

# **BUTT-WELD PIPE FITTINGS FROM BRAZIL AND TAIWAN**

**Determinations of the Commission in  
Investigations Nos. 731-TA-308  
and 310 (Final) Under the Tariff  
Act of 1930, Together With  
the Information Obtained in  
the Investigations**

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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

1. The first part of the paper discusses the importance of understanding the underlying mechanisms of the observed phenomena. It highlights the need for a comprehensive theoretical framework that can account for the complex interactions between various factors. This involves identifying the key variables and their relationships, as well as developing a robust model that can be tested against empirical data.

2. The second part of the paper presents a detailed analysis of the experimental results. It compares the observed outcomes with the predictions of the theoretical model, highlighting the areas of agreement and discrepancy. This analysis is crucial for validating the model and understanding the limitations of the current understanding.

3. The third part of the paper discusses the implications of the findings for future research. It identifies the key areas that need further investigation and suggests potential approaches for addressing these challenges. This includes the development of new experimental techniques and the refinement of existing theoretical models.

4. The final part of the paper concludes with a summary of the main findings and a discussion of the broader implications of the work. It emphasizes the importance of continued research in this field and the potential for new discoveries that could lead to a deeper understanding of the underlying mechanisms.

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

Investigations Nos. 731-TA-308 and 310 (Final)

BUTT-WELD PIPE FITTINGS FROM BRAZIL AND TAIWAN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission unanimously determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Brazil and Taiwan of carbon steel butt-weld pipe and tube fittings, under 14 inches in inside diameter, 2/ provided for in item 610.88 of the Tariff Schedules of the United States (TSUS), which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective August 11, 1986, following preliminary determinations by the Department of Commerce that imports of butt-weld pipe fittings from Brazil and Taiwan 3/ were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the

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

2/ For purposes of these investigations, such fittings may be finished or unfinished but, if forged, must be advanced beyond forging. Such advancements may include any one or more of the following: coining, heat treatment, shot blasting, grinding, die stamping, or painting. Such fittings do not include couplings (provided for in TSUS item 610.86).

3/ The Commission also instituted investigation No. 731-TA-309 (Final) concerning imports of butt-weld pipe fittings from Japan subsequent to Commerce making a preliminary affirmative LTFV determination (51 F.R. 28734, Aug. 11, 1986). However, Commerce postponed its final determination regarding imports from Japan until Dec. 19, 1986.

notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of August 27, 1986 (51 F.R. 30557). The hearing was held in Washington, DC, on October 28, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION

The Commission unanimously determines that an industry in the United States is materially injured by reason of imports of butt-weld pipe fittings from Brazil and Taiwan that are being sold at less than fair value (LTFV). 1/ Our affirmative determinations are based, inter alia, on the poor financial performance of the domestic industry, the significant import volumes and market penetration ratios, and the adverse impact of imports on price trends for the domestic product during the period of these investigations. 2/

Like product/domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ "Like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the investigation . . . ." 4/

The imports that are the subject of these investigations are

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

2/ Chairman Liebel and Vice Chairman Brunsdale note that Tube Turns, Inc., opposes the petition and argues that petitioners do not have enough support from domestic producers of butt-weld pipe fittings for standing. In response to Commission questionnaires, several firms accounting for between one-half and two thirds of domestic production of finished butt-weld pipe fittings supported the petition. Report of the Commission (Report) at A-8, n.1. Therefore, petitioners have standing to bring this case.

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

butt-weld pipe fittings, both finished and unfinished. 5/ Butt-weld pipe fittings are used to connect pipe sections where conditions require permanent, welded connections. 6/ Under pressure, butt-weld pipe fittings provide a better seal than threaded, grooved, or bolted fittings. Further, installation and maintenance are easier and more cost effective than with other types of fittings. The principal industries that use butt-weld pipe fittings are construction, shipbuilding, energy, and oil refining. 7/

#### Like product

To determine the like product in these investigations, the Commission has

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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 "carbon steel butt-weld type pipe fittings, other than couplings, under 14 inches in inside diameter, whether finished or unfinished, that have been formed in the shape of elbows, tees, reducers, caps, etc., and, if forged, have been advanced after forging." These fittings are currently provided for under item 610.88 of the Tariff Schedules of the United States (TSUS). 51 F.R. 37770 and 37772 (Oct. 24, 1986).

Evidence was introduced at the preliminary conference that some "rough-formed" butt-weld pipe fittings, a type of unfinished fitting, were improperly imported under a forgings classification, TSUSA item 606.7120. Imports under TSUSA item 606.7120 are not subject to investigation. The classification problems were attributable to the confusion about what to call the manufacturing process by which rough-formed butt-weld pipe fittings are produced from seamless pipe. Some industry sources define the process as forging while others define it as forming. We define rough-formed butt-weld pipe fittings as butt-weld pipe fittings that have not been further processed beyond forming in the rough shape of an elbow, tee, or reducer, etc. Report at A-4. The U.S. Customs Service has recently adopted the position that all butt-weld fittings made from pipe are classifiable under TSUS item 610.88 as butt-weld fittings rather than under the forgings classification, TSUSA item 606.7120.

6/ Report at A-3.

7/ Id.

examined the characteristics and uses of butt-weld pipe fittings. 8/ All butt-weld pipe fittings, whether imported or domestically produced, must meet ASTM and ANSI specifications. 9/ Moreover, the physical characteristics of U.S., Brazilian, and Taiwanese butt-weld pipe fittings are very similar, and the products are interchangeable in actual use. 10/ We, therefore, determine that domestically produced butt-weld pipe fittings are "like" the imported products.

The term unfinished fittings encompasses both rough-formed butt-weld fittings and semifinished fittings. 11/ In the preliminary investigation, the Commission determined that semifinished butt-weld pipe fittings and finished butt-weld pipe fittings constitute a single like product. 12/ In the course of these investigations, the petitioner and most respondents used the terms semifinished and unfinished fittings interchangeably, and agreed that

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8/ 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. 249, 96th Cong., 1st Sess. 90-91 (1979).

9/ EC-J-451, Economic Criteria on Certain Butt-Weld Pipe Fittings from Brazil and Taiwan, at 1. ASTM stands for the American Society of Testing Materials. ANSI represents the American National Standards Institute. Id. at n.3.

10/ Id. at 1.

11/ Rough-formed fittings are defined above, supra, note 5. Any advancement after forming (or forging) would result in identification of the fitting as semifinished. Such advancements include coining, heat treatment, shot blasting, machining, grinding, die stamping, or painting. Report at A-4 n.3.

12/ Views of the Commission in Certain Butt-Weld Pipe Fittings from Brazil, Japan, and Taiwan, Invs. Nos. 731-TA-308-310 (Preliminary) at 5-8.

unfinished and finished carbon steel butt-weld pipe fittings constitute a single like product. 13/ Only Weldbend Corporation, a party in support of the petition, asserted that unfinished and finished fittings constitute separate like products. 14/

We determine that unfinished butt-weld pipe fittings and finished butt-weld pipe fittings constitute a single "like" product. 15/ There is no evidence indicating that an unfinished fitting has any independent application or market other than for use in the manufacture of a finished fitting. 16/ Finishing operations do not significantly alter the function of a fitting. In addition, the weighted average cost attributable to finishing operations is

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13/ See Transcript of the hearing (Tr.) at 32, 54, 85, 87, 102, 126. See also Pre-hearing Statement of TSI, Silbo, and ConforJa at 8-10; Pre-hearing Brief in Opposition to the Petition of Behalf of Taiwan Respondents Rigid Industries Co. and C.M. Pipe Fitting Mfg. Co. Ltd. (Pre-hearing Brief of Rigid and C.M. Pipe) at 2; CCTF's Pre-Hearing Brief at 1. Respondent Nippon Benkan Kogyo Co., Ltd. asserts that the cost of finishing can be substantial but does not articulate whether this factor warrants a finding of separate like products. Pre-hearing Brief on Behalf of Nippon Benkan Kogyo Co., Ltd. at 27 n.16.

