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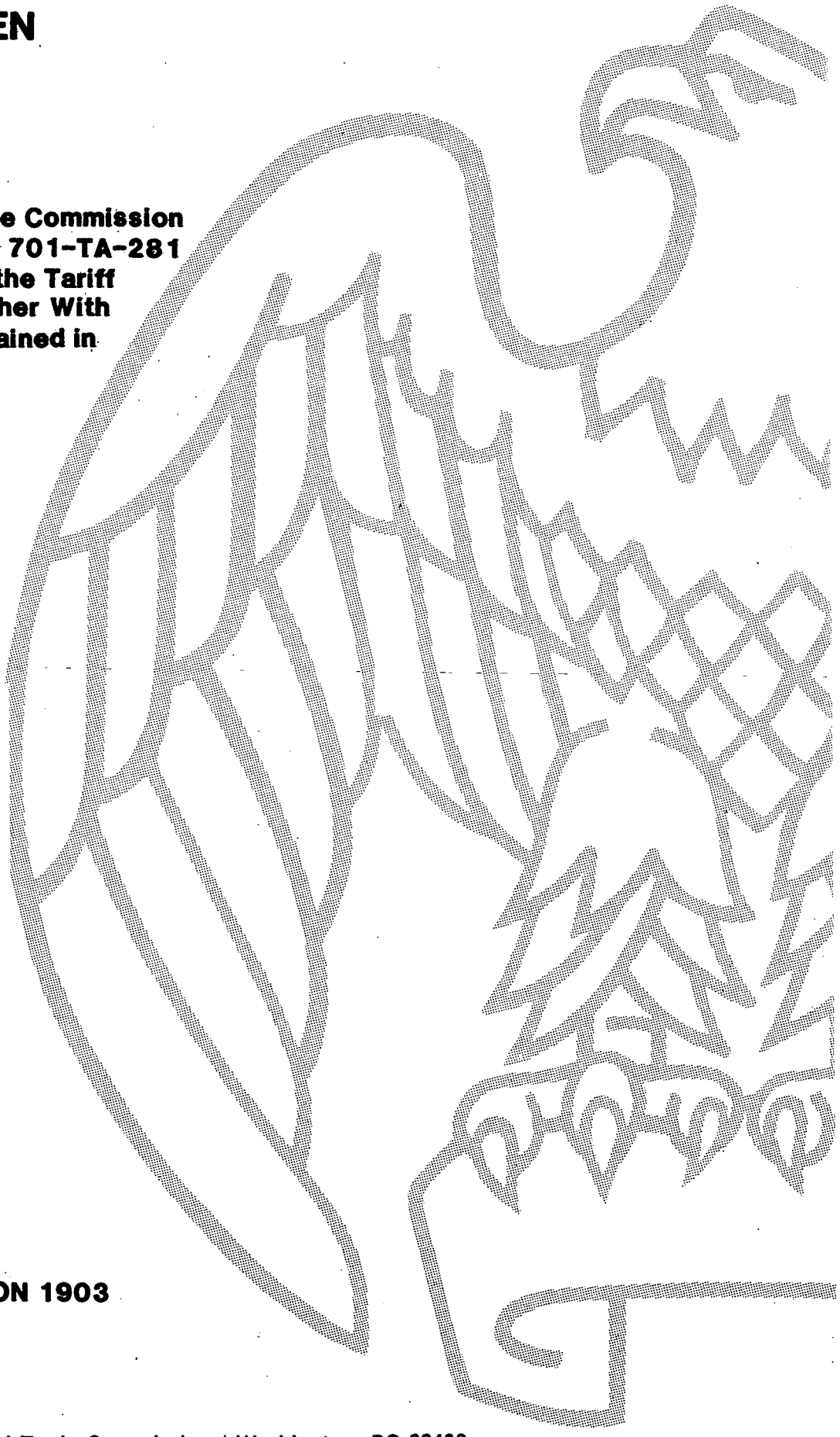
STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

Determination of the Commission In Investigation No. 701-TA-281 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 701-TA-281 (Preliminary)

STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that industries in the United States are materially injured by reason of imports from Sweden of stainless steel pipes, tubes, hollow bars, and blanks therefor, all the foregoing of circular cross-section, whether welded or seamless, provided for in items 610.37, 610.51, and 610.52 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Sweden.

Background

On September 4, 1986, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the Specialty Tubing Group, 2/ alleging that subsidized imports of stainless steel pipes and tubes from Sweden are being sold in the United States and that an industry in the United States is materially injured and threatened with material injury by reason of such imports. Accordingly, effective September 4, 1986, the Commission instituted countervailing duty investigation No. 701-TA-281 (Preliminary).

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/ The Specialty Tubing Group consists of the following firms: AL Tech Specialty Steel Corp., Allegheny Ludlum Steel Corp., ARMCO-Specialty Steel Division, Carpenter Technology Corp., Damascus Tubular Products, and Trent Tube Division, Crucible Materials Corp.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 16, 1986 (51 F.R. 32855). The conference was held in Washington, DC, on September 25, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that industries in the United States are materially injured by reason of imports of welded and seamless stainless steel pipes and tubes from Sweden, which allegedly are being subsidized. 1/ 2/

We first determined that there are two like products--welded stainless steel pipes and tubes and seamless stainless steel pipes and tubes--and, correspondingly, two domestic industries in this investigation. Our determinations regarding both welded and seamless stainless steel pipes and tubes are based on the significant increase in the volume and market penetration of imports from Sweden, and continued weak performance of the domestic industries during a period of increased domestic consumption.

Like Product and Domestic Industry

In a preliminary title VII investigation, the Commission must determine if there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the subject imports. Section 771(4)(A) of the Tariff Act of 1930 defines "industry" 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 . . . ." 3/ "Like product" is defined as "a product which is like, or in the absence of like, most similar

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1/ Material retardation is not an issue in this investigation and will not be discussed further.

2/ See Chairman Liebeler's Views and Vice Chairman Brunsdale's Views, infra.

3/ 19 U.S.C. § 1677(4)(A).

in characteristics and uses with the article subject to investigation." [4/] The Commission is required to make its "like product" and "domestic industry" determination on a case-by-case basis.

The imported products subject to investigation are stainless steel pipes and tubes. [5/] Stainless steel pipes and tubes can be divided into two general categories--welded and seamless--depending on the method of manufacture. Welded stainless steel pipes and tubes (welded tubes) are produced by forming stainless steel flat-rolled products into a tubular configuration and welding along the seam. [6/] Seamless stainless steel pipes and tubes (seamless tubes) are produced by forming a central cavity in solid steel stock. The central cavity may be formed by rotary piercing and rolling, or by extruding. [7/] Semifinished seamless tubes, called "redraw hollows," are also produced and sold to firms known as redrawers, that reduce the tubes in diameter and wall thickness, generally through cold working. [8/]

4/ Section 771(10); 19 U.S.C. § 1677(10). The legislative history of title VII makes it clear that "the requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion so as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation." S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

5/ The "article subject to an investigation" is defined by the scope of the investigation initiated by the Department of Commerce, which in this case covers "certain stainless steel hollow products including pipes, tubes, hollow bars and blanks therefor of circular cross-section containing at least 11.5 percent chromium by weight, as provided for in items 610.3701, 610.3727, 610.3731, 610.3732, 610.3741, 610.3742, 610.5130, 610.5201, 610.5202, 610.5229, 610.5230, and 610.5231 of the Tariff Schedules of the United States, Annotated." 51 Fed. Reg. 35018 (1986).

6/ Report of the Commission ("Report") at A-4.

7/ Id. at A-3.

8/ Id. at A-8. Redraw hollows are semifinished products characterized by a high outside diameter to wall thickness ratio. Id. at A-8, A-12.

Stainless steel pipes and tubes are most commonly used in applications where high strength, corrosion resistance, heat resistance, and/or attractive appearance is required. High-temperature/pressure applications include air heater tubing, boiler tubing, and heat exchanger and condenser tubes. 9/ Mechanical and structural uses include use in conveyor rolls, poles and masts, furniture, gun barrels, handles, muffler tubes, and medical and dental instruments. 10/

There is no distinction between the domestic and imported articles. The petitioner has urged the Commission to find that welded and seamless tubes constitute a single "like product." The petitioner alleged that although the production process for welded and seamless tubes differed, technological advances had taken place which narrowed technical differences in the products. Further, pricing in the market has allegedly caused the products to become increasingly interchangeable.

We do not find the argument persuasive. During the past seven years, imported steel pipes and tubes have been the subject of numerous investigations in which the Commission repeatedly has found that welded and seamless tubes are separate like products. 11/ Even when the Commission has

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9/ Report at A-2.

10/ Id. at A-2 and A-3.

11/ Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Inv. No. 701 TA-168 (Final), USITC Pub. 1345 at 4 (1983) (imported welded pipes and tubes had different characteristics and uses from domestic seamless pipes and tubes and, therefore, the two articles are not "like" products); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Inv. No. 731-TA-131 and 132 (Preliminary), USITC Pub. 1389 at 6 (1983) (domestically produced seamless pipes and tubes and imported welded pipes and tubes are not like products); Certain Seamless Steel Pipes and Tubes from Japan, Inv. No. 731-TA-87 (Final), USITC Pub. 1347 at 3-8 (1983) (seamless and welded pipes and tubes have different characteristics and uses); Pipes and Tubes of Iron and Steel from Japan, Inv. No. 731-TA-15 (Preliminary), USITC Pub. 1058 at 5 (1980) (welded pipes of steel are a separate like product from seamless pipes and tubes of steel).

investigated only welded tubes it has found more than one like product based on the particular characteristics and uses of different tubes. 12/ The information developed in this preliminary investigation indicates that significant differences in the market for these products still exist. Although this issue should be pursued in any final investigation, no information currently exists that would lead us to a different conclusion.

One of the respondents argued that the Commission should find that redraw hollows and finished seamless tubes constitute separate like products. In this investigation we attempted to analyze certain factors established in previous cases 13/ that have addressed the issue of whether semifinished

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12/ Welded Carbon Steel Pipes and Tubes from Brazil, France, Italy, The Republic of Korea, and West Germany, Inv. Nos. 701-TA-165 through 169 (Preliminary), USITC Pub. 1262 (1982) (small diameter welded carbon steel pipes and tubes are different like products from large diameter welded carbon steel pipes and tubes); Certain Welded Carbon Steel Pipes and Tubes from Taiwan and Venezuela, Inv. Nos. 731-TA-211 and 212 (Preliminary), USITC Pub. 1639 (1985) (three like products were found: (1) light-walled rectangular pipes and tubes, (2) circular standard pipes and tubes, and (3) circular line pipes and tubes); Certain Welded Carbon Steel Pipes and Tubes From Thailand and Venezuela, Inv. Nos. 701-TA-242, USITC Pub. 1980 (1985) (standard pipe is a different like product from line pipe); Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, Turkey and Yugoslavia, Inv. Nos. 701-TA-251-253 (Preliminary), USITC Pub. 1742 (1985) (standard pipe is a different like product from line pipe); Certain Carbon Steel Pipes and Tubes from the People's Republic of China, The Philippines and Singapore, Inv. Nos. 731-TA-292 through 296 (Preliminary), USITC Pub. 1796 (1985) (three like products were found: (1) circular welded carbon steel pipes and tubes, (2) heavy-walled rectangular welded carbon steel tubing, and (3) light-walled rectangular welded carbon steel tubing).

13/ E.g., Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, The Republic of Korea, Sweden, and West Germany, Inv. Nos. 701-TA-269 and 270 (Preliminary) and Inv. Nos. 731-TA-311 through 317 (Preliminary), USITC Pub. 1837 at 7 (1986); Nylon Impression Fabric from Japan, Inv. No. 731-TA-269 (Preliminary), USITC Pub. 1726 at 5 (1985); Oil Country Tubular Goods from Argentina and Spain, Inv. No. 731-TA-191, 731-TA-195 (Final), USITC Pub. 1555 at 4-5 (1984); Certain Flat-Rolled Carbon Steel Products from Brazil, Inv. No. 731-TA-123 (Final), USITC Pub. 1499 (1984).

(redraw hollows in this case) and finished products constitute one like product. Among the factors we have considered in the past are physical characteristics, complexity and costs of processing, interchangeability, market, price, and independent uses. Responses to the Commission's questionnaire from firms identified as redrawers were limited, and in this preliminary investigation we do not have sufficient basis to determine that redraw hollows and finished seamless tubes are separate like products.

In light of the above factors, the Commission finds, for the purposes of this preliminary investigation, that there are two separate like products in this investigation--(1) welded tubes, and (2) seamless tubes which include redraw hollows and the finished products; and that there are two domestic industries consisting of the producers of these products. 14/ Furthermore, we determine that the domestic industries include: (1) companies that melt steel, produce basic shapes used in pipe and tube production, and subsequently manufacture specialty tubing (i.e., integrated companies); (2) companies that purchase basic shapes--generally stainless steel sheet and strip and bar/billet--on the market, and then manufacture welded or seamless tubing; and (3) redrawers.

14/ Petitioners had argued that the operations of redrawers should not be included within the scope of the domestic industry since these firms did not produce the basic shapes used in pipe and tube production (an activity petitioners claim is essential in order to be a domestic producer), and inclusion of their shipment data would result in doublecounting. In this preliminary investigation, we avoided doublecounting by excluding shipments of the few redrawers who submitted questionnaires. In the event that this investigation returns to the Commission for a final investigation, the Commission will further examine the issue of whether redraw hollows and the finished seamless pipes and tubes constitute a single like product or separate like products and whether redrawers should be included as members of the domestic industry.

Related parties--We also considered whether Sandvik Steel Co., a domestic producer wholly owned by a Swedish seamless tube manufacturer that imported seamless tubes from Sweden during the period of investigation, should be excluded as a related party. The statute provides for excluding from the domestic industry producers who are also importers or are related to importers or exporters in appropriate circumstances. 15/

The basis for the related parties provision is the concern that inclusion of those producers in the domestic industry may distort injury data because they may be shielded from the effects of the subject imports. 16/ The analysis to determine whether to exclude related parties includes two steps. First, the Commission must determine whether the domestic producers are also importers or are related to importers or exporters of the merchandise under investigation. Second, the Commission must determine whether appropriate circumstances exist for excluding the related parties from the domestic industry. 17/

15/ 19 U.S.C. § 1677(4)(B) provides in pertinent part:

> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry.

16/ Candles from the People's Republic of China, Inv. No. 731-TA-282 (Final), USITC Pub. No. 1888 (1986).

17/ When analyzing the "appropriate circumstances" issue in previous investigations, the Commission has focused upon the following factors: (1) the percentage of domestic production represented by the producers which would be excluded; (2) the reasons the domestic producers had chosen to import the allegedly subsidized goods, e.g., to benefit from the alleged subsidization or to compete in the marketplace; and (3) the competitive position of the related domestic producer vis-a-vis other domestic products, i.e., is it being shielded from competition with the imports? E.g., Unlasted Leather Footwear from India, Inv. No. 701-TA-1 (Final), USITC Pub. No. 1045 (1980); Melamine in Crystal Form from Austria and Italy, Invs. Nos. 731-TA-13-14 (Final), USITC Pub. No. 1065 (1980); Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Final), USITC Pub. No. 1228 (1982).

We have determined that Sandvik's data may distort the injury data. We also believe that the fact that they are the only importers of seamless tubes and are related to the only Swedish manufacturer of such tubes appears to shield Sandvik from the imports subject to this investigation. We, therefore, have applied section 771(4)(B).

Condition of the Domestic Industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, employment, and profitability. 18/

A. Condition of the Domestic Welded Stainless Steel Tube Industry.

Although apparent domestic consumption of welded stainless steel tubes increased steadily from 48,029 short tons in 1983 to 53,357 short tons in 1985, the performance of the domestic industry deteriorated, and it did not participate in the growing market. 19/

Production of welded tubes remained constant from 1983 to 1985. 20/ However, the capacity declined from 85,382 short tons in 1983 to 79,108 short tons in 1985. 21/ With the decline in capacity, capacity utilization increased from 47.9 percent in 1983 to 52.7 percent in 1984, but declined to 51.8 percent in 1985. It was also lower in interim 1986 than in the comparable period in 1985. 22/

18/ 19 U.S.C. § 1677(7)(C)(iii).
19/ Report at A-12, Table 2.
20/ Id. at A-14, Table 3.
21/ Id.
22/ Id.

Domestic shipments of welded tubes declined from 42,090 short tons in 1983 to 40,985 short tons in 1984 and then increased only slightly to 41,170 short tons in 1985. Shipments then decreased to 19,298 short tons in interim 1986 as compared to 20,574 short tons in the comparable period in 1985. 23/

The number of workers employed in the production of welded tubes decreased throughout the period of investigation. Hours worked, wages paid, and total compensation also declined. 24/

Net sales of the welded tube firms declined from 1983 to 1985 and the decline continued in the first half of 1986 compared to the first half 1985. Although operating losses lessened during the period of investigation the domestic industry did not operate profitably at any time. 25/

In a period when there was a rising market for welded stainless steel pipes and tubes, the domestic industry's performance remained very weak. Accordingly, we conclude that there is a reasonable indication that the domestic welded tube industry is materially injured. 26/ 27/

23/ Report at A-14, Table 4.

24/ Id. at A-17 to A-18, Table 6. Two of the companies reported reductions in staff that they characterized as permanent. Id. at A-18.

25/ Id. at A-24.

26/ Commissioner 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 Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 18-19 (1985) (Additional Views of Chairwoman Stern).

27/ 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, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 20-21 (1985) (Additional Views of Commissioner Eckes).

B. Condition of the Domestic Seamless Stainless Steel Pipe and Tube Industry.

Apparent domestic consumption of seamless tubes increased sharply from 1983 to 1984, then continued to increase in 1985. [28/] Consumption increased again in interim 1986. [29/]

However, production, [30/] shipments, capacity, and capacity utilization, declined from 1983 to 1985. [31/] Capacity further declined sharply from 1983 to interim 1986. [32/] Furthermore, shipments declined from 1983 to 1985, rising only slightly in interim 1986. [33/]

The number of workers employed in the production of seamless tubes decreased throughout the period of investigation. Hours worked, wages paid, and total compensation also declined.

