestic fittings by margins of 14 to 36 percent.

Prices for the Korean "T" fittings were at a level of $* * * per unit from January-March 1983 through January-March 1984, before increasing to $* * * during April-June 1984. Prices remained constant at that level through October-December 1985. Margins of underselling ranged from 8 to 22 percent.

Taiwan.--Prices for the black "L" fittings produced in Taiwan increased from an initial price of $0.15 during January-June 1983 to $0.18 per unit during October-December 1983. Per unit price dropped to $0.16 during January-March 1984, rose again to $0.18 in the following quarter, then decreased to $0.17 per unit during July-September 1984, remaining at that level through July-September 1985. The per unit price increased to $0.18 during October-December 1985. Pipe fittings produced in Taiwan undersold domestic fittings in all quarters, with margins ranging from 8 to 26 percent.

Weighted-average prices for the Taiwan galvanized "L" fittings moved irregularly during the period of the investigation, dropping from an initial price of $0.16 per unit during January-March 1983 to $0.15 during April-September 1983, before increasing to $0.16 during October-December 1983. Prices then fluctuated between $0.17 and $0.18 during 1984 and 1985, with the exception of a decrease to $0.15 per unit during July-September 1984. Margins of underselling ranged from 13 to 33 percent.

Prices for the "T" fittings increased from $0.18 per unit during 1983 to $0.20 during April-June 1984. Prices fluctuated between $0.20 and $0.21 during the remainder of 1984 and 1985, reaching $0.22 per unit during October-December 1985. Margins by which the Taiwan-produced fittings undersold the domestic fittings ranged from 18 to 27 percent.

Purchaser responses.--Purchaser questionnaires were sent to 80 establishments thought to be purchasing malleable pipe fittings. Questionnaire responses were received from 20 of these establishments; 16 provided usable data. These companies, 12 of which are distributor/wholesalers and 4 are manufacturers' representatives, reported total purchases of 1,095 short tons in 1983, 1,513 short tons in 1984, and 2,087 short tons in 1985. Countries of origin for these pipe fitting purchases included the United States, Brazil, Japan, Korea, Taiwan, and Thailand.

Purchasers were requested to rank several non-price factors that were considered in most purchase decisions. Thirteen companies listed product quality as the most important non-price factor, and two companies gave priority to distributors offering complete product lines. Additional factors listed as important in purchase decisions included prompt delivery, reliability of the vendor firm, and transportation costs. Eight of the 13 companies stated that price ranked as the most important overall factor, although several other purchasers stated that price compared equally with most of the factors mentioned above.

Fifteen of the 16 respondents stated that they had no specific Buy American policy. Several added that although they would prefer to buy U.S.-produced fittings exclusively, the competitiveness of the market did not allow this. With the exception of one respondent, all reported that imports were usually, if not always, offered to them at a price lower than that offered by domestic producers. Eleven purchasers indicated that if domestic and imported fittings were offered at a comparable price they would purchase the domestic fitting, whereas five said they would continue to purchase imported fittings. Most purchasers believed that the imported fittings, particularly those from Brazil and Taiwan, were of an equal, if not superior, quality compared with domestic fittings, and that the domestic and imported fittings could be used interchangeably.

Purchasers indicated that for most sales, the supplier will pay transportation costs, although this may depend on the volume of the sales order. Those purchasers that pay shipping charges reported that this cost usually averaged 5 percent of the cost of the order. Most purchasers reported that their suppliers were located within a 500-mile radius of the purchaser's warehouse.

Several respondents reported prices at which they purchased U.S. and Taiwan-produced malleable pipe fittings. Average prices for 1983-85, for products 1, 2, and 3, produced in the United States and imported from Taiwan, are presented in table 17. The Taiwan fittings consistently undersold the U.S. fittings in every quarter for which comparisons were possible, by margins ranging from 5 to 39 percent for product 1, 23 to 36 percent for product 2, and 26 to 39 percent for product 3.

Table 17.--Average delivered purchase prices as reported by purchasers of malleable pipe fittings produced in the United States and imported from Taiwan, for products 1, 2, and 3, by quarters, January 1983-December 1985

Period	Product 1 1/		Product 2 2/		Product 3 3/	
	United States	Taiwan	United States	Taiwan	United States	Taiwan
1983:						
January-March	$***	$***	$***	$***	$***	$***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***
1984:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***
1985:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***

1/ Product 1: 1/2-inch, malleable, black, threaded, standard pressure (150 p.s.i.), 90-degree elbow ("L").
2/ Product 2: 1/2-inch, malleable, galvanized, threaded, standard pressure (150 p.s.i.), 90-degree elbow ("L").
3/ Product 3: 1/2-inch, malleable, black, threaded, standard pressure (150 p.s.i.), "T"-fitting.

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

Transportation costs

Trucks provide the primary mode of transportation for producers and importers to distribute pipe fittings to customers. Transportation costs average 5 to 7 percent of the delivered price. Data obtained through questionnaire responses indicate that producers and importers absorb most freight costs--five producers and six importers reported that they absorb such costs for at least 90 percent of total shipments. Domestic producers indicated no specific geographic market area for their firms' sales of pipe fittings, whereas nine importers shipped within a specific market area such as the Southeast, Midwest, east coast, or west coast.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the period January 1983 through December 1985 the nominal value of the Brazilian cruzeiro, the Korean won, and the New Taiwan dollar depreciated relative to the U.S. dollar by 96.3 percent, 15.5 percent, and 0.7 percent, respectively (table 18). The level of inflation in Taiwan was slightly lower than that in the United States over the 12-quarter period, whereas the inflation level in Korea was approximately the same as that in the United States. Therefore, changes in the real value of the New Taiwan dollar and the Korean won vis-a-vis the U.S. dollar were not significantly different from changes in the nominal values. In contrast, the very high level of inflation in Brazil over the same period resulted in the appreciation of the cruzeiro in real terms by less than 1 percent relative to the U.S. dollar--significantly less than the apparent nominal depreciation of 96.3 percent.

Lost sales

Allegations made during the final investigations.--* * * attached a statement to its questionnaire response asserting that because distributors do not purchase exclusively from one source, they are reluctant to identify sources of competition. Thus, * * * could not accurately determine lost sales and revenues. One domestic producer, * * *, alleged that it lost sales to eight customers as a result of imports of the like product from Taiwan totaling * * * tons, equal to $* * * in revenue. Summaries of staff telephone conversations with these customers are presented below.

* * *.--* * * alleged a lost sale of * * * tons of malleable fittings in March 1985 to the imported like product from Taiwan. * * *, a spokesman for * * *, could not verify this particular allegation without the name of the importer from whom he supposedly purchased the fittings. * * * stated that * * * purchases imported as well as domestic fittings for sales to plumbing and heating companies, but that most of its imported fittings are produced in Japan.

Table 18.--Nominal-exchange-rate equivalents of selected currencies in U.S. dollars, 1/ real-exchange-rate equivalents, and producer price indicators in selected countries, 2/ indexed by quarters, January 1983-December 1985

Period	U.S. producer price index	Brazil			Korea			Taiwan		
		Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/	Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/	Producer price index	Nominal exchange-rate index	Real exchange-rate index 3/
			---US$ per NCr$---			----US$ per W----			----US$ per NT$---	
1983:										
Jan-Mar--	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr-Jun--	101.4	132.2	68.7	90.4	99.2	98.0	96.9	100.7	99.7	100.1
Jul-Sep--	101.2	189.2	51.2	95.7	98.9	95.9	93.8	101.0	99.4	99.2
Oct-Dec--	101.8	266.9	37.8	98.8	98.9	94.8	92.2	101.1	99.3	98.6
1984:										
Jan-Mar--	102.9	351.9	28.6	97.9	99.3	94.8	91.4	101.4	99.4	98.0
Apr-Jun--	103.5	467.4	21.7	97.3	99.6	94.4	90.8	102.0	100.4	98.9
Jul-Sep--	103.2	623.7	16.1	98.4	100.4	93.0	90.5	101.4	101.9	99.9
Oct-Dec--	103.1	871.6	12.0	101.1	100.5	92.0	89.7	100.8	101.4	99.2
1985:										
Jan-Mar--	102.9	1201.3	8.8	101.4	100.5	89.8	87.8	99.9	101.6	98.6
Apr-Jun--	103.0	1536.3	6.5	93.2	100.6	86.9	85.0	99.1	100.3	96.5
Jul-Sep--	102.2	2017.8	4.6	94.8	100.8	85.4	84.2	98.5	99.0	95.3
Oct-Dec--	102.9	2857.8	3.7	100.7	101.4	84.5	83.3	98.1	99.3	94.7

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

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

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured here by the producer price index in the United States and the those in respective foreign countries. Producer prices in the United States increased 2.9 percent during the period January 1983 through December 1985. In contrast, producer prices in Taiwan increased 2.0 percent during January 1983-June 1984 and then fell 3.9 percent during July 1984-December 1985. Producer prices in Brazil increased 2,757.8 percent during January 1983-December 1985 compared with a 1.4 percent increase in Korean prices for the same period.