14/ See Posthearing Brief in Support of the Imposition of Antidumping Duties of Weldbend Corporation (Weldbend's Posthearing Brief) at 5.

15/ We also determine that rough-formed butt-weld pipe fittings and semifinished fittings, both unfinished fittings, are "like" one another. In addition to the factors set forth above, this determination is based on the fact that any single advancement performed on a rough-formed fitting results in a semifinished fitting.

16/ Respondents Rigid Industries and C.M. Pipe Fittings of Taiwan noted that there is no independent use for the semifinished product except for conversion to the finished product and that intercompany sales within the United States of the semifinished or unfinished product are negligible at best. Tr. at 54. See also Tr. at 88.



only 14 percent of the total production cost. 17/ 18/

Domestic industry 19/

Having determined that there is one like product consisting of finished, semifinished, and rough-formed fittings, we conclude that there is one domestic industry against which to assess the impact of unfairly

17/ In the questionnaires for these final investigations, producers were asked to provide the costs of 1) raw materials, 2) forming (or forging) the rough-formed fitting, and 3) finishing steps such as coining, shot-blasting, heat treatment, machining, etc. as a share of total production costs of finished butt-weld pipe fittings. Precise production costs attributable to the various production steps are confidential and, therefore, can only be discussed in general terms. Moreover, the range of these costs varies considerably depending on the producer. Nonetheless, most producers tended to be at the low end of this range with lower production costs attributable to finishing operations. We note that the cost to machine bevel the unfinished fitting is the largest single "finishing" cost but that the resultant fitting is generally considered to be unfinished with such steps as cleaning and painting usually still required.

18/ Commissioner Eckes notes that data regarding the absence of any independent application for unfinished fittings and costs of production attributable to machining are of limited significance. Such secondary data are useful only to the extent they relate to like product conclusions which are by statute required to be based on the "characteristics and uses."

19/ Commissioner Eckes does not concur in the majority's analysis in this section on the inclusion of converters and combined producers within the scope of the domestic industry. The Commission has already determined that unfinished butt-weld pipe fittings and finished butt-weld pipe fittings constitute a single "like product" in these investigations. The statute is clear in defining the appropriate "industry" as meaning "the domestic producers as a whole of a like product . . . ." Thus, data on various aspects of the conversion process, such as whether converters impart important characteristics to the product, number of conversion steps, value added, production costs, capital investment, and number of employees—relate, if at all, to the determination of the appropriate like product(s), not the composition of the domestic industry.

In sum, the composition of the domestic industry is determined by the like product analysis required by the statute.

traded imports. Finished butt-weld pipe fittings are produced in the United States either by integrated producers, which usually begin the manufacturing process from seamless pipe, or by converters, which generally buy the unfinished product and perform such steps as machining, cleaning, and painting to produce finished fittings. 20/ We have given further consideration to the question raised in the preliminary investigations of whether converters perform sufficient activities in the United States to be considered domestic producers of the like product or whether they should be considered to be in the same position with respect to the industry as importers of finished fittings.

A fitting is finished only if all advancements have been made and the fitting is acceptable to the end-user. Thus, the activities of converters are necessary to prepare the product for its final use. The number of conversion steps performed by converters, and the value added by converters, are quite variable. In addition, the conversion operations require a significant capital investment in property, facilities, and equipment. 21/ Moreover, the number of employees engaged in the production of finished fittings from

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20/ Report at A-10-11. Distinctions between integrated producers and converters are blurred by combination producers which perform some integrated production but also buy unfinished fittings and do conversion. We also note that Weldbend Corporation, a converter, has invested substantial sums of capital to become an integrated producer of carbon steel butt-weld pipe fittings. Weldbend's Pre-hearing Brief at 1; Report at A-28-29 and Appendix E.

21/ See Pre-hearing Brief in Support of the Imposition of Antidumping Duties of Weldbend Corporation (Weldbend's Pre-hearing Brief) at 1; Posthearing Brief in Support of Imposition of Antidumping Duties of Weldbend Corporation at 5-6; Transcript of the conference at 144 (Mr. John Kramer, President of Tube Turns, stated that the company recently was quoted a price of one half million dollars for a beveling machine).

unfinished fittings is also significant. 22/ We, therefore, find that the production activities of the finishing operations are sufficient to justify the inclusion of converters in the domestic industry. In light of all the above factors, we determine that all three types of firms — integrated, combination, and converters — are members of the domestic industry.

Related parties—Petitioner alleged that the Commission should invoke the related parties provision 23/ to exclude the domestic operations of Tube Turns, Inc., a combination producer. Tube Turns is a U.S. subsidiary of Sumitomo Metal Industries, Ltd., a Japanese exporter of finished and semifinished butt-weld fittings to the U.S. market. 24/ We also examined the

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22/ Such data are in the questionnaire responses. Companies whose operations consisted primarily of conversion accounted for approximately one-half of reported employment.

23/ The "related parties" provision states:

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

19 U.S.C. § 1677(4)(b).

24/ Petitioner filed a petition concerning imports of butt-weld pipe fittings from Japan at the same time that the petitions in these investigations were filed. Commerce subsequently postponed its final determination concerning the subject imports from Japan to December 19, 1986, thereby postponing our final determination concerning Japanese imports of butt-weld pipe fittings. We examine this issue at this time because in addition to alleging that Tube Turns should be excluded from the domestic industry analysis with respect to the postponed Japanese investigation, petitioner has alleged that Tube Turns is excludable from the domestic industry analysis with respect to the Brazilian and Taiwanese investigations in light of its allegation that the cumulation provision should be invoked. For the purpose of these final investigations, we make such a determination based upon the facts currently before us. Further information concerning the issue of whether Tube Turns' data should be excluded from the Commission's analysis may be forthcoming by the time of our final determination concerning imports from Japan. We, of course, make no final determination regarding excluding the operations of Tube Turns from our domestic industry analysis for the purpose of the postponed Japanese investigation.

broadier issue of whether the related parties provision should be applied to exclude the operations of all the combination producers and converters that import from the subject countries.

Application of the related parties provision is within the discretion of the Commission after analyzing the facts of each case. 25/ The basis for the provision is the concern that domestic producers that are related parties have a position in the market such that their inclusion in the domestic industry may distort the data on injury. Based on our examination of the record, we do not find sufficient distortion of the aggregate data to warrant exclusion of Tube Turns or any other importers of unfinished butt-weld pipe fittings. 26/ We, therefore, do not invoke the related parties provision. 27/

#### Condition of the domestic industry

In evaluating the condition of the domestic industry, the Commission considers, among other factors, domestic production, capacity, capacity utilization, shipments, inventories, employment, and financial performance. 28/

The Commission identified twelve U.S. producers of butt-weld pipe fittings in 1985. 29/ Of these twelve, six are integrated producers, two

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25/ Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

26/ Report at A-22 n.5; Tr. at 118; Pre-hearing Brief on Behalf of Nippon Benkan Kogyo Co., Ltd., at 29-30.

27/ See Report at A-24, Table 9, and Tr. at 118. See also Tube Turns' Post-Conference Submission at 2 (The primary interests of Tube Turns appears to lie in domestic production as evidenced by the facts that it was established in 1927, it employs 350 workers of which 100 work directly in the manufacture, sales, and distribution of products "like" those under investigation, and it is a combination producer).