Net sales of the seamless tube firms declined sharply from 1983 to 1985, rising slightly in interim 1986. Operating losses increased dramatically from 1983 to 1984, and the industry did not operate profitably until one major producer discontinued production in 1985. [34/]

Therefore, we determine there is a reasonable indication that the domestic seamless tube industry is currently experiencing material injury. [35/] [36/]

28/ Unfortunately, most of the data regarding seamless tubes is confidential. Accordingly, our discussion must be in general terms.
29/ Report at A-12, Table 2.
30/ Id. at A-14, Table 3.
31/ Id.
32/ Id.
33/ Id. at A-15.
34/ Id. at A-19.
35/ See footnote 26 supra.
36/ See footnote 27 supra.

Reasonable Indication of Material Injury by Reason of Allegedly Subsidized Imports

In determining whether there is a reasonable indication of material injury by reason of allegedly subsidized imports, the statute directs the Commission to consider, among other factors:

> i) the volume of imports of the merchandise which is the subject of the investigation,
> ii) the effect of imports of that merchandise on prices in the United States for like products, and
> iii) the impact of imports of such merchandise on domestic producers of the like products. 37/

A. Reasonable Indication of Material Injury by Reason of Allegedly Subsidized Imports of Welded Stainless Steel Pipes and Tubes

Imports of welded tubes from Sweden increased throughout the period of investigation. The imports increased 90 percent from 1,156 short tons in 1983 to 2,189 short tons in 1985. During interim 1986, imports from Sweden increased over 100 percent compared to imports in the corresponding period of 1985. 38/ Furthermore, the market penetration by the Swedish welded tube imports more than doubled from 1983 to interim 1986. 39/

While price trends of domestic welded tubes were mixed during the period of investigation, 40/ prices of the Swedish welded tubes generally fell. 41/ In addition, margins of underselling were found in five quarterly price comparisons between the domestic and imported Swedish welded

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37/ 19 U.S.C. § 1677(7)(B).
38/ Report at A-35, Table 16.
39/ Id. at A-37.
40/ Id. at A-42.
41/ Id. at A-47.

tubes. [42/] Although no specific lost sales allegations were verified by the Commission, several purchasers contacted indicated purchasing some welded tubes imported from Sweden, citing lower prices of the imported vis-a-vis the domestic products as a significant factor. [43/]

We, therefore, conclude that there is a reasonable indication of material injury by reason of the allegedly subsidized imports of welded tubes from Sweden.

B. Reasonable Indication of Material Injury by Reason of Allegedly Subsidized Imports of Seamless Stainless Steel Pipes and Tubes

Imports of seamless tubes from Sweden rose sharply from 3,551 short tons in 1983 to 5,726 short tons in 1984, representing an increase of 61 percent. While imports declined in 1985, they were 16 percent higher in interim 1986 than those in a comparable period of 1985. [44/] While market penetration was highest in 1984, the penetration levels for interim 1986 have again increased from a comparable period in 1985. [45/] Market penetration of Swedish seamless tube products was substantial throughout the period of investigation.

Price trends for seamless tubes indicate that the prices of domestic seamless tubes generally fell during the period of investigation. [46/] The prices of imported Swedish seamless tubes also fell and two of three quarterly price comparisons between the domestic and imported Swedish seamless tubes

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42/ Report at A-44.
43/ Id. at A-48 to A-53.
44/ Id. at A-34.
45/ Id. at A-37.
46/ Id. at A-42.

revealed margins of underselling. 47/ Although no specific lost sales allegations were verified by the Commission, several purchasers contacted indicated purchasing some welded tubes imported from Sweden, citing lower prices of the imported vis-a-vis the domestic products as a significant factor. 48/

We, therefore, conclude that there is a reasonable indication of material injury by reason of the allegedly subsidized imports of seamless tubes from Sweden.

47/ Report at A-44.
48/ Id. at A-48 to A-53.

VIEWS OF CHAIRMAN LIEBELER

Stainless Steel Pipes and Tubes from Sweden

Inv. No. 701-TA-281 (Preliminary)

I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports of stainless steel pipes and tubes from Sweden.

Like product, domestic industry, related parties, and condition of the industry

I join with Vice Chairman Brunsdale in finding one like product and one domestic industry in this preliminary investigation. I also join in her discussion of related parties and condition of the industry.[1] Because my views on causation differ, I offer these views.

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[1] See Views of Vice Chairman Brunsdale, which follow.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine that there is a reasonable indication that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. The Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury, and whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission finds a reasonable indication of both injury and causation, will it make an affirmative determination in the investigation.

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the this import relief law. In general, the accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2]

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[2] Sands, Sutherland Statutory Construction § 45.02 (4th Ed.).

The statutory language used for both parts of the analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."[3] As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

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. 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.

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[3] 19 U.S.C. § 1977(7)(A)(1980).

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:

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[4]

The 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."[5]

The Senate 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."[6] Since the domestic industry is no doubt worse off by the

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

5 Id.

6 Id.

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 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.[7]

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.[8]

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

[8] Id.

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]importers as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[10]

An assertion of unfair price discrimination should be accompanied by a factual record that 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 injury or threat of injury to the domestic industry is not "by reason of" such imports.

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

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

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that 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 suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11]

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.[12]

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

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

> 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).[13]

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.[14] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

Causation analysis

Examining import penetration is important because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The market penetration of imports of the pipes and tubes under investigation increased by over 50 percent during the

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13 Id. at 16.

14 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

period of investigation. Swedish imports as a percentage of apparent consumption finished at over 10 percent during the January-June 1986 period.[15] Import penetration is in the low range but it is increasing rapidly.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[16] and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not yet had time to calculate any margins. I therefore usually rely on the margins alleged by petitioner. In this case, the petitioner has not quantified any of its allegations.[17] I will presume that the margins are high in order to give the petitioner the benefit of the doubt.

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

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15 The exact figures are confidential. Report at Table 17.

16 See text accompanying note 8, supra.

17 Report at A-7.

producers. Evidence presented in the staff report indicates that purchasers find the quality of the domestic and imported products to be similar.[18] If this case proceeds to a final investigation, I request that the parties provide additional information on differences in quality, terms of contracting, and any other factors relevant to the homogeneity of the products. For purposes of this preliminary, I find that these products are homogeneous.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. Prices in real terms for the domestic product seem to have fallen during the period of investigation. For some of the product categories investigated, these decreases were substantial.[19]

The fifth factor is foreign supply elasticity (barriers to entry). If there is low foreign elasticity of supply (or barriers to entry) it is more likely that a

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[18] Report at A-48-50.

[19] Report at Table 19.

producer can gain market power. The import penetration ratio for countries other than Sweden was significant and increased sharply from 1983 to 1985.[20] Based on this information, one would normally conclude that barriers to entry to other countries are low. In light of the voluntary restraint agreements negotiated with respect to steel pipe and tube imports, this conclusion might be premature. I would therefore ask that this issue be briefed in the event of a final investigation.

These factors must be considered in each case to reach a sound determination. Market share is in the low range but increasing fast. Prices are declining. No evidence was presented indicating that the products are heterogeneous. The question with respect to barriers to entry requires further briefing. On the whole, these factors weigh in favor of an affirmative preliminary determination.

Conclusion

Therefore, I conclude that there is a reasonable indication that an industry in the United States is

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[20] Report at Table 17.

materially injured by reason of allegedly subsidized imports of stainless steel pipes and tubes from Sweden.

VIEWS OF VICE CHAIRMAN BRUNSDALE

Stainless Steel Pipes and Tubes from Sweden

Investigation No. 701-TA-281 (Preliminary)

Based on the record in this case, I find that there is a reasonable indication that the domestic stainless steel pipe and tube industry is materially injured by reason of allegedly subsidized imports. Material retardation of an industry in the United States is not an issue in this case and will not be discussed.[1]

Like Product/Domestic Industry

The Commission is confronted in this case with two proposed like-product definitions. Petitioner claims that all stainless

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[1] Chairman Liebeler concurs in Vice Chairman Brunsdale's discussion of Like Product/Domestic Industry, Related Parties, and Material Injury.

steel pipes and tubes constitute a single like product. Respondents dispute this, arguing that the two principal subcategories of stainless steel pipes and tubes -- seamless and welded -- are separate like products. While the Commission has adopted respondents' distinction in a number of pipe and tube cases,[2] it has also adopted the single like-product definition advocated by petitioner in the oil country tubular goods cases.[3]

Petitioner contends that the Commission should no longer follow the cases that recognized seamless and welded pipe as separate like products because recent advances in welding technology have significantly reduced the quality differences that once limited competition between the two types of pipe.

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[2] E.g., Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Inv. No. 701-TA-168 (Final), USITC Pub. 1345 at 4 (1983); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-131 and 132 (Preliminary), USITC Pub. 1389 at 6 (1983); Certain Seamless Steel Pipes and Tubes from Japan, Inv. No. 731-TA-87 (Final), USITC Pub. 1347 at 3-8 (1983).

[3] E.g., Oil Country Tubular Goods from Canada and Taiwan, Invs. Nos. 701-TA-255 and 731-TA-276 and 277 (Final), USITC Pub. 1865 at 4 (1986); Oil Country Tubular Goods from Brazil, Korea and Spain, Invs. Nos. 701-TA-215 through 217 (Final), USITC Pub. 1633 at 5 (1985); Oil Country Tubular Goods from Argentina and Spain, Invs. Nos. 731-TA-191 and 195 (Final), USITC Pub. 1694 at 4 (1985); Oil Country Tubular Goods from Austria, Romania and Venezuela, Invs. Nos. 701-TA-240 and 241 and 731-TA-249 through 251 (Preliminary), USITC Pub. 1679 at 4 (1985); Oil Country Tubular Goods from Argentina, Canada and Taiwan, Invs. Nos. 701-TA-255 and 256 and 731-TA-275 through 277 (Preliminary), USITC Pub. 1747 at 4 (1985).

Price data collected by the Commission tend to support this contention. Whereas domestically produced seamless stainless steel pipe sold for approximately 110 percent more than domestic welded stainless steel pipe in January-March 1983, the price gap declined to about 36 percent in April-June 1986.[4] This change in relative price has coincided with a increase in sales of seamless pipe relative to sales of the welded product.[5] That is the type of relationship that would be expected if seamless and welded pipe and tube were close substitutes. Thus, recent price and sales trends weigh in favor of finding a single like product.

I consider the like-product question presented in this case a close one, but ultimately I am persuaded that petitioners should be given the benefit of the doubt in this preliminary investigation. Accordingly, I conclude that there is a single like product consisting of both seamless and welded stainless steel pipe and that the domestic industry encompasses producers of both types of pipe.[6] If this investigation proceeds to a

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[4] Report of the Commission (Report) at A-66.

[5] See id. at A-25.

[6] As noted in the majority opinion, an issue has also been

(Footnote continued on next page)

final phase, I will reconsider this conclusion and will welcome briefs on the issue from the parties.

Related Parties

Based on my understanding of the nature of its U.S. operations, I find that, for purposes of this preliminary investigation, Sandvik Steel Co. should be excluded from the domestic industry as a related party. Sandvik is a wholly-owned subsidiary of one of the two Swedish respondents, Sandvik AB, and is the exclusive importer of seamless stainless steel pipe and tube from Sweden.[7] Its U.S. manufacturing operations appear to consist principally if not entirely of redrawing seamless stainless steel hollows provided to it by its Swedish parent.[8] Thus, if the transfer price of unfinished pipe from its parent is below the market price, Sandvik's profits on its U.S. manufacturing operations will be overstated.

(Footnote continued from previous page)
raised concerning whether seamless redraw hollows should be considered a separate like product because, unlike the other pipe and tube products imported from Sweden, redraw hollows are semifinished. I agree with the majority that the record before the Commission does not contain sufficient information to support a finding that redraw hollows are a separate like product.

[7] Id. at A-19.

[8] Id. at A-12.

Because Sandvik is more profitable than the rest of the domestic industry,[9] it is reasonable to assume that it may be paying an artificially low transfer price. Given that it accounts for well over 5 percent of U.S. production of the like product,[10] I believe that including it in the domestic industry might unfairly distort industry data. I therefore conclude that appropriate circumstances exist under 19 U.S.C. sec. 1677(4)(B) for excluding Sandvik from the domestic industry as a related party. I will reconsider the related party issue should this investigation proceed to a final phase, and I invite the parties to submit evidence clarifying the degree to which the fortunes of Sandvik's domestic manufacturing operations are tied to those of the Swedish industry.

Material Injury

All of the major indicators of the health of the domestic producers suggest that the industry is experiencing material injury. Domestic production, capacity, capacity utilization, and

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9 Id. at A-22.

10 Id.

shipments all declined over the period of investigation.[11] Declines were also experienced in numbers of production and related workers, hours worked, wages paid, and wages per hour.[12]

Financial data confirm the industry's poor health. U.S. producers' net sales of stainless steel pipe and tube declined steadily over the period of investigation, falling almost 9 percent between 1983 and 1985, and an additional 3 percent between January-June 1985 and the corresponding period of 1986.[13] Moreover, the industry reported net losses on those sales in each of the three years as well as in interim 1986.[14] To be sure, the size of the losses declined significantly over the period of investigation, both in absolute terms and as a percent of net sales, particularly in 1985 and interim 1986.[15] Closer examination reveals, however, that the trend toward increased profitability (or, more precisely, diminished unprofitability) was largely attributable to the decision of one of the largest and most unprofitable producers to discontinue

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11 Report at A-13 to A-14.

12 Id. at A-16.

13 See id. at A-27.

14 Id.

15 Id.

production of seamless stainless steel pipe in 1985.[16] Thus, not even the recent trend in profitability can be counted as a sign of industry health, inasmuch as the withdrawal of a major producer from the industry points in the direction of material injury.[17]

For these reasons, I find a reasonable indication that the domestic industry is experiencing material injury.

Causation

In determining whether the domestic industry has been materially injured "by reason of" the imports subject to investigation, the Commission must consider, among other factors, the volume of imports, the influence of the subsidized imports on prices for the like product in the United States, and the impact of such imports on the relevant domestic industry.[18] I have considered

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16 Id. at A-19.

17 It should be noted that the exit from the industry of a major producer is not sufficient to establish that the industry has been materially injured. The experience of a particular firm must be carefully assessed against the backdrop of the condition of the industry as a whole. In particular, it is necessary to assess whether competition from other domestic firms, possibly new entrants to the business, may account for the firm's decision to withdraw.

18 19 U.S.C. sec. 1677(7)(C) (1982).

these factors, as well as other factors discussed below, and conclude there is a reasonable indication that the subject imports are a cause of material injury to domestic producers of stainless steel pipe and tube.

To begin with, I find it significant that the decline in domestic production, shipments, and sales cannot be attributed to a contraction in the market for stainless steel pipes and tubes. To the contrary, apparent consumption increased steadily over the period of investigation, growing 19 percent between 1983 and 1985, and an additional 5 percent in January-June 1986 compared with the corresponding period of 1985.[19]

Second, it is clear that the failure of the domestic industry to benefit from increasing apparent consumption cannot be ascribed entirely to the subject imports. While imports from Sweden grew over the period of investigation, the rate of increase was far below that for imports from the main source of foreign supply, Japan.[20] Nevertheless, the level of market penetration achieved by imports from Sweden reached a sufficiently high level to give rise to suspicion that these imports may be a cause of material injury. Starting at a level

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19 See Report at A-12.

20 See id. at A-33.

below *** percent by quantity in 1983, Swedish market penetration grew to over *** percent in January-June 1986,[21] an increase of over 3 percentage points.

An additional factor that I consider in determining whether the subject imports are a cause of material injury is the magnitude of the alleged subsidy margin.[22] In this case, petitioner has not alleged actual subsidy margins, but rather has confined its allegations to descriptions of Swedish subsidy practices.[23] For purposes of my analysis here, however, I assume that the margins in this case are nontrivial. If this

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21 Id. at A-37. I note that the Report contains no information concerning the market penetration by value of the subject imports. I believe that it is important to use value data in measuring import penetration, and would expect to see such information should this investigation proceed to a final phase. My reasons for believing that imports ordinarily should be measured by their value rather than their quantity are set forth more fully in Candles from the People's Republic of China, Inv. No. 731-TA-282 (Final), USITC Pub. 1888 at 40-42 (1986) (Dissenting Views of Vice Chairman Brunsdale).

22 For a discussion of my views on the relevance of dumping and subsidy margins to causation analysis, see Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada, Inv. No. 731-TA-254 (Final), USITC Pub. 1808 at 13-14 (1986). It must be emphasized, however, that large margins are not by themselves sufficient to reach an affirmative decision. See Certain Ethyl Alcohol from Brazil, Inv. No. 701-TA-239 (Final), USITC Pub. 1818 at 15-16 (1986).

23 Report at A-9.

case proceeds to a final phase, I will, of course, reconsider the question of causation in light of the subsidy margin calculated by the Department of Commerce.[24]

Because the volume and market penetration of imports from Sweden cannot be dismissed as insignificant and the alleged subsidies in this case may not be trivial, I conclude that there is a reasonable indication that those imports are a cause of material injury to the domestic industry.

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[24] Unlike the Commission majority, I do not base my affirmative determination on evidence of underselling and lost sales. I believe that such evidence is ordinarily not probative on the issue of causation. See Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada, Inv. No. 731-TA-254 (Final), USITC Pub. 1808 at 11 n. 25 and 12 n. 28.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 4, 1986, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the Specialty Tubing Group, 1/ alleging that subsidized imports of stainless steel pipes and tubes from Sweden are being sold in the United States and that an industry in the United States is materially injured and threatened with material injury by reason of such imports. Stainless steel pipes and tubes are imported under items 610.37, 610.51, and 610.52 of the Tariff Schedules of the United States (TSUS).

Accordingly, effective September 4, 1986, the Commission instituted countervailing duty investigation No. 701-TA-281 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 16, 1986 (51 F.R. 32855). 2/ The public conference was held in Washington, DC, on September 25, 1986, during which time all interested parties were afforded the opportunity to present information for the Commission's consideration. 3/ The applicable statute directs the Commission to make its determination in this investigation within 45 days after the date of the filing of the petition, or by October 20, 1986. The Commission voted on this investigation on October 15, 1986.

Previous Investigations

The Commission has conducted two other investigations concerning stainless steel pipes and tubes. The first investigation, No. AA1921-180, 4/ covered imports of welded stainless steel pipes and tubes from Japan. The trade complaint was filed on behalf of a group of domestic pipe and tube producers. On July 20, 1978, the Commission determined that there was no

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1/ The Specialty Tubing Group consists of the following firms: AL Tech Specialty Steel Corp., Allegheny Ludlum Steel Corp., ARMCO-Specialty Steel Division, Carpenter Technology Corp., Damascus Tubular Products, and Trent Tube Division, Crucible Materials Corp.

