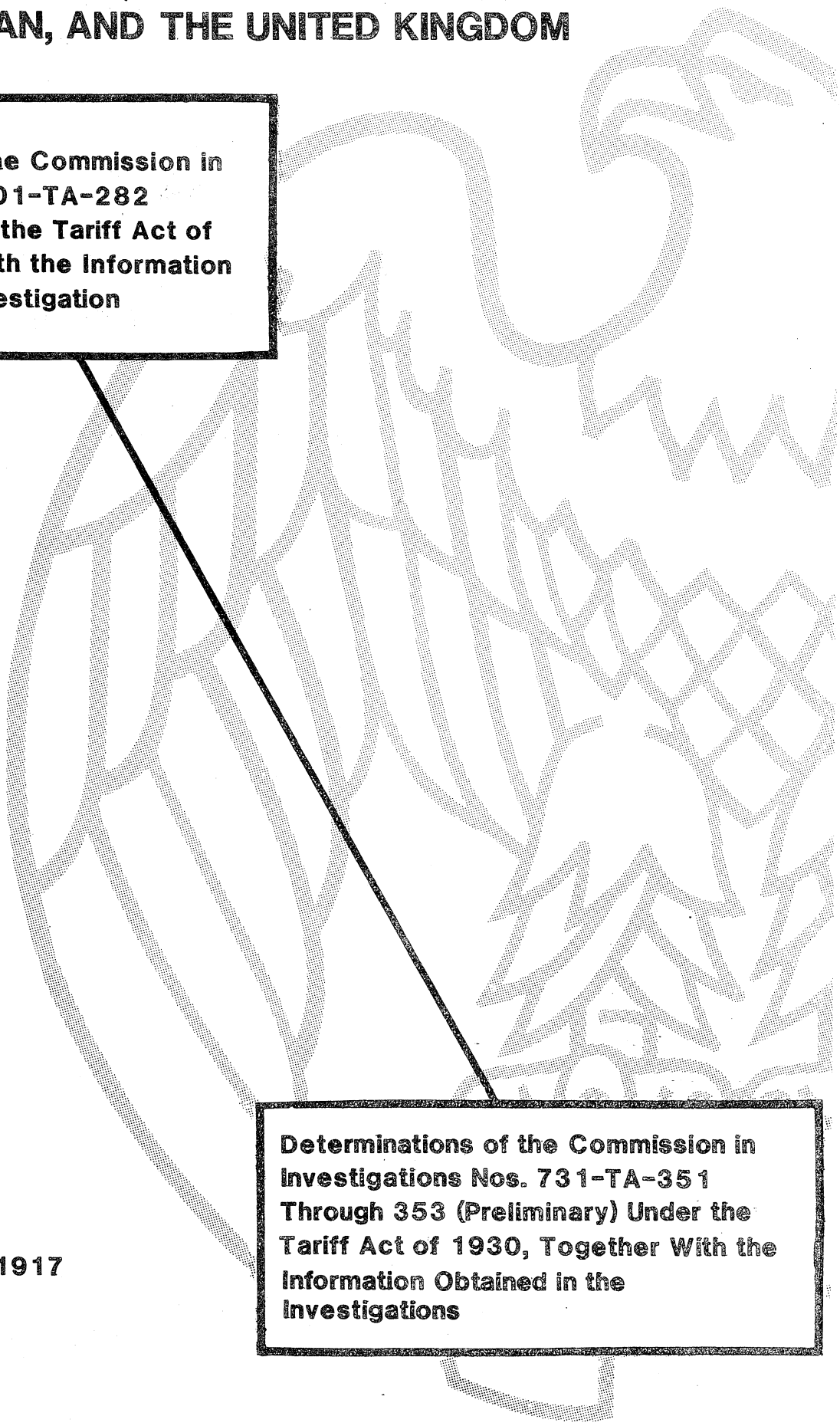
CERTAIN FORGED STEEL CRANKSHAFTS FROM BRAZIL, THE FEDERAL REPUBLIC OF GERMANY, JAPAN, AND THE UNITED KINGDOM

Determination of the Commission in Investigation No. 701-TA-282 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determinations of the Commission in Investigations Nos. 731-TA-351 Through 353 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

USITC PUBLICATION 1917

NOVEMBER 1986

United States International Trade Commission / Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Susan Liebeler, Chairman
Anne E. Brunsdale, Vice Chairman
Paula Stern
Alfred E. Eckes
Seeley G. Lodwick
David B. Rohr

Staff Assigned

Diane Mazur, Office of Investigations
Dennis Rapkins, Office of Industries
John Ryan, Office of Economics
Jerald Tepper, Office of Investigations
Charles Nalls, Office of the General Counsel

Lynn Featherstone, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

C O N T E N T S

CONTENTS

Tables

CONTENTS

CONTENTS

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-282 and 731-TA-351 through 353 (Preliminary)

CERTAIN FORGED STEEL CRANKSHAFTS FROM BRAZIL, THE FEDERAL REPUBLIC OF GERMANY, JAPAN, AND THE UNITED KINGDOM

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. (1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil of certain forged steel crankshafts 3/ 4/ which are alleged to be subsidized by the Government of Brazil. The Commission also determines, pursuant to section 733(a) of the Act (19 U.S.C. (1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from the Federal Republic of Germany, Japan, and the United Kingdom of certain forged steel crankshafts 3/ which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On October 9, 1986, petitions were filed with the Commission and the Department of Commerce by Wyman-Gordon Company, Worchester, MA, alleging that

---

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/ Chairman Liebeler dissenting.

3/ The crankshafts subject to these investigations are forged carbon or alloy steel crankshafts with a shipping weight of between 40 and 750 pounds, whether machined or unmachined. They are provided for in items 660.67 and 660.71 of the Tariff Schedules of the United States.

4/ Commissioner Stern determines that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly subsidized imports of certain forged steel crankshafts from Brazil and by reason of allegedly LTFV imports of certain forged steel crankshafts from the Federal Republic of Germany, Japan, and the United Kingdom.

an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of certain forged steel crankshafts from Brazil and by reason of LTFV imports of certain forged steel crankshafts from the Federal Republic of Germany, Japan, and the United Kingdom. Accordingly, effective October 9, 1986, the Commission instituted preliminary countervailing duty investigation No. 701-TA-282 (Preliminary) and preliminary antidumping investigations Nos. 731-TA-351 through 353 (Preliminary). 1/

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 16, 1986 (51 F.R. 36871). The conference was held in Washington, DC, on October 31, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ Wyman-Gordon also filed an antidumping petition on imports of the subject crankshafts from Brazil, and the Commission instituted antidumping investigation No. 731-TA-350 (Preliminary) on such products effective Oct. 9, 1986 (51 F.R. 36871, Oct. 16, 1986). On Oct. 30, 1986, however, Wyman-Gordon withdrew the antidumping petition on Brazil and, accordingly, the Commission terminated inv. No. 731-TA-350 (Preliminary) (51 F.R. 41163, Nov. 13, 1986).

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of forged steel crankshafts which are allegedly subsidized by the government of Brazil. [1/] We further determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of forged steel crankshafts from the Federal Republic of Germany (West Germany), Japan, and the United Kingdom (U.K.) which are allegedly being sold at less than fair value (LTFV). [2/]

Our determinations are based, inter alia, on the poor financial performance of the domestic industry, significant import market penetration ratios, and the apparent adverse impact of allegedly unfair imports on prices for the domestic product during the investigation period.

Like product

As a threshold inquiry, the Commission must identify the domestic industry to be examined for the purpose of making an assessment of material injury. Section 771(4)(A) of the Tariff Act of 1930 defines the term

---

1/ Commissioner Stern determines that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of forged steel crankshafts which are allegedly subsidized by the government of Brazil and by reason of imports of forged steel crankshafts from West Germany, Japan, and the U.K. which are allegedly being sold at LTFV.

2/ Material retardation is not an issue in these investigations and will not be discussed further.

"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," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 4/

The imports that are the subject of these investigations are forged steel crankshafts. 5/ They are used in internal combustion engines to transform the reciprocal action of the engine's pistons into rotational energy or torque. More specifically, they are used in diesel engines and, to a lesser extent, in large gasoline engines for class 6, 7, and 8 on-highway trucks and tractors. Other end-uses include diesel engines for off-road equipment, farm machinery and equipment, military vehicles, certain aircraft, and automobiles. 6/

3/ 19 U.S.C. § 1677(4)(A).

4/ 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 as to permit minor differences in physical characteristics and 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 Department of Commerce's (Commerce) investigation. Commerce has defined the scope of these investigations as "forged carbon or alloy steel crankshafts with a shipping weight between 40 and 750 pounds, whether machined or unmachined." 51 F.R. 40240 (Nov. 5, 1986).

6/ Report of the Commission (Report) at A-2.

The Commission, in considering the question of like product in a title VII investigation, examines factors relating to the characteristics and uses of the subject merchandise including physical appearance, customer perceptions of the articles, common manufacturing facilities and production employees, channels of distribution and interchangeability between products. 7/ In the instant preliminary investigations, petitioner, Wyman-Gordon Company (Wyman-Gordon), and the respondents raised several like product issues. Wyman-Gordon urged the Commission to find the like product to be machined or unmachined forged crankshafts in the 40-750 pound range. This defines a single like product encompassing all articles described in Commerce's Notice of Initiation. 8/ Respondents raise two serious challenges to this definition: first, machined and unmachined crankshafts are not "like" each other and the domestic products are not like certain unique imported crankshafts; 9/ and second, there are several different "like products"

7/ See, e.g., Certain Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 at 3-6 (1984) and Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102 (Final), USITC Pub. 1410 at 8-9 (1983).

8/ See Petitioner's Post-Conference Brief at 3.

9/ Respondent, Thyssen Industries A.G. (Thyssen), alleged that the L-10 crankshaft, manufactured by Thyssen in response to a solicitation in 1979, is unique. Transcript of the conference (Tr.) at 112; Post-Conference Brief of Thyssen at 11. The crankshaft in question was to be produced for an engine that would be light in weight with the most economical fuel consumption of any engine then available in the U.S. market in that category. It had to be over 30 percent lighter in weight than the NH crankshaft, then supplied by Thyssen, yet have a higher power/weight ratio. See Report at A-9; Post-Conference

(Footnote continued on next page)

within the weight range of crankshafts specified by petitioner. Adopting respondents' view would result in specifying two or more like products that, individually, correspond to only a portion of the articles under investigation but which, when taken together, encompass the full class or kind of article subject to investigation.

Unmachined v. machined

Respondents' claim that machined and unmachined crankshafts are not "like" raises the issue of the circumstances in which an article in one stage of a multi-stage production process is "like" an article at a later or final stage in that process. The Commission has considered such arguments on numerous occasions and concluded that the resolution of the issue is fact specific. 10/ Among the factors we have considered are the costs and value

---

(Footnote continued from previous page)
Brief of Thyssen at 11. Thyssen maintains that it retains sole right to the design and tooling technology for this crankshaft, and contends that a U.S. manufacturer is two to three years away from producing a like or similar article. Post-Conference Brief of Thyssen at 13; see also Tr. at 118. Counsel for petitioner Wyman-Gordon has stated that it can make the crankshaft, is willing to make it, and has bid on it in the past. Tr. at 194.

The Commission believes that the Thyssen L-10 crankshaft is no more "unique" than other types of forged crankshafts imported into or manufactured in the United States. All forged crankshafts are generally manufactured in accordance with the particular engineering and service-life requirements. Other foreign suppliers and Thyssen can make the crankshaft in question. We therefore conclude that domestically produced crankshafts are "like" Thyssen's forged crankshafts. This issue will be more fully explored in the event of final investigations.

10/ See Nylon Impression Fabric from Japan, Inv. No. 731-TA-269 (Preliminary), USITC Pub. 1726 (1985) (Commission determined that slit and

(Footnote continued on next page)

of the different stages, the degree to which the different stages impart essential characteristics to the final product, and the nature of the markets. 11/ In these preliminary investigations, it appears that the principal function of the machining process is to remove excess material to bring the crankshafts into conformity with extremely tight tolerances; that the operations can be performed by either producers or end-users; and that there is no independent market for unmachined crankshafts which must be machined to make them ready for their eventual use. 12/ While the issue may

---

(Footnote continued from previous page)
unslit nylon impression fabric constitute a single like product); Photo Albums and Photo Album Filler Pages from Hong Kong and the Republic of Korea, Invs. Nos. 731-TA-240 to 241 (Preliminary), USITC Pub. 1660 (1985) (Commission determined that photo albums and photo album filler pages are one like product).

11/ In Butt-Weld Pipe Fittings from Brazil, Japan, and Taiwan, Invs. Nos. 731-TA-308 to 310 (Preliminary), USITC Pub. 1834 (1986), the Commission addressed the specific question of machined versus unmachined parts. In that investigation, the Commission considered whether machining constituted a "substantial transformation" of the semifinished product. Substantial transformation was defined in Butt-Weld Pipe Fittings, supra, as a Customs Service term which is used, inter alia, to determine country of origin making of an article for the purpose of the marking statute. Substantial transformation is defined as:

> a fundamental change in the form, appearance, nature, or character of an article which adds to the value of the article an amount of percentage which is significant in comparison with the value which the article had when exported from the country in which it was first manufactured, produced, or grown. United States v. Murray, 621 F.2d 1163, 1168-69 (1st Cir. 1980), cited in, Butt-Weld Pipe Fittings from Brazil, Japan, and Taiwan, supra, at 6, n.11.

We preliminarily concluded that because the finishing steps did not add significantly to the cost of production, that such costs did not warrant separate like products. In addition, the Commission based its determination of one like product upon a lack of evidence indicating that a semifinished product had any independent application other than for use in the manufacture of a finished product.

12/ We note on the other hand that there appears to be a considerable difference between the price of the two products; and we will explore the

(Footnote continued on next page)

merit further consideration in any final investigation based upon additional information which may be available, we preliminarily determine that machined and unmachined crankshafts constitute a single like product.

Weight ranges

The second like-product issue before the Commission centers on the weight ranges of forged-steel crankshafts. Petitioner argues for one like product encompassing the 40-750 pound size range. It asserts that this weight range reflects common characteristics and end-uses better than would a larger or narrower definition of the like product. 13/ Conversely, the respondents argue that the investigation should encompass several like products defined by size based on alleged characteristics, end-uses, production equipment, and manufacturing processes. 14/

After considering the record available to us, the Commission finds that petitioner's proposal best delineates the like product in terms of characteristics, end-uses, and facilities needed to make the product. At this time, the Commission does not have sufficient information to support respondent's contentions regarding the different characteristics and uses of

---

(Footnote continued from previous page)
significance of this difference in the event these matters return in final investigations.

13/ Tr. at 68-69; Petitioner's Post-Conference Brief at 5 and 7; Report at A-8.

14/ Post-Conference Brief of KMCL and Sifco at 19. Brazilian respondents urge for weight ranges of 40-120 pounds, 120-180 pounds, and 180-750 pounds. Post-Conference Brief of Sumitomo at 8-15. Japanese respondent urges weight ranges of crankshafts weighing below 40 pounds, those weighing between 40 and 110 pounds, crankshafts between 110 and 480 pounds, and those above 480 pounds.

appropriate weight classifications. Accordingly, for the purposes of these preliminary investigations, we determine that there is one like product consisting of all steel forged crankshafts, whether unmachined or machined and weighing between 40 and 750 pounds. 15/

Domestic industry

Having determined that there is a single like product, we determine that for the purposes of these preliminary investigations, there is a single domestic industry consisting of the domestic producers of articles within our definition of the like product. 16/ Respondents argue that petitioners do not produce or produce differently some crankshafts in the lighter and heavier weight ranges. The question of petitioner's ability to produce a particular range of crankshaft would arise only if such weight ranges were held to be separate like products.