28/ 19 U.S.C. § 1677(7)(C)(iii).

29/ Report at A-10. One of these producers ended production in 1985.

are converters, and four are combination producers. 30/ There has been a clear trend in the industry in recent years away from integrated production and toward conversion. Petitioner contends that this transition is essentially a survival strategy and that dumped imports have forced domestic producers to reduce their integrated production. 31/ We kept these considerations in mind in examining the condition of the domestic industry.

Apparent U.S. consumption of finished butt-weld pipe fittings increased from 68.6 million pounds in 1983 to 80.6 million pounds in 1984, or by 17 percent, and then declined by 2 percent to 79.0 million pounds in 1985. 32/ In January-June 1986, however, consumption was at 41.2 million pounds, or 8 percent above the level during January-June 1985.

Total domestic production of finished butt-weld pipe fittings increased from 36.6 million pounds in 1983 to 51.8 million pounds in 1984, or by 42 percent, 33/ and then declined by 8 percent to 47.6 million pounds in 1985. The decline continued in January-June 1986 with production at 22.7 million pounds compared to 25.0 million pounds in the corresponding period of 1985. 34/

The Commission was able to confirm in the investigations that, as alleged in the petitions, 35/ ITT Grinnell closed its doors in 1985 and Tube Forgings temporarily shut down in December 1985. 36/

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30/ Id. at A-10-11, Table 2.

31/ Tr. at 8.

32/ Report at A-9, Table 1.

33/ Production by integrated processes rose from 20.9 million pounds in 1983 to 22.7 million pounds in 1984, or by 9 percent. Report at A-14-15.

34/ Id. Integrated production fell sharply — to 17.5 million pounds in 1985, or by 23 percent from the level in 1984, and declined an additional 6 percent when comparing interim 1985 with interim 1986. Id.

35/ Petition for the Imposition of Antidumping Duties (Brazil) at 23; Petition for the Imposition of Antidumping Duties (Taiwan) at 24.

36/ Report at A-16.

Capacity to produce rough-formed fittings remained essentially constant throughout the period under investigation. However, capacity to produce the finished fittings increased 6 percent in the 1983--1985 period, and by another 3 percent in January--June 1986. 37/

Capacity utilization for the finished product was significantly higher than for rough-forming operations. It rose from 38.2 percent in 1983 to 52.1 percent in 1984, then declined to 46.4 percent in 1985, and declined even further in the January--June 1985--1986 comparison — from 48.5 percent to 43.1 percent. 38/ In contrast, capacity utilization for the rough-formed product decreased from 25 percent in 1983 to 21 percent in 1985 to 19 percent in January--June 1986. 39/

Total shipments of finished butt-weld pipe fittings by U.S. producers rose from 43.7 million pounds in 1983 to 46.5 million pounds in 1984, 40/ to 48.2 million pounds in 1985, and further increased from 24.1 million pounds in January--June 1985 to 27.9 million pounds in January--June 1986. The value of domestic shipments rose from \$42.1 million in 1983 to \$46.5 million in 1984, then dropped to \$45.8 million in 1985, and dropped even lower in January--June 1986 compared with the corresponding period in 1985. 41/ Accordingly, domestic producers were receiving gradually lower prices per pound for finished pipe fittings.

The average number of production and related workers producing butt-weld pipe fittings rose from 194 persons in 1983 to 230 in 1984, then dropped to 224 in 1985, and fell again to 192 workers in interim 1986, as

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37/ Id. at A-16.

38/ Id. at A-17, Table 4.

39/ Id.

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

41/ Id.

compared with 205 workers in the corresponding period of 1985. 42/ We note a similar trend, with minor variation, in the number of hours worked and compensation paid to production and related workers. 43/

End-of-year inventories in 1983 of total unfinished and finished fittings held by U.S. producers increased slightly, by 300 thousand pounds, to 24.2 million pounds in 1984. 44/ Inventories jumped sharply, by 7.2 million pounds from 1984-1985, and were 31.5 million pounds by year-end 1985. 45/ A comparison of total inventories as of June 30, 1985, with inventories as of June 30, 1986, however, indicates a significant drop, from 35.8 million pounds to 27.8 million pounds. 46/ We note the decrease in production and rise in domestic shipments during this period in relation to inventory levels.

From 1983 to 1984, the financial condition of this industry improved only insofar as operating losses decreased from \$7.7 million in 1983 to \$3.9 million in 1984, and the number of firms reporting such losses fell from six to five. 47/ Operating losses increased in 1985 to \$4.1 million, with five of six firms still reporting losses, 48/ and further increased in the interim 1985-1986 comparison from \$1.1 million to \$1.3 million. 49/

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42/ Id. at A-21, Table 7.

43/ Id.

44/ Id. at A-20, Table 6.

45/ Id.

46/ Id. We also note that Tube Forgings of America is reportedly liquidating its inventories. Petitioner's Pre-hearing Brief at 9; Report at A-16, n.2.

47/ Report at A-22-24.

48/ Id.

49/ Id. We note that all types of producers, integrated, combination, and conversion, suffered aggregate losses throughout the period of investigation.

For all of the foregoing reasons, we determine that the domestic industry is currently experiencing material injury. 50/ 51/

Cumulation 52/ 53/

Under the Trade and Tariff Act of 1984 (the 1984 Act), three requirements must be satisfied to invoke the cumulation provision. The imports must:

(1) compete with both other imports and the domestic like product, (2) be marketed within a reasonably coincidental period, and (3) be subject to investigation. 54/ 55/

The evidence indicates that domestic and imported pipe fittings compete with one another. All butt-weld pipe fittings must meet ASTM and ANSI specifications and can be used interchangeably. 56/ Some importers contend that there are markets closed to importers and converters of butt-weld pipe

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50/ Commissioner Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality.

51/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury or threat thereof in each investigation. See Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 at 20021 (1985).

52/ Commissioner Stern does not believe it necessary to consider cumulation when an affirmative determination may be reached by individually analyzing subject imports. In these final investigations, she has joined her colleagues in cumulation.

53/ Commissioner Eckes notes that his affirmative determinations on LTFV imports from Brazil and Taiwan are based on the cumulative impact of the unfair imports from these countries which are the subject of final affirmative determinations by Commerce. In these affirmative determinations, Commissioner Eckes did not find it necessary to reach the question of whether the impact of alleged LTFV imports from Japan should be cumulated with the imports from Brazil and Taiwan which are subject to final determinations by Commerce. Accordingly, Commissioner Eckes concurs only with the discussion in this section which explains why cumulation of imports from Brazil and Taiwan is appropriate.

54/ 19 U.S.C. § 1677(7)(E).

55/ Chairman Liebel and Vice Chairman Brunsdale note that the second factor, whether the products are marketed at the same time, is just one factor in determining whether they compete.

56/ EC-J-451 at 1.



fittings. 57/ They assert that imported fittings cannot get into the end-user market where high quality fittings are required for high pressure uses. 58/ Contact with purchasers of butt-weld pipe fittings indicated that closed markets did exist through the early 1980s. Currently, however, most markets, except possibly the nuclear power industry where butt-weld pipe fittings must be certified, are no longer closed to imported and converted fittings. 59/

There are common, or similar, channels of distribution for finished carbon steel butt-weld pipe fittings. Producers reported that 98 percent of their 1985 shipments of finished butt-weld pipe fittings were sold to jobbers or distributors for eventual sale to the end-user and only 2 percent were to the end-user directly. 60/ Importers also reported that 98 percent of their shipments of finished butt-weld pipe fittings were sold to distributors in 1985. Thus, we find that imports of carbon steel butt-weld pipe fittings from Brazil, Japan, and Taiwan are simultaneously present in the market and that imports compete with each other and the like product.