2/ Copies of the Commission's and Commerce's Federal Register notices are presented in app. A.

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

4/ Welded Stainless Steel Pipe and Tube From Japan: Determination of No Injury in Investigation No. AA1921-180 Under the Antidumping Act, 1921, USITC Pub. 899, July 1978.

injury or likelihood of injury as a result of sales of welded pipe and tube from Japan at less than fair value. In the second investigation, No. 731-TA-87 (Final), the Commission examined the impact of imports of certain seamless steel (including stainless) pipes and tubes from Japan. 1/ The petitioner in the investigation was Babcock and Wilcox Co. In February, 1983, the Commission made an affirmative determination, which resulted in the issuance of an antidumping order. The order was revoked effective October 23, 1985, as the result of an import-restraint agreement reached with Japan.

The Product

Description and uses

The stainless steel pipes and tubes subject to this investigation include both welded and seamless products of circular cross section. 2/ The terms "pipes and tubes" are generally used interchangeably. However, some industry publications consider pipes to be products produced in large quantities in a few standard sizes and tubes to be products made to customers' specifications relative to dimensions, finish, chemical composition, and mechanical properties. According to these sources, pipes are normally used as conduits for liquids or gases, whereas tubes are generally used for load-bearing or mechanical purposes. Pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing and Materials (ASTM) and the American Society of Mechanical Engineers (ASME).

Pipes and tubes are produced to numerous metallurgical and dimensional specifications. The subject products are most commonly used in pressure and mechanical applications. More specifically, stainless steel pipes and tubes are used extensively in applications in which corrosion and heat resistance and high strength-to-weight ratios are important considerations. Typical applications are in heat exchangers, condensers, boilers, feed water heaters, evaporators, separators, stock lines for the petrochemical industry, digestor lines, blow lines, pharmaceutical production lines, food-processing equipment, and sanitary tubing for the dairy industry. Stainless steel tube is also used in ornamental applications such as decorative tubing for automobiles, seating for cars and buses, hand railings, furniture, hospital equipment, and display

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1/ Certain Seamless Steel Pipes and Tubes From Japan: Determination of the Commission in Investigation No. 731-TA-87 (Final), Under the Tariff Act of 1930, USITC Pub. 1347, February 1983.

2/ Stainless steel is an alloy steel that contains by weight less than 1 percent carbon and over 11.5 percent of chromium. The Tariff Schedules of the United States Annotated (TSUSA) provisions covering seamless pipes and tubes of circular cross section also pertain to items of rectangular cross section with wall thicknesses less than 0.156 inch. The market for these products is thought to be very small; representatives of the importers of seamless pipes and tubes testified that there were no imports of such items from Sweden (Transcript of the public conference in investigation No. 701-TA-281 (Preliminary)(Transcript), pp. 169-170).

racks. Small tube, generally less than 3/8 inch in diameter, is used in the manufacture of medical and dental instruments (e.g., needles), specialized machinery parts, and electrical and electronic components.

There is sharp disagreement on the extent of the overlap in the end uses for seamless and welded stainless steel pipes and tubes. Petitioners testified that in the size ranges in which both seamless and welded pipes and tubes are produced, there is approximately 95-percent overlap on total volume of sales. That is, the customer would be able to use either product. Respondents argued that price and technical differences are principal reasons why seamless and welded pipes and tubes are not commercially interchangeable. 1/ Petitioners contend that as wall thicknesses increase, the differences between seamless and welded production methods not only disappear but in some instances, welding becomes the more costly method. 2/ Seamless pipes and tubes are more commonly used in demanding applications that require exceptional strength, high pressure containment, and a great degree of reliability. Traditional applications for seamless stainless steel pipes and tubes are in nuclear power plants, conventional power plants, certain oil and gas tubing, and certain applications within the pulp and paper industry. 3/ Welded pipes and tubes are more commonly used to transport liquids at atmospheric pressure. 4/

Included within the seamless stainless steel pipes and tubes produced in the United States and imported from Sweden are two distinct product forms--redraw hollows and hollow bars. Redraw hollows are semifinished products characterized by a low wall thickness to outside diameter ratio. 5/ This product is reduced in size and finished by firms known as "redrawers," which cold work the product to its final form. Hollow bar, which is also referred to in the market as mechanical tubing, is a tubular product characterized by a high wall thickness to outside diameter ratio. 6/ The product is sold to the machiners of parts that machine the tubing into flanges, fittings, or valves. Estimates of the size of the U.S. market for hollow bar range from 2,500 to 4,500 short tons per year. 7/

Manufacturing processes

Seamless stainless steel pipes and tubes.--Seamless pipes and tubes are produced by forming a central cavity in solid steel stock. The central cavity may be formed by rotary piercing and rolling, or by extruding. Rotary piercing and rolling operations produce the bulk of seamless steel (all grades) tubular products. A conditioned steel round of proper grade, diameter, and weight is heated to a suitable forging temperature and rotary pierced in one of several types of mills that work the steel and cause it to

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1/ Transcript, pp. 72, 117, and 147-149.
2/ Post-Conference Brief of the Specialty Tubing Group, App. C, pp. 1-2.
3/ Transcript at p. 147.
4/ Transcript at p. 121.
5/ Post-Conference Statement on behalf of Sandvik, p. 3.
6/ Ibid.
7/ Ibid.; also Post-Conference Brief of the Specialty Tubing Group, App. F.

flow helically over and around a so-called piercer-point, yielding a seamless hollow billet. This billet is then roller-elongated either in a succession of plug mills or in one of several mandrel mills. Finally, the elongated steel is sized by further rolling without internal support in one or more sizing mills. A tension mill stretches the material between stands and makes wall reduction possible, and a rotary sizing mill frequently is used in conjunction with one of the other mills to make final precision sizing of the outside diameter. 1/

The extrusion process also starts with a conditioned steel round of desired grade, diameter, and weight. This billet may be cold drilled and hot expanded, or hot pierced-punched, either separately or in the extrusion process. The billets are then hot extruded by axially forcing the material through a die and over a mandrel. 2/ The bulk of all U.S. production of seamless stainless steel pipes and tubes is produced through the extrusion process. 3/

After a pipe or tube is pierced and rolled, or extruded, the product is subjected to certain finishing operations that may include straightening, cutting, inspection, and testing. The product then can be sold as is or it may undergo additional operations such as heat treating, cold drawing, polishing, rough turning, honing, pickling, threading, cold pilgering, and other special treatments.

Welded stainless steel pipes and tubes.--Welded products are usually produced in a continuous process beginning with coils of hot-rolled or cold-rolled sheet, strip, or plate. The coil has usually been annealed and pickled and produced to the dimensional, physical, and compositional limits specified by the pipe and tube producer. The coil is guided through a series of paired forming rolls. As it progresses through these rolls, its cross-sectional profile is changed into a tubular shape with the butted edges ready for welding. After welding, the tube continues through additional roll sets to size and/or form the tube into its final shape. The finish on the rolls and the condition of the edges are of prime importance in the production of high-quality pipe and tube. 4/

U.S. tariff treatment

Imports of the seamless stainless steel pipes and tubes under investigation are classified in TSUS items 610.51 and 610.52 and reported under TSUSA items 610.5130 (pt.), 610.5202, 610.5229 (pt.), and 610.5230, which include seamless tubular products of stainless steel, of circular cross section, including seamless redraw hollows. Imports of the subject welded stainless steel pipes and tubes are classified in TSUS items 610.37 and 610.52

1/ The American Iron and Steel Institute, Steel Products Manual: Steel Specialty Tubular Products, October 1980.
2/ Ibid.
3/ Transcript, p. 76.
4/ The American Iron and Steel Institute, Steel Products Manual: Steel Specialty Tubular Products, October 1980, p. 22.

and reported under TSUSA items 610.3701, 610.3727, 610.3731, 610.3741, 610.3742, and 610.5231, which include welded, jointed, or seamed tubular products of stainless steel, of circular cross section. The following tabulation shows the most-favored-nation (MFN)(col.1) rates of duty, 1/ the final staged rates negotiated in the Tokyo round of the Multilateral Trade Negotiations (MTN), 2/ and the column 2 rates of duty 3/ applicable to imports from non-MFN countries for these items (in percent ad valorem):

TSUS item	Col. 1 rate of duty	Final staged rate	Col. 2 rate of duty
610.37	4.9 1/	4.9 1/	10.0 2/
610.51	8.4 1/	7.5 1/	30.0 2/
610.52	8.4 1/	7.5 1/	35.0 2/

1/ Additional duties of up to 0.4 percent ad valorem are assessed on imports under this item depending on the content of chromium, molybdenum, tungsten, and vanadium, as provided for in schedule 6, headnote 4, part 2, subpart B.
2/ The additional duties for countries subject to col. 2 rates are 1 percent ad valorem rather than 0.4 percent.

No preferential tariff treatment is afforded to products of countries other than Israel (duty-free entry under the U.S.-Israel Free Trade Area Agreement) and beneficiaries of the Caribbean Basin Economic Recovery Act (see TSUS general headnote 3(e)(vii)), whose products enter free of duty). However, imports from Least Developed Developing Countries (LDDCs) under items 610.51 and 610.52 enter at 7.5 percent ad valorem plus additional duties.

Import Restraint Program

In July 1984, the Commission reported its findings and recommendations to the President in investigation No. TA-201-51, concerning carbon and certain alloy steel (excluding stainless steel) products. 4/ The Commission determined that imports of certain carbon steel products 5/ were found to be a

1/ The col. 1 rate is applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUSA.
2/ Rate effective Jan. 1, 1987.
3/ The rate of duty in col. 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUSA.
4/ Carbon and Certain Alloy Steel Products: Report to the President in Investigation No. TA-201-51 under the Trade Act of 1974, USITC Pub. 1553, July 1984.
5/ Affirmative decisions were rendered in the case of semifinished steel, plates, sheets and strip, wire and wire products, and structural shapes and units. Negative determinations were rendered in the case of wire rod, railway type products, bars, and pipes and tubes.

substantial cause of serious injury, or threat thereof, to certain domestic industries and recommended the imposition of a 5-year program of tariffs and quotas. On September 18, 1984, the President determined that taking "escape clause" action under Section 202(b)(1) of the Trade Act of 1974 was not in the national economic interest (49 F.R. 36813). Instead of taking action under the statute, the President established a nine-point policy to address the concerns of the industry. Under this policy, the President directed the United States Trade Representative to negotiate voluntary restraint arrangements (VRA's) to cover a 5-year period (from October 1, 1984 through September 30, 1989) with countries whose exports to the United States had increased significantly in recent years due to an unfair surge in imports. These measures were expected to return the share of imports in the U.S. market to a more normal level of approximately 18.5 percent, excluding semifinished steel (which, subsequent Administration statements indicate, would be limited to about 1.7 million tons per year).

To date, VRA's have been negotiated with 17 countries and the EC (excluding Portugal and Spain, which negotiated separate agreements). These agreements cover imports of all carbon steel products and certain specialty steel products, including stainless steel pipes and tubes. With the exception of Brazil, none of the VRA's negotiated to date contain a specific import limitation on stainless steel pipes and tubes. Sweden has not negotiated a VRA. The agreements have taken the form of market share arrangements and quotas, or a combination thereof. The absence of a specific limit on speciality steel products would allow foreign producers to concentrate their exports in higher value per pound items, such as stainless steel pipes and tubes. The agreements are tailored to each country, with considerable variation in the number of individual product categories subject to limitation. Under the terms of the arrangements, the Department of Commerce revoked any existing antidumping or countervailing duty orders, and petitioners withdrew existing petitions and agreed not to file new unfair trade petitions on finished steel products.

The negotiated arrangement level for import penetration for all pipe and tube products, including those under investigation, is 33.2 percent for 1986. The following tabulation shows the specific shares negotiated (on either a percentage or tonnage basis), by country:

Country	1986 Arrangement Level for Pipes and Tubes 1/
Australia	0.16%
Austria	0.044% 2/
Brazil	1.59% 3/
EC(10)	7.60%
Finland	0.10%
Japan	13.26%
Mexico	1.33%
South Africa	0.55%
Republic of Korea	7.67%
Spain	0.89%
Czechoslovakia	6,000 tons 4/
East Germany	6,587 tons 4/
Hungary	15,000 tons 4/
Poland	24,389 tons 4/
Romania	16,808 tons 5/
Venezuela	3,754 tons 6/
Yugoslavia	5,164 tons 4/

1/ Data compiled by the U.S. Department of Commerce, August 1986.
2/ This is a "basket" amount which includes pipes and tubes (except oil country tubular goods (OCTG) as well as other steel products.
3/ Brazil negotiated a specific import penetration level of 0.40 percent for stainless steel pipes and tubes.
4/ This is a "basket" amount which includes pipes and tubes, as well as other steel products.
5/ This amount excludes OCTG.
6/ This amount excludes standard pipe, line pipe, and OCTG.

Nature and Extent of Alleged Subsidies

Petitioners allege that during the last 10 years, the Government of Sweden has directed and financed a massive restructuring of the Swedish specialty steel industry. The purpose of the restructuring is alleged to be the rationalization and consolidation of production operations so as to enhance the export performance of the industry. Beginning in 1977, the operations of the five largest Swedish producers of stainless steel were consolidated so that by 1986 two firms accounted for virtually all production. Avesta AB specializes in welded stainless steel pipes and tubes, while Sandvik AB produces seamless. Petitioners allege that given the generally poor performance of the Swedish industry during the last 10 years, it would have encountered much difficulty and expense in attempting to finance the restructuring through normal commercial channels. The financial support of the Swedish Government allowed the rationalization process to take place without the use of commercial financing.

Specific subsidy practices of the Government of Sweden allegedly include loans at preferential terms and interest rates, loan guarantees, incentives for localizing in specified regions, energy-saving grants, and inventory-building grants. Petitioners allege that the benefits of these

subsidies include the following: the elimination of the need to secure nonpreferential financing from the commercial capital market to finance the industry restructuring; the ability to maintain production levels and efficiencies that allowed the industry to retain a market position unjustified by its commercial performance; the elimination of the burden of massive debt, which enabled the industry to more easily invest in new technology and expand its efforts to penetrate export markets; an upstream subsidy effect, created as subsidies received for sheet and strip or billet production flowed to the production of pipes and tubes; and finally, the subsidies conferred by the Government benefit the industry for many years, since preferential financing not only results in an immediate foregoing of costs but also benefits the recipients throughout the term of the financing.

Respondents to the petition noted at the public conference that none of the subsidy allegations addressed any specific export subsidy provided to Swedish producers of stainless steel pipes and tubes. 1/

The U.S. Market

U.S. producers

Producers of stainless steel pipes and tubes can be divided into three general categories: large, integrated producers that make raw steel, produce the basic shapes used as input in pipe and tube production, and then produce the final products; smaller, nonintegrated producers, that purchase basic shapes such as sheet and strip and billet and further manufacture them into finished products; and, redrawers, that purchase redraw hollows and reduce them in diameter and wall thickness, generally through cold working.

Generally, stainless steel pipe and tube producers concentrate on the production of either seamless or welded products. Carpenter Technology, a large integrated producer of welded pipes and tubes, also produces seamless pipe and tube at plants in Reading, PA, and Bridgeport, CN, as well as at the facilities of a wholly owned subsidiary, Eagle Precision Metals in Fryeburg, ME. * * *. * * *. In addition, several welded pipe and tube producers (designated as redrawers) also produce seamless pipes and tubes from redraw hollows. Approximately 42 U.S. companies produce stainless steel pipes and tubes; production facilities are located throughout the country, with a concentration in the northeastern and midwestern regions. Five producers of the seamless products 2/ and 12 producers of the welded product 3/ provided data in response to the Commission's questionnaire; these producers are believed to account for approximately *** percent and *** percent of total

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1/ Transcript, p. 112.
2/ * * *.
3/ Two of the producers, * * *, provided partial responses. Due to the late receipt of their returns and the minimal volume of shipments reported, their data were not included in the data base.

domestic shipments of seamless and welded products, respectively. 1/ The names of these producers, the location(s) of their production facilities, and their shares of 1985 domestic shipments, as compiled from questionnaire responses, are shown in table 1.

Petitioners have urged the Commission to exclude redrawers from the definition of the domestic industry because of possible problems with double counting. 2/ Counsel for Sandvik Steel Co., the U.S. subsidiary of Sandvik AB (Sweden), has argued that redrawers should be included in the domestic industry because they add substantial value to the redraw hollows that they purchase. 3/ Sandvik Steel Co., itself a redrawer, has provided data showing that the percent value added to the redraw hollows it purchases was *** percent in 1985 and *** percent in January-June 1986. 4/

U.S. importers

There are two firms that import stainless steel pipes and tubes from Sweden. Seamless stainless pipes and tubes are imported by Sandvik Steel Co., located in Scranton, PA. The company is a division of Sandvik, Inc., a Delaware corporation that in turn is owned by Sandvik AB of Sweden. Sandvik is an importer of both seamless stainless steel hollows and finished seamless stainless pipes and tubes. It also produces finished seamless stainless steel pipes and tubes at its facility in Scranton. Welded stainless steel pipes and tubes are imported by Avesta Stainless, Inc., located in Totowa, NJ. Avesta Stainless is a wholly owned subsidiary of Avesta AB, a Swedish stainless steel producer. With minor exceptions, both Sandvik and Avesta are exclusive U.S. importers of seamless and welded stainless steel pipes and tubes produced by their parent firms in Sweden. 5/

Channels of distribution

In the U.S. market, sales of finished pipes and tubes are generally made directly to end users or to distributors, which in turn sell to end users. Distributors are middlemen that buy large quantities of pipes and tubes, typically from both domestic producers and importers, warehouse the product, and sell smaller quantities to end users. According to questionnaire responses, *** percent of U.S. producers' domestic shipments of seamless

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1/ Total domestic shipments of stainless steel pipes and tubes used to calculate coverage is derived from Bureau of the Census annual survey of steel mill products for 1984 (the most recent year for which data are available). The survey was sent to all known producers of steel mill products, approximately 330 companies. While the exact correlation between the pipe and tube products reported in the survey and those subject to this investigation is not known, several definitional differences indicate that the survey overstates shipments of the products with which the Commission is concerned.
2/ Petition, pp. 3-4.
3/ Post-conference statement on behalf of Sandvik, p. 3.
4/ Ibid.
5/ Transcript, pp. 115 and 143.