Condition of the domestic industry

In evaluating the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and

---

15/ We note that this issue will be closely examined in the event of final investigations.

16/ These producers are believed to be Federal Forge, Lansing, Michigan; Interstate Drop Forge, Milwaukee, Wisconsin; Ladish Co., Cudahy, Wisconsin; Louisville Forge and Gear Works, Louisville, Kentucky; Park Drop Forge, Cleveland, Ohio; and Wyman-Gordon, Worcester, Massachusetts. See Report at A-11.

financial performance. [17/] In this opinion, we note two points that were of particular concern to us in assessing these factors. First, several questions were raised concerning the data provided by the major domestic producer, which included allocations for cost of goods sold, as well as depreciation and general, selling, and administrative costs. [18/] Second, the overall capacity of the domestic industry to produce forged steel crankshafts increased from 1983 to 1985, the period during which the industry alleged it was materially injured by imports. [19/] Should these matters return to the Commission for final investigation, we will reexamine these points and reassess their significance to the condition of the domestic industry.

Turning to the various indicia of injury, we find that apparent domestic consumption of forged steel crankshafts, measured both in terms of weight and number of units, increased from 1983 to 1984 and declined in 1985. [20/] In the interim period January-September 1986, however, consumption measured by weight continued to decline somewhat compared with the same period in 1985, whereas consumption measured by units increased. [21/] The latter increase may indicate a shift in demand/consumption towards lighter weight

---

17/ 19 U.S.C. § 1677(7)(C)(iii).

18/ Report at A-19.

19/ Id. at A-15, Table 5.

20/ Id. at A-13, Table 3. Due to the fact that there is only one major domestic producer, the data in this opinion are necessarily discussed in general terms.

21/ Id.

crankshafts. The Commission will further consider the existence of such a shift and its significance to the performance of the domestic industry and import competition in the event these matters return for final investigations.

As we have pointed out, the capacity of the domestic industry to produce forged steel crankshafts increased steadily from 1983 to 1985. 22/ Capacity remained unchanged in the interim period January-September 1986 as compared with the same period in 1985. The Commission confirmed one plant closing in October 1986 involving petitioner's facility in Harvey, Illinois. 23/

Capacity utilization for unmachined crankshafts declined in 1983-85, while capacity utilization for machined crankshafts rose in the same period. 24/ In the interim period January-September 1986, capacity utilization for both machined and unmachined crankshafts increased compared to the same period in 1985, but nevertheless remained low. 25/

Domestic shipments of forged steel crankshafts, measured by weight, units, and value, rose between 1983 and 1984, fell in 1985, 26/ and then

---

22/ Id. at A-15, Table 5.

23/ The Commission will develop further information regarding this plant closure, particularly the transfer of its production capabilities to other facilities, in the event there are final investigations.

24/ Report at A-15, Table 5.

25/ Id.

26/ Id. at A-15, Table 6.

rose slightly in the interim 1985-86 comparison. [27/] Inventories of forged steel crankshafts increased between 1983 and 1985 and increased again in the interim 1985-86 comparison. [28/]

The average number of production and related workers employed in the manufacture of forged steel crankshafts increased from 1983 to 1984, declined in 1985, [29/] and declined again in January-September 1986 compared to the same period in 1985. [30/] Hours worked by production and related workers showed a similar pattern except that the decline in hours worked in the 1985-86 interim comparison was greater. [31/]

Net sales rose between 1983 and 1984, fell in 1985, [32/] and then increased somewhat in the interim 1985-86 comparison. [33/] The domestic industry's financial performance improved in 1984, deteriorated in 1985, and then showed a modest gain in interim 1986. [34/] Throughout the period, profitability was marginal or nonexistent. [35/]

27/ Id.

28/ Id. at A-16, Table 7.

29/ Id. at A-17 and Table 8.

30/ Id.

31/ Id.

32/ Id. at A-19 and Table 11.

33/ Id.

34/ Id.

35/ Id.

Based on the above record, we determine there is a reasonable indication that the domestic forged steel crankshaft industry is currently experiencing material injury. 36/ 37/

Cumulation

The Commission is required to cumulatively assess the volume and effect of imports subject to investigation from two or more countries if the imports (1) compete with other imports and with the domestic like product, (2) are subject to investigation, and (3) are marketed within a reasonably coincident period. 38/ 39/

While steel crankshafts are typically designed to a purchaser's specific configuration, the record reflects that the domestic product and the imports are fungible and have competed with each other throughout the period of

---

36/ 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 (Dec. 1985) (Additional Views of Chairwoman Stern).

37/ 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 (Dec. 1985) (Additional Views of Commissioner Eckes).

38/ 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. No. 725, 98th Cong., 2d Sess. 36-37 (1984).

39/ Chairman Liebeler finds that it is necessary that the investigations occur with respect to the same practice (i.e., dumping). For a complete discussion of her views on cross-cumulation, see Certain Carbon Steel Products from Austria, Czechoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden, and Venezuela, Invs. Nos. 701-TA-225 to 234 (Preliminary) and 731-TA-213 to 217, 219, 221 to 226, and 228 to 235 (Preliminary), USITC Pub. 1642 at 41-50 (1985) (Views of Vice Chairman Liebeler). See Additional and Dissenting Views of Chairman Liebeler, infra.

investigation. 40/ In particular, we note that there have been simultaneous offers to sell and actual sales, especially in the course of periodic renegotiation and award of contracts by domestic purchasers. Finally, both the domestic producers and importers share the same channels of distribution, selling their respective products to original equipment manufacturers who produce engines for the heavy motor-vehicle market. 41/

Accordingly, the imports in question compete with one another and with the products of the domestic industry, are subject to investigation, and have been marketed within a reasonably coincident period, thereby satisfying the statutory criteria for cumulation. We, therefore, have cumulatively assessed the effects of allegedly LTFV imports of forged steel crankshafts from Japan, West Germany, and the U.K. 42/ 43/ 44/ 45/

40/ See, e.g., Post-Conference Brief of KMCL and Sifco at 28.

41/ Report at A-14.

42/ Vice Chairman Brunsdale does not find it necessary to cross-cumulate across statutes in making her determinations in this case. Therefore she does not consider the allegedly subsidized imports from Brazil in her assessment of the effects of the cumulated imports from Japan, West Germany, and the U.K. that are allegedly dumped. Similarly, she does not consider the allegedly dumped imports from Japan, West Germany, and the U.K. in her assessment of the effects of the allegedly subsidized imports from Brazil.

43/ Commissioner Stern does not find it appropriate to cumulate across statutes. She bases her affirmative findings on a separate cumulative assessment of the volume and effect of allegedly subsidized imports from Brazil, on the one hand, and allegedly LTFV imports from Japan, West Germany, and the U.K. on the other.

44/ Commissioner Eckes and Commissioner Lodwick cumulatively assessed the effects of allegedly LTFV imports from Japan, West Germany, and the U.K., and allegedly subsidized imports from Brazil. See Bingham and Taylor Division, Virginia Industries, Inc. v. United States, 627 F. Supp. 793 (C.I.T. 1986), appeal docketed, Appeal. No. 86-1440 (July 8, 1986).

45/ Commissioner Rohr notes that he reaches the same conclusions considering Brazilian imports alone or on a cumulative basis.

Reasonable indication of material injury by reason of allegedly LTFV imports

In determining whether there is a reasonable indication of material injury by reason of allegedly LTFV 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 the like products, and
> (iii) the impact of imports of such merchandise on domestic producers of like products. 46/

The assessment of causation is a matter committed to the Commission's expertise and sound discretion, within the guidelines discussed above. As a preliminary matter, however, we believe that several arguments raised by parties with respect to causation bear discussion.

Foreign producers and several purchasers of forged steel crankshafts appearing in opposition to the petition maintain that any injury being suffered by petitioner resulted from quality deficiencies in petitioner's crankshafts. For example, Caterpillar, Inc., a domestic purchaser, provided correspondence between itself and petitioner concerning quality problems with petitioner's products and unsuccessful efforts to correct these

---

46/ Chairman Liebeler finds five factors to be particularly helpful on the issue of causation. An affirmative vote is more likely when the following conditions are present: (1) a large and increasing market share; (2) a high margin of dumping or subsidization; (3) homogeneous products; (4) declining domestic prices; and (5) barriers to entry. See Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. 1707 at 11-19 (1985). See Additional and Dissenting Views of Chairman Liebeler, infra.

problems. [47/] These problems were purportedly a factor leading to Caterpillar's decertification of petitioner as a crankshaft supplier in 1986. [48/]

Petitioner argues in reply that, while it experienced quality control problems in the late 1970s, these difficulties accompanied the development and startup of the Danville facility and now have been resolved. [49/] Petitioner states that it has received outstanding quality awards during the period of investigation. [50/] [51/]

Various foreign producers and domestic purchasers have also alleged other alternate causes of injury to the domestic forged crankshaft industry. Among them is a purported long-term decline in the domestic demand for diesel engines using forged steel crankshafts. [52/] This decline in demand and an increase in import supply of diesel engines allegedly forced domestic purchasers to cut prices for finished engines. [53/] In turn, engine and

---

47/ See Attachments to Post-Conference Brief of Caterpillar, Inc.

48/ See Tr. at 173.

49/ Id. at 190.

50/ Tr. at 191; Petitioner's Post-Conference Brief at 21 and Appendix 1.

51/ In response to these arguments, the staff has provided a comparison of rejection rates for the domestic and imported products. Report at A-4-A-5. The Commission will explore this matter more fully in the event of final investigations.

52/ See, e.g., Post-Conference Brief of Cummins Engine Co., Inc., at 6.

53/ Id.

heavy equipment producers imposed price cuts on suppliers of component parts. 54/ Accordingly, foreign producers and domestic purchasers in opposition to the petition maintain that decreased domestic demand and increased competition for the finished products using forged crankshafts are the actual cause of harm to the petitioner.

In making preliminary determinations in antidumping and countervailing duty investigations, the Commission must ascertain whether any injury being suffered by the domestic industry is "by reason of" the imports under investigation. 55/ Although we may consider information which indicates that harm is caused by factors other than subsidized or LTFV imports, the Commission must not weigh causes. 56/

We have examined the evidence submitted concerning the quality of petitioner's products, particularly preliminary data on rejection rates for imported and domestic products. 57/ Based on this evidence we conclude that poor quality and long-term decline in demand for forged crankshafts warrant further evaluation in the context of causation in any final investigation.

54/ Id.; see also Tr. at 179.

55/ 19 U.S.C. §§ 1671b(a) and 1673b(a).

56/ "Current law does not . . . contemplate that the effects from the subsidized (or LTFV) imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong., 1st Sess. 7 (1979).

57/ Report at A-5, Table 1.

In determining whether there is a reasonable indication that allegedly dumped imports of forged steel crankshafts are a cause of material injury to a domestic industry, we have considered the cumulative volume and effect of imports from Japan, West Germany, and the U.K. 58/ The volume of imports from these three countries was significant throughout the period of investigation, accounting for the vast majority of imports from 1983 to 1985. Such imports, expressed in terms of weight, rose from 1983 to 1984, continued to increase in 1985, 59/ but then fell in the interim 1985-86 comparison. Expressed in terms of units, the imports followed the same pattern from 1983 to 1985, but continued to rise in the interim comparison. 60/ Thus, we conclude that the volume of imports is significant, particularly in light of the increase in the number of units imported in the interim period.

Market penetration of forged steel crankshafts from the three countries, expressed in terms of both weight and value, increased from 1983 to 1985, but then decreased slightly in January-September 1986 as compared with the same period of 1985. 61/ On a unit basis, however, market penetration increased steadily in 1983-85 and in the interim period. 62/ Viewed from any of these

---

58/ Commissioner Rohr notes that addition of Brazilian imports in this analysis does not affect his conclusions.

59/ Report at A-24, Table 18.

60/ Id.

61/ Id. at A-26, Table 21.

62/ Id.

three approaches, the penetration ratios indicate that the imports constituted a significant presence in the U.S. market throughout the period of investigation. 63/

The Commission requested domestic producers and importers/purchasers to provide quarterly price data on their largest sales or purchases of four crankshafts. In the January 1984-September 1986 period, in general, the prices reported by both groups decreased. 64/ Moreover, price comparisons indicate that the imported products consistently undersold the prices for the domestically produced items. 65/ 66/ 67/ We believe that this information, taken together with anecdotal information collected from purchasers, indicates that imports compete with the domestic product, and that lower prices were a consideration in the purchase of the imported

---

63/ Commissioner Eckes and Commissioner Lodwick note that including allegedly subsidized imports from Brazil does not substantially alter the trends in import volume and market penetration noted above.

64/ Report at A-28-A-29.

65/ Id. at A-29. Chairman Liebeler and Vice Chairman Brunsdale do not base their decisions in this case on evidence of underselling by imported products. They 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 (1986).

66/ Commissioner Eckes and Commissioner Lodwick note that price comparisons involving imports from Brazil showed similar patterns.

67/ Commissioner Rohr believes that evidence of underselling is ordinarily of significant probative value, and that used properly, as the Commission has used them in the past, such comparisons reflect an important aspect of competition in the marketplace.

products. 68/ 69/

Accordingly, we conclude that there is a reasonable indication that the domestic industry producing forged steel crankshafts is materially injured from allegedly LTFV imports from Japan, the U.K., and West Germany.

Reasonable indication of material injury by reason of allegedly subsidized imports 70/

We turn now to the question of whether there is a reasonable indication that the domestic industry producing forged steel crankshafts is materially

---

68/ Report at A-29-A-30. We are mindful of the quality considerations advanced by some purchasers as a primary reason for their shift to imported crankshafts. However, the pricing data in conjunction with the comments of some purchasers lead us to conclude that price is a main concern of crankshaft purchasers for the purpose of these preliminary investigations. The Commission will explore this question more extensively in the course of final investigations.

69/ Another factor that Vice Chairman Brunsdale considers in determining whether the subject imports are a cause of material injury is the magnitude of the alleged dumping margins. In this case the alleged dumping margins were moderate and ranged from 18.10 percent to 39.05 percent. For a discussion of her 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 that even 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).

70/ Chairman Liebeler dissents from the Commission's determination with respect to allegedly subsidized imports from Brazil. Commissioner Eckes and Commissioner Lodwick do not join in this portion of the Commission's determination because they have cumulatively assessed the effects of allegedly subsidized imports from Brazil with the allegedly LTFV imports in the preceding section.

injured by reason of allegedly subsidized imports from Brazil. [71/] For reasons similar to those outlined above, we determine that there is such a reasonable indication.