Finally, although Commerce has postponed the date for its final determination on imports of butt-weld pipe fittings from Japan at respondent's request, the investigations of imports from Brazil, Taiwan, and Japan were filed simultaneously and are currently proceeding. The Commission, therefore, determines that carbon steel butt-weld pipe fittings from Brazil, Japan, and Taiwan are subject to investigation at the same time. Thus, we find that carbon steel butt-weld pipe fittings from Brazil, Japan,

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57/ Report at A-35. It is also not clear that such markets were ever closed to fittings that were finished by U.S. producers from imported unfinished fittings.

58/ Tr. at 99-100.

59/ Report at A-35. It is also not clear the extent to which domestically finished fittings, made from imported unfinished fittings, would be excludable from any closed market.

60/ Id. at A-13.

and Taiwan all satisfy the criteria for cumulation.

Material injury by reason of LFTV imports 61/ 62/

In determining whether there is material injury by reason of LTFV imports, the statute directs the Commission to consider, among other factors, the volume of the subject imports, the effect of such imports on U.S. prices for like products, and the impact of the subject imports on domestic producers of like products. 63/

In determining whether imports of butt-weld pipe fittings are causing material injury to a domestic industry, we have considered the cumulated imports from Brazil, Japan, and Taiwan. The volume of imports from these three countries is significant throughout the period of investigation. Such imports of butt-weld pipe fittings, whether finished or unfinished, increased from 32 million pounds in 1983 to 56 million pounds in 1984, and then

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61/ Chairman Liebeler does not join this section, see her Additional Views on causation.

62/ Commissioner Eckes based his affirmative determination on the cumulative impact of LTFV imports from Brazil and Taiwan. Import volumes from these countries under Commerce data were 6 million pounds in 1983, and almost tripled to 17.5 million pounds in 1985. Imports for the first half of 1986 were 11.3 million pounds compared with 8.4 million pounds during the same period in 1985. Market penetration for these LTFV imports reflected the same trend, more than doubling from 1983 to 1985, and continuing to increase their market share during the first half of 1986.

63/ Section 771(7)(B) of the Tariff Act of 1930 states that the Commission is to consider, among other factors—

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

19 U.S.C. § 1677(7)(B).

decreased to 51 million pounds in 1985. Imports totalled 23 million pounds during interim 1985 and declined fractionally to 22 million pounds during interim 1986. 64/

Market penetration of unfinished and finished butt-weld pipe fittings from Brazil, Japan, and Taiwan was 47 percent in 1983, 70 percent in 1984, and 65 percent in 1985. Penetration in interim 1985 was 59 percent as compared with 53 percent in interim 1986. 65/ Although market penetration declined from 1984 to 1985, and declined again in interim 1986 as compared with a similar period in 1985, the absolute percentages were significant and remain above the 1983 levels. Thus, the imports subject to investigation continue to have a very significant presence in the market. 66/

Market penetration of unfinished and finished butt-weld pipe fittings from Brazil, Japan, and Taiwan, based on value, was 34 percent in 1983, 50 percent in 1984, and 50 percent in 1985. Penetration was 45 percent during

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64/ Report at A-34, Table 14. The volume of imports from these three countries under TSUS item 610.88 as reported in the official statistics of the Commerce Department is also significant throughout the period of investigation, and accounted for the vast majority of imports from 1983 through interim 1986. Imports of butt-weld pipe fittings from Brazil, Japan, and Taiwan rose from 25.6 million pounds in 1983, to 40.2 million pounds in 1984, and to 40.3 million pounds in 1985. Id. at A-33, Table 13. Comparing interim 1985 with interim 1986, imports from these three countries increased from 19.6 million pounds to 21.6 million pounds. Id.

65/ Id. at A-36, Table 15.

66/ Market penetration ratios based upon the official statistics of the Commerce Department also indicate that imports have a very significant presence in the market. Market penetration was 37 percent in 1983, 50 percent in 1984, 51 percent in 1985, 51 percent in January-June 1985, and 52 percent in January-June 1986. These figures were derived from the data on A-33, Table 13 and A-9, Table 1.

January-June 1985, and 44 percent during the corresponding period in 1986. 67/

Producers and importers of carbon steel butt-weld pipe fittings were asked to report f.o.b. prices for their largest sale per quarter of finished fittings for five product sizes for the January 1984-June 1986 period. 68/ Price comparisons between the domestic products and imports from all three countries reveal consistent underselling by the imports throughout the period of investigation. 69/ 70/ 71/ Further, quarterly prices reported by U.S. producers generally decreased from January 1984-June 1986. 72/

Representatives from ten of the eleven firms listed in lost sales allegations stated that their choice of supplier of butt-weld pipe fittings is based largely on price. 73/ The importance of price on choice of supplier further accentuates the impact of dumped imports on the domestic industry when

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67/ Report at appendix D, Table D-4. We note that the market penetration of the subject imports based on value is less than the rate based on quantity. We attribute this difference in part to (1) finished imports underselling finished domestic products, (2) unfinished products underselling finished products, and (3) imports including unfinished products to which converting firms will remove quantity (via scrap) and increase value in the process of manufacturing the finished product.

68/ Report at A-38. Elbow pipe fittings were selected for three of the samples because they are the highest volume products of both the domestic industry and importers from the subject countries. Id. at A-38. The remaining product categories were reducers and tees.

69/ Report at A-39-41, Tables 16 and 17.

70/ Vice Chairman Brunsdale does not find the data developed on underselling in these investigations to be helpful on the issue of causation. For a more genmeral discussion on underselling, see Memorandum EC-J-010 from the Director, Office of Economics, Title VII Causation Analysis, Especially "Underselling" and "Lost Sales" at 8-21.

71/ Commissioner Eckes and Commissioner Rohr believe 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.

72/ Report at A-38-39. The margins of underselling tended to decrease toward the later part of the period of investigation.

73/ Id. at A-42-45. None of the companies contacted could quantify the amounts of imports that they purchased during the period of investigation. Nonetheless, all the companies who purchase imports stated that they purchased butt-weld pipe fittings from Brazil, Japan, or Taiwan.

those imports undersell the domestic product. 74/

We note that the demand for butt-weld pipe fittings is a derived demand dependent on such industries as energy, oil refining, construction, and shipbuilding. 75/ The decline in prices reported by U.S. producers appears to be at least partially due to a decrease in the demand for pipe fittings in the energy and energy-related sectors. 76/ There is also evidence in the record that the decline in U.S. prices may be partially due to a price war between the domestic producers. 77/ Nonetheless, the Commission is required by statute 78/ to determine only if the dumped imports of butt-weld pipe fittings constitute a cause of material injury to the domestic industry. 79/

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74/ Vice Chairman Brunsdale notes that the responsiveness of demand to price is important in making a determination under title VII. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46 (1979). If there are no significant differences between the domestic and imported products, then the demand for the domestic product will be highly sensitive to the price of the imported product. In other words, as economists put it, there is a high cross-elasticity of demand between the domestic and imported products which means that the products are good substitutes for one another. When the products are good substitutes, other things equal, then the dumped imports will have a large effect on the domestic industry regardless of whether there is underselling. This, of course, assumes that import supply from other foreign sources is not highly elastic. If import supply is highly elastic, then the dumped imports will not have a significant effect on the domestic industry. See Tubeless Steel Disc Wheels from Brazil, Inv. No. 731-TA-335 (Preliminary), USITC Pub. No. 1872, at 15-16 (1986)(Additional Views of Vice Chairman Brunsdale).