Source: Central Bank of China, Financial Statistics, December 1985; International Monetary Fund, International Financial Statistics, March 1986.

Note.--January-March 1983=100.0.

* * *.--* * * claimed a lost sale of * * * tons of a malleable product mix from Taiwan to * * * in February 1985. * * * stated that the firm does not purchase more than 1,000 pounds at any time. He added that while he does purchase both imported and domestic fittings, importers will often offer a more attractive discount structure. 1/ For example, while a domestic producer will offer "55 plus 3 10's," an importer will offer "55 plus 6 10's." Also, a domestic producer will tie the discount to a specific volume purchase, whereas importers will offer the discount on any purchase. Finally, * * * added that importers are more willing to absorb freight costs on any volume purchase, whereas domestic companies absorb freight only on large volume sales.

* * *.--* * * alleged a lost sale of * * * tons in June 1985 to the Taiwan product. * * *, a spokesman for * * *, did not recall receiving a specific quote from * * *. While * * * prefers to stock domestic fittings, he stated that it is difficult to ignore the almost 20-percent price difference between domestic and imported fittings.

* * *.--An allegation involving a lost sale of * * * tons in August 1985 to the Taiwan product, to * * *, was submitted by * * *. * * *, a purchaser with * * *, stated that he probably did purchase the imported fittings, although he could not be specific regarding that particular sale. He added that the market for pipe fittings is competitive and that imported fittings offer good quality at a competitive price.

* * *.--* * * alleged a lost sale of * * * tons in July 1985 to the Taiwan product to * * *. * * *, a purchaser for * * *, stated that his store would not have purchased that large a volume at any time. He added that in mid-summer 1985, * * * began to carry U.S. produced fittings exclusively as a result of pressure from union pipe fitters in * * * and quality problems with imported pipes.

* * *.--* * * alleged a lost sale of * * * tons in March 1985, to the like product from Taiwan, to * * *. * * * employees would not comment on the allegation.

* * *.--* * * alleged a lost sale of * * * tons of malleable fittings in July 1985 to the imported product from Taiwan, to * * *. * * *, a spokesman for * * *, said that he did not recall placing that particular order, but that he does purchase both domestic and imported fittings. * * * added that quality is comparable between domestic and Taiwan-produced fittings and that they are, for the most part, interchangeable in the market.

* * *.--* * * alleged a lost sale of * * * tons of malleable fittings, valued at $* * *, in August 1985 to the imported product from Taiwan, to * * *. * * * did not recall this particular sale, but stated that he purchases both domestic and imported fittings from the same domestic manufacturer. * * * added that his customers do not specify either domestic or imported fittings, and that he would probably mix the fittings in a sales order.

1/ "55" refers to the initial percentage discount from list price, and "10's" refers to additional, or "trailing," deductions of 10 percent from the discounted price.

* * * alleged four instances in which it lost a combined total of * * * tons of malleable fittings valued at $* * * due to import competition from the like product from Taiwan. * * * commented that these are on-going lost sales in that * * * no longer has an opportunity to enter a quote competitive with quotes entered by importers of the Taiwan product. * * * withdrew one of these allegations, totaling * * * tons, and valued at $* * *, stating that this particular importer no longer participates in the pipe-fitting market. Staff conversations with the remaining customers are summarized below.

* * *.--* * * alleged that * * * had been a customer but has begun purchasing Taiwan-produced fittings in place of domestic fittings. * * *, a purchaser with * * *, commented that in the * * * years in which * * * has been stocking fittings, it has never stocked U.S.-produced fittings. He added that the firm resells pipe fittings to plumbing and heating wholesalers and that quality complaints have been negligible.

* * *.--* * * alleged that * * * has ceased purchasing domestic fittings and now purchases fittings produced in Taiwan. * * * stated that 95 percent of the firm's pipe fitting purchases are U.S.-produced fittings. * * * first purchased fittings produced in Taiwan in * * *, and has only reordered imported fittings one time since that initial purchase.

* * *.--* * * alleged on-going lost sales to the like product from Taiwan to * * *. * * * stated that in the * * * years in which they have been in business, they have never purchased a domestic fitting and that they do not solicit quotes from domestic producers. He added that he supplies mass merchandisers and that the imported fittings offer excellent quality at a competitive price to both his customer and the end user.

Allegations made during the preliminary investigations.--U.S. producers also submitted a number of lost sales allegations in the preliminary investigations that they did not list as allegations in their final questionnaire responses. These are discussed below.

* * *.--* * * alleged that in January 1984 it lost a sale of between * * * and * * * tons of malleable pipe fittings to * * *, owing to competition from low-priced imports from Taiwan. * * * said that the allegation was not true. According to * * *, * * * has switched to foreign products because of lower prices, but has never purchased more than 1 or 2 tons of fittings at a time. * * *. * * * said that the Taiwan fittings generally serve the same markets as U.S. and Japanese fittings. The Taiwan fittings tend to be sold more in the retail markets (hardware stores, etc.), but they also compete "some" in the commercial markets. He stated that the Taiwan fittings meet ASTM standards.

* * *.--* * * alleged that in January 1984 * * * rejected its offer of * * * tons of malleable, threaded pipe fittings for $* * * and instead purchased products made in Taiwan for a price of $* * *. * * * said that the allegation was "almost certainly correct." * * * said his normal domestic supplier (who supplies 90 percent of his needs) usually offers "55 plus four 10's" as the standard price for a minimum order of 10,000 pounds. He can purchase fittings made in Taiwan for "55 plus six 10's" for a minimum order of 1,000 pounds. However, * * * stated that he only occasionally purchases the

foreign-made fittings because most of his customers are industrial contractors and they prefer the domestic product. * * * said that if he shipped foreign-made products to his customers, about 90 percent of the customers would probably return them. * * * said that such antagonism exists because the quality of the foreign-made product is generally not as good as that made in the United States, although * * * fittings from Taiwan are very good, and Japanese fittings are excellent. Moreover, many contractors prefer to purchase domestically made products. * * * added that he believes purchases by hardware stores are based strictly on price, since do-it-yourself customers are not aware of quality differences in the products.

* * *.--* * * alleged that in January 1983 it lost a sale of * * * tons of malleable threaded pipe fittings to * * * because it purchased a lower-priced product made in Korea. * * * said that the allegation was not true. According to * * *, the firm has not purchased U.S.-produced pipe fittings since 1981 or 1982. He added that the company switched to foreign fittings because imported products are underselling the domestic products to such a degree that domestic products are not competitive. * * * said that most imports are not equal in quality to domestic fittings, with the exception of the Japanese products which "are the best money can buy." About 99 percent of * * *'s customers are retail hardware stores.

* * *.--* * * alleged that in December 1984 it lost a sale of * * * tons to * * *, owing to low-priced imports from Taiwan. * * * was unable to confirm or refute the allegation because he has been the firm's purchasing agent for only a short time. The person who was buying pipe fittings in December 1984 is no longer with the company. * * * did say, however, that the lost sale is likely to have occurred because that is approximately the time * * * switched from domestically made to foreign-made products. The reason for the switch was price. * * * is a wholesaler that sells to hardware and plumbing stores. * * * said that the Korean and Taiwan fittings compete with domestic and Japanese fittings in the hardware market. Imported fittings are competitive, although quality-wise "there are some bad ones now and then."

* * *.--* * * alleged that in April 1984 it lost a sale of * * * tons of malleable threaded pipe fittings to * * * stating that * * * purchased a product made in Taiwan that was offered at a lower price. * * * said that the allegation was not true. According to * * *, the firm has imported pipe fittings directly from Taiwan since 1980 and any domestic orders after that time were probably just filling in gaps in their regular foreign supply. * * * said that his company switched to foreign products because they are usually of the same quality as domestically made articles, but at a much lower price. Most of * * *'s customers are small hardware stores.