The volume of Brazilian imports measured in pounds increased substantially from 1983 to 1984, declined somewhat in 1985, [72/] and remained level in the interim period January-September 1986. [73/] The substantial increase coincided with the financial difficulties experienced by the domestic industry in 1985. The volume of imports, measured both by units and by value, followed a similar pattern. [74/]

Market penetration by forged steel crankshafts from Brazil increased steadily between 1983 and 1985 on a weight basis, and as well as on a unit and a value basis. [75/] In January-September 1985, however, market penetration on the basis of all three measures decreased as compared with the same period in 1985. [76/] [77/] Nevertheless, we find that market penetration by the allegedly subsidized imports from Brazil remains at significant levels.

71/ Inv. No. 701-TA-282.

72/ Report at A-24, Table 18.

73/ Id.

74/ Id.

75/ Id. at A-26, Table 21.

76/ Id.

77/ We note that should these investigation return as final, we will explore to what extent the decline in number of pounds imported is associated with a product shift toward lighter crankshafts.

The eight price comparisons of imported Brazilian crankshafts all show the product being sold in the United States at lower prices than the domestic product. 78/ 79/ As we have noted above, the prices reported by U.S. producers and U.S. importers/purchasers generally declined. This price decline may well be indicative of price suppression and will be reexamined in the event that this case returns for final investigations. 80/

We conclude that the volume of forged steel crankshafts from Brazil and the significant import penetration during most of the period of investigation, together with underselling and generally declining prices, establish a reasonable indication of a causal connection between the material injury to the domestic industry and the allegedly subsidized imports from Brazil.

78/ Report at A-29.

79/ Chairman Liebeler and Vice Chairman Brunsdale believe that the evidence of underselling in this case is not probative on the question of causation. See footnote 65, supra.

80/ Vice Chairman Brunsdale also considers the subsidy margin in her causation analysis. See footnote 69, supra. Although petitioners have not alleged specific numerical values for subsidy margins, the Vice Chairman assumes that they are nontrivial.

ADDITIONAL AND DISSENTING VIEWS OF CHAIRMAN LIEBELER

Certain Forged Steel Crankshafts
from the Federal Republic of Germany, Japan,
the United Kingdom and Brazil
Invs. Nos. 731-TA-351, 352 and 353,
701-TA-282
(Preliminary)

Based on the record in these investigations, I determine that there is a reasonable indication that a domestic industry is materially injured by reason of imports of certain forged steel crankshafts from the Federal Republic of Germany, Japan and the United Kingdom, which are allegedly being sold at less than fair value. I also determine that there is no reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of imports of certain forged steel crankshafts from Brazil that are allegedly being subsidized by the government of Brazil.[1]

I concur with the majority's definitions of the like product and domestic industry, and with their discussion of the condition of the industry. Because my views on causation differ from those of the majority, I offer these additional and dissenting views.

---

[1] As there is an established domestic industry, "material retardation" was not raised as an issue in these investigations and will not be discussed further.

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 there is a reasonable indication that 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 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 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]

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

---

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

3 19 U.S.C. § 1977(7)(A)(1980).

otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Acts of 1979, Congress stated:

> [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]

---

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

[5] Id.

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 a matter for the judgment of the ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve 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

---

[6] Id.

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

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]

This "complex and difficult" judgment by the Commission is aided greatly by the use of financial and economic 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

---

8 Id.

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.

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.

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]

---

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

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]

> 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 will be discussed in turn after a discussion of cumulation issues.

---

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

13 Id. at 16.

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

Cumulation

There are a number of candidates for cumulation in this series of investigations. Brazil is the subject of a countervailing duty investigation; The Federal Republic of Germany, Japan and the United Kingdom are subjects of antidumping investigations. It is inappropriate to cumulate imports subject to antidumping investigations with those subject to countervailing duty investigations.[15] Past Commission practice, the statutory scheme of title VII and the statutory language of title VII preclude cross-cumulation. Accordingly, I will not cumulate allegedly subsidized imports from Brazil with allegedly dumped imports from The Federal Republic of Germany, the United Kingdom and Japan.

Because there is a reasonable indication that the imports compete with each other and with the like product,

---

[15] For a complete discussion of cross-cumulation, see Certain Carbon Steel Products from Austria, Czechoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden and Venezuela, Invs. Nos. 701-TA-225-234 (Preliminary) and 731-TA-213-235 (Preliminary) USITC Pub. 1642 at 41-50 (1985) (Views of Vice Chairman Liebeler). See also Oil Country Tubular Goods from Austria, Romania, and Venezuela, Invs. Nos. 701-TA-240 and 241 (Preliminary) USITC Pub. 1679 at 18-20 (1985) (Additional Views of Vice Chairman Liebeler).

I cumulate the imports of certain forged steel crankshafts from the Federal Republic of Germany, Japan and the United Kingdom which are subject to antidumping investigations.

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 from Brazil subject to countervailing duty investigation increased as a percent of apparent U.S consumption but remained at extremely low levels during the period of investigation.[16] Interim figures show that market penetration of imports from Brazil decreased in the January through September period of 1986 compared to the corresponding period of the previous year.[17]

The cumulated market share of imports from The Federal Republic of Germany, Japan and the United Kingdom, allegedly being sold at less than fair value, was

---

16 The actual import penetration figures are confidential in these investigations.

17 Report at A-26.

substantial and increased slightly over the period of investigation.

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[18] and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not yet calculated any margins. Consequently I rely on the antidumping margins alleged by petitioners. Using a variety of methodologies, the dumping margins alleged range from 18.0 to 39.05 percent.[19] There has been no specific subsidy margin alleged. For this preliminary investigation, I will give the petitioners the benefit of the doubt and assume that the subsidy margin is nontrivial. The alleged dumping margins vary considerably but generally are moderate and not inconsistent with a finding of unfair price discrimination.

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

---

18 See text accompanying note 8, supra.

19 Report at A-11.

producers. Information in the record indicates that purchasers find the quality of the domestic and imported products to be similar, although there have been some allegations of quality problems with the domestic product[20] For the purposes of these preliminary investigations, I find that these products are substitutable.

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. Domestic prices for forged steel crankshafts have shown a persistent trend downward during the period of investigation.[21] These price data are supportive of a finding of unfair price discrimination.

The fifth factor is foreign supply elasticity (barriers to entry). If there is low elasticity of foreign supply (or barriers to entry) it is more likely that a producer can gain market power. Imports of forged steel crankshafts from countries other than Brazil were significant and accounted for the vast majority of U.S.

---

[20] See Attachments to Post-Conference Brief of Caterpillar, Inc. I ask that the quality problems be further pursued if the investigation reaches a final.

[21] Report at A-28.

imports for consumption from 1983 to 1985.[22] The potential supply response of countries not covered by the countervailing duty petition suggests that the foreign supply is very elastic. This factor is inconsistent with a finding of unfair price discrimination.

Imports from countries not subject to antidumping investigations accounted for a substantial portion of U.S. imports for consumption, suggesting that the potential supply response by those countries is somewhat inelastic. This factor is not inconsistent with a finding of unfair price discrimination.

These five factors must be considered in each case to reach a sound determination. With respect to both the countervailing duty investigation and the antidumping investigations, the declining domestic prices and homogeneity of the product are supportive of a finding of unfair price discrimination. The alleged dumping margins are not inconsistent with an affirmative determination. Since the petitioners do not make specific allegations of the magnitudes of the alleged subsidy margins, I assume that the margins are nontrivial. This factor is thus inconclusive, but I will assume arguendo that the subsidy margins are consistent with an affirmative determination.

---

[22] Report at A-26.

With respect to market penetration ratios, Brazilian imports account for a very small portion of imports for consumption. In addition, the countervailing duty investigation covers only a small portion of the total available foreign supply. These factors strongly support a negative determination in the countervailing duty investigation. The other factors cannot outweigh the effect of the extremely low market share and high foreign supply elasticity.

With respect to the antidumping investigations, however, the market penetration ratios are substantial. Foreign supply is inelastic because a large portion of the imports are included in the petition. This factor is strongly supportive of an affirmative determination in these antidumping investigations.

Concerning threat of injury in the countervailing duty investigation, the standard for an affirmative determination is that there be a reasonable indication that injury by reason of the subject imports be "real and imminent".[23] There are only small inventories of the allegedly subsidized imports in the United States

---

[23] 19 U.S.C. § 1677(7)(F)(ii) (cum. supp. 1986).

available for sale.[24] There is no evidence that the Brazilian industry will increase its capacity utilization. In addition, even if all of Brazil's present exports of the subject merchandise were diverted to the United States, the Brazilian market share would still be small. Thus, the market share evidence would still support a negative threat determination.[25] Examined together, the factors do not indicate that there is a reasonable indication of threat.

Conclusion

Therefore, I determine that there is a reasonable indication that an industry in the United State is injured by reason of imports of forged steel crankshafts from The Federal Republic of Germany, Japan and the United Kingdom, which are allegedly being sold at less than fair value. In addition, I determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by

---

[24] Report at Table 17.

[25] The actual data upon which I base my negative threat determination are confidential.

reason of imports of allegedly subsidized forged steel crankshafts from Brazil.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On October 9, 1986, petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Wyman-Gordon Company, Worcester, MA. The petitions allege that imports of certain forged steel crankshafts from Brazil are being subsidized by the government of Brazil, that imports of certain forged steel crankshafts from Brazil, the Federal Republic of Germany (West Germany), Japan and the United Kingdom are being sold in the United States at less than fair value (LTFV), and that an industry in the United States is materially injured and threatened with material injury by reason of such imports.

Accordingly, effective October 9, 1986, the Commission instituted preliminary countervailing duty investigation No. 701-TA-282 (Preliminary) and preliminary antidumping investigations Nos. 731-TA-350 through 353 (Preliminary) under the applicable provisions of the Tariff Act of 1930, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 16, 1986 (51 FR 36871). 1/ The conference was held in Washington, DC, on October 31, 1986. 2/ The Commission voted on these investigations on November 18, 1986, and transmitted its determinations to the U.S. Department of Commerce on November 24, 1986.

On October 30, 1986, the petitioner advised the Commission that the antidumping petition with respect to Brazil had been voluntarily withdrawn from Commerce on October 29, 1986. Therefore, the Commission issued a notice of withdrawal of petition and termination of investigation No. 731-TA-350 (Preliminary) (51 FR 41163, Nov. 13, 1986).

Previous and Related Investigations

In April 1986, the Commission completed an investigation under section 332 of the act entitled A Competitive Assessment of the U.S. Forging Industry (Investigation No. 332-216, USITC Publication 1833). Forged steel crankshafts were a selected product group for study in that investigation. The Commission has conducted no other investigations of forged steel crankshafts.

1/ Copies of the Commission's and Commerce's notices are presented in app. A.
2/ A list of witnesses appearing at the conference is presented in app. B.

The Product

Description and uses

Product description.--The petitions underlying these investigations state that "The product that is the subject of this petition is forged carbon or alloy steel crankshafts with a net shipping weight of between 40 and 750 pounds, whether machined or unmachined." and "forged crankshafts between 40 and 750 pounds in weight are primarily used in engines with vehicular applications, while forged crankshafts outside this weight range are primarily incorporated in engines with other than vehicular applications."

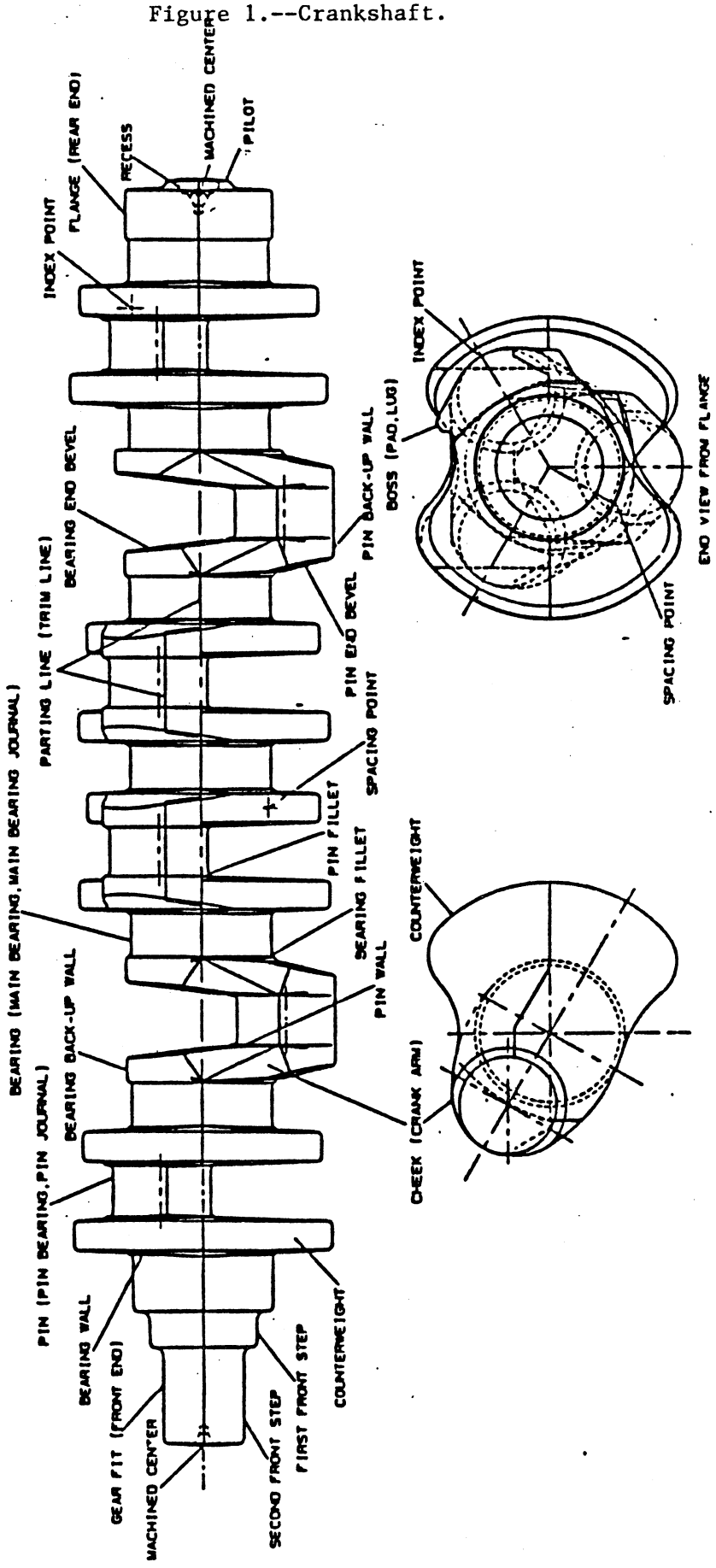
The crankshafts subject to investigation are used principally in diesel (and to a lesser extent, large gasoline) engines for on-highway trucks and tractors (e.g., Class 6, 7 and 8 trucks). Other end uses are diesel engines for off-road equipment (construction, mining and material handling and stationary power equipment); farm machinery and equipment; military vehicles (both track and wheel varieties, such as tanks, personnel carriers, systems carriers and other ground vehicles); certain aircraft engines; smaller diesel marine engines; and diesel engines for automobiles.

Crankshafts are used in internal combustion engines to transform the reciprocal action of the engine's pistons (connected to the crankshaft itself with connecting rods) into rotational energy or torque. In vehicles, the crankshaft is connected to the transmission and driveshaft, which ultimately power the wheels of the vehicle. Each crankshaft is generally produced to customer specifications on a job-order basis, but crankshafts of the same design produced by different manufacturers are generally interchangeable.