Table 1.--Stainless steel pipes and tubes: Selected U.S. producers, their shares of domestic shipments, and plant locations, by types and firms, 1985

Firm	Share of reported 1985 domestic shipments	Plant locations
	Percent	
Seamless:		
Integrated producers:		
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
Total seamless.....	100.0	
Welded:		
Integrated producers:		
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
Nonintegrated producers:		
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
* * *.....	***	* * *
Total welded.....	100.0	

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

stainless steel pipes and tubes and *** percent of U.S. importers' domestic shipments of such products were made to unrelated distributors in 1985. About 65 percent of U.S. producers' domestic shipments of welded stainless steel pipes and tubes and *** percent of U.S. importers' domestic shipments of such products in 1985 were made to unrelated distributors. The remaining domestic shipments were made to unrelated end users.

The marketplace for stainless steel pipes and tubes in the United States can be characterized by two flows of goods. The first and largest is the sales of finished stainless steel pipes and tubes either domestically produced or imported. This flow is supplied by a few large, integrated producers of seamless stainless steel pipes and tubes, and a much larger group of nonintegrated welded pipe and tube producers. The second flow takes place primarily in the seamless product group. The integrated seamless producers ship semifinished pipes and tubes or redraw hollows to a group of producers, known as redrawers, which in turn manufacture finished pipes and tubes. These latter goods are generally produced in different dimensions than the output of the integrated mills, but there is some overlap. Imports of redraw hollows from Sweden are controlled by Sandvik Steel Co., which utilizes the bulk of the material in its own redraw facility but also sells some hollows to other domestic redrawers.

Apparent U.S. consumption

In the course of this preliminary investigation, data from four different data bases were cited in discussing consumption of stainless steel pipes and tubes in the U.S. market. Petitioners provided data from two sources: a survey prepared by the American Iron and Steel Institute and one prepared on their behalf by Economic Consulting Services. 1/ Respondents cited the Commission's own survey of the U.S. steel industry, which included data on specialty steel. 2/ Finally, reference was made to a survey of the U.S. Department of Commerce, which includes data on stainless steel pipe and tube shipments through 1984. 3/ All of these data sources were based on varying numbers of respondents and produced some differences in both absolute volumes and trends in shipments. After reviewing all of the data sources, the staff concluded that, for purposes of this preliminary investigation, the responses to the Commission's questionnaire in this investigation provided the most reliable data base.

1/ Countervailing Duty Petition against Specialty Tubing from Sweden, Tables 1 and 2.
2/ Annual Survey Concerning Competitive Conditions in the Steel Industry and Industry Efforts to Adjust and Modernize: Report to the President on Investigation No. 332-209 under Section 332 of the Tariff Act of 1930, September 1986, USITC Pub. 1881.
3/ Transcript, p. 97. The survey referred to is an annual report (MA33B) on steel mill products, published by the Bureau of the Census.

Domestic shipment data for seamless pipes and tubes appear to closely approximate the actual market. However, data for welded pipes and tubes are clearly understated. Therefore, apparent consumption figures derived from these data are also understated. Usable responses were received from 17 domestic producers (including 3 of the 9 firms identified as redrawers) and were confined to the products subject to this investigation. The consumption data compiled from these responses produces the same trends in shipments and market penetration as that provided by the petitioners. Shipment data from producers designated as redrawers were not used in calculating consumption of seamless stainless steel pipes and tubes. These firms purchase redraw hollows from both domestic and foreign sources. These hollows are then reduced in size, finished, and sold as pipe and tube. The inclusion of their shipment data would clearly overstate apparent consumption through double counting in that their purchases of redraw hollows from U.S. producers and foreign sources are included in the consumption data.

The limited response to the Commission's questionnaire from redrawers made it impossible to arrive at a domestic shipment figure by simply excluding redraw hollows from the shipment data of domestic producers. Rather, the limited data from the three redrawers, which included Sandvik Steel Co., had to be excluded. Sandvik imports redraw hollows from its parent company in Sweden. Therefore, combining its shipments of finished pipes and tubes produced from these hollows with imports of seamless pipes and tubes from Sweden, which also include these hollows, would once again lead to double counting.

Stainless steel pipes and tubes.--Apparent consumption increased steadily during the period of investigation, rising from *** short tons in 1983 to *** short tons in 1985. Reported consumption in January-June 1986 rose to *** short tons, representing an increase of about 5 percent when compared with consumption in January-June 1985 (table 2).

Table 2.--Stainless steel pipes and tubes: Apparent U.S. consumption, by types, 1983-85, January-June 1985, and January-June 1986

(In short tons)

Apparent consumption	1983	1984	1985	January-June-- 1985	1986
Seamless	***	***	***	***	***
Welded	48,029	53,271	53,357	26,089	27,194
Total	***	***	***	***	***

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.

Seamless stainless steel pipes and tubes.--Apparent consumption increased sharply from *** short tons in 1983 to *** short tons in 1984, then continued to increase to *** short tons in 1985. Consumption increased again in January-June 1986 to a level *** percent higher than that reported for the comparable period of the previous year.

Welded stainless steel pipes and tubes.--Apparent consumption in this category followed the same general trend, increasing from 48,029 short tons in 1983 to 53,271 short tons in 1984, then increasing slightly to 53,357 short tons in 1985. Consumption in January-June 1986 increased slightly more than 5 percent when compared with consumption in January-June 1985.

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

The data base used in the following discussion consists of the returns of 4 producers of seamless pipes and tubes and 10 producers of welded pipes and tubes. As previously noted, the data base is understated. 1/ Most data for two seamless redrawers were also included with the exception of domestic shipment data. These latter data were excluded to avoid double counting the purchases by these firms of redraw hollows, which were included in the shipment data of other reporting domestic producers. Data concerning the U.S. production operation of Sandvik Steel Co., a wholly owned subsidiary of Sandvik AB (Sweden) were also excluded from the domestic seamless data base. Tabulations including Sandvik's data are provided where appropriate.

U.S. production, capacity, and capacity utilization

Stainless steel pipes and tubes.--As shown in table 3, production of stainless steel pipes and tubes decreased without interruption from 1983 to 1985. In January-June 1986 reported production increased about *** short tons compared with production in January-June 1985. Capacity to produce stainless steel pipes and tubes 2/ declined from 1983 to 1984, then rebounded slightly in 1985. Capacity declined again in January-June 1986 as Babcock and Wilcox withdrew from the business. Capacity utilization hovered around *** percent during 1983-85, then declined to about *** percent in January-June 1986.

Seamless stainless steel pipes and tubes.--Seamless production decreased from *** short tons in 1983 to *** short tons in 1985, or by 23 percent. Production increased slightly in January-June 1986 as compared to January-June 1985. Capacity and capacity utilization followed the same trend, declining to *** tons in 1985 at a utilization rate of *** percent. Capacity declined sharply in January-June 1986 as Babcock and Wilcox withdrew from production. The utilization rate increased to *** percent as production increased and capacity fell.

1/ These producers are believed to account for *** percent and *** percent of total domestic shipments in 1984 of seamless and welded product, respectively, as reported by the Bureau of the Census.

2/ Capacity data submitted by questionnaire respondents were based on a wide combination of hours worked and weeks of operation. Responses for the largest producers ranged from 120 to 168 hours per week and 50 to 52 weeks per year.

Table 3.--Stainless steel pipes and tubes: U.S. production, capacity, and capacity utilization, by types, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June-- 1985	January-June-- 1986
Production:					
Seamless.....short tons..	***	***	***	***	***
Welded.....do....	40,932	40,964	40,951	19,805	19,852
Total.....do....	***	***	***	***	***
Capacity:					
Seamless.....short tons..	***	***	***	***	***
Welded.....do....	85,382	77,770	79,108	49,535	50,470
Total.....do....	***	***	***	***	***
Capacity utilization:					
Seamless.....percent..	***	***	***	***	***
Welded.....do....	47.9	52.7	51.8	40.0	39.3
Average.....do....	***	***	***	***	***

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

Welded stainless steel pipes and tubes.--Production of welded pipes and tubes remained virtually constant throughout 1983-85 at about 41,000 short tons (about 20,000 short tons during January-June of 1985 and 1986). Capacity declined to 79,108 short tons in 1985 but increased slightly in January-June 1986. Capacity utilization peaked at 52.7 percent in 1984, then declined to 39.3 percent in January-June 1986 as capacity increased slightly and production remained constant.

U.S. producers' domestic shipments

Stainless steel pipes and tubes.--Domestic shipments of stainless steel pipes and tubes by U.S. producers declined throughout the period of investigation from *** short tons in 1983 to *** short tons in 1985 (table 4). Shipments in January-June 1986 decreased slightly from levels in January-June 1985.

Table 4.--Stainless steel pipes and tubes: U.S. producers' domestic shipments, by types, 1983-85, January-June 1985, and January-June 1986

(In short tons)

Domestic shipments	1983	1984	1985	January-June-- 1985	January-June-- 1986
Seamless.....	***	***	***	***	***
Welded.....	42,090	40,985	41,170	20,574	19,298
Total.....	***	***	***	***	***

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

Seamless stainless steel pipes and tubes.--Shipments declined almost *** percent from 1983 to 1985, dropping from *** short tons in 1983 to *** short tons in 1985. In January-June 1986 producers experienced a slight increase in their domestic shipments as compared to their performance in January-June 1985.

As previously noted, sales in the seamless stainless steel pipe and tube market consist of two flows--redraw hollows and finished pipes and tubes. Data on U.S. producers' domestic shipments of redraw hollows and other seamless stainless steel pipes and tubes 1/ are presented in the following tabulation, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission (in short tons):

Item	1983	1984	1985	January-June-- 1985	1986
Redraw hollows	***	***	***	***	***
Other seamless	***	***	***	***	***
Total	***	***	***	***	***

Domestic shipments of both redraw hollows and finished seamless pipes and tubes for Sandvik Steel Co. were not included in the shipment data base as previously discussed. Such data are provided in the following tabulation (in short tons):

Item	1983	1984	1985	January-June-- 1985	1986
Redraw hollows	***	***	***	***	***
Other seamless	***	***	***	***	***
Total	***	***	***	***	***

Welded stainless steel pipes and tubes.--Producers' domestic shipments followed a slightly different trend, declining from 1983 to 1984 and then increasing slightly in 1985. Shipments then decreased in January-June 1986.

1/ The other seamless stainless steel pipes and tubes do not include the redrawers' shipments of finished stainless steel products.

U.S. exports

Exports of stainless steel pipes and tubes 1/ declined from *** short tons in 1983 to *** short tons in 1985 (table 5). Exports increased in January-June 1986. The bulk of exports in 1985 were welded pipes and tubes destined for the European Community and Canada.

Table 5.--Stainless steel pipes and tubes: U.S. producers' export shipments, by types, 1983-85, January-June 1985, and January-June 1986

(In short tons)

Export shipments	1983	1984	1985	January-June-- 1985	1986
Seamless	***	***	***	***	***
Welded	***	***	***	***	***
Total	***	***	***	***	***

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

U.S. producers' inventories

Stainless steel pipes and tubes.--U.S. producers' yearend inventories decreased during 1983-85. During the period covered by the investigation, these inventories varied between 25 and 28 percent of annual shipments, as shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1983	***	28.2
1984	***	28.4
1985	***	26.7
As of June 30--		
1985	***	1/ 24.7
1986	***	1/ 27.2

1/ Calculated on the basis of annualized shipments.

Seamless stainless steel pipes and tubes.--U.S. producers' yearend inventories of seamless pipes and tubes decreased by *** percent during 1983-85. During the period covered by the investigation, these inventories varied between *** and *** percent of annual shipments, as shown in the following tabulation:

1/ Exports were compiled from questionnaire responses. Official statistics of the U.S. Department of Commerce appear to be vastly overstated, a fact acknowledged by Commerce in correspondence with counsel representing petitioners.

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1983	***	***
1984	***	***
1985	***	***
As of June 30--		
1985	***	1/ ***
1986	***	1/ ***

1/ Calculated on the basis of annualized shipments.

Welded stainless steel pipes and tubes.--U.S. producers' yearend inventories of welded pipes and tubes increased slightly during 1983-85. During the period covered by the investigation, these inventories varied between 22 and 26 percent of annual shipments, as shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1983	9,866	23.4
1984	10,176	24.8
1985	10,189	24.7
As of June 30--		
1985	9,032	1/ 21.9
1986	9,994	1/ 25.9

1/ Calculated on the basis of annualized shipments.

U.S. employment

The number of workers employed in the production of stainless steel pipes and tubes decreased throughout the period of investigation (table 6). 1/ Hours worked by, wages paid to, and total compensation of such workers also declined. The trends between production of seamless and welded pipes and tubes were similar with the exception of wages per hour. On an hourly basis, wages of production and related employees producing seamless stainless steel pipes and tubes were fairly constant during 1983-85 and then fell in January-June 1986. Hourly wages of welded pipe and tube workers declined irregularly from 1983 to 1985, then increased in January-June 1986. Productivity, based on tons of production per manhour worked, remained relatively stable from 1983 to 1985. Productivity increased in January-June 1986 as compared to levels in January-June 1985.

1/ * * *.

Table 6.--Stainless steel pipes and tubes: Employment of production and related workers and their hours worked, wages paid, total compensation, and productivity, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June-- 1985	1986
Production & related workers:					
Seamless.....number..	***	***	***	***	***
Welded.....do....	1,005	935	918	897	883
Total.....do....	***	***	***	***	***
Hours worked:					
Seamless.....1,000 hours..	***	***	***	***	***
Welded.....do....	2,089	1,996	2,037	1,034	963
Total.....do....	***	***	***	***	***
Wages paid:					
Seamless...1,000 dollars..	***	***	***	***	***
Welded.....do....	24,117	23,822	22,199	11,169	11,101
Total.....do....	***	***	***	***	***
Total compensation:					
Seamless...1,000 dollars..	***	***	***	***	***
Welded.....do....	28,607	27,645	25,754	13,012	13,117
Total.....do....	***	***	***	***	***
Wages per hour:					
Seamless..... dollars..	***	***	***	***	***
Welded.....do....	11.54	11.93	10.89	10.80	11.52
Average.....do....	***	***	***	***	***
Productivity:					
Seamless...tons per hour..	***	***	***	***	***
Welded.....do....	1.9	2.0	2.0	1.9	2.1
Average.....do....	***	***	***	***	***

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

Eleven firms reported the union status of their employees. Workers at nine firms are represented by the United Steel Workers, and workers at another are represented by the International Brotherhood of Electrical, Radio, and Machine Workers. Employees of the remaining firm, * * *, are not represented by a union. While most of the responding producers reported minor layoffs of employees, two firms, * * *, reported reductions in staff that they characterized as permanent. * * *.

Financial experience of U.S. producers

Four producers provided usable income-and-loss data on the overall operations of their establishments within which seamless stainless pipe and tube is produced, as well as on their operations producing only seamless stainless steel pipe and tube. Eight producers provided usable financial data on the overall operations of their establishments within which welded stainless steel pipe and tube is produced, and seven firms provided data on their operations producing only welded stainless steel pipe and tube.

Seamless stainless steel pipe and tube establishment operations.--Aggregate income-and-loss data on seamless overall establishment operations are presented in table 7. Aggregate net sales of the four firms 1/ rose significantly from $*** million in 1983 to $*** million in 1984, an increase of *** percent. The sharp increase in sales was due to increased sales in product lines other than stainless steel pipes and tubes. During 1985, however, sales declined to $*** million, or by *** percent from 1984 levels.

Operating income improved dramatically in 1984 to $*** million, up from a loss of $*** million reported for 1983. During the 1985 accounting year, however, the trend was again reversed, as a significant operating loss of $*** million was reported. The operating income (loss) margins for the producers during the 1983-85 period were an erratic *** percent, *** percent, and *** percent, respectively. *** of the four producers experienced operating losses during 1983, 1984, and 1985.

During the interim period ended June 30, 1986, aggregate net sales totaled $*** million, down *** percent from net sales of *** million reported during interim 1985. Aggregate operating income of the four producers declined substantially from $*** million during interim 1985 to $*** million during 1986, or by *** percent. The operating income margins for the 1985 and 1986 interim periods were *** percent and *** percent, respectively. *** firms reported operating losses during interim 1985 and * * * incurred an operating loss during interim 1986.

Seamless stainless steel pipe and tube product line operations.--Income-and-loss data on seamless operations are presented in table 8. Net sales of the four integrated firms 2/ declined from $*** million during 1983 to $*** million during 1984, or by *** percent, then dropped further by *** percent in 1985 to $*** million.

Operating losses increased sharply from $*** million in 1983 to $*** million in 1984. Operating income of $*** million was reported during 1985, in large part due to * * *. Of the two producers that experienced consistent operating losses during the 1983-85 period, * * *'s losses during 1983 and 1984 were by far the heaviest. After * * *, its losses were minimized during * * *. The aggregate operating income (loss) margins for the four producers of seamless steel pipe and tube during the 1983-85 period were *** percent, *** percent, and *** percent, respectively.

1/ The firms are * * *. These firms, * * *, accounted for approximately *** percent of domestic shipments of seamless stainless steel pipes and tubes in 1984 as reported by the Bureau of the Census and *** percent of the shipments reported in response to the Commission's questionnaire.
2/ The firms are * * *. * * *.

Table 7.--Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which seamless stainless steel pipe and tube is produced, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30--2/ 1985	1986
Net sales.....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit.....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 income or (loss) before income taxes 1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	***	***
As a share of net sales:					
Cost of goods sold percent..	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating income or (loss) percent..	***	***	***	***	***
Net income or (loss) before income taxes.....percent..	***	***	***	***	***
Number of firms reporting operating losses.....	***	***	***	***	***
Number of firms reporting.....	4	4	4	4	4

1/ Does not include Sandvik Steel Co.

2/ Three firms reported 6 months interim data (Jan. 1-June 30); and one firm reported 3 months interim data (Apr. 1-June 30).