* * *.--* * * alleged that * * * purchased * * * tons of Taiwan-made malleable threaded pipe fittings in February 1983 at a price lower than that offered by * * *. * * * verified that he did purchase the Taiwan product because it offered a better discount starting with a list price 5 to 10 percent lower than the domestic supplier. * * * stated that price was the major factor in his purchasing decision and that the quality of the Taiwan product is just as good as, if not better than, the domestic product. He said that the Taiwan producers use a technique that produces a smoother and better-looking fitting. * * * also stated that * * * had not purchased imported products until three years ago, when a competitor introduced the foreign product. * * * had to do the same to remain competitive. * * * said

that, although Japan produces the highest quality fitting and once had a major price advantage, Japanese prices are now similar to those of the domestic producers; thus, most of the competition is among products from Brazil, Korea, and Taiwan.

The principal markets for the pipe and tube fittings sold by * * * are the commercial and industrial markets. * * * said that imports from Brazil, Italy, Korea, and Taiwan now have over 50 percent of the commercial construction market. He noted that the imported products were first noticed about 8 years ago in the handyman centers, lumber yards, and do-it-yourself shops. Imports "got their start" in the residential market. They have, however, "worked their way up," and about 2 years ago began to compete in the commercial and industrial markets also.

* * *. 1/--* * * alleged that * * * was formerly a * * * customer, but is now purchasing pipe fittings made in Korea. * * * said that the allegation was correct. * * * said that the quality of the imported fittings is just as good as, and sometimes better than, that of domestic products. * * * said that * * * switched to imported products "within the last couple of years" because of lower prices. * * * sells wholesale to plumbing customers.

* * *.--* * * alleged that it lost a sale of * * * tons of malleable pipe fittings to * * *, because of competition from low-priced imports from Taiwan. * * * said that the allegation was correct. Price was the major factor for the switch from domestically made to foreign-made fittings. According to * * *, pricing is so competitive in his market area that * * * had to switch to imports to remain competitive. * * * said that the quality of the imports is generally good, but that he has been especially impressed with the quality of Brazilian fittings. * * * said that his major industrial customers insist on domestically made fittings, whereas other customers--particularly heating and plumbing contractors--insist on the lowest-priced product.

* * *.--* * * alleged that * * * was once an exclusive * * * account, but is now filling a portion of its malleable pipe fittings requirements with lower-priced Korean products. * * * said that the allegation was correct. According to * * *, * * * switched to imports because they offer a discount substantially lower than that of domestic suppliers. * * * said that * * * continues to purchase domestic fittings because some of its customers demand them. A large portion of * * *'s clientele, however, are "plumbing trade people" who insist on imports because of their lower price.

The questionnaire response of * * * provided three allegations of sales lost as a result of competition from Brazilian imports of malleable cast-iron pipe fittings.

* * *.--* * * alleged that in February 1985 * * * rejected its offer to sell * * * tons of malleable threaded pipe fittings for $* * * and instead purchased a Brazilian product for $* * *. * * * said that the allegation was not true. According to * * *, he has not purchased any significant quantity

1/ Several allegations of lost sales were included in the petitions. * * * provided * * * instances of lost sales regarding Korean products, and * * * provided lost sales allegations regarding malleable fittings from Taiwan.

of Brazilian fittings for quite some time. * * * added that he is now purchasing more domestic fittings than he has in the past, because domestic fittings are generally of higher quality than imported products. * * * foresees purchasing more imports in the future, however, in order to remain competitive.

* * *.--* * * alleged that in February 1985 it lost a sale of * * * tons of malleable fittings to * * * owing to competition by low-priced imports from Brazil. * * * are * * * branches of the * * *. * * * said that the allegation was not true.

* * *.--* * * alleged that in November 1984 * * * rejected its offer to sell * * * tons and instead purchased low-priced imports from Brazil. According to * * * the allegation is not true. * * * said that the company only stocks U.S.-produced fittings and does not purchase any foreign-made fittings. However, * * * said that most of his competitors do sell imported fittings and, because imports are substantially underselling the domestic products, he cannot compete for certain customers. For example, * * * said the large companies like * * * and * * * purchase foreign fittings. Upon complaining to * * * about their use of the foreign product, he said he was told, "we are an international company and we can buy where we want to." * * *'s market is limited to purchasers who insist on domestic products. Such purchasers usually take this position because of union policy or because of requirements attendant to financing by state, local, or federal governments. * * * noted that small plumbing contractors and individual purchasers base their buying decisions on price and do not care where the product is made. He said that the quality of the imported fitting is generally not as good as the U.S. produced product, although the Brazilian product, in contrast, is of very good quality.

The petition with respect to malleable cast-iron pipe fittings from Brazil provided nine lost sales allegations. * * * of these were statements by * * * that * * *-area contractors bought imported products directly from * * *, rather than purchasing such products from a distributor. This practice allegedly caused * * *'s local distributor-customer to lose sales. 1/ Since there was no sale directly lost by * * *, no investigation to confirm the allegation was undertaken. The staff was able to contact one of the * * *, * * *. * * * stated that * * * buys all of its fittings from distributors, including distributors of * * * fittings (an exception to this practice took place once, when * * * special-ordered large-sized fittings directly from * * *).

* * *.--* * * alleged that * * * purchased about * * * tons of malleable and nonmalleable fittings from * * * in June 1984 at a price that was * * * percent lower than that of * * *. * * * said that the allegation was correct, and that * * * is still buying Brazilian fittings. * * * buys such fittings because they are of the same quality as those of * * *, but at a lower price. * * * also noted that * * * is the "back order king of the industry." * * *'s orders from * * * were never complete, causing them to turn to * * * to fill in.

* * *.--* * * alleged that * * * purchased * * * tons of malleable and nonmalleable fittings from * * * every * * * weeks, until early 1984 when

1/ Petition in investigation No. 731-TA-278, app. I, p. 4.

the order was lost to * * *. * * * (who buys for * * * out of a * * * office) stated that the amount alleged is true, but that the replacement of * * * with * * * is not. * * * reported some purchases of imported malleable fittings from * * *, but less than * * * over the past 4 years. Rather, * * * has been replaced by other domestic manufacturers, and by Hitachi, a Japanese-made fitting. Moreover, * * *.

* * *.--* * * alleged that * * * was once exclusively a * * * customer but is now filling a portion of its needs for malleable fittings with products made in Brazil. * * * said that the allegation was true. According to * * *, * * * began purchasing imported products 2 years ago in order to remain competitive. He added that about 80 percent of their purchases of pipe fittings are still of domestically made items, and noted that imported products are generally of the same quality as domestic products.

* * *.--* * * alleged that * * * curtailed purchases of * * * fittings in favor of those from * * *. * * * said that * * * used to buy from * * *, but, since about 1 year ago, they have returned to * * *. They now purchase almost no malleable or nonmalleable cast-iron fittings from * * *. * * * resumed purchasing from * * * because delivery from * * * "was terrible."

* * *.--* * * alleged that * * * now places a recurring order for * * * tons of malleable fittings every * * * days with * * *. * * * alleged that until 1984, this order went to them. According to * * *, the allegation is not true. * * * said that * * * has never purchased malleable fittings in such quantities. He added that * * * does purchase both domestic and imported fittings.

* * *.--* * * alleged that * * * had replaced half of its business in * * * malleable fittings with those from * * * around July 1984. * * * stated that the allegation was true. * * * has replaced about 70 percent of the fittings that used to be purchased from * * * with those from * * *. It did this in order to be price competitive: * * * fittings are of lower price and higher quality than those from * * *.

APPENDIX A

FEDERAL REGISTER NOTICES

Federal Register / Vol. 51, No. 25 / Thursday, February 6, 1986 / Notices 4659

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-278, 279, and 280 (Final)]

Import Investigations; Certain Cast-Iron Pipe Fittings From Brazil, Korea, and Taiwan

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice the institution of final antidumping investigations Nos. 731-TA-278, 279, and 280 (Final) under section 735(b) of the Tariff Act of 1930 (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 the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil, the Republic of Korea (Korea), and Taiwan

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of nonalloy, threaded, malleable[1] cast-iron pipe fittings, provided for in items 610.70 and 610.74 of the Tariff Schedules of the United States (TSUS), which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before March 24, 1986, and the Commission will make its final injury determination by May 12, 1986 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's rules of practice and procedure, part 207, subparts A and C (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: January 13, 1986.