The two principal components of a crankshaft are the main bearings and the pin bearings (a diagram of a representative crankshaft is presented in fig. 1). The main bearings rotate on center in the engine block; the pin bearings, which are attached to the connecting rods (which are in turn attached to the engine's pistons) revolve off center in a planetary manner around the axis of the main bearings. During the power stroke of a 2- or 4-cycle engine, the piston and its attached connecting rod are forced downward, causing the pin bearings to revolve around the main bearing axis. As each revolution of the axis is completed, the piston is forced back to the top of the cylinder, thereby compressing the air/fuel mixture in the cylinder in preparation for ignition and the subsequent down stroke. The pin bearings of the crankshaft are positioned to ensure that one or more pistons in the power stroke will reciprocally drive the remaining piston or pistons through the compression stroke.

The pin bearings of the crankshaft are secured to the main bearings by crank arms that are positioned perpendicularly to the axis of the crankshaft. The crank arms may be designed with counterweights, depending upon the particular specifications. The weight and placement of these counterweights are carefully designed to ensure that the crankshaft is balanced during engine operation. Furthermore, the rear end of the crankshaft typically will be designed with a flange, which will be secured to the transmission flywheel; finally, a second flange often will be designed into the crankshaft's front end to facilitate connection with the engine's timing gear.

Figure 1.--Crankshaft.



Source: Wyman-Gordon Company

Physical characteristics.--In the manufacturing of crankshafts, the forging process provides the finished product with certain physical characteristics: directional strength (uni-directional grain flow); structural integrity (no internal gas pockets or voids); impact strength (greater resistance to impact and fatigue); and uniformity (die impressions exert positive control over all contours). In addition, hardness and strength are controlled by composition and heat treatment. 1/

Quality is essential and suppliers and purchasers have worked cooperatively to develop quality control programs. 2/ At the staff conference, both Wyman-Gordon and its U.S. customers acknowledged that quality problems have occurred with the domestic and foreign products, but principally with Wyman-Gordon's product; they differ, however, as to magnitude and timing. Wyman-Gordon acknowledged that it did have quality problems in the late 1970's and early 1980's, due to the start-up of its Danville, IL, facility, but that these problems have been resolved. Respondents have testified that quality problems persist with Wyman-Gordon crankshafts. Some of the problems reported by one crankshaft purchaser, Caterpillar, included uneven stock distribution, out-of-normal diameters, trim line extension and length variation. 3/ Defects such as these result in rejections that increase the cost of the finished crankshaft by increasing machining time, shortening tool life and increasing scrap losses.

In order to assess the difference in quality between the domestic and the foreign product, rejection rates were requested from witnesses appearing at the staff conference. A comparison of rejection rates for U.S. products (Wyman-Gordon) and foreign supplied products is presented in table 1.

As indicated by the figures and documented by internal company memos, Caterpillar experienced significantly higher rejection rates with Wyman-Gordon crankshafts in 1983, compared with other suppliers. Wyman-Gordon's rates improved in 1984, but were still higher than the foreign competition. The 1985 rates may not be representative inasmuch as Caterpillar has indicated that it is currently purchasing in low volumes from Wyman-Gordon, and that "recent experience on quality perhaps would not be fair." 4/

The Cummins experience compares the rejection rates of the three suppliers for its high volume NH crankshaft. With the exception of 1983, * * * rates have been ***. *** . 5/ *** crankshafts consistently registered lower rates than both *** from 1983 to 1986; however, ***. 6/

1/ Forging Handbook, Forging Industry Association, Cleveland, OH; pp.8 and 9.
2/ As an example, Cummins Engine has established a cost management program that requires Quality Agreements with its suppliers. The agreements document Cummins' requirements, supplier process controls, systems, and detailed agreements reached on quality controls ("Supplier Linking", Cummins pamphlet).
3/ Caterpillar internal memo, Mar. 5, 1984; post-conference brief, attachment.
4/ Transcript of conference (TR), p. 171.
5/ ***.
6/ Nov. 4,1986, confidential submission by Cummins Engine; and subsequent telephone conversations with *** (Nov. 7, 1986).

Table 1. Forged steel crankshafts: Rejection rates for U.S. products and foreign-supplied products, 1983-86

* * * * * * *

Machinery and equipment.--Certain machine tools used in the forging industry, such as lathes, drill presses, grinders, and milling machines, are common to many metalworking industries. Forging equipment involving deformation by impact has no counterpart. 1/ A brief description of hammers and presses, the two main pieces of forging equipment used by both domestic and foreign forgers, follows.

Hammers.--In operating a forging hammer a heavy ram containing the upper die is raised and then driven or allowed to fall on the workpiece, that is placed on the bottom die. The usual ratio of anvil-to-ram weight is 20:1 (the anvil extends underground and serves as a massive inertia block). Hammers are rated by falling weight and range from 20,000 tons to 35,000 tons. 2/

Presses.--Hydraulic forging presses are operated by large pistons driven by high-pressure hydraulic or hydropneumatic systems, that apply pressure by squeezing rather than by impact. Hydraulic presses have a variable stroke that can be adjusted to predetermined speeds, pressures and dwell time. Usually the forging is struck only once in each die impression, which provides for consistent forging results with high productivity and accuracy. The maximum pressure at the bottom of the work stroke and the estimated load at this point is the basis for rating press capacity. 3/

In a screw press, the forging load is transmitted through the slide, screw, and bed to the press frame. The available load at any given stroke position is supplied by energy stored in the flywheel. At the end of the forging stroke, the flywheel and screw come to a standstill before reversing the direction of rotation. The modern screw press is equipped with energy-metering device that controls the flywheel velocity and regulates the total amount of energy required for operation. 4/

Manufacturing considerations

Manufacturing process.--Crankshafts are generally made of either carbon or alloy steel, with the particular material reflecting the engineering requirements and service life of the engine in which the crankshaft is to be used. The metal may be formed into its desired configuration through either casting or forging.

This investigation concerns forged crankshafts only. The forging process involves the heating and reshaping of metal under impact or intense pressure. The combination of heat and pressure strengthens and improves the

1/ Forging Handbook, p. 195.
2/ Ibid., p. 197.
3/ Ibid., p. 199.
4/ Ibid., p. 200.

metallurgical characteristics of the finished part. Forging is used to produce crankshafts for engines with high compression ratios and/or heavy duty service requirements.

The crankshaft forging process generally involves the following steps; carbon or alloy steel billets are cut to size, heated, placed in a closed die, and then shaped by a series of impressions under extreme pressure, either by a mechanical press or hammers. The crankshaft is then trimmed of excess metal and may be twisted in order to move the throws to their final positions if the design so requires it. The crankshaft may then receive any of several heat treatment procedures (e.g., annealing, normalizing, or quenching) and is cleaned of scale through a shot blasting procedure. Finally, the crankshaft must be machined to exact specifications. Machining is most commonly performed by the end user; however, certain U.S. producers are also capable of performing such operations.

Like products.--A number of like product issues have been raised in the staff conference and in post conference submissions. Each of the issues is discussed below.

Cast versus forged.--A crankshaft may be formed into its desired configuration through either casting or forging. Casting creates a fabricated piece by pouring molten metal into molds. This process produces a crankshaft of relatively less strength suitable for engines (generally gasoline powered) with lower compression ratios and shorter service lives.

Petitioner contends that forged and cast crankshafts are non-subtitutable. Counsel for the petitioner indicated that the two types of crankshafts have different physical characteristics (forged having greater strength), different manufacturing processes (requiring different machinery), different skills requirements for the respective workers, as well as different channels of distribution for different end uses. 1/ Figure 2. provides a graphic presentation of the physical differences between forged and cast products.

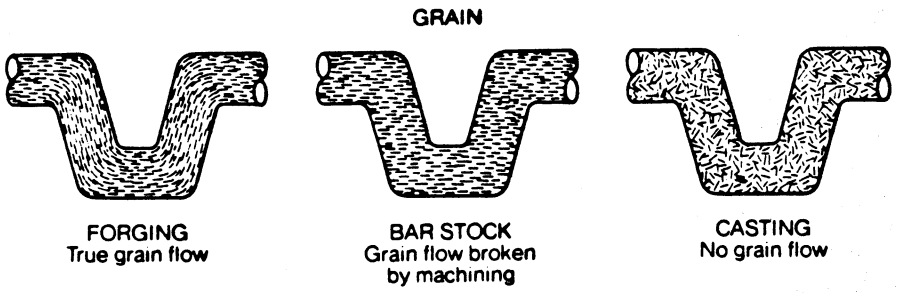
Counsel for Sumitomo, the principal supplier of Japanese crankshafts, contends that there is "Direct competition between forged and cast crankshafts below the 110 pound level." 2/ For example, crankshafts for light trucks can be either forged or cast, ***. Therefore, counsel for Sumitomo argues that crankshafts weighing between 40 and 110 pounds constitute a separate like product, because they are regularly sold to customers requiring different applications when compared to the crankshaft specified in the petition. 3/

Unmachined versus machined.--The petition recommends that both unmachined and machined crankshafts be covered in the scope of the investigations, because of similarities in physical characteristics and end uses. The petitioner states that "Prior to machining, the forged crankshaft possesses its essential configuration and all basic metallurgical and engineering characteristics required in engine performance. None of the value added during machining consists of materials or other physical additions to the

---

1/ Petitioner's post conference brief, p. 4.
2/ Sumitomo's post conference brief, pp. 12-13.
3/ ***.

FIGURE 2. Schematic representation of grain structure in forging, bar stock, and casting



SOURCE: Forging Handbook, Forging Industry Association, p. 8.

forged product. 1/ An unmachined crankshaft is irrevocably destined for machining and use in an engine; it has no other end use." Petitioner also states that there is no independent crankshaft machining industry, as the machining of crankshafts is performed for captive consumption by U.S. engine makers themselves or their affiliated firms. Wyman-Gordon is the only U.S. manufacturer of forged crankshafts (within the specified product range) that is integrated into machining. 2/

Counsel for the two major Brazilian producers asserts that unmachined and machined crankshafts have different characteristics, uses, customers, channels of distribution, manufacturing processes and machinery, and different employees. Counsel argues that the two products do not compete for the same sales because they are not interchangeable and have no substitutability. 3/

Information on unmachined and machined crankshafts is presented separately in the staff report, in order to facilitate consideration of the issue.

Weight range.--Petitioner asserts that the 40-750 pound weight range delineating imported crankshafts corresponds with production capabilities of two 16,000-ton percussion screw presses at Wyman-Gordon's Danville plant. Wyman-Gordon has indicated that it will be able to produce smaller pieces at Danville by equipping the 16,000-ton presses with special holders that permit use of multiple die impressions. Danville's large presses are flexible in that energy requirements can be reduced by adjusting the force of the presses, as well as reducing the energy input into induction heaters. 4/

Counsel for the Brazilian producers suggests that the investigation should encompass 3 like products by size, based on product characteristics, end uses, production equipment, and manufacturing process. 5/ Accordingly, the Brazilians argue that product categories should include:

40-120 pounds --	primarily used in car and light duty truck engines; utilizes 8,000-metric ton press
120-180 pounds --	used for medium to heavy duty trucks; utilizes 12,000 metric ton press
180-750 pounds --	used for construction and agricultural machinery; utilizes 16,000 metric ton press

The Commission has collected information concerning Wyman-Gordon's domestic shipments and U.S. purchasers' imports of unmachined forged

---

1/ NOTE: The Customs Service considers value added to be only one factor in determining the country of origin for forged crankshafts. Substantial transformation of the physical characteristics of the product is the overriding consideration (Nov. 7, 1986, telephone conversation with Arthur Schifflin, Office of Regulations and Rulings).
2/ Wyman-Gordon post-conference submission; pp. 12, 14 and 15.
3/ Post conference submission for Sifco and KMCL, pp. 12 and 15.
4/ Wyman-Gordon's post conference submission, p. 9.
5/ ***.

crankshafts by weight range. Seven U.S. purchasers, accounting for 61 percent of reported unmachined imports of forged crankshafts in 1985, provided useable data (table 2). The findings are summarized below.

* * * * * * *

Table 2.--Forged steel crankshafts: Domestic shipments by U.S. producers and imports by U.S. purchasers of the unmachined forged crankshafts, by weight ranges, 1983-85

* * * * * * *

Unique product.-- In 1979, Cummins solicited bids for price quotes on a new engine design (the "L-10") from all qualified suppliers (including Wyman-Gordon). The engine was to be light in weight with the most economical fuel consumption of any engine then available in the U.S. market in that category. The crankshaft had to be over 30 percent lighter in weight than the NH crankshaft, yet have a higher power/weight ratio; it would have to be forged to critical tolerances; counterweights had to be so tightly forged to tolerance that they would not have to undergo any machining; cranks had to be forged in position, requiring exactness of pre-form and tooling design. Thyssen Industries was selected to design the prototype crankshaft for the L-10 engine. Thyssen retains sole right to the design documents and tooling technology. Counsel for Thyssen contends that a U.S. manufacturer is two or perhaps three years away from producing a like or similar article. 1/

Counsel for the petitioner has stated that "Wyman-Gordon can make that product. Wyman-Gordon is willing to make that product. And Wyman-Gordon has bid on the product in the past." 2/ A representative of Cummins has indicated that Wyman-Gordon has been asked to bid on the L-10 crankshaft at each stage in the engine's development: in the design, in the first production level contract ***, as well as the last contract for full production when bidding began in March 1986. ***. 3/

U.S. tariff treatment

Crankshafts, whether cast or forged, and whether unmachined or machined, are classified in schedule 6 of the Tariff Schedules of the United States (TSUS), as follows (in percent ad valorem):

1/ Post conference submission for Thyssen Industries, pp. 11-13.
2/ Transcript of the conference, p. 194. Counsel for the petitioner has indicated that 2 Wyman-Gordon officials indicated separately that Wyman-Gordon could start full production on the L-10 in 5 months if it were awarded part of the contract (telephone conversation with Michael Kershow, counsel for the petitioner, Nov. 10, 1986).
3/ Telephone conversation with ***, Nov. 6, 1986.

TSUS item No. 1/	Description	Staged col. 1 rates of duty effective with respect to articles entered on or after January 1-- 1983	1984	1985	1986	1987	Col. 2 rate of duty
660.67A	Parts of piston-type engines other than compression-ignition engines.	3.6%	3.4%	3.3%	3.2%	3.1%	35%
660.71A	Parts of compression-ignition piston-type engines	4.4%	4.2%	4%	3.9%	3.7%	35%

1/ The designation "A" indicates that the articles classified in the item are currently designated as eligible articles for duty-free treatment under the Generalized System of Preferences (GSP), and that all beneficiary developing countries are eligible for the GSP.

The Nature and Extent of Alleged Subsidies and Alleged Sales at Less Than Fair Value

The allegations of unfair trade practices as made by the petitioner are summarized below.