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

Table 8.--Income-and-loss experience of U.S. producers 1/ on their operations producing seamless stainless steel pipe and tube, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985 3/	Interim period ended June 30--2/ 1985	1986
Net sales.....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit or (loss) 1,000 dollars..	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars..	***	***	***	***	***
Operating income or (loss).....do....	***	***	***	***	***
Interest expense.....do....	***	***	***	***	***
Other income or (expense) net.....1,000 dollars..	***	***	***	***	***
Net income or (loss) before income taxes.....do....	***	***	***	***	***
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	***	***
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 income or (loss) before income taxes.....percent..	***	***	***	***	***
Number of firms reporting operating losses.....	***	***	***	***	***
Number of firms reporting.....	4	4	4	3	3

1/ Does not include Sandvik Steel Co.
2/ Three firms reported 6 months interim data (Jan. 1-June 30).
3/ * * *.

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

Seamless net sales for the three integrated producers 1/ increased from $*** million during the interim period ended June 30, 1985 to $*** million during the interim period ended June 30, 1986, or by *** percent. Operating income similarly increased from $*** in interim 1985 to $*** million during interim 1986, an increase of *** percent. The operating income margins during interim 1985 and 1986 were *** percent and *** percent, respectively. * * *.

Sandvik Steel Co., a wholly-owned subsidiary of Sandvik AB, is the exclusive importer of Swedish seamless stainless steel pipe and tube. Because of the nature of this relationship, data contained in the seamless product line table exclude Sandvik. In order to show the effect of Sandvik's exclusion from the data, the following tabulation presents a comparison of seamless stainless steel pipe and tube sales and operating income data for Sandvik and the other four seamless producers:

Item	1983	1984	1985	Interim period ended June 30-- 1985	1986
Net sales:					
Seamless producers 1/...	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income:					
Seamless producers 1/...	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income as a percent of sales:					
Seamless producers 1/...	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***

1/ Four seamless producers provided 1983-85 data; 3 firms provided usable interim data covering the 6-month period from Jan. 1 to June 30.

Welded stainless steel pipe and tube establishment operations.--Aggregate income-and-loss data on welded overall establishment operations are presented in table 9. Aggregate net sales of the eight firms 2/ rose from $171 million in 1983 to $179.1 million during 1984, an increase of 4.8 percent, but then declined by 2.0 percent to $175.6 million during 1985.

1/ The firms are * * *.

2/ The firms are * * *. These firms accounted for *** percent of domestic shipments of welded stainless steel pipes and tubes reported by Census for 1984 and *** percent of domestic shipments reported in response to the Commission's questionnaire.

Table 9.--Income-and-loss experience of U.S. producers on the overall operations of their establishments within which welded stainless steel pipe and tube is produced, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30--1/ 1985	1986
Net sales.....1,000 dollars..	170,973	179,095	175,563	90,971	85,658
Cost of goods sold.....do....	168,141	165,493	162,014	82,126	77,210
Gross profit.....do....	2,832	13,602	13,549	8,845	8,448
General, selling, and administrative expenses 1,000 dollars..	18,201	18,086	19,771	10,038	9,471
Operating income or (loss).....do....	(15,369)	(4,484)	(6,222)	(1,193)	(1,023)
Interest expense.....do....	2,690	1,412	4,138	995	1,084
Other income or (expense), net.....1,000 dollars..	263	(339)	136	(100)	60
Net income or (loss) before income taxes.....do....	(17,796)	(6,235)	(10,224)	(2,288)	(2,047)
Depreciation and amortization expense included above 1,000 dollars..	5,153	5,114	5,129	2,954	3,157
As a share of net sales:					
Cost of goods sold percent..	98.3	92.4	92.3	90.3	90.1
Gross profit.....do....	1.7	7.6	7.7	9.7	9.9
General, selling, and administrative expenses percent..	10.6	10.1	11.3	11.0	11.1
Operating income or (loss) percent..	(9.0)	(2.5)	(3.5)	(1.3)	(1.2)
Net income or (loss) before income taxes.....percent..	(10.4)	(3.5)	(5.8)	(2.5)	(2.4)
Number of firms reporting operating losses.....	6	5	4	4	3
Number of firms reporting.....	8	8	8	8	8

1/ Eight firms reported 6 months interim data (Jan. 1-June 30).

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

Operating losses were sharply reduced from $15.4 million in 1983 to $4.5 million during 1984, but then worsened to $6.2 million in 1985. The operating loss margins during the 1983-85 period were: 9.0 percent, 2.5 percent, and 3.5 percent, respectively. Six welded producers experienced operating losses in 1983, five producers experienced losses during 1984, and four firms reported losses during the 1985 period.

During the interim period ended June 30, 1986, aggregate establishment net sales of the eight welded producers totaled $85.7 million, down 5.8 percent from net sales of $91 million reported during interim 1985. Operating losses were reduced slightly from $1.2 million in interim 1985 to $1.0 million during interim 1986. The operating loss margins during interim 1985 and 1986 were 1.3 percent and 1.2 percent, respectively. Four welded producers reported operating losses during interim 1985, and three producers experienced losses during interim 1986.

Welded stainless steel pipe and tube product line operations.--Income-and-loss data on welded operations are presented in table 10. Net sales of the seven 1/ firms increased from $149.1 million in 1983 to $151.6 million during 1984, or by 1.7 percent, then declined by 3.0 percent in 1985 to $147.0 million.

Operating losses were reduced sharply from $13.5 million in 1983 to $4.1 million during 1984, and then remained virtually unchanged at $4.2 million for 1985. The operating loss margins during the 1983-85 period were as follows: 9.0 percent, 2.7 percent, and 2.8 percent, respectively. Six welded producers experienced losses during 1983, four producers reported losses in 1984, and two firms incurred losses during 1985.

During interim periods 1985 and 1986, welded net sales fell from $75.7 million to $70.6 million, a decline of 6.7 percent. Operating losses increased by 43.1 percent, from $1.0 million during interim 1985 to $1.4 million during interim 1986. The operating loss margins during the 1985 and 1986 interim periods were 1.3 percent and 2.0 percent, respectively. Three welded producers reported operating losses during both interim periods.

Of the seven welded producers that provided the Commission with financial data on their welded operations, three are integrated producers 2/ and four are nonintegrated producers. 3/ Operating results for the two types of welded producers are quite diverse, as can be seen in the tabulation below which presents a comparison of sales and operating income for the integrated and nonintegrated producers.

1/ The firms are * * *.
2/ The firms are * * *.
3/ The firms are * * *.

Item	1983	1984	1985	Interim period ended June 30-- 1985	1986
Net sales:					
Integrated welded producers 1/.....	55,464	55,677	50,521	29,345	21,937
Nonintegrated welded producers 2/.....	93,601	95,905	96,467	46,318	48,678
Total.....	149,065	151,582	146,988	75,663	70,615
Operating income:					
Integrated welded producers 1/.....	(12,521)	(7,055)	(7,311)	(2,607)	(3,140)
Nonintegrated welded producers 2/.....	(941)	2,928	3,155	1,608	1,710
Total.....	(13,462)	(4,127)	(4,156)	(999)	(1,430)
Operating income as a percent of sales:					
Integrated welded producers 1/.....	(22.6)	(12.7)	(14.5)	(8.9)	(14.3)
Nonintegrated welded producers 2/.....	(1.0)	3.1	3.3	3.5	3.5
Total.....	(9.0)	(2.7)	(2.8)	(1.3)	(2.0)

1/ Three integrated welded producers provided 1983-85 data as well as interim data covering the 6-month period from Jan. 1 to June 30.
2/ Four nonintegrated welded producers provided 1983-85 data as well as interim data covering the six-month period from Jan. 1 to June 30.

Combined seamless and welded stainless steel pipe and tube product line operations.--Income-and-loss data on combined seamless and welded operations are presented in table 11. Net sales declined from $*** million in 1983 to $*** million in 1984, or by *** percent, then fell further to $*** million during 1985.

Operating losses improved progressively during the 1983-85 period, from $*** million reported in 1983 to $*** million for 1984 and then to $*** million during the 1985 period. The operating loss margins were *** percent in 1983, *** percent in 1984, and *** percent during 1985. *** producers reported operating losses during 1983, *** producers reported losses during 1984, and *** firms incurred losses in 1985.

During the interim period ended June 30, 1986, combined seamless and welded net sales totaled $*** million, down *** percent from combined net sales of $*** million during interim 1985. Operating losses increased slightly from $*** during interim 1985 to $*** during interim 1986. The operating loss margins remained steady at *** percent for both interim periods. *** producers reported operating losses in both the 1985 and 1986 interim periods.

Table 10.--Income-and-loss experience of U.S. producers on their operations producing welded stainless steel pipe and tube, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30--1/ 1985	1986
Net sales.....1,000 dollars..	149,065	151,582	146,988	75,663	70,615
Cost of goods sold.....do....	146,272	140,286	134,778	68,309	64,010
Gross profit.....do....	2,793	11,296	12,210	7,354	6,605
General, selling, and administrative expenses 1,000 dollars..	16,255	15,423	16,366	8,353	8,035
Operating income or (loss).....do....	(13,462)	(4,127)	(4,156)	(999)	(1,430)
Interest expense.....do....	1,760	482	3,208	530	619
Other income or (expense) net.....1,000 dollars..	382	(184)	338	19	109
Net income or (loss) before income taxes.....do....	(14,840)	(4,793)	(7,026)	(1,510)	(1,940)
Depreciation and amortization expense included above 1,000 dollars..	4,791	4,651	4,783	2,772	2,977
As a share of net sales:					
Cost of goods sold percent..	98.1	92.5	91.7	90.3	90.6
Gross profit.....do....	1.9	7.5	8.3	9.7	9.4
General, selling, and administrative expenses percent..	10.9	10.2	11.1	11.0	11.4
Operating income or (loss) percent..	(9.0)	(2.7)	(2.8)	(1.3)	(2.0)
Net income or (loss) before income taxes.....percent..	(10.0)	(3.2)	(4.8)	(2.0)	(2.7)
Number of firms reporting operating losses.....	6	4	2	3	3
Number of firms reporting.....	7	7	7	7	7

1/ Seven firms reported 6 months interim data (Jan. 1-June 30).

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

Table 11.--Income-and-loss experience of U.S. producers on their operations producing seamless 1/ and welded stainless steel pipe and tube, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985 3/	Interim period ended June 30--2/ 1985	1986
Net sales.....1,000 dollars..	***	***	***	***	***
Cost of goods sold.....do....	***	***	***	***	***
Gross profit.....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 income or (loss) before income taxes 1,000 dollars..	***	***	***	***	***
Depreciation and amortization expense included above 1,000 dollars..	***	***	***	***	***
As a share of net sales:					
Cost of goods sold .. percent..	***	***	***	***	***
Gross profit.....do....	***	***	***	***	***
General, selling, and administrative expenses percent..	***	***	***	***	***
Operating income or (loss) percent..	***	***	***	***	***
Net income or (loss) before income taxes.....percent..	***	***	***	***	***
Number of firms reporting operating losses.....	***	***	***	***	***
Number of firms reporting.....	***	***	***	***	***

1/ Does not include Sandvik Steel Co.
2/ Ten firms reported 6 months interim data (Jan. 1-June 30).
3/ * * *.

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

Sandvik Steel Co., a wholly owned subsidiary of Sandvik AB, is the exclusive importer of Swedish seamless stainless steel pipe and tube. Because of the nature of this relationship, data contained in the combined seamless and welded table exclude Sandvik. In order to show the effect of Sandvik's exclusion from the data, the tabulation below presents a comparison of combined seamless and welded producers' sales and operating data with Sandvik's:

Item	1983	1984	1985	Interim period ended June 30-- 1985	1986
Net sales:					
Seamless and welded producers 1/.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income:					
Seamless and welded producers 1/.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income as a percent of sales:					
Seamless and welded producers 1/.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Total.....	***	***	***	***	***

1/ Eleven firms provided 1983-85 data; ten firms provided usable interim data covering the 6-month period from January 1 to June 30.

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

In its examination of the question of threat of material injury to an industry in the United States the Commission may take into consideration such factors as the nature of the subsidy, the rate of increase of the subject imports, the rate of increase in U.S. market penetration by such imports, the rate of increase of imports held in inventory in the United States, the capacity of producers in the exporting country to generate exports, and the price depressing or suppressing effect of the subject imports on domestic prices. Information on the nature of the subsidy is presented in the section of the report entitled "Nature and extent of subsidies" and discussions of rates of increase in imports and their U.S. market penetration, as well as available information on their prices, are presented in the section of the report entitled "Consideration of the causal relationship between the alleged subsidized imports and the alleged material injury." Available information on inventories of the subject imports in the United States and the ability of the foreign producers to generate exports is presented in the following sections.

Importers' inventories

Stainless steel pipes and tubes.--Inventories of imported stainless steel pipes and tubes from Sweden held by importers are shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1983	***	***
1984	***	***
1985	***	***
As of June 30--		
1985	***	1/ ***
1986	***	1/ ***

1/ Calculated on the basis of annualized imports.

Seamless stainless steel pipes and tubes.--Inventories of seamless imports from Sweden, held by the sole importer, Sandvik Steel Co., fluctuated between *** and *** percent of imports during 1983-85 as shown in the following tabulation. Inventories declined as a share of imports in January-June 1986. * * *.

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1983	***	***
1984	***	***
1985	***	***
As of June 30--		
1985	***	1/ ***
1986	***	1/ ***

1/ Calculated on the basis of annualized imports.

Welded stainless steel pipes and tubes.--Inventories of imported welded stainless steel pipes and tubes from Sweden held by importers are shown in the following tabulation. A witness for Avesta testified at the conference that his firm had changed its marketing plans and would no longer stock inventories in the United States. 1/

1/ Transcript, pp. 136-137.

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1983	***	***
1984	***	***
1985	***	***
As of June 30--		
1985	***	1/ ***
1986	***	1/ ***

1/ Calculated on the basis of annualized imports.

The Swedish stainless steel pipe and tube industry and its capacity to generate exports

Seamless stainless steel pipes and tubes.--Restructuring of the Swedish stainless steel industry has resulted in the consolidation of all seamless stainless steel pipe and tube production in one firm, AB Sandvik Steel. The firm produces and exports seamless redraw hollows as well as finished pipes and tubes. Exports from AB Sandvik account for all of Sweden's exports of such products to the United States. 1/ Sweden's production of seamless stainless steel pipes and tubes rose steadily by *** percent from *** short tons in 1983 to *** short tons in 1985 (table 12). Production continued to rise during January-June 1986. The bulk of Sweden's production is exported; total exports accounted for *** percent of production in 1985. Of these exports in 1985, *** percent, or *** short tons, were to the United States. Redraw hollows accounted for about *** percent of exports to the United States during the period of investigation. 2/

Welded stainless steel pipes and tubes.--There is one producer in Sweden of welded stainless steel pipes and tubes, Avesta Sandvik Tube (AST), which is 75 percent owned by Avesta AB and 25 percent owned by Sandvik AB. Exports from AST account for 95 to 100 percent of the total tonnage of welded stainless steel pipes and tubes that enter the United States from Sweden. 3/ Sweden's capacity to produce welded stainless steel pipes and tubes rose by *** percent from *** short tons in 1983 to *** short tons in 1985 (table 13). Production rose by *** percent during the period, from *** short tons to *** short tons, and capacity utilization increased from *** percent in 1983 to *** percent in 1985. There were continued increases in production and capacity during January-June 1986 as compared with January-June 1985.

Sweden's exports of welded stainless steel pipes and tubes rose from *** short tons in 1983 to *** short tons in 1985, an increase of *** percent. Exports continued to grow during January-June 1986.

1/ Transcript, pp. 140 and 143.
2/ Brief on behalf of Sandvik Steel Co., exhibit A.
3/ Transcript, pp. 131-132.

Table 12.--Seamless stainless steel pipes and tubes: Sweden's capacity, production, capacity utilization, domestic shipments, and exports, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June-- 1985	1986
Capacity.....short tons..	1/	1/	***	***	1/
Production.....do....	***	***	***	***	***
Capacity utilization percent..	1/	1/	***	***	1/
Domestic shipments short tons..	***	***	***	***	***
Exports to:					
United States:					
Redraw hollows short tons..	***	***	***	***	***
Other seamless....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Other countries.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***

1/ Not available.

Source: Compiled from data submitted by counsel for Sandvik AB.

Table 13.--Welded stainless steel pipes and tubes: Sweden's capacity, production, capacity utilization, domestic shipments, and exports, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June-- 1985	1986
Capacity.....short tons..	***	***	***	***	***
Production.....do....	***	***	***	***	***
Capacity utilization percent..	***	***	***	***	***
Domestic shipments short tons..	***	***	***	***	***
Exports to:					
United States short tons..	1/	1/	1/	1/	1/
Other countries.....do....	1/	1/	1/	1/	1/
Total.....do....	***	***	***	***	***

1/ Not available.

Source: Compiled from data submitted by counsel for Avesta Stainless Tube.

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

U.S. imports

Imports of stainless steel pipes and tubes from Sweden are provided for in TSUS items 610.37, 610.51, and 610.52. For purposes of this preliminary investigation, official statistics of the U.S. Department of Commerce, as adjusted by petitioners, 1/ will be used in our discussion of imports.

Stainless steel pipes and tubes.--Imports of stainless steel pipes and tubes increased steadily from 19,119 short tons in 1983 to 34,895 short tons in 1985. Imports in January-June 1986 reached 18,925 short tons, a 34-percent increase over imports in the comparable period of 1985 (table 14). The six countries listed in the following tabulation accounted for 84 percent of the volume of imports in 1985:

Country	Percent of total imports in 1985
Japan	47.4
Sweden	19.4
France	4.7
West Germany	4.2
United Kingdom	4.2
Canada	4.2
All others	15.9
Total	100.0

Imports of stainless steel pipes and tubes from Sweden followed a slightly different trend than total imports. After increasing almost 61 percent between 1983 and 1984, imports from Sweden declined 10 percent to 6,783 short tons in 1985. Such imports rebounded in January-June 1986 to a level 45 percent higher than that reported for January-June 1985.

1/ Import data have been adjusted as follows: for TSUSA item 610.5229, cold-drawn tubing, only 40 percent of quantity and value for 1983 and 1984 and 50 percent for 1985 and January-June 1986 have been included. This represents petitioners' estimate of the stainless steel products contained in this item. TSUSA item 610.5130 has likewise been adjusted to exclude heat-resisting hollow bars. Only 80 percent of this category has been included in the import data base. It should be noted that both of these items accounted for less than 5 percent of imports of Swedish stainless steel pipes and tubes in 1985.