FOR FURTHER INFORMATION CONTACT: Martha Mitchell (202-523-6620), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. 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.—These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan 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 investigations were requested in petitions filed on July 31, 1985 by the Cast-Iron Pipe Fittings Committee.[2] In response to these petitions the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 38904, Sept. 25, 1985).

Participation in the investigations.—Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules (19 CFR § 201.11), not later than twenty-one (21) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff report.—A public version of the prehearing staff report in these investigations will be placed in the public record on March 24, 1986, pursuant to section 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on April 14, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on April 1, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on April 4, 1986 in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 7, 1986.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CFR 201.6(b)(2))).

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on April 18, 1985. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before April 18, 1986.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6).

Authority. These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: January 31, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-2559 Filed 2-5-86; 8:45 am]

BILLING CODE 7020-02-M

[1] The malleable cast-iron pipe fittings covered by these investigations are those with either standard pressure ratings of 150 pounds per square inch (psi) or heavy-duty pressure ratings of 300 psi.

[2] The 5 member producers of this committee are Stanley G. Flagg & Co., Inc., ITT-Grinnell Corp., Stockham Valves & Fittings Co., U-Brand Corp., and Ward Foundry Division of Clevepak Corp. U-Brand Corp. did not join the other members of the committee in filing the petitions.

[Investigations Nos. 731-TA-278, 279, and 280 (Final)]

Certain Cast-Iron Pipe Fittings From Brazil, Korea, and Taiwan

AGENCY: International Trade Commission.

ACTION: Clarification of the scope of final antidumping investigations.

EFFECTIVE DATE: January 13, 1986.

FOR FURTHER INFORMATION CONTACT: Martha Mitchell (202-523-6620), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. 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: On February 6, 1986, the Commission published notice in the Federal Register of the institution of the subject final antidumping investigations. Subsequently, we have received inquiries as to whether imports of cast-iron pipe fittings that were destined to be threaded, and that were imported under item 610.70 of the Tariff Schedules of the United States (TSUS), were within the scope of our investigations. We wish to clarify that the products covered by these investigations are certain malleable cast-iron pipe fittings, not of alloy cast-iron, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, other than groove-lock, as provided for in TSUS items 610.70 and 610.74. This description of the products covered by our investigations complies with the scope of the investigations being conducted by the Department of Commerce.

Authority

These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: March 7, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-5410 Filed 3-11-86; 8:45 am]

BILLING CODE 7020-02-M

Federal Register / Vol. 51, No. 61 / Monday, March 31, 1986 / Notices 10897

[A-351-505]

Antidumping; Malleable Cast Iron Pipe Fittings, Other Than Grooved, From Brazil; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that malleable cast iron pipe fittings, other than grooved (pipe fittings), from Brazil are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination. We have directed the U.S. Customs Service to continue with the suspension of liquidation of all entries of pipe fittings from Brazil as discussed in the section under "Continuation of Suspension of Liquidation." The ITC will determine, within 45 days of the date of this determination, whether these imports are materially injuring, or are threatening material injury to a U.S. industry.

EFFECTIVE DATE: March 31, 1986.

FOR FURTHER INFORMATION CONTACT: Mary J. Jenkins (202-377-1756) or Mary S. Clapp (202-377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Final Determination

We have determined that pipe fittings from Brazil are being, or are likely to be, 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). The dumping margins range from 0.0 percent to 70 percent, and the weighted-average margin is 5.64 percent.

Case History

On July 31, 1985, we received a petition filed in proper form from the Cast Iron Pipe Fittings Committee on behalf of the domestic producers of pipe fitings. 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 Brazil 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.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on August 20, 1985 (50 FR 34730) and notified the ITC of our action.

On September 16, 1985, the ITC found that there is a reasonable indication that imports of pipe fittings from Brazil are threatening material injury to a U.S. industry (50 FR 38904).

We presented a questionnaire to Fundicao Tupy S.A. (Tupy) on September 16, 1985. We received responses from Tupy and Tupy American Foundry Corporation (TAFCO) on October 31, 1985. Supplemental responses were received on December 9 and 28, 1985 and January 29, 1986.

On January 14, 1986, we published our preliminary determination of sales at less than fair value (51 FR 1544).

On February 17 through February 20, 1986 and March 3, 1986, we verified the response of Tupy and TAFCO.

On February 28, 1986, we held a public hearing.

Scope of Investigation

The products covered under this investigation are malleable cast iron pipe fittings, other than grooved, currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA) under items 610.7000 and 610.7400.

We made comparisons on approximately 95 percent of sales of pipe fittings to the United States during the period of investigation, February 1, 1985 through July 31, 1985.

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 foreign market value as specified below.

United States Price

As provided for in section 772(b) of the Act, we based the United States price on purchase price because the pipe fittings were sold to an unrelated purchaser in the United States prior to importation. We made deductions from the c.i.f. prices for ocean freight, marine insurance, foreign inland freight, and brokerage. We added duty drawback to the U.S. prices.

Section 772(d)(1)(C) of the Act requires that indirect taxes imposed upon home market merchandise that have not been collected on exported merchandise by reason of its exportation to the United States, be added to the United States price to the extent that such taxes are added to or included in the price of such or similar merchandise when sold in the country of exportation. Such a tax, the Internal Circulation Tax, is imposed on home market sales, but the rate of this tax varies with the destination of the merchandise in the home market. Therefore, no single tax rate can be applied as an addition to United States price. For our preliminary determination, we deducted this tax as well as the Financial Social Tax and Social Incentive Plan taxes from the home market prices in which they are included. We have continued this methodology for our final calculations.

Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, we based foreign market value on sales in the home market of such or similar merchandise. We compared identical merchandise where possible. Where no identical merchandise was sold in the home market, we made comparisons using merchandise of the same grade, size and pressure rating. In our preliminary determination, where no identical merchandise was sold in the home market, we compared home market sales of American standard (A.S.) 300-pound pressure rating National Pipe Thread (N.P.T.) pipe fitting with A.S. 150-pound pressure rating N.P.T. pipe fittings sold in the United States and made adjustments for the differences in merchandise based upon production cost differences provided by respondent. We have examined additional technical data on two products sold in the home market that are "similar" to the merchandise under investigation that is sold in the United States. In accordance with section 771(16) of the Act, the Department has determined, based on the technical data examined, that Brazilian standard 150-pound pressure rating pipe fittings sold in the home market should be compared to A.S. 150-pound pressure rating N.P.T. pipe fittings sold in the United States.

Calculation of foreign market value was based on ex-factory packed prices to unrelated purchasers in the home market. We made an adjustment for commissions in the home market up to the amount of the indirect selling expenses for sales in the United States. We made an adjustment for differences in credit costs in the foreign and U.S. markets in accordance with 353.15 of our regulations (19 CFR 353.15). We deducted home market packing costs and added U.S. packing costs.

Respondent claimed an adjustment for interest cost for maintenance of inventory. This adjustment was not granted because these costs were not demonstrated to be directly related to the home market sales of the merchandise under consideration.

We have also disallowed an adjustment to the home market price for a level of trade difference between the United States and the home market sales claimed by Tupy. Tupy has not demonstrated that it has incurred different costs in selling at different levels of trade in the home market.

Where appropriate, we deducted actual discounts from sales of merchandise in the home market.

We made currency conversions from Brazilian cruzeiros to U.S. dollars in accordance with § 353.56(a)(1) of our regulations, using the daily exchange rates certified by the U.S. Federal Reserve Bank.

Verification

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As provided for in section 776(a) of the Act, we verified the information provided by the respondents using standard verification procedures, which included on-site inspection of the

merchandise and examination of relevant sales and financial records of the company.

Petitioner's Comments

Comment 1

Petitioner states that the most similar merchandise to that sold in the United States for purposes of determining foreign market value is the Brazilian standard (B.S.) 150-pound pressure pipe fittings sold in the home market. While these pipe fittings are not exactly like the American standard (A.S.) 150-pound pressure pipe fittings sold in the United States, and therefore do not meet the criteria of section 771(16)(A) of the definition of "such or similar merchandise," they are similar merchandise under Section 771(16)(B). As such, they are more similar to the B.S. 150-pound pressure pipe fittings than the A.S. 300-pound pressure pipe fittings which would only qualify as similar merchandise under section 771(16)(C).