Alleged subsidies

The petitioner alleges that producers or exporters of forged steel crankshafts in Brazil receive benefits that constitute subsidies within the meaning of the countervailing duty law. The Department of Commerce has reviewed the petitioner's allegations and has initiated an investigation on the following alleged programs:

Export Subsidies--

- Income Tax Exemption for Export Earnings
- Working Capital for Export Financing
- Export Financing Under Banco do Brasil CIC-CREGE 14-11 Circular
- BEFIEX (Commission for the Granting of Fiscal Benefits to Special Export Programs) Program
- CIEX (Commission for Export Incentives) Program
- FINEX (Resolution 68) Export Financing
- Resolution 509 Financing
- PROEX Program
- Incentives for Trading Companies

Domestic Subsidies--

- Exemption of IPI Tax and Customs Duties on Imported Equipment
- Accelerated Depreciation for Brazilian-Made Capital Equipment
- FINEP/ADTEN Long-Term Loans
- BNDES Loans
- IPI Tax Rebates for Capital Investments

Alleged sales at LTFV

For each of the countries covered by these investigations, the petitioner has calculated LTFV margins by comparing the United States price for particular sales with either adjusted home market prices (in the case of Japan) or with the constructed value of the merchandise (in the cases of the U.K. and West Germany). The following tabulation provides weighted average margins for all sales analyzed for each foreign crankshaft producer and country:

Country/producer	Weighted-average dumping margin (percent)
Japan, total	29.22
Sumitomo Metals	29.22
U.K., total	18.10
United Engineering Service	18.10
West Germany, total	28.89
Gerlach	23.03
Thyssen	39.05

The U.S. Market

U.S. producers

There are over 25 known U.S. manufacturers of forged steel products, of which only 6 firms are believed to be producers of forged steel crankshafts within the 40-750 pound weight range. The six firms are Federal Forge, Lansing, MI; Interstate Drop Forge, Milwaukee, WI; Ladish Company, Cudahy, WI; Louisville Forge and Gear Works, Louisville, KY; Park Drop Forge, Cleveland, OH; and Wyman-Gordon, Worcester, MA.

The Commission sent questionnaires to all six of these producers and received completed responses from three firms, including the largest producer, Wyman-Gordon. ***. The three firms that did not respond to the questionnaire are believed to have accounted for ***. The following tabulation shows Wyman-Gordon's production levels in 1985, and its share of production for each type of crankshaft:

* * * * * * *

Wyman-Gordon was established over 100 years ago in Worcester, MA, and is the largest independent forging company in the United States. Its Eastern Division produces technically advanced forgings for aerospace applications. Wyman-Gordon produces forged steel crankshafts in its Western Division, with production centered in the forging plant at Danville, IL, and a crankshaft machining facility in Jackson, MI. In late October 1986, Wyman-Gordon ceased operations at its Harvey, IL, forging plant after nearly 70 years of operation. Wyman-Gordon is the dominant U.S. firm producing forged steel crankshafts in the specified weight range, so that reference to data on the U.S. industry is virtually synonymous with Wyman-Gordon.

Federal Forge and Interstate Forge manufacture limited quantities of forged crankshafts in the relevant size range. Ladish is primarily a manufacturer of aerospace forgings and also produces forged pipe fittings, flanges and other forgings. Louisville Forge and Gear Works is believed to produce mid-size crankshafts, and Park Drop Forge has manufactured only small quantities of crankshafts within the relevant size range since approximately 1980.

All three reporting firms, representing at least an estimated *** percent of total U.S. production, are in support of the petitions in these investigations. Verbatim comments from questionnaire responses of the nonpetitioning producers are as follows:

* * * * * * *

U.S. importers

As previously discussed in the Tariff Treatment section of this report, forged crankshafts are included in the basket categories of crankshafts for internal combustion engines; including cast crankshafts, as well as crankshafts that do not fall within the specified weight range. Information identifying importers and purchasers of imported forged crankshafts in the subject weight range was provided by counsel for the petitioner, and was verified against files provided by the U.S. Customs Service. The Commission sent questionnaires to 22 importers and purchasers, which included all the known major importers/purchasers of forged steel crankshafts. The 22 importers/purchasers are believed to account for approximately 95 percent of total imports of forged steel crankshafts from the countries subject to these investigations.

Five foreign suppliers and 9 U.S. purchasers, accounting for approximately 90 percent of total imports in 1985, provided usable data on their imports/purchases of forged steel crankshafts from the subject countries. The following tabulation presents information on the major importers/purchasers, their location, 1985 import levels, and each importer's share of total imports of forged steel crankshafts (in thousands of pounds):

* * * * * * *

Wyman-Gordon imports.--***, Wyman-Gordon will be importing unmachined forged crankshafts from Brazil. ***. ***. 1/ Wyman-Gordon has indicated that it was forced to replace its own crankshaft with an imported crankshaft because it could not match the price being offered by ***, who would be using *** as the source of low-price unmachined crankshafts. 2/

1/ Telephone conversation with ***; Nov. 13, 1986.
2/ Petitioner's post conference brief, p. 16; and a Nov. 10, 1986, telephone conversation with Michael Kershow, counsel for petitioner.

Apparent U.S. consumption

The data on apparent U.S. consumption of forged steel crankshafts presented in table 3 are composed of the sum of reported domestic shipments of U.S.-produced forged steel crankshafts by U.S. producers, and imports/purchases of forged steel crankshafts as reported in response to the Commission's questionnaires.

Trends in apparent consumption.--Apparent consumption of unmachined forged steel crankshafts (in pounds) increased from *** pounds in 1983 to *** pounds in 1984, or by 59.4 percent, and then decreased to *** pounds in 1985, or by 4.3 percent. Apparent consumption of these forged crankshafts was *** pounds in January-September 1986, or 1.1 percent less than consumption during the corresponding period of 1985; however, apparent consumption on a units basis increased by 9.4 percent during the partial-year periods, indicating a probable shift in product mix to lighter weight crankshafts.

Although apparent consumption for machined crankshafts (based on pounds) increased 27.1 percent from 1983 to 1984, by 1985 it had fallen below its 1983 level of *** pounds. The January-September 1986 period also showed a decrease (of 2.5 percent) from the corresponding level in 1985.

Table 3.--Forged steel crankshafts: U.S. producers' domestic shipments, imports, and apparent consumption, by types, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

Trends in total apparent consumption are heavily influenced by activity in unmachined crankshafts, as they represented approximately *** percent of total apparent consumption based on pounds in 1985, and *** percent based on units.

U.S. producers' share of apparent consumption.--From 1983 to 1984, U.S. producers' share of total apparent consumption of the subject forged steel crankshafts decreased from *** percent to *** percent based on pounds, and increased slightly from *** to *** percent based on units. In 1985, U.S. producers' share of apparent consumption decreased to its lowest level based on pounds during the period of investigation at *** percent, and *** percent based on units. During January-September 1986, U.S. producers' share of total apparent consumption showed an increase based on weight to *** percent, and a decrease to *** percent based on units. It appears that improvements in the 1986 period resulted from the gains made in machined crankshaft activity.

Channels of distribution

Forging producers and importers ship crankshafts almost exclusively to original-equipment manufacturers (OEMs). The OEMs for forged steel crankshafts are engine manufacturers, whose engines are destined primarily for the heavy-duty motor-vehicle market.

In response to Commission questionnaires, Wyman-Gordon and 7 U.S. purchasers (accounting for 61 percent of total imports of forged crankshafts) provided information on shipments of crankshafts by type of market, based on the end use of the assembled engine within which the crankshafts would be used. This data, based on weight, is presented in table 4. Shipments information indicates that Wyman-Gordon has concentrated its production of forged crankshafts in the trucks and buses market, with *** percent of its shipments going to such OEMs in 1983, and *** percent in 1985.

Table 4.--Forged steel crankshafts: Shipments of crankshafts by U.S. producers and U.S. importers, by types of market, 1983-85

* * * * * * *

In terms of the end use of engines, purchasers' imports of forged crankshafts were used increasingly in the trucks and buses market (*** percent of imports in 1983 and *** percent in 1985). U.S. purchasers' second most prominent market was in farm machinery and equipment, but that level of activity decreased from *** percent of imports in 1983 to *** percent in 1985.

Consideration of Alleged Material Injury

The information in this section of the report was compiled from responses to questionnaires of the U.S. International Trade Commission. The 3 producers that provided questionnaire responses are believed to account for over *** percent of total U.S. production of forged steel crankshafts.

U.S. production, capacity, and capacity utilization

Data on reported U.S. production, end-of-period capacity, and capacity utilization of forged steel crankshafts are presented in table 5. Production of all forged steel crankshafts increased from *** pounds 1983 to *** pounds in 1984, or by *** percent. Wyman-Gordon has attributed this large increase in activity to the strong recovery in U.S. consumption of forged steel crankshafts, and the recapture of lost market share as Wyman-Gordon dramatically cut prices on several key cranks. 1/ Production decreased in 1985 to *** pounds, or by *** percent. Production in January-September 1986 amounted to *** pounds, an increase of *** percent compared with the level of production in the corresponding period of 1985. 2/

1/ Petition, p. 55.

2/ Wyman-Gordon contends that the increase in production for 1986 is an artificial inflation of figures, due to customers' requests for advanced production for future years requirements prior to the Harvey closing (petition, p. 24).

Table 5.--Forged steel crankshafts: U.S. production, end-of-period capacity, and capacity utilization, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

Capacity to produce unmachined forged crankshafts remained constant during the entire period of investigation. Capacity to produce machined forged steel crankshafts increased from *** pounds in 1983 to *** pounds in 1984, or by *** percent. Capacity increased further in 1985 to *** pounds, or by *** percent. These increases in capacity were accounted for by an increase in machining requirements for *** during 1984 and 1985. 1/ Capacity in January-September 1985 and 1986 remained the same at *** pounds.

Capacity utilization for unmachined crankshafts was *** percent in 1983, increased to *** percent in 1984, and fell to *** percent in 1985; during January-September 1985, the rate was *** percent; but it increased to *** percent in the same period of 1986. Capacity utilization for machined crankshafts was *** percent in 1983, increased to *** percent in 1984, and fell to *** percent in 1985; during January-September 1985, the rate was to *** percent; it then increased to *** percent in the corresponding period of 1986.

U.S. producers' domestic shipments

Data on U.S. producers' domestic shipments of forged steel crankshafts are presented in table 6. U.S. producers' domestic shipments of all forged steel crankshafts increased from *** pounds in 1983 to *** pounds in 1984, or by *** percent. Shipments decreased by *** percent to *** pounds from 1984 to 1985. Shipments in January-September 1986 amounted to *** pounds, an increase of *** percent compared with the level of domestic shipments in the corresponding period of 1985.

The value of U.S. producers' domestic shipments of all forged steel crankshafts increased from *** in 1983 to *** in 1984, or by *** percent. The value of shipments decreased in 1985 to ***, or by *** percent. The value of domestic producers' shipments in January-September 1986 amounted to ***, an increase of *** percent compared with the level in the corresponding period of 1985.

The unit value of U.S. producers' domestic shipments of unmachined forged steel crankshafts increased slightly from *** per piece in 1983 to *** per piece in 1984, and fell to *** per piece in 1985; unit value during January-September 1986 was ***, an increase compared with the unit value of *** during January-September 1985. The unit value of U.S. producers' domestic shipments

1/ Wyman-Gordon increased its capacity at the Jackson machining plant in order to buy into the *** with requirements for *** pieces; *** (telephone conversation with ***; Nov. 6, 1986).

Table 6.--Forged steel crankshafts: U.S. producers' domestic shipments, by types, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

of machined forged steel crankshafts increased from *** per piece in 1983 to *** per piece in 1984, and fell to *** in 1985; unit value during January-September 1986 was ***, a slight increase compared with the unit value of *** during January-September 1985.

As shown in table 6, the unit value of domestic shipments of machined crankshafts is predictably higher than that of unmachined crankshafts. The ratio of the unit value of machined crankshafts to the unit value of unmachined crankshafts was *** in 1983, *** in 1984, *** in 1985, and *** during January-September 1986. The increase in the 1984 ratio is attributed to a shift in product mix resulting in part from ***. 1/

U.S. exports

Only 1 U.S. producer *** reported exports of forged steel crankshafts, ***. The information obtained in response to the Commission's questionnaire is presented in the following tabulation:

* * * * * * *

***. 2/

U.S. producers' inventories

U.S. producers' inventories of all forged steel crankshafts increased from *** pounds as of December 31, 1983, to *** pounds as of December 31, 1984, or by *** percent (see table 7). Inventories decreased to *** pounds as of December 31, 1985, or by *** percent. Inventories on September 30, 1986, amounted to *** pounds, an increase of *** percent compared with the level of inventories on September 30, 1985; counsel for Wyman-Gordon indicated that this increase is partially attributed to the advanced production requirements precipitated by the Harvey closing.

1/ Telephone conversation with Michael Kershow, counsel for Wyman-Gordon; Nov. 12, 1986.
2/ Telephone conversation with ***; Nov. 10, 1986.

Table 7.--Forged steel crankshafts: U.S. producers' end-of-period inventories, by type, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

As a share of U.S. producers' total domestic shipments during the preceding year, inventories decreased from *** percent as of December 31, 1983, to *** percent as of December 31, 1984, and increased to *** percent as of December 31, 1985. On the basis of annualized shipments, the ratio was *** percent as of September 30, 1985, and *** percent as of September 30, 1986. The relatively high level of inventories compared to domestic shipments is consistent with the fact that reported inventories include work-in-process.

U.S. producers' employment and wages

The average number of production and related workers producing all forged crankshafts for the 3 producers that provided employment data increased from *** in 1983 to *** in 1984, or by *** percent, and decreased in 1985 to ***, or by *** percent (table 8). The number of workers in January-September 1986 was ***, representing a decrease of *** percent from the *** workers in the corresponding period of 1985. The average number of production and related workers producing unmachined forged crankshafts decreased during the period of investigation from *** employees in 1983 to *** employees in January-September 1986; this decrease is attributed partially to improved productivity, but principally to the closing of the Harvey plant. The number of hours worked by production and related workers producing all forged crankshafts increased from *** to *** during 1983-85. The number of hours worked in January-September 1986 was ***, representing a decrease of *** percent from the number worked in the corresponding period of 1985.

Almost all of the production and related workers producing forged crankshafts at most of the reporting producers are represented by unions. 1/ Unions that have represented Wyman-Gordon workers during the period of investigation are listed below:

Danville -- United Auto Workers

Harvey -- United Steel Workers of America
International Brotherhood of Boilermakers
International Association of Machinists
International Brotherhood of Electrical Workers
International Die Sinkers Conference

Jackson -- United Auto Workers

1/ ***.

Table 8.--Employment statistics for U.S. establishments in which forged steel crankshafts are produced: Average number of employees, hours worked, wages, hourly wages, and labor productivity, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

Financial experience of U.S. producers

Wyman-Gordon, accounting for an estimated *** percent of total U.S. forged steel crankshaft production between 40 and 750 pounds in 1985, supplied usable income-and-loss data for both its overall establishment and forged steel crankshaft operations. These data are discussed separately below. Financial data for other producers is presented in a subsequent section.

Operations of the Wyman-Gordon Company 1/.--The company is publicly held (over the counter). The stock of Wyman Gordon ranged between $16 and $37.25 for January 1, 1983 to September 30, 1986. The September 30, 1986 closing price was $16.75.

Wyman-Gordon operates primarily in one business segment -- the manufacture of technically advanced forgings. They have two categories of products -- nonferrous and ferrous. Net sales of ferrous products accounted for 29 percent of total company sales in 1985. The scope of these investigations is the production of ferrous crankshaft forgings in the 40-750 pound range and this category accounted for *** percent of net sales in 1985. Thus, based on information available to the Commission, the petitions cover approximately *** percent of Wyman-Gordon's ferrous product line.