Table 14.--Stainless steel pipes and tubes: U.S. imports for consumption, 1983-85, January-June 1985, and January-June 1986

Country	1983	1984	1985	January-June-- 1985	1986
	Quantity (short tons)				
Japan	6,993	13,598	16,568	6,574	6,932
Sweden	4,707	7,570	6,783	2,990	4,338
France	2,058	2,573	1,655	1,218	1,174
West Germany	1,551	967	1,483	1,084	348
United Kingdom	613	1,441	1,485	936	832
Canada	567	1,563	1,449	672	1,824
All other countries	2,630	4,568	5,510	2,228	3,476
Total	19,119	32,280	1/34,895	1/15,665	18,925
	Customs value (1,000 dollars)				
Japan	21,104	35,108	47,477	18,330	19,954
Sweden	13,342	21,226	18,856	9,024	12,136
France	7,214	4,979	4,051	3,287	2,462
West Germany	6,178	3,841	4,784	3,440	1,311
United Kingdom	1,863	3,877	4,789	3,004	2,585
Canada	1,999	5,089	5,967	2,596	5,101
All other countries	8,149	11,715	14,064	6,249	8,953
Total	59,849	85,833	99,988	45,930	52,500

1/ Official statistics were revised downward by Commerce to reflect the misclassification of 44 short tons of material.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Seamless stainless steel pipes and tubes.--Imports of seamless stainless steel pipes and tubes increased throughout the period of investigation, rising from 13,181 short tons in 1983 to 22,708 short tons in 1985 (table 15). Imports continued their upward trend in January-June 1986. Six countries accounted for 85 percent of total imports in 1985 as shown in the following tabulation:

Country	Percent of total imports in 1985
Japan	44.8
Sweden	20.2
France	6.9
West Germany	5.9
United Kingdom	5.8
Canada	1.0
All others	15.4
Total	100.0

Table 15.--Seamless stainless steel pipes and tubes: U.S. imports for consumption, 1983-85, January-June 1985, and January-June 1986

Country	1983	1984	1985	January-June-- 1985	1986
	Quantity (short tons)				
Japan	5,185	6,044	10,193	3,553	4,492
Sweden	3,551	5,726	4,594	2,183	2,527
France	844	2,500	1,580	1,144	939
West Germany	686	776	1,352	953	327
United Kingdom	554	1,390	1,329	879	738
Canada	133	241	236	156	176
All other countries	2,228	3,318	3,466	1,322	1,830
Total	13,181	19,995	1/22,708	1/10,150	11,029
	Customs value (1,000 dollars)				
Japan	16,790	19,175	33,171	11,337	14,063
Sweden	9,975	16,525	14,011	7,213	8,041
France	1,675	4,698	3,696	2,938	1,678
West Germany	2,629	3,042	4,139	2,904	1,217
United Kingdom	1,769	3,643	4,127	2,739	2,247
Canada	678	1,628	1,230	795	645
All other countries	6,976	8,795	9,265	4,013	5,333
Total	40,492	57,506	69,739	31,939	33,224

1/ Official statistics were revised downward by Commerce to reflect the misclassification of 44 short tons of material.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Imports of seamless stainless steel pipes and tubes from Sweden rose sharply from 3,551 short tons in 1983 to 5,726 short tons in 1984, representing an increase of 61 percent. Imports declined by 20 percent in 1985 to 4,594 short tons. Imports from Sweden in January-June 1986 were 16 percent higher than those in the comparable period of 1985.

Welded stainless steel pipes and tubes.--Imports of welded stainless steel pipes and tubes were at levels approximately half of those reported for seamless pipes and tubes. After rising over 100 percent between 1983 and 1984, welded imports leveled off at 12,187 short tons in 1985 (table 16). In January-June 1986, imports increased 43 percent over those reported in January-June 1985. The following tabulation lists the percentage distribution of imports from the five countries that accounted for 83 percent of imports in 1985:

Country	Percent of total imports in 1985
Japan	52.3
Sweden	17.9
Canada	9.9
West Germany	1.1
United Kingdom	1.3
All other	17.5
Total	100.0

Table 16.--Welded stainless steel pipes and tubes: U.S. imports for consumption, 1983-85, January-June 1985, and January-June 1986

Country	1983	1984	1985	January-June-- 1985	1986
	Quantity (short tons)				
Japan	1,808	7,554	6,376	3,021	2,440
Sweden	1,156	1,844	2,189	807	1,811
Canada	434	1,321	1,213	517	1,648
France	1,214	74	75	75	236
West Germany	864	191	132	131	21
United Kingdom	58	52	156	58	94
All other countries	405	1,250	2,046	906	1,646
Total	5,939	12,286	12,187	5,515	7,896
	Customs value (1,000 dollars)				
Japan	4,314	15,933	14,306	6,993	5,892
Sweden	3,367	4,701	4,845	1,811	4,095
Canada	1,322	3,460	4,737	1,801	4,455
France	5,539	281	355	349	784
West Germany	3,549	799	545	536	93
United Kingdom	94	233	661	265	337
All other countries	1,172	2,920	4,800	2,236	3,620
Total	19,357	28,327	30,249	13,991	19,276

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

Unlike the trend for overall imports, welded stainless steel pipes and tubes from Sweden increased throughout the period of investigation. Such imports increased 90 percent from 1,156 short tons in 1983 to 2,189 short tons in 1985. During January-June 1986, imports from Sweden increased over 100 percent compared to imports in the corresponding period of 1985.

Data on imports of stainless steel pipe and tube were also provided by respondents to the Commission's questionnaires. As shown in the following tabulation (in short tons), both the volume of imports and the overall trend varies between the two data sources. While the trend for welded and seamless is similar for both data sources, combined imports reported by questionnaire respondents increased throughout the period of investigation. Official statistics show a decline of 10 percent between 1984 and 1985.

Imports from Sweden	1983	1984	1985	January-June-- 1985	1986
Welded	***	***	***	***	***
Seamless 1/	***	***	***	***	***
Total	***	***	***	***	***

1/ Includes redraw hollows.

Data on exports of seamless redraw hollows and other seamless stainless steel pipes and tubes from Sweden to the United States were provided by counsel for Sandvik AB. The data are presented in the following tabulation (in short tons):

Exports from Sweden	1983	1984	1985	January-June-- 1985	1986
Redraw hollows	***	***	***	***	***
Other seamless	***	***	***	***	***
Total	***	***	***	***	***

Market penetration by imports 1/

Stainless steel pipes and tubes.--Imports from Sweden increased over 60 percent from 1983 to 1984, then declined 10 percent in 1985. Such imports increased by almost 45 percent in January-June 1986 when compared to imports in the corresponding period of 1985. The share of the market accounted for by imports from Sweden (based on quantity) increased from *** percent in 1983 to *** percent in 1984, decreased to *** percent in 1985, then increased to *** percent in January-June 1986 (table 17).

1/ Import penetration is overstated due to only partial coverage of U.S. producers' domestic shipments.

Table 17.--Stainless steel pipes and tubes: Market penetration 1/ of imports subject to investigation based on quantity, 1983-85, January-June 1985, and January-June 1986

(In percent)

Item	1983	1984	1985	January-June-- 1985	1986
Seamless:					
U.S. producers	***	***	***	***	***
Sweden	***	***	***	***	***
All other countries	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Welded:					
U.S. producers	87.6	76.9	77.2	78.8	71.0
Sweden	2.4	3.5	3.9	3.1	6.7
All other countries	10.0	19.6	18.9	18.1	22.3
Total	100.0	100.0	100.0	100.0	100.0
Total:					
U.S. producers	***	***	***	***	***
Sweden	***	***	***	***	***
All other countries	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

1/ Market penetration is overstated in that apparent consumption data does not include shipments by all U.S. stainless steel pipe and tube producers.

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

Seamless stainless steel pipes and tubes.--Imports from Sweden increased sharply from 1983 to 1984 before declining in 1985. The ratio of imports from Sweden to apparent consumption (based on quantity) reached a peak of *** percent in 1984, declined to *** percent in 1985, then increased once again to *** percent in January-June 1986.

Welded stainless steel pipes and tubes.--Imports of welded pipes and tubes were about half the volume of seamless imports but increased throughout the period of investigation. The share of the market for welded stainless steel pipes and tubes accounted for by imports from Sweden (based on quantity) increased from a low of 2.4 percent in 1983 to 6.7 percent in January-June 1986.

Prices

Introduction.--Prices received for stainless steel pipes and tubes at any time are determined by several factors including whether seamless or welded, the ASTM or ASME category specified, the grade of steel, the diameter and wall thickness desired, and whether specific lengths or random lengths are required.

Stainless steel pipes and tubes are seamless or welded. Seamless pipes and tubes are more expensive to produce than the welded products. Seamless products are generally used where substantial wall thickness or small diameters are desired, and strength, pressure, and reliability are major considerations. Welded products are generally used the thinner the wall thickness or the larger the diameter required. Some pipe and tube applications, however, can use either seamless or welded, but despite the price advantage of the welded products a number of buyers apparently still prefer the seamless product. Reported questionnaire price data for seamless and welded stainless steel pipe and tube products with the same dimensions, steel grade, and ASTM specifications, shown in appendix C, show that the seamless product was priced consistently above the welded product during January 1983-June 1986, although the price difference narrowed during the period. For the domestic pipes and tubes the price of the seamless product averaged $2.84 per foot more or about 44 percent above the price of the welded product. 1/

U.S. producers of the subject stainless steel pipes and tubes generally quote their prices f.o.b. mill or delivered, in dollars per foot or per hundred feet, with some publishing price lists. Importers quote prices both on an f.o.b. port-of-entry or U.S. warehouse basis and on a delivered price basis. Some U.S. producers equalize freight with the domestic mill nearest to the specific customer. 2/ Transportation costs of the stainless steel pipes and tubes, which are shipped primarily by truck, generally range from 1 to 3 percent of the final delivered price; mills located close to their markets may have a sales advantage over more distant producers. Transportation costs are discussed in more detail immediately following the price section.

Domestic and imported stainless steel pipes and tubes are sold to distributors or end users. Sales to distributors are characterized by large volume shipments of standard items, whereas sales to end users are typically small volume shipments of more specialized products. In addition, both domestic producers and importers of the Swedish products also sell semifinished seamless stainless steel redraw hollows to redrawers. Redrawers "draw" these products into finished stainless steel pipes and tubes to diameters and wall thicknesses specified by end users. 3/ Redrawers reportedly use a different production technology than the pipe and tube mills to make stainless steel pipes and tubes that are generally smaller in diameter than the products produced by typical pipe and tube mills. 4/

1/ Based on only limited price data of the imported Swedish pipes and tubes, the price premium of the seamless tube product averaged about 57 percent.
2/ In the practice of freight equalization, a U.S. producer supplying a customer located closer to a competing producer will absorb any differences in freight. The more distant producer charges the customer's account for freight costs as if the product were shipped from the closer producer.
3/ Based on Sandvik's questionnaire response, more than *** percent of the U.S. imported redraw hollows from Sweden in 1985 were imported and used by the Swedish-owned Sandvik Steel Co. of Scranton, PA, a redraw mill, to produce finished stainless steel pipes and tubes in the United States.
4/ Based on conversations between Commission staff and * * *. Also, Transcript, pp. 87-88.

Public price and cost data reported by the the U.S. Departments of Labor and Commerce.--Indexes of U.S. producers' selling prices of selected commodity categories and of costs incurred by U.S. pipe and tube mills are presented for comparison purposes in table 18, by quarters, for January 1983-June 1986. 1/ The quarterly producer price index for stainless steel welded pressure tubing fluctuated but rose by approximately 12 percent during January 1983-June 1986. 2/ This increase contrasts with the producer price indexes for all steel mill products and for all commodities, both of which fluctuated during January 1983-June 1986 but ended the period essentially unchanged from the levels in the beginning of the period. The rising prices of the U.S. produced stainless steel welded pressure tubing were accompanied by generally rising prices of inputs used in U.S. pipe and tube mill operations. The quarterly price index of stainless steel sheet and strip, a major material input of U.S. pipe and tube mills producing the welded products, rose by approximately 12 percent during January 1983-June 1986. 3/ The quarterly price index of industrial electric power and the quarterly index of hourly earnings of production workers in U.S. pipe and tube mills rose by approximately 12 and 3 percent, respectively, during this period.

1/ These price and cost indexes were based on Producer Price Indexes (PPI) compiled and reported by the Bureau of Labor Statistics (BLS), U.S. Department of Labor, except for the index of hourly earnings which was based on hourly earnings figures for production workers in U.S. pipe and tube mills reported by the U.S. Department of Commerce. The PPI is compiled and published monthly and represents percentage changes in U.S. producers' selling prices, requested on a transaction basis.

2/ A producer price index for the subject stainless steel seamless pipes and tubes was not available.

3/ The quarterly price index of stainless steel cold finished bars, 300 series, a major material input of U.S. pipe and tube mills producing the seamless products, rose by approximately 9 percent during January 1983-June 1986.

Table 18.--Indexes of selected producer prices and selected U.S. pipe and tub mill costs, by quarters, January 1983-June 1986

Period	Producer price indexes			Indexes of pipe & tube mill costs		
	Stainless steel welded pressure tubing	All steel mill prod-ucts	All commod-ities	Stainless steel sheet & strip 1/	Indus-trial electr power 500kw	Hourly earnings producti workers 2
1983:						
January-March.....	100.0	100.0	100.0	100.0	100.0	100.0
April-June.....	99.3	100.5	100.3	100.7	100.6	99.0
July-September....	93.0	101.5	101.3	104.1	102.7	99.5
October-December..	100.1	103.2	101.8	109.7	101.8	100.3
1984:						
January-March.....	112.0	104.3	102.9	116.9	102.7	101.5
April-June.....	111.5	104.8	103.6	118.3	106.0	101.1
July-September....	111.0	105.7	103.4	116.0	109.3	101.6
October-December..	NA	105.7	103.1	113.1	107.8	101.5
1985:						
January-March.....	111.6	105.4	102.9	104.7	109.0	102.8
April-June.....	112.3	105.3	103.0	112.1	110.6	104.8
July-September....	112.3	105.0	102.3	112.2	112.2	102.7
October-December..	112.3	104.8	102.9	111.1	111.2	102.5
1986:						
January-March.....	112.3	99.6	101.4	110.6	112.5	103.5
April-June.....	112.3	100.1	99.4	111.9	112.4	103.0

1/ Cold rolled.
2/ Production workers in U.S. pipe and tube mills.

Source: Compiled from official statistics of the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce (earnings data only).

Note: January-March 1983=100.

Questionnaire price data.--Quarterly net f.o.b. (U.S. locations) and delivered selling price data of six representative stainless steel pipe and tube products were requested from U.S. producers and importers of the Swedish stainless steel pipes and tubes subject to this investigation on their sales during January 1983-June 1986. The six representative products requested are described below:

Product 1: ASTM-A-312 or ASME-SA-312, seamless, grade AISI 316, 2-inch schedule 40 (2.375 inches OD X .154 inch WT), mill-standard random lengths.

Product 2: ASTM-A-269 or ASME-SA-269, seamless, grade AISI 304, 2-inch OD X .225 inch WT, mill-standard random lengths.

Product 3: ASTM-A-511 with chemistry to A-479, seamless, grade AISI 304, 2.563 inches OD X .397 inch WT, mill-standard random lengths.

Product 4: Grade AISI 304, seamless, 1.500 inches OD X .134 inch WT, 30-foot mill random lengths ranging from 24-30 feet. (Commonly referred to as redraw hollow.)

Product 5: ASTM-A-312 or ASME-SA-312, welded, grade AISI 316, 2-inch schedule 40 (2.375 inches OD X .154 inch WT), mill-standard random lengths.

Product 6: ASTM-A-249 or ASME-SA-249, welded, grade AISI 304, 2-inch OD X .083 inch WT, mill-standard random lengths.

The price data for seamless products 1-3 and welded products 5 and 6 were requested on sales to distributors, whereas price data for the seamless redraw-hollow product 4 were requested on sales to redrawers.

Price trends and price comparisons discussed in this section of the report were based on indexes of the net delivered prices reported in the questionnaires. 1/ Indexes of U.S. producers' net delivered selling prices of products 1, 2, and 4-6 are shown in table 19, and indexes of the imported Swedish net delivered selling prices of products 1 and 5 are shown in table 20. 2/ The weighted-average delivered prices and quantities of the

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1/ The questionnaire price data were reported by 7 U.S. producers and 2 U.S. importers of the subject stainless steel pipes and tubes. The responding U.S. producers accounted for about *** percent of total reported 1985 domestic shipments of the stainless steel seamless pipes and tubes (including redraw hollows), and *** percent of total reported domestic shipments of the stainless steel welded pipes and tubes. Responding firms accounted for approximately *** percent of seamless shipments and *** percent of welded shipments as reported by Census for 1984. The responding U.S. importers accounted for *** to *** percent of both total U.S imports of the Swedish stainless steel seamless pipes and tubes (including redraw hollows) in 1985, and total U.S. imports of the Swedish stainless steel welded pipes and tubes during this period. For individual product coverage, see notes at the bottom of appendix D tables. The responding U.S. producers and importers did not necessarily respond for all products requested, or all periods requested.
2/ U.S. producers of stainless steel pipes and tubes did not report the requested price data for product 3, and U.S. importers of the Swedish products reported the price data for this product only during October-December 1985. U.S. importers of the Swedish products did not report the requested price data for products 2, 4, and 6.

representative domestic and imported Swedish stainless steel pipe and tube products, based on questionnaire responses, are shown in appendix tables D-1 through D-6; comparisons of the delivered prices between these domestic and imported Swedish pipe and tube products are shown in table 21.

Price trends.--Based on U.S. producers' questionnaire responses, quarterly net delivered prices of the domestic stainless steel seamless pipe and tube products generally fell during the periods reported, while price trends of the welded products were mixed (table 19). U.S. producers' quarterly delivered selling prices of the domestic seamless product 1 sold to distributors fell by about 34 percent during January 1983-June 1986. Based on reported price data for only a few periods, U.S. producers' selling prices of the domestic seamless product 2 sold to distributors fell by about 5 percent during April 1985-March 1986, while their selling prices of the domestic seamless redraw hollow product 4 sold to redrawers fell by about *** percent between April 1983-March 1986. 1/ For the domestic welded stainless steel pipe and tube products, however, U.S. producers' quarterly delivered selling prices of product 5 sold to distributors fluctuated but rose by about 3 percent during January 1983-June 1986, but for product 6 sold to distributors their prices fell by about 22 percent during this period.