DOC Position

The Department has determined that for the purpose of determining foreign market value, the B.S. 150-pound pressure pipe fittings are more similar to the merchandise under investigation than the A.S. 300-pound pressure pipe fittings. We do not, however, agree with petitioner's reasons for arriving at this conclusion. Section 771(16) defines "such or similar merchandise" as merchandise in the first of three categories which satisfactorily meets certain enumerated criteria. None of the products proposed for comparison satisfies the first category, section 771(16)(A), because neither pipefitting is identical to the merchandise under investigation. We therefore looked at section 771(16)(B). Section 771(16)(B) sets forth three criteria. We examined each one separately.

First, the similar merchandise must be produced in the same country and by the same producer as the merchandise which is the subject of the investigation. Both the B.S. 150-pound pressure pipe fittings and the 300-pound pressure pipe fittings satisfy this requirement. Second, the merchandise must be like the merchandise under investigation in component material or materials, and in the purposes for which used. The B.S. 150-pound pressure pipe fittings are made of the same component materials as the A.S. 150-pound pressure pipe fittings sold to the United States. They are used for the exact same purpose—commercial and plumbing applications where temperatures do not exceed 150°F. The A.S. 300-pound pressure pipe fittings are also made of the same component materials as the product under investigation. While they are used, in a broad sense, for the same purpose as the A.S. 150-pound pressure pipe fittings, (*i.e.*, to connect pipes), they are more specifically designed for industrial applications where temperatures exceed 150°F. Third, the similar merchandise must be approximately equal to the merchandise under investigation in commercial value. Each party interprets this third requirement differently. The Department considers both commercial and physical interchangeability in making its determination of "approximately equal in commercial value." The A.S. 150-pound pressure pipe fittings are commercially interchangeable with the B.S. 150-pound pressure pipe fittings. The cost difference is insignificant. However, since the threading of the A.S. pipe fittings are different from that of the B.S. pipe fittings, they are not physically interchangeable. Therefore, the B.S. 150-pound pressure pipe fittings fail to meet the criteria of section 771(16)(B). The A.S. 300-pound pressure pipe fittings are physically interchangeable with the A.S. 150-pound pressure pipe fittings insofar as the 300-pound pressure pipe fittings could be used in place of the 150-pound pressure pipe fittings, though the reverse is not true. The A.S. 300-pound pressure pipe fittings are not, however, commercially interchangeable with the A.S. 150-pound pressure pipe fittings. The cost can be up to six times as great as the cost of A.S. 150-pound pressure pipe fittings. Thus, the A.S. 300-pound pressure pipe fittings also fail to meet the criteria of section 771(16)(B).

We therefore, looked at the criteria of section 771(16)(C). Again, there are three requirements. First, the merchandise must be produced in the same country and by the same person and be of the same general class or kind as the merchandise which is the subject of the investigation. Both the B.S. 150-pound pressure pipe fittings and the A.S. 300-pound pressure pipe fitting fit this requirement. Second, the merchandise must be like the merchandise under investigation in the purpose for which it is used. As we stated above, while both of the fittings in question are used for the same general function as the product under investigation, the B.S. 150-pound pressure pipe fittings serve the indentical purpose as the product under investigation. Third, the Department must determine that the like merchandise may reasonably be compared with the merchandise under investigation. Both of the pipe fittings in question may reasonably be compared with the merchandise under investigation. The Department has, therefore, determined that based on the greateer similarity in purpose of the B.S. 150-pound pressure pipe fittings and the A.S. 150-pound pressure pipe fittings, the B.S. 150-pound pressure pipe fittings are more similar for purposes of determining foreign market value.

Comment 2

Petitioner argues that respondent's claim for average rates for commission paid in the home market should be denied, as they do not bear a direct relationship to the sales which are under consideration.

DOC Position

The Department has verified the actual amount of the Commissions that were paid on the sales under consideration and offset the commissions with selling expenses on sales to the United States as provided for under § 353.15 of our regulations (19 CFR 353.15).

Comment 3

Petitioner contends that an adjustment for differences in credit expenses should not include credit on home market sales because Tupy did not actually incur any credit costs on those sales. Moreover, petitioner asks the Department to deny respondent's claim that a credit adjustment is warranted because the hyperinflationary nature of the Brazilian economy leads respondent to inflate its prices to compensate for delay payment. In petitioner's view, Tupy has not demonstrated that differences in the prices charged in the home and U.S. markets result from differences in inflation on credit costs, as required by section 353.15 of the Department's regulations.

DOC Position

We have made an adjustment to foreign market value reflecting the differing number of days credit was outstanding in the two markets and the differing costs associated with the credit. That Tupy did not discount its home market receivables does not mean that Tupy did not incur credit costs. It is the Department's practice to make an adjustment for differing credit terms regardless of whether the firm chooses to finance the credit through discounting of receivables, short-term borrowing or internal funds (see, *e.g.*, Final Determination of Sales at Less than Fair Value; Color Television Receivers from Korea; 49 FR 7120).

We verified the credit cost Tupy would have incurred had it discounted its home market receivables and used that cost in calculating the adjustment for differences in credit terms. Because the adjustment was made as a credit adjustment, we did not reach the issue of whether the hyperinflationary situation in Brazil leads to differences in prices in the two markets.

Respondent's Comments

Comment 1

Respondent argues that the Department should compare A.S. 150-pound pressure N.P.T. pipe fittings sold in the United States with A.S. 300-pound pressure N.P.T. pipe fittings sold in Brazil. Respondent claims that, although B.S. 150-pound pressure pipe fittings are sold in Brazil, they are different in threading, wall thickness and pound pressure rating. Therefore, they are not mechanically interchangeable with the A.S. 150-pound pressure pipe fittings and have no commercial value in the United States.

DOC Position

See response to petitioner's "Comment 1."

Comment 2

Respondent states that a wide variety of pipe fittings are sold in Brazil. Therefore, it is common that every size fitting is not in stock when an order is received and that order cannot be shipped until the out-of-stock fittings are produced. During the time in which the out-of-stock fittings are produced, Tupy maintains an inventory of other fittings. These warehousing costs represent a significant cost to Tupy in the hyperinflationary Brazilian economy. Respondent argues that since an order cannot be completed until Tupy has on hand all pipe fittings for that order, the warehousing costs are directly related to the sale.

DOC Position

We disagree. Maintaining an inventory is a general cost of doing business and, therefore, is not considered directly related to particular sales. Moreover, Tupy's inventory warehousing costs are figured based on the average inventory turnover for merchandise sold in the home market. These costs may vary on a sale by sale basis depending on the products requested by Tupy's home market customers. Therefore, average inventory costs are not necessarily in accurate measure of possible post-sale inventory costs incurred while out-of-stock fittings are produced.

Comment 3

Respondent claims that an adjustment should be made to foreign market value to reflect the effects of hyperinflation that are built into home market prices.

DOC Position

We have made an adjustment to foreign market value for differing credit expenses in the United States and home markets. While the adjustment is similar in its results to the hyperinflationary adjustment claimed by respondents, it has been made as a credit adjustment. See response to petitioner's comment 3.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of pipe fittings from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after January 14, 1986, the date of publication of our notice of preliminary determination in the **Federal Register**. The U.S. 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 rate established in the preliminary determination shall remain in effect with respect to entries or withdrawals made prior to the date of publication of this notice in the **Federal Register**. The bond or cash deposit rate for entries or withdrawals made on or after the publication of this notice is 5.64 percent.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. 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 publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the date of this determination. 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. If the ITC, however, determines that such injury does exist, we will issue an antidumping duty order directing the U.S. Customs Service to assess an antidumping duty on pipe fittings from Brazil which were entered or withdrawn from warehouse for consumption on or after January 14, 1986, the publication date of the preliminary determination in the **Federal Register**, equal to the amount by which the foreign market value exceeds the U.S. price.

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

Paul Freedenberg,

Assistant Secretary for Trade Administration.

March 24, 1986.