The company had net sales of $384.1 million and income from operations of $46.9 million (including $4.3 million in other income) in 1985. A breakdown of nonferrous and ferrous income and loss is not available. Defense equipment accounted for 56 percent of sales in 1985. Sales of commercial transportation equipment represented approximately 40 percent of total sales during 1985. The two principal market areas for this category are aerospace and highway transportation.

The following excerpt from Wyman-Gordon's 1985 annual report discusses its crankshaft operations and the decision to close the Harvey, Illinois plant. 2/

> "Since the start-up of our very productive facility in Danville, Illinois, which is targeted at the mid-size, high-volume diesel engine crankshaft market, the Harvey plant has concentrated on more specialized, lower-volume segments of that market. Its scheduled closure is a reflection of the continuing depression in the market as well as severe and, we believe, unlawful foreign competition. This competition has led to reduced volume, extreme pressure on prices and a major erosion of profitability which adversely affected the 1985 earnings of the entire Midwest Division.

1/ Based on information contained in Wyman-Gordon Company annual reports; 1983, 1984 and 1985.

2/ Wyman-Gordon 1985 Annual Report, pp. 3-4.

Future crankshaft operations will be concentrated at our Danville forging plant and at Jackson, Michigan, our specialized crankshaft machining operation, recognized worldwide as a quality leader. With the upcoming disposition of Harvey, the Danville operation, representing an investment of over $50 million, continues as the only plant in the United States capable of efficient, volume production of the mid-size crankshafts for diesel engines which are the heart of most highway trucks, construction equipment and many of our military vehicles.

Our forgings for aerospace applications, by far the bulk of our sales, have not been affected as much by overseas production. In fact, our foreign competition has not made significant inroads into the domestic aerospace market, while we are steadily increasing our participation in international turbine engine programs."

The company had three plants that produced the subject products during the period covered by the investigations. The Harvey, IL, plant (closed October 1986) and the Danville, IL, plant produce unmachined crankshafts. The Jackson, MI, plant machines unfinished crankshafts, and Wyman-Gordon transfers a portion of its unmachined production to its operations at Jackson. These intracompany transfers accounted for *** percent of total shipments (in pounds) in 1983, 1984, and 1985, respectively. The interim 1986 portion was approximately *** percent. Transfer pricing policy is based on market value.

The questionnaire response from Wyman-Gordon was incorrectly filled out and the revised submissions raised several questions. *** 1/

Overall establishment operations.--Net sales from the establishments within which the subject crankshafts are produced increased *** percent from *** in 1983 to *** in 1984 (table 9). In 1985, sales declined *** percent to ***. Sales for the interim period ended September 30, 1986, were ***, a decrease of *** percent from sales of *** in the interim period ended September 30, 1985. ***.

Operations on forged steel crankshafts.--Net sales for the operations producing the subject forged crankshafts increased *** percent from *** in 1983 to *** in 1984 (table 10). In 1985 sales declined *** percent to ***. Sales for the interim period ended September 30, 1986, were ***, an increase of *** percent from sales of *** in the interim period ended September 30, 1985. ***.

Table 11 presents Wyman-Gordon's income-and-loss experience for machined and unmachined crankshafts separately. The *** for the unmachined operations include the operations of the Harvey, IL, plant which closed in October 1986.

1/ *** in a 10/30/86 telephone conversation indicated that ***.

Table 9.--Income-and-loss experience of Wyman-Gordon on the overall operations of its establishments within which forged steel crankshafts subject to investigation are produced, accounting years 1983-85 and interim periods ended September 30, 1985, and September 30, 1986

* * * * * * *

Table 10.--Income-and-loss experience of Wyman-Gordon on its operations producing the subject forged steel crankshafts, accounting years 1983-85 and interim periods ended September 30, 1985, and September 30, 1986.

* * * * * * *

Table 11.--Income-and-loss experience of Wyman-Gordon on its operations producing machined and unmachined forged steel crankshafts subject to investigation, accounting years 1983-85 and interim periods ended September 30, 1985, and September 30, 1986.

* * * * * * *

Table 12 covers the income-and-loss experience of those other establishment products that were outside the scope of the petition. The data portray significantly *** levels of profitability than the subject products in table 11. These data represent operations for forgings other than crankshafts, and for crankshafts whose production weight exceeds 750 pounds per unit.

Table 12.--Income-and-loss experience of Wyman-Gordon on products other than those subject to investigation that were produced in the establishments within which the subject forged steel crankshafts are produced, accounting years 1983-85 and interim periods ended September 30, 1985 and September 30, 1986

* * * * * * *

Other producers.--Interstate Drop Forge Company, a small producer of unmachined crankshafts, provided usable financial data. Selected data for their operations are presented below:

* * * * * * *

The Ladish Co., Inc, a division of the Owens-Corning Fiberglass Corporation, ***. However *** unmachined crankshafts were as follows (in thousands of dollars)

* * * * * * *

Investment in productive facilities.--Wyman-Gordon supplied data concerning its investment in productive facilities employed in the production of forged steel crankshafts. The company's investment in such facilities, valued at cost, rose from *** as of the end of 1983 to *** as of the end of 1985. The book value of such assets was *** as of yearend 1985. For interim 1986, the original cost was *** and the book value was ***. These data are shown in the tabulation below (in thousands of dollars):

* * * * * * *

Capital expenditures.--Wyman Gordon supplied information on its capital expenditures for facilities used in the production of forged steel crankshafts. Capital expenditures increased from *** in 1983 to *** in 1984, but declined to *** in 1985. For the interim period ended September 30, 1986, capital expenditures were ***, compared with *** for the September 30, 1985, interim period. These data are shown in the following tabulation (in thousands of dollars):

* * * * * * *

Research and development.--Wyman Gordon reported research and development expenses of *** in 1983, *** in 1984, and *** in 1985. Research and development expenses were *** for both interim periods. These data are shown in the following tabulation (in thousands of dollars):

* * * * * * *

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of forged steel crankshafts from the specified countries on their firms' growth, investment, and ability to raise capital. The response from Wyman-Gordon is shown below:

* * * * * * *

Consideration of Alleged Threat of Material Injury

Among the relevant economic factors that may contribute to the threat of material injury to the domestic industry are (1) any increase in foreign production capacity or existing unused or underutilized capacity in the countries subject to investigation, likely to result in a significant increase in exports of forged steel crankshafts to the United States, (2) any substantial increase in inventories of imported forged steel crankshafts in the United States, (3) any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, and (4) the probability that imports of LTFV forged crankshafts will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of forged crankshafts. The available information for each of the subject countries on production and exports of forged crankshafts, and U.S. importers' inventories of such merchandise is presented below. The issues of import penetration and price suppression/depression are discussed in subsequent sections.

Information in this section of the report was received by the Commission from data provided by counsels for respondents at the request of Commission staff.

Production, capacity and capacity utilization

Brazil.--There are two major manufacturers of forged steel crankshafts in Brazil that export to the United States--Sifco and Krupp Metalurgica Campo Limpo Ltda. (KMCL). Based on information provided by counsel for the two Brazilian companies, ***. Information on the Brazilians' production, capacity, and total shipments is presented in table 13.

* * * * * * * 1/ 2/

Table 13.--Forged steel crankshafts: Brazilian production, capacity, and total shipments, 1983-85, January-October 1985, and January-October 1986

Japan.--Information on capacity and shipments of forged steel crankshafts for the major Japanese supplier, Sumitomo Metals Industries, was provided by counsel for Sumitomo; and the data is presented in table 14. ***. 3/

Table 14.--Forged steel crankshafts: Japanese production, capacity, and total shipments, 1983-85, January-September 1985, and January-October 1986

* * * * * * *

1/ Letter to the Commission staff, Nov. 7, 1986; pp. 1 and 2.
2/ Id., Table B-1.
3/ Letter to Commission staff, Nov. 12, 1986.

United Kingdom.--Information on shipments of forged steel crankshafts was provided by counsel for United Engineering Steels Ltd. (formerly GKN Specialty Steels), the principal British producer. ***. Data for the United Kingdom are presented in table 15 below:

Table 15.--Forged steel crankshafts: Shipments for UES of the United Kingdom,1983-85 and January-September 1986

* * * * * * *

West Germany.--There are two major German producers that export forged steel crankshafts to the United States--Thyssen Industries and Gerlach-Werke/Krupp. Information on shipments has been received from Thyssen and is presented in table 16. ***. 1/

Table 16.--Forged steel crankshafts: West German production, capacity, and total shipments, 1983-85 and January-September 1986

* * * * * * *

Importers' inventories

The available data on U.S. importers' inventories of forged steel crankshafts from the subject countries, as reported by 5 importers (accounting for *** percent of total imports in 1985) in response to the Commission's questionnaires, are presented in table 17.

U.S importers' reported inventories of forged crankshafts decreased from *** pounds on December 31, 1983, to *** pounds on December 31, 1984, or by *** percent, and then increased to *** pounds on December 31, 1985, or by *** percent. Inventories on September 30, 1986, amounted to *** pounds, a decrease of *** percent compared with the level of inventories on September 30, 1985.

It is general practice in the crankshaft industry for suppliers to provide inventory on consignment to the customer, at the customer's plant for "just in time delivery"; a 30-day supply is the usual requirement. Two foreign suppliers that provided useable questionnaire responses have reported inventories of unmachined forged crankshafts based on pounds, and the ratio of inventories to imports for those suppliers is presented in the following tabulation (in percent):

* * * * * * *

1/ Letter to Commission staff, Nov. 7, 1986.

Table 17.--Forged steel crankshafts: U.S. inventories of imports, by principal sources, 1983-85, January-September 1985, and January-September 1986

* * * * * * *

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

U.S. imports

Data on U.S. imports of forged steel crankshafts from the subject countries are presented in tables 18-20. The data presented in the tables were compiled from responses to the Commission questionnaire of 9 U.S. purchasers and 5 foreign suppliers, that accounted for approximately 90 percent of total imports in 1985. Care was taken so that data from the foreign suppliers were not used in a manner that would "double count" the level of imports of forged steel crankshafts.

Overall imports.--U.S. imports of all forged steel crankshafts increased from *** pounds, valued at *** in 1983, to *** pounds, valued at *** in 1984, or by *** percent in quantity and *** percent in value (see table 18). Imports increased to *** pounds, valued at *** in 1985, which represented an increase in quantity of *** percent but a decrease in value of *** percent. Imports of forged crankshafts during January-September 1986 amounted to *** pounds, valued at ***, a decrease of *** percent in pounds and a decrease of *** percent in value compared with the amount and value of imports in the corresponding period of 1985.

The unit value (per piece) of U.S. imports of forged crankshafts was *** in 1983, *** in 1984, and *** in 1985. The unit value was *** during January-September 1986, a decrease of *** percent from the unit value of *** during the corresponding period of 1985.

Brazil.--Imports of forged crankshafts from Brazil were generally the lowest share of total imports during the period of investigation, but Brazil was a major source of machined crankshafts (***). In 1983 total imports of crankshafts from Brazil accounted for *** percent of all imports based on pounds and *** percent based on units; such imports increased irregularly to a level during January-September 1986 of *** percent by weight and *** percent by units.

Table 18.--Forged steel crankshafts: U.S. imports, by principal sources, 1983-85, January-September 1985, and January-September 1986
TOTAL UNMACHINED AND MACHINED

* * * * * * *

Table 19.--Forged steel crankshafts: U.S. imports, by principal sources, 1983-85,January-September 1985, and January-September 1986
UNMACHINED

* * * * * * *

Table 20.--Forged steel crankshafts: U.S. imports, by principal sources, 1983-85, January-September 1985, and January-September 1986
MACHINED

* * * * * * *

Japan.--In both weight and units the Japanese forged steel crankshafts accounted for the second largest amount of imports during the period of investigation, but at a decreasing rate. In 1983, Japanese crankshafts accounted for *** percent of imports by weight and *** percent by units; this level dropped to *** percent by weight and *** percent by units in 1985. During January-September 1986, the share of crankshafts from Japan continued to decline by weight, reaching *** percent of imports, whereas Japan's share of imports by units increased slightly to *** percent in the same period. Almost all imports of forged crankshafts from Japan are unmachined; less than *** percent of imported machined crankshafts was reported as Japanese, and that was for ***.

United Kingdom.--At the beginning and end of the period of investigation, imports of forged crankshafts from the United Kingdom accounted for the third largest share of all imports, and at an increasing rate. In 1983, imports from the United Kingdom accounted for *** percent of imports of crankshafts by weight; they rose to *** percent of imports during January-September 1986. Imports of crankshafts based on units increased at a greater rate, from *** percent to *** percent during the same period. Recent increases are due to additional orders from ***. Imports of crankshafts from the United Kingdom are principally unmachined.

West Germany.--Imports of forged crankshafts from West Germany accounted for the largest share of imports, with levels showing a slight decline during the period of investigation. In 1983 imports of unmachined crankshafts from West Germany accounted for *** percent of all imports by weight and *** percent based on units; they increased to *** percent by weight while decreasing to *** percent by units during January-September 1986, as larger crankshafts began to be imported. Imports of machined crankshafts from West Germany dominated import activity during most of the period of investigation, accounting for *** percent of all machined imports by weight in 1983, and *** percent during January-September 1986 (see table 20). West German machined crankshafts are heavier than other imports (notably those from Brazil) as indicated by the lower levels of import share based on units--*** percent in 1983 and *** percent in January-September 1986.

Market penetration of imports

Shares of apparent consumption accounted for by imports of forged steel crankshafts are presented in tables 21 through 23. The data presented in the tables were compiled from purchasers' and importers' responses to the Commission's questionnaires.

Table 21.--Forged steel crankshafts: Shares of apparent U.S. consumption, by weight, units, and value, 1983-85, January-September 1985, and January-September 1986--TOTAL UNMACHINED AND MACHINED

* * * * * * *

Table 22.--Forged steel crankshafts: Shares of apparent U.S. consumption, by weight, units, and value, 1983-85, January-September 1985, and January-September 1986--UNMACHINED

* * * * * * *

Table 23.--Forged steel crankshafts: Shares of apparent U.S. consumption, by weight, units, and value, 1983-85, January-September 1985, and January-September 1986--MACHINED

* * * * * * *

Overall market.--On the basis of weight, imports of forged steel crankshafts from the subject countries rose from *** percent of the U.S. market in 1983 to *** percent in 1984, and declined to *** percent during January-September 1986. Imports of crankshafts in terms of units showed similar increasing trends from 1983 to 1985, but then continued an upward trend from *** percent to *** percent during the corresponding January-September periods of 1985 and 1986; an indication of the lighter weight of recent imports.

Brazil.--On the basis of weight, imports of forged steel crankshafts from Brazil were *** percent of apparent consumption in 1983, rose to *** percent in 1984, continued to rise to *** percent in 1985, and then decreased to *** percent during Janurary-September 1986. On the basis of units, Brazilian crankshafts accounted for a greater level of apparent consumption in 1983 at *** percent, rose to *** percent in 1984, declined to *** percent in 1985, and then continued to decline from *** percent during January-September 1985 to *** percent during the corresponding period of 1986.