75/ Report at A-35.

76/ Id.

77/ Tr. at 28-29, 49-51, 65-66, 109-111, and 147.

78/ 19 U.S.C. § 1673d.

79/ In interpreting this causation standard, the legislative history to the Trade Agreements Act of 1979 states that:

Current law does not, nor will section 735, [19 U.S.C. § 1673d] contemplate that the effects from the less-than-fair-value [sic] imports be weighed against the effects associated with other factors (e.g., the volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, . . . ) which may be contributing to overall injury to an industry. Nor is the issue whether less-than-fair-value imports are the principal, a substantial, or a significant cause of material injury. Any such requirement has the undesirable result of making relief more difficult to obtain for industries facing difficulties from a variety of sources; industries that are often the most vulnerable to less-than-fair-value imports.

S. Rep. 249, 96th Cong., 1st Sess. 74-75 (1979).

The significant price underselling of the U.S. product by the imported product further supports the conclusion that the subject imports are at least a cause of the material injury suffered by the domestic industry. 80/ 81/ Moreover, we interpret the generally declining price trend of the domestic product to indicate that domestic prices have been significantly depressed by the dumped imports. This conclusion is buttressed by the fact that, after the preliminary affirmative determinations in these investigations, the domestic producers were finally able to raise their prices. 82/

We conclude that the significant volume of carbon steel butt-weld pipe fittings from Brazil, Japan, and Taiwan and the consistently high import penetration during most of the period of investigation, together with underselling while domestic prices generally declined, establishes material injury to the domestic industry by reason of the LTFV imports from Brazil and Taiwan.

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80/ See Vice Chairman Brunsdale's footnote 70, infra, with regard to underselling.

81/ See Commissioner Eckes' and Commissioner Rohr's footnote 71, infra, with regard to underselling.

82/ Vice Chairman Brunsdale considers the size of LTFV margins to be useful in making her determinations. See H.R. Rep. No. 317, 96th Cong., 1st Sess. 46 (1979); S. Rep. No. 249, 96th Cong., 1st. Sess. 88 (1979). The final weighted average margins from Brazil and Taiwan are around 50 percent, Report at A-8, and the preliminary margin from Japan is 59.6 percent. 51 Fed. Reg. 28,734 (1986). These are large margins and thus are further support for her affirmative determinations.

## ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Certain Butt-Weld Pipe Fittings from Brazil and Taiwan  
731-TA-308 & 310 (Final)

Based on the record in these investigations, I determine that an industry in the United States is materially injured by reason of dumped imports of certain butt-weld pipe fittings from Brazil and Taiwan. I concur with my colleagues in their definitions of like product<sup>1</sup> and domestic industry, and their findings with respect to related parties, the condition of the industry, and cumulation. These additional views deal primarily with my views on causation.

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In many cases involving finished and unfinished goods, I have used a two product-two industry analysis. See generally Live Swine and Pork from Canada, Inv. No 701-TA-224 (final), USITC Pub. 1733, 19-21 (1985) (Additional and Dissenting Views of Vice Chairman Liebeler); 64K Dynamic Random Access Memory Components from Japan, Inv. No. 731-TA-270, USITC Pub. 1862, 21-24 (1986) (Views of Vice Chairman Liebeler). The parties in this case are generally in agreement that there is only one like product and one industry. The data for evaluating one versus two industries is not significantly different. I thus join with the Commission in finding that finished butt-welded pipe fittings are like unfinished (rough and semi-finished).

### Material Injury by Reason of Imports

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



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Only statutes that are of doubtful meaning are subject to

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such statutory interpretation.

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."<sup>3</sup> As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price,

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<sup>2</sup>  
Sands, Sutherland Statutory Construction § 45.02  
(4th Ed.).

<sup>3</sup>  
19 U.S.C. § 1977(7) (A) (1980).

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<sup>4</sup> than the less-than-fair-value imports.

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."<sup>5</sup>

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination

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

<sup>5</sup> Id.

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."<sup>6</sup> 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  
<sup>7</sup>  
 United States industry.

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

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<sup>6</sup>  
Id.

<sup>7</sup>  
 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

[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

<sup>8</sup>  
price.

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt

<sup>9</sup>  
to maximize profits. Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."<sup>10</sup>

An assertion of unfair price discrimination should be accompanied by a factual record that can support such a

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<sup>8</sup>  
Id.

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

<sup>10</sup>  
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."<sup>11</sup>

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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.<sup>12</sup>

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).<sup>13</sup>

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.<sup>14</sup> 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.

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<sup>12</sup>

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

<sup>13</sup>

Id. at 16.

<sup>14</sup>

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

### Cumulation

I have determined to cumulate the imports of pipe fittings from Brazil, Taiwan, and Japan. The imports from these countries are subject to investigation, and compete with each other as well as with the domestic product.<sup>15</sup>

### 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 cumulated import penetration ratio was 47 percent in 1983. It then jumped to 70 percent in 1984 and 65 percent in 1985.<sup>16</sup> This ratio is high and has increased substantially.

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See Views of Commission, at 14-16, supra. For a discussion of my views on cumulation, see Oil Country Tubular Goods from Canada and Taiwan, Invs. Nos. 701-TA-255, 731-TA-276-277 (final), USITC Pub. 1865 (1986); Certain Carbon Steel Products from Austria, Czechoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden, and Venezuela, Invs. Nos. 701-TA-225-234, 731-TA-218-217, 219, 221-226, and 228-235 (preliminary), USITC Pub. 1642 (1985).

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Report at Table 15. Import penetration dropped significantly during January-June 1986. Although this decrease could be viewed as part of a trend downward, it is more likely that the recent drop is attributable to the filing of these cases.

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<sup>17</sup> and the more likely it is that the domestic producers will be adversely affected. The Commerce Department has determined the weighted-average dumping margins for Brazil and Taiwan are in the 50 percent range.<sup>18</sup> The preliminary margin for Japan as determined by Commerce is 59.6 percent. These margins are high and are 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 producers. Although sometimes there may be a premium paid for domestic product,<sup>19</sup> because of the specifications applicable to pipe fittings, the domestic and the imported

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<sup>17</sup> See text accompanying note 8, supra.

<sup>18</sup> Report at at A-11.

<sup>19</sup> Transcript at 13-14.



products are very similar. I find that the products are homogeneous.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. Domestic prices decreased substantially for all the products investigated between 1984 and 1985.<sup>21</sup>

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Memorandum from the Office of Economics, Economic Criteria in Inv. 731-TA-308 & 309 (final), 1 (EC-J-451); Report at A-42-45 (imported product quality as high as domestic). The premium for a particular order might be due to service quality such as delivery time.

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I note that domestic labor productivity in this industry increased by approximately 20 percent between 1983 and 1984, Report at Table 7, and that this could account for all or part of the price decrease. Since the data on unit labor costs only starts in 1983, however, it is unknown whether the relatively high unit costs in 1983 resulted from a temporary decrease in demand for the final product or whether these costs were even higher in previous years. See generally A. Rees, The Economics of Work and Pay 85-86 (1973). Because capacity utilization has been fairly stable over the period, it appears that at least part of the decrease in unit labor costs must be due to either real productivity gains or wage cuts. Some productivity gain may be attributable to a restructuring of the industry toward conversion and away from integrated manufacturing. Prehearing Statement of TSI Industries, Inc., Silbo Steel Corp., & Conforja S/A, 21 (Oct. 21, 1986).