[FR Doc. 86-7044 Filed 3-28-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-580-507]

Antidumping; Malleable Cast Iron Pipe Fittings, Other Than Grooved, From Korea; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that malleable cast iron pipe fittings, other than grooved (pipe fittings), from Korea are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination. We have directed the U.S. Customs Service to continue with the suspension of liquidation of all entries of pipe fittings from Korea as discussed in the section under "Continuation of Suspension of Liquidation." The ITC will determine, within 45 days of the date of this determination, whether these imports are materially injuring, or are threatening material injury to, a U.S. industry.

EFFECTIVE DATE: March 31, 1986.

FOR FURTHER INFORMATION CONTACT: Kenneth G. Shimabukuro (202-377-5332) or Mary S. Clapp (202-377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

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Final Determination

We have determined that pipe fittings from Korea are being, or are likely to be, 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). The dumping margins range from less than one percent to 93.42 percent, and the weighted-average margin is 12.48 percent.

Case History

On July 31, 1985, we received a petition filed in prpper form from the Cast Iron Pipe Fittings Committee on behalf of the domestic producers of pipe fittings. 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 Korea 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.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on August 20, 1985 (50 FR 34731) and notified the ITC of our action. On September 16, 1985, the ITC found that there is a reasonable indication that imports of pipe fittings from Korea are threatening material injury to a U.S. industry (U.S. ITC Pub. No. 1753, September 1985). We presented a questionnaire to Mijin Metal Industrial Co., Ltd. (Mijin) on September 18, 1985. We received Mijin's response on November 7, 1985.

We published the preliminary determination of sales at less than fair value on January 14, 1986 (51 FR 1546). There were no requests for a hearing.

Scope of Investigation

The products covered under this investigation are malleable cast iron pipe fittings, other than grooved, currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA) under items 610.7000 and 610.7400.

We made comparisons on approximately 88 percent of sales of pipe fittings to the United States during the period of investigation, February 1, 1985 through July 31, 1985.

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 foreign market value as specified below.

United States Price

As provided for in section 772(b) of the Act, we based the U.S. price on purchase price because the pipe fittings were sold to unrelated purchasers in the United States prior to importation. We made deductions from the c.i.f. prices for ocean freight, marine insurance, bank handling charges, foreign inland freight, and brokerage.

Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, we based foreign market value on sales in the home market of such or similar merchandise. We made deductions from the f.o.b. price for inland freight. We made an adjustment for differences in credit costs in the foreign and U.S. markets in accordance with § 353.15 of our regulations (19 CFR 353.15). We deducted home market packing and added the U.S. packing cost.

Verification

As provided for in section 776(a) of the Act, we verified the information provided by the respondent using standard verification procedures, which included on-site inspection and examination of relevant sales and financial records of the company.

Comments

We received no comments on our preliminary determination.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of pipe fittings from Korea that are entered, or withdrawn from warehouse, for consumption, on or after January 14, 1986, the date of publication of our notice of preliminary determination in the Federal Register.

The U.S. 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 U.S. price. The bond or cash deposit rate established in the preliminary determination shall remain in effect with respect to entries or withdrawals made prior to the date of publication of this notice in the Federal Register. The bond or cash deposit rate for entries or withdrawals made on or after the publication of this notice is 12.48 percent.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. 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 publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

the ITC will determine whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the date of this determination. 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. If the ITC, however, determines that such injury does exist, we will issue an antidumping duty order directing the U.S. Customs Service to assess an antidumping duty on pipe fittings from Korea which were entered or withdrawn from warehouse for consumption on or after January 14, 1986, the publication date of the preliminary determination in the Federal Register, equal to the amount by which the foreign market value exceeds the U.S. price.

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

Paul Freedenburg,

Assistant Secretary for Trade Administration.

March 24, 1986.

[FR Doc. 86-7045 Filed 3-28-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-583-507]

Antidumping; Malleable Cast Iron Pipe Fittings, Other Than Grooved, From Taiwan; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that malleable cast iron pipe fittings, other than grooved (pipe fittings), from Taiwan are being, or are likely to be, sold in the United States at less than fair value. We also have determined that critical circumstances do not exist. We have notified the U.S. International Trade Commission (ITC) of our determination. We have directed the U.S. Customs Service to continue with

the suspension of liquidation of all entries of pipe fittings from Taiwan that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Continuation of Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the date of this determination, whether these imports are materially injuring, or are threatening material injury to, a U.S. industry.

EFFECTIVE DATE: March 31, 1986.

FOR FURTHER INFORMATION CONTACT: Kenneth G. Shimabukuro (202-377-5332) or Mary S. Clapp (202-377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20330.

Final Determination

We have determined that pipe fittings from Taiwan are being, or are likely to be, sold in the United States at less than fiar value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The dumping margins range from under one percent to 520.65 percent, and the weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case history

On July 31, 1985, we received a petition filed in proper form from the Cast Iron Pipe Fittings Committee on behalf of the domestic producers of pipe fittings. 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 Taiwan are being, or are 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. The petitioners also alleged that sales in the home market were made at prices below the cost of production and that "critical circumstances" exist.

After reviewing the petition we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on August 20, 1985 (50 FR 34731) and notified the ITC of our action.

On September 16, 1985, the ITC found that there is a reasonable indication that imports of pipe fittings from Taiwan are threatening material injury to a U.S. industry (ZU.S. ITC Pub. No. 753, September 1985).

We presented questionnaires to San Yang Metal Industrial Co., Ltd. (San Yang), De Ho Metal Industrial Co., Ltd. (De Ho), Tai Yang Metal Industrial Co., Ltd. (Tai Yang), Kwang Yu Foundry Industrial Co., Ltd. (Kwang Yu), and Young Shieng Manufacturing Co., Ltd. (Young Shiegn) on October 4, 1985, since we had information indicating that they accounted for more than 60 percent of the exports to the United States during the period of investigation. Responses were received on November 25, 1985, from De Ho and Tai Yang, on November 26, 1985, from San Yang, and on November 27, 1985, from Kwang Yu. Young Shieng did not respond.

We published the preliminary determination of sales at less than fair value on January 14, 1986 (51 FR 1547). A hearing, requested by petitioner and respondents, was held on February 28, 1986. Arguments raised in the briefs of all parties were considered for the final determination.

Scope of Investigation

The products covered under this investigation are malleable cast iron pipe fittings, other than grooved, currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA) under items 610.7000 and 610.7400.

We made comparisons on approximately 94 percent of sales of pipe fittings to the United States during the period of investigation, February 1, 1985 through July 31, 1985.

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 U.S. price with foreign market value as specified below.

United States Price

As provided for in section 772(b) of the Act, for sales by San Yang, De Ho, Kwang Yu, and Tai Yang, we based the U.S. price on purchase price because the pipe fittings were sold to unrelated purchasers in the United States prior to importation. We made deductions from the c.i.f. prices for ocean freight, marine insurance, foreign inland freight, export taxes, and other shipping expenses, as applicable. Duty drawback and tax rebates were added, as applicable, in accordance with § 353.10(d) (ii) and (iii) of our regulations. Since Young Shieng did not respond, we calculated purchase price, as provided in section 772 of the Act, on the basis of offers by manufacturers, as provided in the petition as the best information available. This price represents offers for sale to the United States to unrelated purchasers, reduced by estimated costs of importation, as provided in section 772(d)(2) of the Act.

Foreign Market Value

Petitioner alleged that home market and third country sales were made at prices which were below the cost of production over an extended period of time, in substantial quantities and at prices which do not permit recovery of costs over a reasonable period of time. In order to determine whether the pipe fittings were sold at prices below cost, we compared them to the applicable selling price. We calculated the cost of production on the basis of material and fabrication costs plus general expenses.

Cost data submitted by the respondents, based on average costs per kilogram, were used. Depending on the product mix, average costs accounted for the basic cost variables, such as galvanized, black, union, and non-union types of pipe fittings. An examination of the respondents' cost records at the verification indicated that this method is acceptable for our purposes.

In accordance with section 773(a)(1)(B) of the Act, we examined Kwang Yu's sales to third countries because the quantities sold in the home market were too small to be an adequate basis for determining foreign market value. We selected Canada as the third country by applying the criteria set forth in § 353.5(c) of our regulations. Since there were insufficient sales of such or similar merchandise at prices above cost, we used constructed value in accordance with section 773(a)(2) of the Act. Constructed value was based on the cost of materials and fabrication plus the actual expenses for general expenses, since these were above the statutory minimum, and the statutory minimum eight percent for profit, since the actual profit was below the statutory minimum, plus U.S. packing.