Japan.--On the basis of weight, imports of forged steel crankshafts from Japan were *** percent of apparent consumption in 1983, fell to *** percent in 1984, rose slightly to *** percent in 1985; and then declined from *** percent during January-September 1985 to *** percent during the corresponding period of 1986. On the basis of units, Japanese crankshafts accounted for ***

percent of apparent consumption in 1983, declined slightly to *** percent in 1984, rose to *** percent in 1985, and then declined from *** percent during January-September 1985 to *** percent during the corresponding period of 1986.

United Kingdom.--On the basis of weight, imports of forged steel crankshafts from the United Kingdom were *** percent of apparent consumption in 1983, fell to *** percent in 1984, then rose to *** percent in 1985. The trend during the interim periods is upward, from *** percent to *** percent, as a result of large order increases from ***. On the basis of units, crankshafts from the United Kingdom accounted for *** percent of apparent consumption in 1983, declined to *** percent in 1984, then rose to *** percent in 1985; the trend from January-September 1985 to the corresponding period of 1986 is significantly upward, from *** percent to *** percent.

West Germany.--On the basis of weight, imports of forged steel crankshafts from West Germany were *** percent of apparent consumption in 1983, rose to *** percent in 1984, continued to rise to *** percent in 1985; and then declined from *** percent during January-September 1985 to *** percent during the corresponding period of 1986. On the basis of units, crankshafts from West Germany accounted for *** percent of apparent consumption in 1983, rose to *** percent in 1984, rose again to *** percent in 1985, and continued to rise from *** percent during January-September 1985 to *** percent during the corresponding period of 1986.

Prices

Forged steel crankshafts are proprietary to the purchasers, which use a different crankshaft configuration for each type of engine they produce. The crankshafts are priced on a per unit basis, usually in accordance with contracts that run from 1 to 3 years. The unit price is negotiated at the start of each contract, though in several recent instances prices have been renegotiated during the term of a standing contract. Contracts are generally awarded for a specified percentage of the purchaser's requirement of a specific crankshaft. While contracts may be renegotiated, the costs of switching suppliers for a particular crankshaft are large because of tooling and other costs.

Some U.S. purchasers insist that their suppliers pay for the cost of tooling and then reflect this cost in the unit price of the crankshafts. However, more typically the cost of tooling forging dies, whether the crankshaft is produced in the United States or abroad, is paid by the purchaser at the start of a new forging job. The cost of tooling is negotiated as a separate item from the unit price of the crankshafts. The cost of tooling is relatively insignificant for large volume crankshaft production, though the tooling costs increase in importance as the production volume decreases. The purchaser retains exclusive rights to the dies, whereas the supplier actually owns and maintains the dies and may include a charge for maintenance in the unit price of the crankshafts.

Forged steel crankshafts are typically sold f.o.b. U.S. point of shipment. The primary U.S. producer, the petitioner, has located its manufacturing plant in close proximity to most U.S. purchasers. Similarly, importers either warehouse crankshafts near their U.S. customers or enter the imported crankshafts through ports near the major consuming areas, for example, Chicago and Detroit. Therefore, inland transportation costs are relatively unimportant, usually less than 3 percent of the delivered price of the crankshafts.

The Commission requested U.S. producers and importers/purchasers to provide quarterly price data on their largest sales or purchases of four crankshafts. Because the crankshafts are proprietary to each purchaser, the producers were requested to provide price data and product specifications for their four largest selling crankshafts. Importers/purchasers were requested to provide price data and product specifications for four crankshafts that were purchased from both a domestic producer and one or more of the subject countries. Two U.S. producers accounting for at least *** percent of U.S. production in 1985 provided price data. Six U.S. purchasers of the product subject to investigation provided price data for U.S.-produced and imported crankshafts. In 1985, these importers/purchasers accounted for *** percent of imports from Brazil, *** percent from Germany, *** percent from Japan, and *** percent from the United Kingdom.

Price trends.--Quarterly prices reported by U.S. producers and importers/purchasers generally decreased over the period January 1984 to September 1986 (tables 24 through 36). 1/ Producer prices decreased for 5 of the 6 available price series in which trends were discernible. Price decreases for these 5 series ranged from 8 percent to 27 percent. The remaining producer price series increased by 4 percent. Prices for U.S.-produced crankshafts, as reported by U.S. purchasers, decreased in 3 of the 5 series in which trends were evident. These 3 series decreased by 15 percent, 18 percent, and 48 percent, whereas the remaining two series increased by 9 percent and 4 percent.

Table 24.--Forged steel crankshaft: Prices (per unit) for U.S.-producers, by quarters, January 1984-September 1986

* * * * * * *

Table 25-36.--Forged steel crankshafts: Prices for U.S. and *** crankshafts and margins (per unit) by which imports undersold (oversold) the U.S. product, as reported by U.S. purchasers, by quarters, January 1984-September 1986.

* * * * * * *

Import price trends were discernible in price series for each of the four subject countries. The only Brazilian price series decreased by 6 percent from January-March 1984 to April-June 1984 and thereafter remained constant. The only complete price series for German crankshafts decreased by 20 percent. Three of the 5 price series for Japanese crankshafts decreased by between 5 percent and 10 percent. The remaining two Japanese price series increased by 17 percent and 22 percent. The purchaser of the two types of Japanese crankshafts

1/ Because of the proprietary nature of forged steel crankshafts, clearly defined representative products could not be identified by the staff and meaningful average prices of different types of crankshafts could not be calculated.

for which prices increased has set-price contracts for these products in the foreign currency (yen), and the price increases in terms of U.S. dollars are due to depreciation of the dollar's value in terms of yen. Similarly, the only price series available for U.K. crankshafts increased by 4 percent as a result of the depreciation of the U.S. dollar.

Price comparisons.--With the exception of West Germany, prices reported for imported crankshafts were generally lower than prices reported for the comparable U.S. product (tables 25 through 36). One product from West Germany and one product 1/ from Japan were higher in price than the comparable U.S. product over much of the period January-March 1984 to July-September 1986. Prices of imported West German crankshafts were higher than the U.S. product price more often than they were lower.

The 8 price comparisons of imported Brazilian crankshafts and the U.S. product all show the imported product being sold in the United States at lower prices than the domestic product. The prices of Brazilian crankshafts were between *** percent and *** percent lower than the U.S. product price. Nine of the 15 price comparisons between U.S. and West German crankshafts show the imported product selling at prices between 0.05 percent and 8 percent higher than those of the U.S. product. The remaining 6 comparisons show the imported German crankshafts selling between 1 percent and 40 percent lower in price than the U.S. product.

Thirty-two of the 36 price comparisons between Japanese and U.S. crankshafts show the imported product being sold at prices between 3 percent and 45 percent lower than those of the domestic product. The remaining 4 comparisons show the imported Japanese crankshafts selling at prices 3 percent lower than the prices of the comparable U.S. product. All 9 price comparisons between U.S. and British crankshafts show the imported product selling between 9 percent and 11 percent lower in price than the domestic product.

Lost sales

The Commission received 21 lost sales allegations from 2 U.S. producers involving sales to 7 firms that had allegedly been lost to imports of forged steel crankshafts from Brazil, Germany, Japan, or the United Kingdom. The total allegations amounted to *** and covered the period 1982 through 1986. Most of the allegations were for sales occurring during 1984 and 1985. The Commission contacted all of the purchasers cited in the allegations. The allegations are discussed below according to country of origin cited.

Lost sales involving Brazil.--Two U.S. producers submitted 2 allegations involving Brazil. The allegations amounted to *** during 1982 and 1984. One of the purchasers, ***, cited in a lost sale allegation valued at ***, reported purchasing Brazilian crankshafts valued at roughly *** in accordance with a contract signed in 1982, primarily because of the imported product's superior quality, though price was a secondary reason. The other purchaser, ***, reported that it had purchased some imported crankshafts because of their lower price but would not comment on the country of origin or value of the imported product.

1/ ***.

Lost sales involving Japan.--Two U.S. producers submitted 7 allegations of sales, valued at ***, lost to Japanese crankshafts during October 1984 to September 1985. The 5 firms involved in the allegations all reported purchasing Japanese crankshafts at a combined value of *** 1/ during the period indicated. Two of the 5 purchasers, ***, indicated that the quality of the U.S. product was unacceptable and they were therefore forced to purchase the imported crankshafts on the issue of quality. Two other purchasers, ***, reported that quality was their primary reason for purchasing the imported product, whereas price was a secondary concern. The remaining firm, ***, reported that the lower price of the Japanese crankshafts was its only reason for purchasing the imported product.

Lost sales involving the United Kingdom.--One U.S. producer, ***, submitted two allegations of sales lost to crankshafts imported from the United Kingdom valued at *** during 1984 and 1985. The 2 purchasers cited in the allegations reported purchasing British crankshafts valued at *** 3/ during the period indicated. These purchasers, ***, reported that the quality of the U.S. product was unacceptable and they were therefore forced to purchase the imported crankshafts solely on the issue of quality.

Lost sales involving West Germany.--One U.S. producer, ***, submitted 6 allegations of sales, valued at ***, lost to West German crankshafts and involving 4 purchasers during October 1984 through September 1986. All 4 purchasers reported purchasing West German crankshafts at a combined value of *** during the period indicated. 1/ Two of the 4 purchasers, ***, indicated that the quality of the U.S. product was unacceptable and they were therefore forced to purchase the imported crankshafts on the issue of quality. 2/ One purchaser, ***, reported that quality was their primary reason for purchasing the imported product, whereas price was a secondary concern. The remaining purchaser, ***, stated that its policy of multiple sourcing of crankshafts was the reason for purchasing the imported product. *** stated that with only one viable U.S. producer, the additional sources of crankshafts are necessarily foreign producers.

1/ The reported value may understate the value of the sales of the imported crankshafts because some of the contracts are still in effect.

2/ See "Physical characteristics" section (pp. A 4 and 5) of the staff report for a discussion of the quality issue.

3/ The reported value may understate the value of the sales of the imported crankshafts because some of the contracts are still in effect.

Exchange rates

Exchange rate indices of the Brazilian cruzado, the Japanese yen, the British pound, and the West German mark indicate that during the interval January 1983-June 1986 the quarterly nominal value of the Japanese yen and the West German mark advanced 38.6 percent and 7.2 percent, respectively, against the U.S. dollar, whereas the respective values of the currencies of Brazil and the United Kingdom depreciated 97.6 percent and 1.5 percent relative to the dollar. Quarterly exchange-rate and producer-price data pertaining to the aforementioned countries supplying the products covered in this investigation are presented in table 37.

The level of inflation in the United Kingdom was slightly higher than in the United States over the 14-quarter period, whereas levels of inflation in Japan and West Germany were similar to those in the United States. Therefore, changes in the real value of the British pound, the Japanese yen, and the West German mark were not significantly different from changes in the nominal value. In contrast, vastly higher levels of inflation in Brazil offset the impact of depreciating exchange rates during most of the period, resulting in the appreciation of Brazil's currency in real terms by 6.9 percent relative to the dollar. This compares with an apparent depreciation of 97.6 percent suggested by the nominal exchange rate.

Table 37.--Exchange rates 1/: Nominal-exchange-rate equivalents of selected currencies in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in specified countries 2/ indexed by quarters, January 1983-June 1986

Period	U.S. Producer Price Index	Brazil			Japan			United Kingdom			West Germany		
		Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/	Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/	Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/	Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/
			--Dollars/cruzado--			----Dollars/yen---			---Dollars/pound--			---Dollars/mark---	
1983:													
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.3	132.3	68.5	90.3	99.0	99.2	98.0	102.0	101.5	103.2	100.3	96.9	97.0
July-Sept..	101.3	189.4	51.1	95.6	99.2	97.2	95.2	102.7	98.6	100.0	101.1	91.1	91.0
Oct.-Dec...	101.8	266.9	37.6	98.6	98.6	100.6	97.5	104.1	95.9	98.1	101.7	89.9	89.9
1984:													
Jan.-Mar...	102.9	351.8	28.6	97.7	98.7	102.1	97.9	105.9	93.6	96.4	102.7	89.1	89.0
Apr.-June..	103.6	467.6	21.5	97.2	98.6	102.7	97.8	108.4	91.2	95.4	103.5	88.9	88.8
July-Sept..	103.3	623.9	16.3	98.2	99.4	96.8	93.2	109.0	84.7	89.4	103.9	82.5	83.0
Oct.-Dec...	103.0	871.7	11.9	101.0	99.1	95.8	92.2	110.4	79.4	85.1	104.7	78.9	80.1
1985:													
Jan.-Mar...	102.9	1,201.4	8.7	101.2	99.5	91.5	88.5	112.2	72.8	79.4	105.7	73.9	76.0
Apr.-June..	103.0	1,536.6	6.2	93.0	98.8	94.0	90.2	114.4	82.1	91.2	106.2	78.0	80.5
July-Sept..	102.2	2,018.3	4.8	94.7	97.7	98.8	94.4	115.1	89.8	101.1	106.2	84.5	87.8
Oct.-Dec...	102.9	2,858.4	3.6	100.6	95.5	113.8	105.7	116.1	93.8	105.8	106.0	93.2	96.0
1986:													
Jan.-Mar...	101.3	4,337.4	2.6	109.6	93.2	125.5	115.4	117.7	94.0	109.2	105.0	102.6	106.3
Apr.-June..	99.4	4,507.9	2.4	106.9	89.3	138.6	124.5	119.6	98.5	118.5	103.4	107.2	111.5

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

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

3/ The indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producer Price Index in the United States and the respective foreign country. Producer prices in the United States decreased 0.6 percent between January 1983-June 1986 compared to a 10.7-percent decrease in Japan, a 4,407.9-percent increase in Brazil, a 19.6-percent increase in the United Kingdom, and a 3.4-percent increase in West Germany during the same period.

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

Note.--January-March 1983=100.0.

A-32

APPENDIX A

NOTICES OF COMMISSION'S AND COMMERCE'S ACTIONS REGARDING THE INVESTIGATIONS

Issued: November 5, 1986.
By order of the Commission.
Kenneth R. Mason,
Secretary.
[FR Doc. 86-25595 Filed 11-12-86; 8:45 am]
BILLING CODE 7020-02-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-350 (Preliminary)]

Certain Forged Steel Crankshafts From Brazil; Petition and Termination of Investigation

AGENCY: International Trade Commission.

ACTION: Notice of withdrawal of petition and termination of investigation.

SUMMARY: On October 30, 1986, the Commission received a letter from petitioner in the subject investigation (Wyman-Gordon Company) withdrawning its petition. The Commission has been advised that the petition filed with the Department of Commerce was simultaneously withdrawn, and the administering authority will not initiate a formal antidumping investigation in accordance with 19 U.S.C. 1673a(a). Consequently, there will be no imports subject to investigation by the administering authority and there will be no basis upon which the Commission will be able to render a preliminary determination. Therefore, the Commission is terminating the antidumping investigation instituted effective October 9, 1986 (51 FR 36871, Oct. 16, 1986).

EFFECTIVE DATE: October 30, 1986.

FOR FURTHER INFORMATION CONTACT: Diane Mazur (202-523-7914), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

Authority: This investigation is being terminated under authority of the Tariff Act of 1930, title VII.

[A-588-606]

Certain Forged Steel Crankshafts From Japan; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain forged steel crankshafts from Japan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 23, 1986, and we will make ours on or before March 18, 1987.