Based on U.S. importers' questionnaire responses for only a limited number of periods, quarterly net delivered prices of the imported Swedish stainless steel seamless and welded pipe and tube products generally fell during the periods reported (table 20). U.S. importers' quarterly delivered selling prices of the imported Swedish seamless product 1 sold to distributors fell by about *** percent during April 1984-June 1986, and their prices of the imported Swedish welded product 5 sold to distributors fell by about *** percent during January 1985-June 1986. 2/

1/ Although not shown, U.S. producers' quarterly net delivered selling prices of the seamless product 3 sold to end users, reported by * * * fell by about *** percent during January 1983-June 1986. Product 3, a mechanical tubing item, is * * *.

2/ Although redraw hollows constitute the bulk of imported Swedish stainless steel seamless pipes and tubes, they are * * *. (Conversation on Sept. 25, 1986, between Commission staff and * * *.)

Table 19.--U.S. stainless steel pipes and tubes: Indexes of net delivered selling prices of representative domestic stainless steel pipe and tube products, by seamless or welded, by type of customer, and by quarters, January 1983-June 1986 1/

Period	Seamless			Welded	
	Sales to distributors		Sales to redrawers	Sales to distributors	
	Prod. 1	Prod. 2	Prod. 4	Prod. 5	Prod. 6
1983:					
Jan.-Mar.....	100.0	-	-	100.0	100.0
Apr.-June....	90.7	-	***	102.1	78.0
July-Sept....	68.7	-	-	104.3	79.7
Oct.-Dec.....	79.7	-	***	107.6	71.5
1984:					
Jan.-Mar.....	58.5	-	-	107.6	83.3
Apr.-June....	60.1	-	-	107.4	86.9
July-Sept....	59.8	-	***	106.5	87.5
Oct.-Dec.....	69.4	-	-	103.5	87.9
1985:					
Jan.-Mar.....	61.8	-	-	103.0	79.0
Apr.-June....	64.9	100.0	***	99.0	85.9
July-Sept....	66.2	-	***	100.0	88.5
Oct.-Dec.....	65.6	-	-	99.8	78.7
1986:					
Jan.-Mar.....	67.3	94.9	***	99.5	-
Apr.-June....	65.9	-	-	102.5	78.0

1/ The price indexes were developed from net delivered selling price data reported by U.S. producers of the specified stainless steel pipe and tube products.

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

Note: January-March 1983=100, unless otherwise specified.

Table 20.--Imported Swedish stainless steel pipes and tubes: Indexes of net delivered selling prices of representative imported Swedish stainless steel pipe and tube products sold to distributors, by seamless or welded, and by quarters, April 1984-June 1986 1/

Period	Seamless Sales to distributors Prod. 1	Welded Sales to distributors Prod. 5
1984:		
Apr.-June....	***	-
1985:		
Jan.-Mar.....	-	***
Apr.-June....	-	-
July-Sept....	-	***
Oct.-Dec.....	-	***
1986:		
Jan.-Mar.....	***	***
Apr.-June....	***	***

1/ The price indexes were developed from net delivered selling price data reported by U.S. importers of the specified Swedish stainless steel pipe and tube products.

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

Note: For product 1, April-June 1984=100; and for product 5, January-March 1985=100.

Price comparisons.--Based on questionnaire data, the reported net delivered selling price data resulted in three quarterly price comparisons between the domestic and imported Swedish stainless steel seamless product 1 sold to distributors, and five quarterly price comparisons between the domestic and imported Swedish stainless steel welded product 5 sold to distributors (table 21). Two of the three price comparisons involving product 1 and all five price comparisons involving product 5 showed that the delivered prices of the imported Swedish products were less than the prices of competing domestic products. For the seamless product 1, margins of underselling by the imported Swedish item fell from $*** per foot or about *** percent in January-March 1986 to $*** per foot or about *** percent by April-June 1986, averaging about 7 percent during January-June 1986. For the welded product 5, margins of underselling by the imported Swedish item fluctuated but increased from $*** per foot or about *** percent in January-March 1985 to $*** per foot or about *** percent by April-June 1986, averaging about 12 percent during January 1985-June 1986.

Table 21.--U.S. and imported Swedish stainless steel pipe and tube products: Net delivered selling prices of the representative domestic and imported Swedish pipe and tube products sold to distributors and margins of under/(over) selling, by seamless or welded, and by quarters, April 1983-June 1986 1/

Period	U.S.	Swedish	Average margins of under/(over) selling 2/	
	Dollars/linear foot			Percent
Product 1 (seamless):				
1984:				
April-June.....	***	***	***	***
1986:				
January-March.....	***	***	***	***
April- June.....	***	***	***	***
Product 5 (welded):				
1985:				
January-March.....	***	***	***	***
July-September.....	***	***	***	***
October-December.....	***	***	***	***
1986:				
January-March.....	***	***	***	***
April-June.....	***	***	***	***

1/ The price data were developed from reported quarterly net delivered selling price data of representative U.S. and imported Swedish stainless steel seamless and welded pipe and tube products.
2/ Any figures in parenthesis indicate that the price of the domestic product was less than the price of the imported Swedish product.

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

Transportation factors

U.S. producers of the subject stainless steel pipes and tubes and U.S. importers of the Swedish stainless steel pipes and tubes were also requested to report information in the questionnaire on the extent of their marketing areas in the United States and on U.S. inland transportation costs to deliver these products to their customers. Ten U.S. producers and two importers responded to this section of the questionnaire. The reporting U.S. producers and importers typically ship the subject stainless steel products by truck and sometimes by rail in the U.S. market, absorbing at least some of the U.S. inland freight costs to their customers. U.S. producers reported average delivery costs to their largest customers of about 2 percent of the delivered prices, whereas the lone reporting importer of this information, Avesta Stainless, Inc., of Totowa, NJ, reported an average U.S. delivery cost to its largest customer of about *** percent of the delivered price.

U.S. producers and importers of the seamless pipes and tubes appear to absorb less U.S. inland freight costs than the U.S. producers and importers of the welded products, despite U.S. producers and importers reportedly selling both the seamless and welded products nationwide. The responding U.S. producers and importers of the stainless steel seamless pipes and tubes consistently reported absorbing 10 percent or less of U.S. inland freight costs on at least 65 percent of their shipments, whereas the responding U.S. producers and importers of the stainless steel welded pipes and tubes generally reported absorbing more than 50 percent of U.S. inland freight charges on at least 70 percent of their shipments.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that, despite depreciating earlier in the period, the nominal value of the Swedish krona appreciated relative to the U.S. dollar by approximately 3 percent during January 1983-June 1986 (table 22). A 12.5-percent inflation rate in Sweden compared to 0.6 percent deflation in the United States during this period resulted in a greater real appreciation of the Swedish krona compared to the nominal appreciation. In real terms, the Swedish krona appreciated against the U.S. dollar during January 1983-June 1986 by approximately 17 percent. 1/

1/ The real appreciation of the Swedish krona against the U.S. dollar from the reference period, January-March 1983, indicates the maximum amount that a Swedish producer or its agent would have to increase its U.S. dollar prices of the foreign stainless steel pipe and tube products in the U.S. market without decreasing its profits, assuming it has no U.S.-dollar-denominated costs. A Swedish producer, however, may allow its profits to shrink by not increasing its U.S. dollar prices or by increasing its U.S. dollar prices by less than the appreciation would allow.

Table 22.--U.S.-Swedish exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and the Swedish krona, and indexes of producer prices in the United States and Sweden, 2/ by quarters, January 1983-June 1986

Period	Nominal exchange-rate index	Real exchange-rate index 3/	U.S. producer price index	Swedish producer price index
1983:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	98.3	98.8	100.3	100.7
July-September.....	94.9	97.2	101.3	103.7
October-December....	93.6	96.7	101.8	105.1
1984:				
January-March.....	92.9	97.6	102.9	108.1
April-June.....	92.6	97.9	103.6	109.6
July-September.....	88.1	94.7	103.3	111.0
October-December....	85.1	93.6	103.0	113.2
1985:				
January-March.....	80.0	90.3	102.9	116.2
April-June.....	82.8	93.5	103.0	116.2
July-September.....	88.2	100.3	102.2	116.2
October-December....	94.8	107.1	102.9	116.2
1986:				
January-March.....	100.0	113.2	101.3	114.7
April-June.....	102.9	4/ 116.5	99.4	4/ 112.5

1/ Based on exchange rates expressed in U.S. dollars per Swedish krona.
2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and Sweden. As a result, these indexes only approximate actual price changes of the subject stainless steel pipe and tube products in the United States and Sweden. Quarterly producer prices in the United States fell by 0.6 percent during January 1983-June 1986, compared to rising producer prices in Sweden of 12.5 percent during this period.
3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured by the producer price index in the United States and Sweden.
4/ Derived from Swedish producer price data for April only.

Source: International Monetary Fund, International Financial Statistics, August 1986.

Note.--January-March 1983=100.0.

Lost sales

Two U.S. producers of the stainless steel pipes and tubes identified five purchasers in their reported specific lost sales allegations regarding imports of Swedish stainless steel pipes and tubes. 1/ The Commission staff was able to contact four of the purchasers cited.

The four purchasers contacted indicated that delivered prices of the imported stainless steel seamless and welded pipes and tubes from Sweden have generally been less than domestic producers' delivered prices during 1983-86. The reported delivered price advantage of the imported Swedish stainless steel products ranged from 12 to 15 percent during this period. Quality of the domestic and imported Swedish stainless steel pipes and tubes was judged to be comparable. In addition, the purchasers agreed that, although some substitution existed between the seamless and welded products, these products were generally used in separate applications. They stated that the seamless products typically carried a price premium, ranging from 10 to 20 percent, over the welded products during 1983-86. Conversations with representatives of the four firms contacted are discussed in detail below.

Allegations of * * * concerning * * * stainless steel pipes and tubes.--* * *, a distributor of stainless steel pipes and tubes in * * *, allegedly purchased about *** tons of various sizes of Swedish stainless steel * * * pipes and tubes in * * * at delivered prices ranging from *** to *** percent less than * * *'s delivered prices. * * * could not recall buying the specific alleged products. He explained that his firm purchases mostly special alloy stainless steel pipes and tubes (seamless and welded), which are produced domestically and imported from Sweden. * * * pointed out, however, that his firm generally purchases * * * from Sweden that are not available domestically. According to * * *, his firm's purchases of the imported * * * stainless steel pipes and tubes from Sweden have increased as a proportion of his firm's total purchases of stainless steel pipes and tubes during 1983-86. Based on limited purchases of the regular alloy stainless steel pipes and tubes (both seamless and welded), * * * stated that delivered prices of the imported stainless steel products from Sweden are generally less than delivered prices of competing domestic products, although the quality of the domestic and imported Swedish pipes and tubes is comparable.

* * *, a distributor of stainless steel pipes and tubes in * * *, was cited in *** lost sales allegations. * * *. * * * of the firm could not recall buying the specific products * * *, but stated that his firm buys both domestic and imported, some of it Swedish, stainless steel seamless and welded pipes and tubes. He further stated that * * * purchases of the imported Swedish material probably increased during 1983-86 as a proportion of his firm's total purchases of the stainless steel products. * * * indicated that delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices, although the quality of the domestic and imported Swedish products is comparable. Since 1983, * * * has seen in his market area the price of the imported seamless products from Sweden as much as 15 percent below competing domestic producers' prices. He

1/ The two reporting U.S. producers were * * *.

pointed out, however, that the price of the imported Swedish seamless products are at about the midrange of competing prices in the U.S. market.

* * * commented that the stainless steel seamless pipes and tubes have generally carried a price premium averaging about 20 percent over the welded products in his market area during 1983-86. * * * views seamless and welded as separate products for inventory and sales purposes, but felt he was not qualified to comment on their technical differences.

* * *, a manufacturer of * * * located in * * *, allegedly purchased about *** tons of Swedish stainless steel seamless mechanical tubes in * * * at delivered prices about *** percent less than * * *'s delivered prices. * * * stated that his firm did not purchase the alleged imported Swedish products. *** explained that his firm had purchased some imported stainless steel * * * from Sweden about *** years ago on a sample basis, but returned it because they were not satisfied with the quality. According to him, * * * has not purchased any imported stainless steel pipes and tubes from Sweden since then. * * * further stated that quoted delivered prices of the Swedish stainless steel pipes and tubes (seamless and welded) are generally less than domestic producers' delivered prices by about 5 percent in his market area. * * * indicated that domestic producers of the stainless steel pipes and tubes have lowered their prices in his market area from 5 to 10 percent during the last couple of years due to low prices of imports, including prices of the imported Swedish products.

* * * stated that stainless steel seamless pipes and tubes have generally carried a price premium of 10 to 15 percent over the welded products in his market area during 1983-86. According to him, the seamless and welded products are generally not interchangeable, and his firm does not switch between them.

Allegations of * * * concerning * * * stainless steel pipes and tubes.--* * *, a distributor of stainless steel pipes and tubes in * * *, allegedly purchased *** tons of Swedish stainless steel * * * pipes and tubes in * * * at delivered prices about *** percent below * * *'s delivered prices. * * * could not recall the specific instance cited, but stated that during the last *** months his firm has purchased imported stainless steel seamless and welded pipes and tubes from Sweden instead of the U.S. product, primarily because of price. According to * * *, quality of the domestic and imported Swedish stainless steel pipes and tubes is comparable. * * * stated that his firm bought about 70 percent domestic and 30 percent imported stainless steel pipes and tubes in 1985 and January-September 1986, after buying only the domestic product in 1983 and 1984. According to * * *, about 95 percent of the imported material came from Sweden. * * * stated that delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices by about 12 to 13 percent, but greater than delivered prices of imports from far east suppliers. * * * pointed out that the Swedish price advantage would have to be at least 8 to 10 percent before he would begin switching from the domestic to the foreign product. * * * indicated that low prices of the imported Swedish stainless steel products contributed to low U.S. producers' prices.

* * * noted that stainless steel seamless pipes and tubes have generally carried a price premium of 15 to 20 percent over the welded products in his market area during 1983-86, even when the welded product includes the very costly X-ray process to verify the quality of the weld. * * * stated that prices of the seamless pipes and tubes in the U.S. market have decreased since 1983, and some imported seamless products from far east suppliers are priced below some domestic welded products. According to * * *, the welded product is increasingly accepted in the market. As an example, * * * indicated that today some engineers will specify welded where they used to specify seamless, but will require full X-ray inspection of the welds.

* * * also commented on Avesta's recent new marketing strategy to sell only direct from Sweden. * * * claimed that Avesta initially sold the Swedish welded pipes and tubes from its U.S. inventories until they established a market in the United States for their products. According to * * *, now that Avesta has an established customer base in the U.S. market, it is selling off its U.S. inventories and will sell only direct from Sweden. * * *.

Lost revenue

The Commission received specific allegations of lost revenue regarding imports of Swedish stainless steel seamless pipes and tubes from * * *. 1/ * * * cited three customers to which it allegedly reduced its prices as a result of price competition with the imported Swedish seamless pipes and tubes. The Commission staff contacted all three of these customers. Conversations with representatives of the firms contacted are discussed below.

* * *, a distributor of stainless steel pipes and tubes in * * *, was named in one allegation. * * * allegedly sold various grades and sizes of seamless mechanical tubes to * * * in * * * only after the domestic producer lowered its delivered prices from *** to *** percent below its initially quoted prices to meet delivered prices of the imported products from Sweden.Based on the alleged *** ton order, this would amount to about $*** in lost revenue for * * *. * * * denied this purchase occurred, stating that his firm does not purchase the types of pipes and tubes specified.

* * * was named in a second allegation of lost revenue. * * * allegedly initially quoted delivered prices of various grades and sizes of seamless mechanical tubes to * * * in * * * that ranged from *** to *** percent above delivered prices quoted for the imported products from Sweden. Although * * * reported quoting its prices for *** tons of the * * *, it did not provide the Commission with its final price quotes. As a result, no estimate of possible lost revenue could be calculated. * * * did not recall the purchase. He explained, however, that domestic producers, probably aware of low-priced imports in his market area, including those from Sweden, have lowered their prices by 5 to 10 percent during 1983-86.

1/ Three other domestic firms indicated that they had to reduce prices because of competition with lower priced stainless steel pipes and tubes from Sweden, but were unable to identify specific instances.

* * * was named in a third allegation of lost revenue. * * * allegedly initially quoted delivered prices of various grades of * * * to * * * in * * * that were approximately equal to the quoted delivered prices of the imported products from Sweden. * * * reported quoting its prices for *** tons of * * *. * * * did not recall the alleged purchase, but stated that his firm purchases * * * primarily from offshore sources, including Sweden. According to * * *, * * * is a recent domestic supplier of * * *. * * * noted that, in * * *, his firm * * *.

Discussions with other purchasers of stainless steel seamless and welded pipes and tubes

The Commission staff was also able to contact four other purchasers of the stainless steel pipes and tubes to whom U.S. producers claim they lost sales but were unable to document specific examples.

Like the purchasers discussed in the lost sales section, the four purchasers discussed here indicated that delivered prices of the imported stainless steel seamless and welded pipes and tubes from Sweden have generally been less than domestic producers' delivered prices during 1983-86. The reported delivered price advantage of the imported Swedish stainless steel products, however, was somewhat less, ranging from 5 to 12 percent during this period. Quality of the domestic and imported Swedish stainless steel pipes and tubes was judged to be comparable. In addition, the purchasers discussed here also agreed that the seamless and welded products were generally used in separate applications, although they reported higher price premiums for the seamless products, ranging from 12 to 40 percent over the welded products, than the premiums cited by the purchasers discussed earlier. Conversations with representatives of the four firms contacted are discussed in detail below.

* * *, a distributor of stainless steel pipes and tubes in * * *, stated that his firm buys both domestic and imported, some of it Swedish, stainless steel seamless and welded pipes and tubes. He stated that the proportion of imported Swedish material in his firm's total purchases of the stainless steel products has remained about the same during 1983-86. * * * also stated that delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices but greater than delivered prices of imports from far east suppliers. * * * pointed out that the Swedish price advantage would have to be at least 5 percent before he would begin switching from the domestic to the foreign product. Although * * * indicated that the imported Swedish stainless steel products contributed to low U.S. producers' prices, according to him, the major cause of low prices in the U.S. market is fierce price competition between U.S. producers in a market in which supply exceeds demand.