In accordance with section 773(a)(1)(A) of the Act, we based foreign market value for De Ho, Tai Yang and San Yang on sales in the home market since there were sufficient sales at prices above the cost of production.

For San Yang, we made deductions from f.o.b. prices for inland freight and rebates. We made adjustments for differences in credit terms and commissions between the respective markets, in accordance with § 353.15 of our regulations. We also made adjustments for differences in physical characteristics, where appropriate, in

accordance with § 353.16 of our regulations. For one group of merchandise sold to the United States, there were no home market sales of such or similar merchandise. Therefore, we based foreign market value on the constructed value in accordance with section 773(a)(2) of the Act. Constructed value was based on the cost of materials and fabrication plus actual general expenses, since these were above the statutory minimum, and the statutory minimum eight percent for profit, since the actual profit was below the statutory minimum, plus U.S. packing. We made adjustments for differences in credit terms and commissions in accordance with section 773(a)(4)(B) of the Act.

For Tai Yang, we used the f.o.b. prices, deducted inland freight, and made adjustments for differences in credit costs, commissions, and inspection costs in accordance with § 353.15 of our regulations.

For De Ho, we used home market sales, making a deduction from f.o.b. prices for inland freight. We made adjustments for differences in credit costs, commissions, and inspection costs in accordance with § 353.15 of our regulations. "Best information available" was used to determine foreign market value for Young Shieng since it did not respond. We calculated foreign market value based on information provided in the petition. These prices represent offers for sale in the home market to unrelated purchasers, reduced by estimated costs of transportation, as provided in section 773 of the Act.

Petitioner's Comments

Comment 1

Petitioner argues that the Department should not use San Yang's Canadian sales as the basis for foreign market value. Since San Yang had sufficient sales of similar merchandise in the home market, the proper basis for foreign market value is such sales in the home market.

DOC Response

We ascertained at the verification that San Yang had sufficient sales in the home market to provide a basis for foreign market value. We have, therefore, used sales in the home market as a basis for foreign market value for the final determination.

Comment 2

The petitioner argues that the Department should not use Kwang Yu's Canadian sales as the basis for foreign market value, since the bulk of those sales were at prices below the cost of production, and the constructed value is the proper basis for foreign market value.

DOC Response

There were insufficient sales above cost by Kwang Yu in Canada to form a basis for determination of foreign market value. Constructed value, therefore, was used as the basis for foreign market value.

Comment 3

Petitioner argues that San Yang's claimed reduction in cost of production for retirement reserve and extraordinary maintenance expenses should not be allowed.

DOC Response

We have determined that these costs are properly included in the cost of production since they are directly related to production in the period of investigation and therefore have included them in our calculations.

Comment 4

Petitioner argues that since Young Shieng did not respond to the questionnaire, its rate must be based on the best information available, which is the information contained in the petition.

DOC Response

We agree. "Best information available," based on the information in the petition, was used for purposes of determining the less than fair value margin for Young Shieng for this determination.

Respondents' Comments

Comment 1

San Yang argues that the retirement reserve should not be included as a cost of production because San yang neither incurred nor paid any actual retirement expenses during the period of investigation. This reserve is simply an approved mechanism under Taiwanese tax law that allows companies to reduce their tax liability without incurring any corresponding funding obligations or other financial liabilities.

DOC Response

Retirement reserves represent a commitment during the period of investigation to pay future retirement expenses and as such are fringe benefits to workers at the time they are established. Therefore, we included the reserve amount in our calculation of the cost of production.

Comment 2

San Yang argues that the Department should exclude amortized extraordinary maintenance expenses when calculating San Yang's cost of production. Capitalization of these expenses over two years complies fully with generally accepted accounting principles in Taiwan.

DOC Response

The respondent indicated during the verification that these expenses included all maintenance expenditures which do not extend the useful life of the asset. Therefore, these expenditures represent basic maintenance and should be included in the cost of production for the period in which they were incurred.

Comment 3

San Yang argues that the Department should allocate over the entire fiscal year the higher costs incurred in February 1985 because of the ten-day shutdown during the lunar new year holiday.

DOC Response

In the submission the respondent included the cost of the shutdown in the cost of production for February. We were not able to verify the costs associated with the shutdown. Therefore, we are not able to amortize it over one year.

Comment 4

San Yang argues that sales to Canada are the appropriate basis for foreign market value since its home market above-cost sales constituted less than five percent of total third country sales.

DOC Response

Sufficient sales in the home market takes precedence over third country sales as a basis for foreign market value. We determined at the verification that San Yung had sufficient sales in the home market during the period of investigation to form the basis for determining fair value. Therefore, we used home market sales.

Comment 5

Kwang Yu argues that the Department erred in using only cost data for the month of July 1985 for the preliminary determination.

DOC Response

Since Kwang Yu failed to include all cost information in its response, available cost data were used for the preliminary determination. Subsequently, the average costs for the period January through July 1985 were

submitted and verified after the preliminary determination and used for the final determination.

Comment 6

Kwang Yu, De Ho and Tai Yang argue that it is appropriate to use the cost data based on the average cost per kilogram since they do not have production and accounting data for determining cost on a piece basis.

DOC Response

We agree. Based on information developed during the verification, we determined that the records which reflect costs on a weight basis represent the actual costs of the product and have calculated costs accordingly.

Comment 7

De Ho and Tai Yang argue that the Department improperly included in the cost of production certain shipping expenses incurred after the merchandise was packed and ready for shipment.

DOC Response

Such expenses are not part of the cost of production as contemplated by our regulations. If such expenses are erroneously reported as part of the cost of production, they would be removed, unless the nature of the expenses and the exact amounts thereof are not clearly shown. Such expenses were identified at the verification and were not treated as part of cost of production for the final determination.

Comment 8

De Ho and Tai Yang argue that the Department erred in going directly to constructed value when an identical product was not present in the home market.

DOC Response

In the preliminary determination, we went directly to constructed value since we did not have information necessary to determine appropriate comparisons of similar merchandise.

For the final determination in the absence of identical merchandise, sales of similar merchandise were used as the basis for foreign market value, when available.

Comment 9

Young Shieng argues that it should not be punished for not responding to the Department's questionnaire. Young Shieng stated that it decided not to respond because it believes itself to be a negligible supplier to the U.S. market and therefore should not have been required to respond to our questionnaire. Therefore, Young Shieng argues that it should not receive a margin based on best information available but should instead be included in the "all others" category.

DOC Response

The Department sent questionnaires to those companies that, based on the information it had at the time, were the major producers of malleable pipe fittings from Taiwan. The Department cannot allow individual companies to decide whether they are significant producers and therefore are required to respond to the questionnaire. Young Shieng did not, in a timely manner, present the data on the basis of which the Department could amend its request for a response. In such instances, it is Department policy to use the best information available when a company does not respond.

Comment 10

Respondents argue that Young Shieng's margin should not be used in calculating the weighted-average margin for "all others." Other companies should not be penalized for Young Shieng's lack of response.

DOC Response

It has consistently been the practice of the Department that, in an affirmative determination, producers/exporters for whom a separate weighted-average margin has not been calculated will fall within the "all other manufacturers" category. Although a company investigated chose not to respond to our questionnaire, section 776(b) of the Act provides a basis for making a sales at less than fair value determination through the use of the best information available. Therefore, that result, together with the other margins of fair value determined in accordance with the Act's procedures, is appropriately included in the calculation of the overall weighted-average margin for purposes of establishing the "all other" rate.

Verification

As provided for in section 776(a) of the Act, we verified the information provided by the respondent using standard verification procedures, including examination of relevant sales and accounting records of the companies.

Final Negative Determination of Critical Circumstances

The petitioner alleged that imports of pipe fittings from Taiwan present "critical circumstances." Under section 733(e)(1) of the Act, critical circumstances exist when: (1) There is a history of dumping in the United States, or elsewhere, of the class or kind of the merchandise which is the subject of the investigation; or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise, which is the subject of the investigation, at less than its fair value; and (2) there have been massive imports of the class or kind of merchandise that is the subject of the investigation over a relatively short period.

In determining whether there have been massive imports, we generally consider the following factors: (1) The volume and value of the imports; (2) seasonal trends; and (3) the share of domestic consumption accounted for by the imports.