EFFECTIVE DATE: November 6, 1986.

FOR FURTHER INFORMATION CONTACT: Charles Wilson or James Riggs, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5288 or (202) 377-4929.

SUPPLEMENTARY INFORMATION:

The Petition

On October 9, 1986, we received a petition in proper form filed by Wyman-Gordon Company. In compliance with the filing requirements of 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Japan are being, or are likely to be, sold in the United states at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury to, a United States industry.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and, further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on certain forged steel crankshafts from Japan and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain forged steel crankshafts from Japan are being, or are likely to be, sold in the United States at less than fair value.

Scope of Investigation

The products covered by this investigation are forged carbon or alloy steel crankshafts with a shipping weight between 40 and 750 pounds, whether machined or unmachined. These products are currently classified under items 660.6713, 660.6727, 660.6747, 660.7113, 660.7127 and 660.7147 of the *Tariff Schedules of the United States Annotated (TSUSA).* Neither cast crankshafts nor forged crankshafts with shipping weights of less than 40 pounds or greater than 750 pounds are subject to this investigation.

United States Price and Foreign Market Value

Petitioner based United States price on sales or offers, C.I.F., delivered, duty paid, by a Japanese manufacturer. Deductions were made for foreign inland freight and insurance, ocean freight and marine insurance, U.S. customs duties, U.S. brokerage and handling charges, U.S. inland freight and insurance, commissions and other selling expenses incurred in the United States, and the cost of a U.S. seller inventory to arrive at an ex-factory packed price.

Petitioner based foreign market value on the home market prices of a Japanese manufacturer. Deductions were made for foreign inland freight and credit costs to arrive at an ex-factory packed price.

Based on this method of comparison, petitioner alleges a dumping margin of 29.22 percent.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it by nonprivileged and nonproprietary information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 23, 1986, whether there is a reasonable indication that imports of certain forged steel crankshafts from Japan are causing material injury, or threaten material injury to, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

October 29, 1986.

[FR Doc. 86-25122 Filed 11-5-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-412-602]

Certain Forged Steel Crankshafts From the United Kingdom; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are intitiating an antidumping duty investigation to determine whether certain forged steel crankshafts from the United Kingdom (U.K.) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 24, 1986, and we will make ours on or before March 18, 1987.

EFFECTIVE DATE: November 6, 1986.

FOR FURTHER INFORMATION CONTACT: Charles Wilson or James Riggs, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5288 or (202) 377-4929.

SUPPLEMENTARY INFORMATION:

The Petition

On October 9, 1986, we received a petition in proper form filed by Wyman-Gordon Company. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the U.K. are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury, to a United States industry.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and, further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on certain forged steel crankshafts from the U.K. and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain forged steel crankshafts from the U.K. are being, or are likely to be, sold in the United States at less than fair value.

Scope of Investigation

The products covered by this investigation are forged carbon or alloy steel crankshafts with a shipping weight between 40 and 750 pounds, whether machined or unmachined. These products are currently classified under items 660.6713, 660.6727, 660.6747, 660.7113, 660.7127 and 660.7147 of the *Tariff Schedules of the United States Annotated (TSUS)*. Neither cast crankshafts nor forged crankshafts with shipping weights of less than 40 pounds or greater than 750 pounds are subject to this investigation.

United States Price and Foreign Market Value

Petitioner based United States price on sales or offers, C.I.F., delivered, duty paid, by a British manufacturer. Deductions were made for foreign inland freight and insurance, ocean freight and marine insurance, U.S. customs duties, U.S. brokerage and handling charges, U.S. inland freight and insurance, and other selling expenses incurred in the United States, and the cost of a U.S. seller's inventory to arrive at an ex-factory packed price.

Because petitioner was unable to provide information on home market or third country market selling prices in the U.K., petitioner based foreign market value on constructed value. British material, labor, and power costs were provided. Depreciation, maintenance and other factory overhead were calculated using ratios based on petitioner's experience. To the sum of materials and fabrication costs, petitioner added the statutory minimums of ten and eight percent for general expenses and profit, respectively.

Based on this method of comparison, petitioner alleges an average dumping margin of 18.10 percent.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietory information. We will also allow the ITC access to all privileged and proprietary information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 24, 1986, whether there is a reasonable indication that imports of certain forged steel crankshafts from the U.K. are causing material injury, or threaten material injury to, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to statutory procedures.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

October 29, 1986. A-36

[FR Doc. 86-25120 Filed 11-5-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-428-804]

Certain Forged Steel Crankshafts From the Federal Republic of Germany; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain forged steel crankshafts from the Federal Republic of Germany (FRG) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 24, 1986, and we will make ours on or before March 18, 1987.

EFFECTIVE DATE: November 6, 1986.

FOR FURTHER INFORMATION CONTACT: Charles Wilson or James Riggs, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-5288 or (202) 377-4929.

SUPPLEMENTARY INFORMATION:

The Petition

On October 9, 1986, we received a petition in proper form filed by Wyman-Gordon Company. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the FRG are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are causing material injury, or threaten material injury to, a United States industry.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and, further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on certain forged steel crankshafts from the FRG and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain forged steel crankshafts from the FRG are being, or are likely to be, sold in the United States at less than fair value.

Scope of Investigation

The products covered by this investigation are forged carbon or alloy steel crankshafts with a shipping weight between 40 and 750 pounds, whether machined or unmachined. These products are currently classified under items 660.6713, 660.6727, 660.6747, 660.7113, 660.7127, and 660.7147 of the *Tariff Schedules of the United States Annotated (TSUSA)*. Neither cast crankshafts nor forged crankshafts with shipping weights of less than 40 pounds or greater than 750 pounds are subject to this investigation.

United States Price and Foreign Market Value

Petitioner based United States price on sales or offers, C.I.F., delivered, duty paid, by a German manufacturer. Deductions were made for foreign inland freight and insurance, ocean freight and marine insurance, U.S. customs duties, U.S. brokerage and handling charges, U.S. inland freight and insurance, and other selling expenses incurred in the United States, and the cost of a U.S. seller's inventory to arrive at an ex-factory packed price.

Because petitioner was unable to provide information on home market or third contry market selling prices in Germany, petitioner based foreign market value on constructed value. German material, labor, and power costs were provided. Depreciation, maintenance and other factory overhead were calculated using ratios based on petitioner's experience. To the sum of materials and fabrication costs, petitioner added the statutory minimums of ten and eight percent for general expenses and profit respectively.

Based on this method of comparison, petitioner alleges an average dumping margin of 28.29 percent.

Notification of ITC.

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will also allow the ITC access to all privileged and proprietary information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 24, 1986, whether there is a reasonable indication that imports of certain forged steel crankshafts from the FRG are causing material injury, or threaten material injury to, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration

October 29, 1986.

[FR Doc. 86-25121 Filed 11-5-86; 8:45 am]

BILLING CODE 3510-DS-M

[C-351-609]

Initiation of Countervailing Duty Investigation; Certain Forged Steel Crankshafts From Brazil

AGENCY: Import Administration, International Trade Administration.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of certain forged steel crankshafts, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from Brazil materially injure, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 24, and we will make our preliminary determination on or before January 2, 1987.

EFFECTIVE DATE: November 5, 1986.

FOR FURTHER INFORMATION CONTACT: Thomas Bombelles, Bradford Ward, or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: 202/377-3174, 202/377-2239, or 202/377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On October 9, 1986, we received a petition in proper form filed by the Wyman-Gordon Co., a domestic producer of certain forged steel crankshafts. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in Brazil of certain forged steel crankshafts receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act). In addition, the petition alleges that such imports materially injure, or threaten material injury to, a United States industry producing a like product. Since Brazil is a "country under the Agreement" within the meaning of section 701(b) of the Act, the ITC is required to determine whether imports of the subject merchandise from Brazil materially injure, or threaten material injury to, a United States industry.

Initiation of Investigation

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 imposition of countervailing duties, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain forged steel crankshafts from Brazil and have found that it meets the requirements. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of certain forged steel crankshafts as described in the "Scope of Investigation" section of this notice receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination on or before January 2, 1987.

Scope of Investigation

The products covered by this investigation are forged carbon or alloy steel crankshafts with a shipping weight between 40 and 750 pounds, whether machined or unmachined. These products are currently classified under items 660.6713, 660.6727, 660.6747, 660.7113, 660.7127, and 660.7147 of the *Tariff Schedules of the United States Annotated* (TSUSA). Neither cast crankshafts nor forged crankshafts with shipping weights of less than 40 pounds or greater than 750 pounds are subject to this investigation.

Allegations of Subsidies

The petition lists a number of practices by the Government of Brazil which allegedly confer subsidies to manufacturers, producers, or exporters in Brazil of certain forged steel crankshafts. We are initiating an investigation on the following programs:

- Working Capital Financing for Exporters.
- Preferential Export Financing for Trading Companies.
- Export Financing Under the CIC-CREGE 14-11 Circular.
- Financing for Storage of Exports.
- PROEX Export Financing.
- Resolution 68 (FINEX) Financing.
- Resolution 509 (FINEX) Financing.
- BEFIEX.
- Income Tax Exemptions for Export Earnings.

- CIEX.
- Exemption of IPI Tax and Customs Duties on Imported Equipment.
- Accelerated Depreciation for Brazilian-made Capital Equipment.
- FINEP/ADTEN Long-Term Loans.
- Rebate of IPI Taxes for Capital Investment.

We are not initiating an investigation on the following program:

- Banco Nacional de Desenvolvimento Economico e Social (National Bank for Economic and Social Development or BNDES) Loans.

The Department has previously investigated BNDES loans and has found that these loans are not limited to a specific enterprise or industry or group of enterprises or industries. See *Final Affirmative Countervailing Duty Determination: Certain Carbon Steel Products from Brazil* (49 FR 17988, April 26, 1984). Because petitioner has not submitted any new evidence or alleged changed circumstances with respect to BNDES loans, we are not initiating on this program.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by November 24, 1986, whether there is a reasonable indication that imports of certain forged steel crankshafts from Brazil materially injure, or threaten material injury to, a United States industry. If its determination is negative, this investigation will terminate; otherwise, it will continue according to statutory procedures.

This notice is published pursuant to section 702(c)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

October 29, 1986.

[FR Doc. 86-25024 Filed 11-14-86; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 701-TA-282 and Investigations Nos. 731-TA-350-353 (Preliminary)]

Forged Steel Crankshafts From Brazil, the Federal Republic of Germany, Japan, and the United Kingdom

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigation No. 701-TA-282 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reasons of imports of certain forged steel crankshafts, provided for in items 660.67 and 660.71 of the Tariff Schedules of the United States, which are alleged to be subsidized by the government of Brazil.

The Commission also gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-350-353 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports from the following countries of forged steel crankshafts, provided for in items 660.67 and 660.71 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value:

Brazil—Investigation No. 731-TA-350 (Preliminary)
Federal Republic of Germany—Investigation No. 731-TA-351 (Preliminary)
Japan—Investigation No. 731-TA-352 (Preliminary)
United Kingdom—Investigation No. 731-TA-353 (Preliminary).

As provided in sections 703(a) and 733(a), the Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in this case by November 24, 1986.

A-40

For further information concerning the conduct of these investigations and rules of general application, consult the

Commission's rules of practice and procedure, part 207, subparts A and B (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

EFFECTIVE DATE: October 9, 1986.

FOR FURTHER INFORMATION CONTACT: Diana J. Mazur (202–523–7914), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202–724–0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed October 9, 1986 by Wyman-Gordon Company, Worcester, MA.

Participation in These Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission'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 entry for good cause shown by the person desiring to file the entry.

Service List

Pursuant to § 201.11(d) of the Committee's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to these investigation must be served on all other parties to these investigations (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 Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on October 31, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Diane Mazur (202–523–7914) not later than October 24, 1986 to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before November 4, 1986 a written statement of information pertinent to the subject of these investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the 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 confrom with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

Authority

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

Issued: October 10, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86–23396 Filed 10–15–86; 8:45 am]

BILLING CODE 7020–02–M

APPENDIX B

LIST OF WITNESSES APPEARING AT STAFF CONFERENCE

CALENDAR OF PUBLIC CONFERENCE
October 31, 1986; 9:30 a.m.

Investigations Nos. 701-TA-282 and
731-TA-350 through 353 (Preliminary)

**CERTAIN FORGED STEEL CRANKSHAFTS FROM BRAZIL,
THE FEDERAL REPUBLIC OF GERMANY, JAPAN, AND THE UNITED KINGDOM**

Those listed below appeared as witnesses at the United States International Trade Commission's conference on the subject investigations. Sessions were held in the Commission's Hearing Room, at 701 E Street, NW, Washington, DC.

In support of the imposition
of antidumping duties

Collier, Shannon, Rill & Scott--Counsel
Washington, DC
on behalf of--

Wyman-Gordon Company

Paul J. Hausmann, V. P. and General Manager
Michael T. Curtis, V. P.-Sales & Marketing
David Sulzbach, Controller
Donald M. Tucker, V. P. and General Counsel
John J. L. Matson, Corp. Manager-Government Relations

David A. Hartquist)
Michael R. Kershow) --OF COUNSEL

In opposition to the imposition
of antidumping duties

Willkie, Farr & Gallagher --Counsel
Washington, DC
on behalf of--

Krupp Metalurgica Campo Limpo Ltda.
Sifco S.A.

William H. Barringer)
Ken Pierce) --OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition
of antidumping duties--Continued

Kirkpatrick & Lockhart--Counsel
Washington, DC
on behalf of--

Gerlach Werke Gmbh
Erwin Zwolinski, U.S Sales Representative
Krupp Steel Products, Inc.

Glenn R. Reichardt--OF COUNSEL

Sharrets, Paley, Carter & Blauvelt -Counsel
Washington, DC
on behalf of--

Thyssen Industrie A.G. Essen
Thyssen Specialty Steels, Inc.
Hermann Braun, Director-Export Sales

Beatrice A. Brickell--OF COUNSEL

Wilmer, Cutler & Pickering--Counsel
Washington, DC
on behalf of--

Sumitomo Metals, Inc.

John D. Greenwald)
David Westin) --OF COUNSEL

Fried, Frank, Harris, Shriver & Jacobson--Counsel
Washington, DC
on behalf of--

United Engineering Steels Ltd.
Russell Schroeder
Godfrey Sullivan

Alan Kashdan--OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition
of antidumping duties--Continued

Sharetts, Paley, Carter & Blauvelt--Counsel
Washington, DC
on behalf of--

Caterpillar Tractor Company

Norris Caudell, Manager-Central Purchasing
Edward Lee, Forging Buyer
James Harrison, Supplier Quality Engineer

Peter O. Suchman--OF COUNSEL

Sidley & Austin--Counsel
Chicago, IL
on behalf of--

Cummins Engine Company, Inc.
Charles Post, Corporate Counsel
Swadesh Kalsi, Corporate Counsel
Gregg D. Kelley, Commodity Manager, Forgings and Steel

Thomas F. Bush, Jr.--OF COUNSEL

Navistar International Corporation
Moline, IL

Robert G. Martinell, Senior Tax Attorney
Jerry Dircks, Manager, Purchasing
Jerry E. Mylnek, Manager Manufacturing Engineer
M.G. Shircliff, Manager, Quality Assurance