The fifth factor is foreign supply elasticity (barriers to entry). If there is low foreign elasticity of supply (or high barriers to entry) it is more likely that a producer can gain market power. A significant share of imports is accounted for by imports not subject to investigation. However, imports from West Germany, Italy, the United Kingdom, France and other countries decreased substantially between interim 1985 and 1986. Nevertheless, this factor would, on balance, tend to weigh against a finding of unfair price discrimination.

These factors must be considered in each case to reach a sound determination. The high and increasing cumulated import penetration ratio is the major factor. The dumping margins are also high. Prices have decreased substantially. The products are fungible for the most part. On the other side, there do not appear to be significant barriers to entry. Because of the significant drop in imports from countries not subject to investigation, I find this one factor insufficient to outweigh the evidence supporting an affirmative determination.

Conclusion

Therefore, I determine that an industry in the United States is materially injured by reason of dumped imports of certain butt-weld pipe fittings from Brazil and Taiwan.



## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

As a result of preliminary determinations by the U.S. Department of Commerce that imports of certain carbon steel butt-weld pipe fittings 1/ from Brazil and Taiwan are being sold in the United States at less than fair value (LTFV), 2/ the U.S. International Trade Commission instituted investigations under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or whether the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil and Taiwan of such butt-weld pipe fittings. 3/

Notice of the institution of the Commission's final antidumping investigations concerning the subject imports 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 on August 27, 1986. 4/ The hearing was held in the Commission's hearing room on October 28, 1986. 5/

## Background

These investigations result from petitions filed with the Commission and the Department of Commerce on February 24, 1986, by counsel for the U.S. Butt-Weld Fittings Committee, 6/ an ad hoc organization consisting of three domestic producers of butt-weld pipe fittings. The petitions allege that an

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1/ For purposes of subject investigations, the term "butt-weld pipe fittings" refers to carbon steel butt-weld pipe fittings, under 14 inches in inside diameter, whether finished or unfinished, provided for in item 610.88 of the Tariff Schedules of the United States (TSUS) (TSUS Annotated (TSUSA) item 610.8046 prior to Apr. 1, 1984).

2/ Commerce published its preliminary LTFV determinations in the Federal Register on Aug. 11, 1986 (51 F.R. 28733 for Brazil and 51 F.R. 28735 for Taiwan). Copies of Commerce's final LTFV determinations, as published in the Federal Register on Oct. 24, 1986, are presented in app. A.

3/ The Commission also instituted a final investigation concerning imports of butt-weld pipe fittings from Japan subsequent to Commerce making a preliminary LTFV determination (51 F.R. 28734, Aug. 11, 1986). In its preliminary LTFV determinations with respect to imports from Brazil, Japan, and Taiwan, Commerce set Oct. 20, 1986, as the date by which it would make its final determinations. Subsequently, Commerce published notice of postponement to Dec. 19, 1986, of its determination concerning subject imports from Japan (51 F.R. 32117, Sept. 9, 1986).

4/ A copy of the Commission's notice of investigation, as published in the Federal Register on Aug. 27, 1986, is presented in app. B.

5/ A list of witnesses appearing at the hearing is presented in app. C.

6/ The member companies are Ladish Co., Inc.; Mills Iron Works, Inc.; and Steel Forgings, Inc. A-1

industry or industries 1/ in the United States is materially injured or is threatened with material injury by reason of imports from Brazil and Taiwan 2/ of carbon steel butt-weld pipe and tube fittings under 14 inches in inside diameter, whether in finished or unfinished form, provided for in item 610.88 of the Tariff Schedules of the United States (TSUS), which are being sold at LTFV. Accordingly, the Commission instituted preliminary antidumping investigations Nos. 731-TA-308 and 310 (Preliminary) under the provisions of the Tariff Act of 1930. Concurrently, the Commission instituted investigation No. 731-TA-309 with respect to imports of butt-weld pipe fittings from Japan. On the basis of the information developed during the course of those preliminary investigations, the Commission determined that there is a reasonable indication that an industry 3/ in the United States is materially injured by reason of imports of carbon steel butt-weld pipe fittings from Brazil, Japan, and Taiwan (51 F.R. 12938, Apr. 16, 1986).

#### Other Investigations Concerning Butt-Weld Pipe Fittings

On June 28, 1985, the Commission instituted investigation No. 332-216, Competitive Assessment of the U.S. Forging Industry. 4/ The investigation was conducted in response to a request from the United States Trade Representative (USTR) at the direction of the President, that the Commission conduct an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), concerning the competitive position of the U.S. forging industry in U.S. and world markets. Part of the investigation dealt with pipe fittings and flanges.

On January 13, 1986, the Commission instituted investigations Nos. 731-TA-301 through 303 (Preliminary), entitled "Certain Butt-Weld Pipe Fittings from Brazil, Japan, and Taiwan." The petitions were limited to finished carbon steel butt-weld pipe and tube fittings under 14 inches in inside diameter. 5/ On February 25, 1986, the Commission received notice from

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1/ In the petitions (at p. 1) and during the public conference in the preliminary investigations (at transcript pp. 13 and 18-22) counsel for the petitioners requested that the Commission find two like products: 1) finished butt-weld pipe fittings and 2) such fittings in unfinished form, produced by two corresponding separate industries. In both pre- and post-hearing briefs and at the public hearing, petitioners conceded that there is only one U.S. industry producing products like the imports of both finished and unfinished butt-weld pipe fittings. Respondents have contended throughout both the preliminary and final investigations that there is only one like product including both finished and unfinished butt-weld pipe fittings.

2/ Concurrently, the petitioners filed a similar petition with respect to imports of butt-weld pipe fittings from Japan.

3/ The Commission made a preliminary determination that there is one like product that includes both semifinished and finished butt-weld pipe fittings produced by one corresponding U.S. industry.

4/ In April 1986, the Commission published its report Competitive Assessment of the U.S. Forging Industry, Report to the President on Investigation No. 332-216 Under Section 332 of the Trade Act of 1930, as amended, USITC Publication 1833.

5/ These petitions were filed by the same three petitioning firms as the current investigations plus a fourth firm, Weldbend Corp. In a letter accompanying its questionnaire response in the current final investigations, \* \* \*, the \* \* \* of a fifth firm, \* \* \*, indicated support for the current and previous petitions stating " \* \* \*."

the U.S. Department of Commerce indicating that they were terminating the subject investigations at the request of the petitioner. 1/

## The Product

### Description and uses

Butt-weld pipe and tube fittings (hereafter butt-weld pipe fittings) are used to connect pipe sections where conditions require permanent, welded connections. The beveled edges of butt-weld pipe fittings distinguish them from other types of pipe fittings, such as threaded, grooved, or bolted fittings, which rely on different types of fastening methods. When placed against the end of a beveled pipe or another butt-weld fitting, the beveled edges form a shallow channel that accommodates the "bead" of the weld that fastens the two adjoining pieces. Butt-weld fittings come in a variety of forms; however, the three most common forms are elbows, tees, and reducers. Elbows are two-outlet fittings that usually have either a 45-degree or a 90-degree bend in the pipe, tees are T-shaped fittings having three outlets, and reducers are two-outlet fittings that connect pipes of two different diameters.

The welded connections used in butt-weld pipe fittings provide a better seal than threaded, grooved, 2/ or bolted fittings that can give under pressure. In addition, installation and maintenance is easier and more cost effective than with other types of fittings. The primary industries that use the fittings include construction, shipbuilding, energy generation, and oil refining.

Butt-weld pipe fittings are produced from various materials: carbon steel, alloy steel, and stainless steel. Only those butt-weld pipe fittings produced from carbon steel and under 14 inches in inside diameter are covered by these investigations. Approximately 90 percent of shipments of all butt-weld pipe fittings under 14 inches in inside diameter are of carbon steel.