* * * indicated that only a limited overlap in the use of seamless or welded pipes and tubes exists, with the seamless products generally being sold at a price premium of 15 to 40 percent over the welded products in his market area during 1983-86. According to * * *, seamless products generally are used in high-pressure, high-risk applications and welded products in low-pressure, low-risk uses. But * * * stated that the boundary line between using seamless

and welded may vary, according to pressure and corrosive levels of the material being piped, and the level of acceptable risk. As an example, * * * indicated that seamless pipes would be preferred in a nuclear plant, although pressures are fairly low and corrosion is not a problem, because no risk of leakage can be tolerated.

* * *, a distributor of stainless steel pipes and tubes in * * *, reported that his firm buys only domestic stainless steel seamless and welded pipes and tubes, although he stated he has been offered the imported Swedish products. * * * stated that quoted delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices by about 10 to 12 percent. * * * explained that up until * * * his firm used to be the supplier of stainless steel pipes and tubes to * * *, which accounted for most of * * *'s sales of the stainless steel products. * * * specified precisely the products they wanted and required * * * to purchase only from firms on * * *'s approved vendor's list, all of which were domestic. But now, according to * * *, * * *, is on * * *'s approved vendor's list for stainless steel pipes and tubes. Since his firm lost the * * * contract in * * *, * * * has not purchased much stainless steel pipe and tube.

* * * indicated that stainless steel seamless and welded pipes and tubes are not interchangeable, with the seamless products generally being sold at a price premium of 12 to 15 percent over the welded products in his market area during 1983-86. In his experience, * * * said the seamless products are used where larger diameters are required or in high pressure applications, whereas the welded products are used where smaller diameters are required.

* * *, a distributor of stainless steel pipes and tubes in * * *, indicated that currently *** percent of * * *'s purchases of stainless steel seamless and welded pipes and tubes are produced domestically and *** percent are imported from Sweden. He stated that the proportion of imported Swedish material in his firm's total purchases of the stainless steel products has fluctuated during 1983-86, depending on price, availability, and quality. According to * * *, his firm has purchased the Swedish products instead of U.S. products because, in specific instances, price, quality, and availability of the imported product were more favorable than the domestic product. * * * indicated that delivered prices of the Swedish stainless steel pipes and tubes have averaged about 10 percent less than domestic producers' delivered prices in 1986. He pointed out that the Swedish price advantage has to be at least 10 percent before he will switch from the domestic to the foreign product. * * * also indicated that the imported Swedish stainless steel products contributed to low U.S. producers' prices.

* * * indicated that there are specific uses for seamless and welded stainless steel pipes and tubes, with the seamless products generally being sold at a price premium of 25 to 30 percent over the welded products in his market area during 1983-86.

* * *, a distributor of stainless steel pipes and tubes in * * *, stated that his firm purchases mostly imported Japanese, but some imported Swedish, stainless steel seamless and welded pipes and tubes. He stated that delivered prices of the Swedish stainless steel pipes and tubes generally have been less than domestic producers' delivered prices by about 5 to 10 percent in his market area during 1983-86. * * * pointed out that the Swedish price advantage would have to be at least 5 percent before he would begin switching from the domestic to the foreign product. He stated that the imported stainless steel products, including those imported from Sweden, contributed to low U.S. producers' prices.

* * * indicated that only rarely are the stainless steel seamless and welded pipes and tubes substituted for one another, with the seamless products generally sold at a price premium of 30 to 35 percent over the welded products in his market area during 1983-86.

APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION AND COMMERCE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-281 (Preliminary)]

Stainless Steel Pipes and Tubes From Sweden

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary contervailing duty investigation No. 701-TA-281 (Preliminary) under section 703(a) of the Tariff Act fo 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury or the establishement of an industry in the United States is materially retarded, by reason of imports from Sweden of stainless steel pipes and tubes, provided for in items 610.37, 610.51, and 610.52 of the Tariff Schedule of the United States, which are alleged to be subsidized by the Government of Sweden. As provided in section 703(a), the Commission must complete preliminary contervailing duty investigations in 45 days, or in this case by October 20, 1986.

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

EFFECTIVE DATE: September 4, 1986.

FOR FURTHER INFORMATION CONTACT: Daniel Leahy (202-523-1376), Office of Investigations, U.S. International Trade Commission, 710 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

This investigation is being instituted in response to a petition filed on September 4, 1986 by the Sepcialty Tubing Group.[1]

Participation in the Investigation

Persons wishing to participate in the investigation as parties must file an entery of appearance with the Secretary to the Commission as provided in § 201.11 of the Commisison's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late

[1] The members of this group are AL Tech Specialty Steel Corporation, Allegheny Ludlum Steel Corporation, ARMCO-Specialty Steel Division, Carpenter Technololgy Corporation, Damascus Tubular Products, and the Trent Tube Division of Crucible Materials Corporation.

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 this investigation 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 investigation 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.

Conference

The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on September 25, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Daniel Leahy (202–523–1376) not later than September 22, 1986 to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and a parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before September 30, 1986, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submision must be filed with the Secretary to the Commission in accordance with § 201.8 of the 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 § 201.6 of the Commission's rules (19 CFR 201.6).

Authority This investigation is being conducted under authority of the Tariff Act of 1930, Title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Issued: September 10, 1986.

Kenneth R. Mason,

Secretary.

[FR Doc. 86–20815 Filed 9–15–86; 8:45 am]

BILLING CODE 7020-02-M

5. Prescribe conditions on membership in, and withdrawal and expulsion from, SSA.

Dated: September 25, 1986.

James V. Lacy,

Director, Office of Export Trading, Company Affairs.

[FR Doc. 86-22200 Filed 9-30-86; 8:45 am]

BILLING CODE 3510-DR-M

[C-401-602]

Initiation of Countervailing Duty Investigations; Certain Stainless Steel Hollow Products From Sweden

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating countervailing duty investigations to determine whether manufacturers, producers and exporters in Sweden of certain stainless steel hollow products, as described in the "Scope of Investigations" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of these actions so that it may determine whether imports of the subject merchandise materially injure, or threaten material injury to, a U.S. industry. If our investigations proceed normally, we will make our preliminary determinations on or before December 1, 1986.

EFFECTIVE DATE: October 1, 1986.

FOR FURTHER INFORMATION CONTACT: Vincent P. Kane or Barbara E. Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5414 or 377-2438.

SUPPLEMENTARY INFORMATION:

Petition

On September 5, 1986, we received a petition in proper form from the Specialty Tubing Group and its individual members on behalf of the U.S. industry producing certain stainless steel hollow products (SSHP). The Specialty Tubing Group consists of six manufacturers in the United States of SSHP. On September 9, 1986, the scope of the articles subject to the petition was restricted to those with steel containing at least 11.5 percent chromium, by weight.

In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers and exporters in Sweden of SSHP receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Since Sweden is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to these investigations, and the ITC is required to determine whether imports of the subject merchandise from Sweden materially injure, or threaten material injury to, a U.S. industry.

Initiation of Investigations

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of countervailing duty investigations and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined this petition and we have found that it meets these requirements. Therefore, we are initiating countervailing duty investigations to determine whether manufacturers, producers and exporters in Sweden of SSHP as described in the "Scope of Investigations" section of this notice, receive benefits which constitute subsidies. If our investigations proceed normally, we will make our preliminary determinations on or before December 1, 1986.

Scope of Investigations

The products covered by these investigations are certain stainless steel hollow products including pipes, tubes, hollow bars and blanks therefor of circular cross-section containing at least 11.5 percent chromium by weight, as provided for in items 610.3701, 610.3727, 610.3731, 610.3732, 610.3741, 610.3742, 610.5130, 610.5201, 610.5202, 610.5229, 610.5230, and 610.5231 of the *Tariff Schedules of the United States, Annotated.*

Allegations of Subsidies

The petitioners allege that manufacturers, producers and exporters in Sweden of SSHP receive benefits which constitute subsidies. We are initiating on the following programs alleged in the petition.

• The 1977 Restructuring Program for the Specialty Steel Industry which petitioners allege provided various forms of assistance including the following:

—Loans and loan guarantees on terms inconsistent with commercial considerations, and

—Grants for inventory.

The 1984 Restructuring Program for the Specialty Steel Industry which petitioners allege provided various forms of assistance include the following:

—Loans on terms inconsistent with commercial considerations including convertible loans, conditional loans, and interest-free loans,

—Loan guarantees on terms inconsistent with commercial considerations,

—Debt forgiveness, and

—Interest holidays.

We are also initiating an investigation on the following programs which were not alleged by petitioner but which were found to confer a subsidy in the *Final Affirmative Countervailing Duty Determinations: Certain Carbon Steel Products from Sweden* (50 FR 33375):

• Regional development incentives including the following:

—Loans and grants from the government for location in a development area,

—Freight relief,

—Investment projects,

—Health care facilities, and

—Building and construction assistance.

• Employment Promotion Grants.

• Research and Development Grants.

We are not initiating on the following program alleged in the petition:

• Energy Saving Grant to SKF Steel. Petitioners allege that the government of Sweden provided an energy saving grant to SKF Steel (a company not known by the Department or alleged by the petitioners to be affiliated with the SSHP industry) to develop a new process for sponge iron production which has no known connection with the manufacture or production of products under investigation.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of these actions, and to provide it with the informaion we used to arrive at these determinations. We will notify the ITC and make available to it all non-privileged and non-proprietary information relating to these investigations. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determinations by ITC

The ITC will determine by October 20, 1986, whether there is a reasonable indication that imports of SSHP from Sweden materially injure, or threaten material injury to, a U.S. industry. If its determinations are negative, these investigations will terminate; otherwise, these investigations will continue according to the statutory procedures. This notice is published pursuant to section 702(c)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

September 25, 1986.

[FR Doc. 86-22229 Filed 9-30-86; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-281 (Preliminary)

STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on September 25, 1986, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington D.C.

In support of the petition

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

on behalf of

The Specialty Tubing Group

Trent Tube
Frank Petro, President
Michael J. Douglas, V.P., Sales and Marketing

Clark Riley, V.P. Sales and Marketing,
Al Tech Specialty Steel Corporation

Mark Love
Clarisse Morgan
Economic Consulting Services, Inc.

David A. Hartquist)
--OF COUNSEL
Patrick Fazzone)

In opposition to the petition

Freeman, Wasserman & Schneider-- OF COUNSEL
New York, N.Y.

on behalf of

Avesta Stainless Inc.
Michael Rinker, General Sales Manager
Lars Klang, Product Manager, Tubular Products

Jack Gumpert Wasserman)
Philip Yale Simons)----------OF COUNSEL
Patrick C. Reed)

In opposition to the petition --Continued

Rode & Qualey-- OF COUNSEL
New York, N.Y.

on behalf of

Sandvik Steel Company
Edward Nuzzaci, Executive Vice President

Patrick D. Gill)
--OF COUNSEL
R. Brian Burke)

APPENDIX C

COMPARISONS OF WEIGHTED-AVERAGE NET U.S. DELIVERED SELLING PRICES BETWEEN SEAMLESS AND WELDED STAINLESS STEEL PIPE AND TUBE PRODUCTS REPORTED BY U.S. PRODUCERS AND IMPORTERS

U.S. stainless steel pipes and tubes: Net delivered selling prices of domestic and imported Swedish stainless steel seamless and welded pipe and tube products sold to distributors, by quarters, January 1983-June 1986 1/

Period	U.S.-produced		Imported from Sweden	
	Seamless (Prod. 1)	Welded (Prod. 5)	Seamless (Prod. 1)	Welded (Prod. 5)
	Dollars/linear foot			
1983:				
Jan.-Mar.	$ ***	$ ***	-	-
Apr.-June	***	***	-	-
July-Sept.	***	***	-	-
Oct.-Dec.	***	***	-	-
1984:				
Jan.-Mar.	***	***	-	-
Apr.-June	***	***	$ ***	-
July-Sept.	***	***	-	-
Oct.-Dec.	***	***	-	
1985:				
Jan.-Mar.	***	***	-	$ ***
Apr.-June	***	***	-	-
July-Sept.	***	***	-	***
Oct.-Dec.	***	***	-	***
1986:				
Jan.-Mar.	***	***	***	***
Apr.-June	***	***	***	***

1/ The price indexes were developed from net f.o.b. selling price data reported by U.S. producers of the specified stainless steel pipe and tube products.

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

Note: Other than the seamless and welded difference, products 1 and 5 have the same product descriptions as shown below.

Product 1: ASTM-A-312 or ASME-SA-312, seamless, grade AISI 316, 2-inch schedule 40 (2.375 inches OD X .154 inch WT), mill-standard random lengths.

Product 5: ASTM-A-312 or ASME-SA-312, welded, grade AISI 316, 2-inch schedule 40 (2.375 inches OD X .154 inch WT), mill-standard random lengths.

APPENDIX D

WEIGHTED-AVERAGE NET U.S. DELIVERED SELLING PRICES AND QUANTITIES REPORTED BY U.S. PRODUCERS AND IMPORTERS OF REPRESENTATIVE STAINLESS STEEL PIPE AND TUBE PRODUCTS

Table D-1.--U.S. stainless steel seamless pipe and tube product 1: Net delivered selling prices and quantities of the U.S.-produced product sold to distributors, by quarters, January 1983-June 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
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...	***	*** - ***	***	***
1986:				
January-March.....	***	*** - ***	***	***
April-June.....	***	-	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. producers.

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

Note: Three U.S. producers reported the requested price data for product 1: * * *. These three U.S. producers accounted for approximately *** percent of total reported U.S. producers' domestic shipments of all stainless steel seamless pipes and tubes in 1985, based on questionnaire responses, whether including or excluding seamless redraw hollows. The three firms produce only the seamless stainless steel pipes and tubes (including redraw hollows).

Table D-2.--U.S. stainless steel seamless pipe and tube product 2: Net delivered selling prices and quantities of the U.S.-produced product sold to distributors, by quarters, April 1985-March 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
1985:				
April-June.....	$ ***	-	***	***
1986:				
January-March.....	***	-	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. producers.

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

Note: One U.S. producer, * * *, reported the requested price data for product 2. * * * accounted for approximately *** percent of total reported U.S. producers' domestic shipments of all stainless steel seamless pipes and tubes (including seamless redraw hollows) in 1985, based on questionnaire responses, and *** percent of total reported U.S. producers' domestic shipments of seamless stainless steel pipes and tubes (excluding redraw hollows) during this period. * * * produces only the seamless stainless steel pipes and tubes.

Table D-3.--U.S. stainless steel seamless pipe and tube product 4: Net delivered selling prices and quantities of the U.S.-produced product sold to redrawers, by quarters, April 1983-March 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
1983:				
April-June.....	$ ***	-	***	***
October-December...	***	-	***	***
1984:				
July-September.....	***	-	***	***
1985:				
April-June.....	***	-	***	***
July-September.....	***	-	***	***
1986:				
January-March.....	***	-	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. producers.

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

Note: Two U.S. producers reported the requested price data for product 4: * * *. These two firms accounted for *** percent of total reported U.S. producers' domestic shipments of stainless steel redraw hollows in 1985, based on questionnaire responses. Both firms accounted for *** percent of total reported U.S. producers' domestic shipments of all stainless steel seamless pipes and tubes (including redraw hollows) in 1985, based on questionnaire responses. Both firms produce only the seamless stainless steel pipes and tubes (including redraw hollows).

Table D-4.--U.S. stainless steel welded pipe and tube product 5: Net delivered selling prices and quantities of the U.S.-produced product sold to distributors, by quarters, January 1983-June 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
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...	***	*** - ***	***	***
1986:				
January-March.....	***	*** - ***	***	***
April-June.....	***	*** - ***	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. producers.

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

Note: Four U.S. producers reported the requested price data for product 5: * * *. These four U.S. producers accounted for approximately *** percent of total reported U.S. producers' domestic shipments of stainless steel welded pipes and tubes in 1985, based on questionnaire responses. * * *.

Table D-5.--U.S. stainless steel welded pipe and tube product 6: Net delivered selling prices and quantities of the U.S.-produced product sold to distributors, by quarters, January 1983-June 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
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...	***	*** - ***	***	***
1986:				
April-June.....	***	-	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. producers.

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

Note: Three U.S. producers reported the requested price data for product 6: * * *. These three U.S. producers accounted for approximately *** percent of total reported U.S. producers' domestic shipments of stainless steel welded pipes and tubes in 1985, based on questionnaire responses. * * *.

Table D-6.--Imported Swedish stainless steel seamless and welded pipe and tube products: Net delivered selling prices and quantities of the imported Swedish products sold to distributors, by quarters, January 1983-June 1986 1/

Period	Weighted-average price	Range of prices	Quantity	Number of responses
	-----Dollars/linear foot----		linear feet	
Product 1 (seamless):				
1984:				
April-June.....	$ ***	-	***	***
1986:				
January-March.....	***	-	***	***
April-June.....	***	-	***	***
Product 3 (seamless):				
1985:				
October-December...	$ ***	-	***	***
Product 5 (welded):				
1985:				
January-March.....	$ ***	-	***	***
July-September.....	***	-	***	***
October-December...	***	-	***	***
1986:				
January-March.....	***	-	***	***
April-June.....	***	-	***	***

1/ The price data were developed from net delivered selling price data reported by U.S. importers of the Swedish products.

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

Note: The single U.S. importer, Sandvik Steel Co. in Scranton, PA, supplying the requested price data for the seamless products 1 and 3 accounted for *** percent of total reported U.S. imports of stainless steel seamless redraw hollows from Sweden in 1985, and *** percent of total U.S. imports of stainless steel seamless pipes and tubes (including redraw hollows) from Sweden in 1985, based on questionnaire responses. Sandvik imports from Sweden only the seamless stainless steel pipes and tubes (including redraw hollows).

Note: The single U.S. importer, Avesta Stainless Inc. in Totowa, NJ, supplying the requested price data for the welded product 5 accounted for *** percent of total U.S. imports of stainless steel welded pipes and tubes from Sweden in 1985, based on questionnaire responses. Avesta imports from Sweden only the welded stainless steel pipes and tubes.