We analyzed recent trade statistics for the periods immediately preceding and following the filing of the petition. Based on our analysis of the trade data, we have determined that imports of pipe fittings from Taiwan were not massive over a relatively short period.

We, therefore, did not need to consider whether there is a history of dumping of pipe fittings or whether the person by whom, or for whose account, this product was imported knew or should have known that the exporter was selling this product at less than fair value.

We have determined, for the reasons described above, that "critical circumstances" do not exist with respect to pipe fittings from Taiwan.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of pipe fittings from Taiwan that are entered, or withdrawn from warehouse, for consumption, or or after the date of publication of this notice in the **Federal Register**. The U.S. 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 U.S. price as shown below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/exporter	Weighted-average margin percentage
	B-12
San Yang	58.57
De Ho	13.12
Tai Yang	37.09
Kwang Yu	7.93
Young Shieng	80.00
All others	44.87

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. 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 publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports materially injure, or threaten injury to, a U.S. industry within 45 days of the date of this determination. 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. If the ITC, however, determines that such injury does exist, we will issue an antidumping duty order directing the U.S. Customs Service to assess an antidumping duty on pipe fittings from Taiwan which were entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

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

Paul Freedenberg,

Assistant Secretary for Trade Administration.

March 24, 1986.

[FR Doc. 86-7046 Filed 3-28-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

CALENDAR OF PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Cast-Iron Pipe Fittings from Brazil, Korea, and Taiwan

Inv. Nos. : 731-TA-278, 279, and 280 (Final)

Date and time: April 14, 1986 - 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:

Rose, Schmidt, Chapman, Duff & Hasley--Counsel
Washington, D.C.
on behalf of

Cast Iron Pipefittings Committee

Grinnell Corporation

Raymond E. Carey

Dennis Bunting

Stockham Valves & Fittings Co., Inc.

Donald A. Ryan

Ward Manufacturing, Inc.

Bruce F. Eilenberger

Peter Buck Feller)
Michael K. Tomenga)
John C. Lindsey)--OF COUNSEL
Lawrence J. Bogard)

- more -

In opposition to the imposition of antidumping duties:

Bregman, Abell, Kay & Simon--Counsel
Washington, D.C.
on behalf of

The Taiwanese respondents De Ho Metal Ind. Co., Ltd., Tai Yang Metal Ind. Co., Ltd., Kwang Yu Foundry Ind. Co., Ltd. and Young Shieng Mfg. Co., Ltd.

Les Pelletz, Short Line Products, Inc.

David Simon--OF COUNSEL

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel
Washington, DC
on behalf of

Mijin and Shin Han, the Korean exporters of pipe-fittings

Donald B. Cameron)
Julie C. Mendoza)--OF COUNSEL

Freeman, Wasserman & Schneider--Counsel
New York, N.Y.
on behalf of

Fundicao Tupy S.A. and Tupy American Foundry Corporation

Mario Parucker, Fundicao Tupy S.A.

Cherubin Schwartz, Tupy American Foundry Corporation

John A. Lasko, Kuhns Inc.

Jack Gumpert Wasserman)
Philip Yale Simons)--OF COUNSEL

Dow, Lohnes & Albertson--Counsel
Washington, D.C.
on behalf of

Sequoia International, Inc.--an importer of Plumb Brand malleable cast iron pipe fittings from Taiwan

William Silverman--OF COUNSEL

APPENDIX C

INFORMATION ON THE U.S. INDUSTRY NOT INCLUDING A POSSIBLE RELATED PARTY

Table C-1.--Malleable cast-iron pipe fittings: U.S. production, capacity, and capacity utilization of the U.S. industry not including U-Brand Corp., 1983-85

Item	1983	1984	1985
Production----------tons--	***	***	***
Capacity----------do----	***	***	***
Capacity utilization----------percent--	***	***	***

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

Table C-2.--Malleable cast-iron pipe fittings: U.S.-produced domestic shipments, exports, and total shipments, and yearend inventories of the U.S. industry not including U-Brand Corp., 1983-85,

Item	1983	1984	1985
Domestic shipments----------tons--	***	***	***
Exports----------do----	***	***	***
Total shipments----------do----	***	***	***
Yearend inventories----------do----	***	***	***
Ratio of inventories to total shipments----------percent--	***	***	***

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

Table C-3.--Malleable cast-iron pipe fittings: Number of employees in producing establishments, number of production and related workers, average hours worked by such workers per week, average hourly wages and total compensation paid to such workers, and productivity for the U.S. industry not including U-Brand Corp., 1983-85

Item	1983	1984	1985
All employees	***	***	***
Production and related workers	***	***	***
Average hours worked----per worker, per week--	***	***	***
Average wages paid------per worker, per hour--	$ ***	$ ***	$ ***
Average total compensation paid per worker, per hour--	***	***	***
Productivity-----tons per 1,000 hours worked--	***	***	***

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

Table C-4.--Income-and-loss experience of 4 U.S. producers 1/ not including U-Brand Corp., on their operations producing malleable cast-iron pipe fittings, accounting years 1983-85 and interim periods ended Feb. 28, 1985, and Feb. 28, 1986

Item	1983 2/	1984 2/	1985 2/	Interim period ended Feb. 28-- 1985	1986
Net sales 1,000 dollars--	***	***	***	***	***
Cost of goods sold 1,000 dollars--	***	***	***	***	***
Gross profit or (loss)--do----	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars--	***	***	***	***	***
Operating income or (loss) 1,000 dollars--	***	***	***	***	***
Interest expense--------do----	***	***	***	***	***
Other income or (expense), net----------1,000 dollars--	***	***	***	***	***
Net (loss) before income taxes--------1,000 dollars--	***	***	***	***	***
Depreciation and amortization expense included above 1,000 dollars--	3/ ***	3/ ***	3/ ***	4/ ***	4/ ***
Cash flow 5/----------do----	***	***	***	***	***
As a share of net sales:					
Cost of goods sold percent--	***	***	***	***	***
Gross profit or (loss) percent--	***	***	***	***	***
General, selling, and administrative expenses percent--	***	***	***	***	***
Operating income or (loss) percent--	***	***	***	***	***
Net (loss) before income taxes----------percent--	***	***	***	***	***
Number of firms reporting operating losses----------	***	***	***	***	***

1/ The 4 producers accounted for approximately * * * percent of domestic shipments in 1985.

2/ Two firms, which accounted for * * * percent of reported 1985 net sales, did not provide the Commission with data on interest expenses, and 3 firms, accounting for * * * percent of 1985 net sales, did not furnish data on other income and expenses. Hence, net income before taxes may be overstated or understated.

3/ * * *.

4/ Estimated.

5/ Net loss before income taxes plus depreciation and amortization expense.

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

APPENDIX D

ALTERNATIVE CALCULATIONS OF APPARENT U.S. CONSUMPTION AND MARKET PENETRATION OF IMPORTS

Table D-1.--Malleable cast-iron pipe fittings: Imports, 1/ U.S.-produced domestic shipments, and apparent U.S. consumption, calculated without adjusting for inventories of imports, 1983-85

(In percent)

Type and source	1983	1984	1985
Imports from Brazil	***	***	***
Imports from Korea	***	***	***
Imports from Taiwan	***	***	***
Subtotal, subject countries	***	***	***
Imports from other countries	***	***	***
Total	***	***	***
U.S.-produced domestic shipments	***	***	***
Apparent U.S. consumption	***	***	***

1/ Official import statistics include only imports under TSUS item 610.74 and are adjusted to eliminate known misclassifications.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce.

Table D-2.--Malleable cast-iron pipe fittings: Ratios of the quantity of imports 1/ and of domestic shipments of U.S. production to apparent U.S. consumption, calculated without adjusting for inventories of imports, by selected sources, 1983-85

(In percent)

Type and source	1983	1984	1985
Imports from Brazil	***	***	***
Imports from Korea	***	***	***
Imports from Taiwan	***	***	***
Subtotal, subject countries	9.1	12.7	15.8
Imports from other countries	17.7	19.3	16.9
Subtotal, all imports	26.8	32.0	32.6
U.S.-produced	73.2	68.0	67.4
Total	100.0	100.0	100.0

1/ Official import statistics are adjusted to eliminate known misclassifications. Statistics on U.S. production include only domestic shipments of such products.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from adjusted official statistics of the U.S. Department of Commerce.