### Manufacturing process

The manufacture of butt-weld pipe fittings typically begins with seamless carbon steel pipe. When manufacturing an elbow, the pipe is first cut to length. The pipe is then lubricated internally and fastened onto a draw bench, where it is heated until soft and then pushed over a mandrel. A mandrel is a metal rod whose diameter equals that of the desired interior diameter of the fitting. As the hot pipe is pushed over the mandrel, it stretches so that its outer diameter increases and its walls become thinner. The desired degree of bend in the fitting is achieved at this stage as well. The manufacture of tees and reducers also typically starts with cut-to-length pipe; however, instead of being formed over a mandrel, they are pressed or

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1/ The Commission terminated its investigations effective Feb. 25, 1986, and published notice of same in the Federal Register (51 F.R. 7342, Mar. 3, 1986).

2/ At the public conference held on Feb. 6, 1986, for investigations Nos. 731-TA-301-303 (Preliminary), that were terminated at the request of the A-3 petitioner, one of the respondents, CCTF, Inc., alleged that grooved fittings are replacing butt-weld fittings (see transcript of conference at p. 98).

hammered into a die to achieve the desired shape. The pipe may or may not be heated prior to forming. 1/

At this stage of production, the fitting is considered to be in a rough, "as formed," state. There has been some confusion in the industry and in this investigation as to the scope of the imported products covered by the petition in terms of the proper classification of unfinished butt-weld fittings for tariff purposes. At the core of the confusion is the manufacturing process described above by which rough-formed butt-weld pipe fittings are typically produced from seamless pipe. Some industry sources define the process as a "forging" process and say it encompasses both "cold-forging" and "hot-forging." Other industry sources say it is a cold- or hot-forming process, but not a forging process because in forging, a solid mass of steel would be the raw material that would be transformed by beating, hammering, or pressing, into the shape of a fitting; whereas, in the case of butt-weld pipe fittings, the raw material is an already wrought product, e.g., seamless pipe, which has already undergone considerable shaping from the solid-mass-of-steel stage prior to the cold- or hot-forming process that will give it its characteristic shape as an elbow, tee, or reducer.

There is considerable economic incentive to classify the rough-formed fitting as a "forging." The TSUS have a separate provision for carbon steel forgings that are "not machined, not tooled, and not otherwise processed after forging" (TSUS item 606.71); imports entered under TSUS item 606.71 are currently dutiable at 4.5 percent ad valorem, or 2.5 percent ad valorem less than imports entered under the tariff provision for carbon steel butt-weld fittings (TSUS item 610.88). 2/

Because of the confusion, this report will refer to the unfinished butt-weld pipe fittings that have not been further processed beyond forming in the rough shape of an elbow, tee, or reducer, etc., as "rough-formed butt-weld fittings" regardless of whether or not the forming process is defined as a "forging" process. 3/

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1/ Some types of fittings, such as caps, begin with carbon steel plates. Other carbon steel materials used in minimal amounts, include billets and bars used to produce reducers and tees. Three producers reported production of small quantities of butt-weld pipe fittings by machining billets or bars.

2/ The difference in the duties applicable to the two tariff items was 5 percent ad valorem in 1979 and has been reduced in stages as a result of duty reductions following the Tokyo Round of Multilateral Trade Negotiations (MTN). Effective Jan. 1, 1987, the final reduction of the duties will result in a difference of 2 percent ad valorem between duty rates applicable under the two tariff items.

3/ The questionnaires sent to producers and importers of butt-weld pipe fittings used the term "rough forging" and defined it as follows:

"Carbon steel forgings, under 14 inches in inside diameter, that have been formed in the shape of elbows, tees, reducers, etc., and have not been advanced beyond forging (or forming). These forgings may be classified in TSUS item 606.71 or item 610.88. Advancements after forging that would preclude classification of a product as a rough forging include, for example, any one or more of the following: coining, heat treatment, shot blasting, machining, grinding, die stamping, or painting." <sup>A-4</sup>

Any advancement after forming (or forging) would result in identification of the fitting, for the purposes of this investigation, as 1) "semifinished" if additional advancements are required, or 2) "finished" if all advancements have been accomplished and the fitting is acceptable to the end user.



After forming, the pipe often must undergo a "reforming" or "sizing" operation in which it is placed in a vertical press and subjected to great pressure, bending the pipe slightly to achieve "true" circularity of its cross section and uniform outside diameter. This operation is necessary to ensure that the fitting will match the pipe to which it is to be welded.

The finishing steps involved in the production of butt-weld pipe fittings may include shot blasting or other cleaning, machine beveling, boring and tapering, grinding, die stamping, inspecting, and painting. Shot blasting removes oxidation and mill scale from the rough-formed fittings. Ends are beveled to the specifications of the American National Standards Institute (ANSI), 1/ and inside diameters are bored and tapered to ANSI tolerances. The fittings are then ground to remove surface imperfections and stamped with an identification of each heat lot number, parent material, and size and wall thickness. Next, the fittings are inspected for flaws and defects, in addition to being checked for thickness, length dimensions, and inside and outside diameter tolerances per the specifications of the American Society for Testing and Materials (ASTM) and ANSI. Finally, the fittings are painted with a protective coating. All butt-weld pipe fittings, whether imported or U.S.-produced, must meet ASTM and ANSI specifications.

Heat treatment, a manufacturing step not mentioned in the petition, is required for all fittings formed at temperatures under 1,200 °F or over 1,800 °F. This process relieves stress built up within the fitting during forming. 2/

Some manufacturers use semiautomated machinery that bevels, bores, tapers, and grinds in one operation. The manufacturing process may be continuous. That is, carbon steel pipe, a rough-formed fitting, and/or a semifinished fitting may be converted into a finished fitting in one continuous operation, rather than the pipe being converted into a rough-formed or semifinished fitting, inventoried, and subsequently finished in another operation.

CCTF, Inc., a respondent, maintains that some of the finishing steps listed in the petition are not performed on all butt-weld pipe fittings. 3/ For example, shot blasting need not be performed on fittings unless they have been exposed to the elements and have oxidized. In addition, respondents allege inspection is performed on rough-formed and semifinished fittings before they are shipped by the foreign producer and need not be repeated by a U.S. manufacturer. Also, boring and tapering are allegedly only done on special, nonstock products accounting for less than 5 percent of all butt-weld pipe fittings.

In the questionnaires of these final investigations, producers were asked to provide the costs of 1) raw materials, 2) forming (or forging) the rough-formed fitting, and 3) finishing steps such as coining, shot blasting or

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1/ The edges of rough-formed fittings must first be squared before being used in some beveling machines.

2/ For purposes of the U.S. Customs Services (Customs), heat treatment constitutes further advancement and would result in the classification of an otherwise rough-formed fitting as a butt-weld fitting under TSUS item 610.88. Heat treatment does not change the physical appearance of a fitting.

3/ Transcript of the conference at pp. 85-87.

cleaning, heat treatment, machining, grinding, die stamping, painting, and so forth, as a share of the total production costs of the finished butt-weld pipe fittings. Responses varied considerably, but it appears that the variation is largely attributable to the different types of fittings produced by the reporting firms. Seven producers reported data on their integrated production costs. These firms reported that costs (including raw material costs) to produce rough-formed fittings, as a share of total costs to produce finished fittings, ranged from 46 to 88 percent. The addition of coining and heat treatment, steps virtually always performed prior to importation, if required, brought the shares of the total production costs up to 52 to 89 percent. The following tabulation of production costs summarizes the responses of the integrated producers, in percent of total production costs: 1/

<u>Item</u>	<u>Range</u>	<u>Nonweighted average</u>	<u>Weighted average <u>1/</u></u>
Cost of raw material-----	<u>2/</u> 21-76	46	62
Costs through rough forming---	<u>3/</u> 46-88	68	81
Costs through coining and heat treatment-----	<u>4/</u> 52-89	72	82
Costs to machine-----	<u>5/</u> 9-38	20	14

1/ Computed by weighting each firm's percent-of-production costs by its quantity of integrated production (cost of integrated production is not available).

2/ The shares of total production costs accounted for by raw materials were \* \* \*.

3/ The shares of total production costs to rough-form were \* \* \*.

4/ The shares of total production costs at this stage were \* \* \*.

5/ The shares of total production costs to machine were \* \* \*.

The bulk of finishing costs are for machining operations, with other finishing operations such as die stamping, grinding, cleaning, and painting generally costing considerably less. The high machining costs for \* \* \* and \* \* \* could be attributable to the facts that 1) \* \* \*, and 2) \* \* \*.

#### U.S. tariff treatment

Prior to April 1984, the tariff classification for butt-weld pipe fittings was TSUS item 610.80 (reported under TSUSA item 610.8046); after that date, such fittings have been classified in TSUS item 610.88. TSUS item 610.88 covers finished and unfinished butt-weld pipe fittings. If Customs determines that 1) particular imported butt-weld pipe fittings were produced by a process that, for Customs purposes, is deemed to be a "forging" process, and 2) such butt-weld pipe fittings were not machined, not tooled, and not otherwise advanced beyond forging, then these fittings would be classifiable in TSUS item 606.71 and reported under TSUSA item 606.7120. There have been inconsistencies in the classification of unfinished butt-weld fittings for tariff purposes, both on the part of interested parties and on the part of Customs. In a Customs seminar held in New Orleans during the week of September 21, 1986, Customs officials were instructed that all rough-formed butt-weld pipe fittings were to be classified in TSUS item 610.88. The rationale presented was that the rough-formed fittings are shaped from an

A-6

already wrought product, e.g., pipe, and not from a lump of steel; the resultant fitting has been "formed" rather than "forged." 1/

As a result of the agreements reached during the Tokyo Round of the MTN, the current (effective Jan. 1, 1986) most-favored-nation (MFN) (col. 1) 2/ rate of duty for TSUS item 610.88 is 7 percent ad valorem. It will be further reduced to a rate 3/ of 6.2 percent ad valorem effective January 1, 1987. The column 2 rate of duty is 45 percent ad valorem. 4/ Imports under this tariff item have been designated as articles eligible for duty-free entry under the GSP. 5/ Imports from Brazil are entitled to GSP treatment; those from Japan and Taiwan are not.

The following tabulation shows the duty rates for TSUS items 610.88 and 606.71, in percent ad valorem:

TSUS item	Description (abridged)	Col. 1		LDDC's	Col. 2
		Jan. 1, 1986	Jan. 1, 1987		
610.88	Carbon steel butt-weld pipe fittings under 14 inches (inside diameter).	7.0	6.2	6.2	45
606.71	Carbon steel forgings, not machined, not tooled, and not otherwise processed after forging.	4.5	4.2	4.2	25

1/ The tariff classification for butt-weld pipe fittings covers finished and unfinished merchandise unless classifiable elsewhere. In the course of these investigations, several importers of butt-weld fittings reported that, although they tried to enter their "rough-formed" fittings under TSUS item 610.71, Customs reclassified them into TSUS item 610.88. In each of these cases, the importers stated that the rough-formed fittings had been "sized" as part of the "forging/forming" process. Two importers, \* \* \* and \* \* \*, reported importing rough-formed fittings under TSUS item 606.71 for sale to \* \* \*, \* \* \*.

2/ The col. 1 rate is applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, these rates would not apply if preferential treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of least developed developing countries (LDDC's), as provided under the special rates of duty column.

3/ Final concession rates granted under the Tokyo Round of the MTN are a result of staged duty reductions of col. 1 rates that began Jan. 1, 1980.

4/ Col. 2 rates of duty apply to products imported from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

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

## Nature and Extent of Sales at LTFV

Details of Commerce's final LTFV determinations are contained in the Federal Register notices presented in appendix A; the LTFV margins, in percent ad valorem, are presented below:

<u>Country and firm</u>	<u>Final LTFV margin</u>
Brazil-----	<u>1/</u> 52.25
Taiwan:	
Rigid Industries-----	<u>2/</u> 6.84
Chung Mung Pipe Fitting Manufacturing Co. (C.M.)-----	<u>3/</u> 8.57
Gei Bey Corp-----	<u>1/</u> 87.30
Chup Hsin Enterprises-----	<u>1/</u> 87.30
All others-----	49.46

1/ Because of no response to Commerce's questionnaire, "best available information" supplied by petition was used.

2/ Commerce examined sales of butt-weld pipe fittings produced by Rigid Industries, valued at \$\*\*\*, during Sept. 1, 1985, to Feb. 28, 1986, and found that \$\*\*\*, or \* \* \* percent, were sold at LTFV. In terms of quantity, \* \* \* of \* \* \* pieces examined were sold at LTFV.

3/ Commerce examined sales of butt-weld pipe fittings produced by C.M., valued at \$\*\*\*, during Sept. 1, 1985, to Feb. 28, 1986, and found that \$\*\*\*, or \* \* \* percent, were sold at LTFV. In terms of quantity, \* \* \* of \* \* \* pieces examined were sold at LTFV.

In its notices of final determination of sales at LTFV of butt-weld pipe fittings from Brazil and Taiwan, Commerce noted that a U.S. producer, Tube Turns, Inc., opposes the petition and maintains that the petition was not filed "on behalf of" a U.S. industry. Commerce stated in its notices that it relied on petitioners' representation that it has in fact filed on behalf of an industry until proven otherwise; inasmuch as Tube Turns was the only member of the U.S. industry to actively oppose the petition, and it does not represent a "major proportion" of the industry, there is no such proof. 1/

## The Domestic Market

Apparent U.S. consumption

Apparent U.S. consumption of finished butt-weld pipe fittings increased from 68.6 million pounds in 1983 to 80.6 million pounds in 1984, or by 17 percent, and then fell by 2 percent to 79.0 million pounds in 1985 (table 1). However, such consumption during January-June 1986, at 41.2 million pounds, was 8 percent above the level of consumption during January-June 1985.

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1/ In its questionnaire, the Commission asked producers to indicate whether they were in support of, opposed to, or taking no position with respect to the petitions. Seven firms, accounting for between one-half and two-thirds of A-8 1985 and January-June 1986 production of finished butt-weld fittings, indicated written support of the petition.

Table 1.--Butt-weld pipe fittings: Apparent U.S. consumption, by types, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)						
Item	1983	1984	1985	January-June--		
				1985	1986	
Finished butt-weld pipe fittings: <u>1/</u>						
Domestic shipments-----	***	***	***	***	***	***
Imports-----	***	***	***	***	***	***
Apparent consumption----	68,625	80,561	79,015	38,159	41,218	
Rough-formed and semi-finished butt-weld pipe fittings:						
Domestic production <u>2/--</u>	***	***	***	***	***	***
Imports-----	***	***	***	***	***	***
Apparent consumption----	42,486	67,760	58,276	30,927	21,983	

1/ Apparent consumption of finished butt-weld pipe fittings on the basis of value is presented in table D-1 in app. D.

2/ Domestic production of finished butt-weld pipe fittings from pipe, plate, bar, or billet in each period, plus production of unfinished fittings that are shipped in that stage, is assumed to approximate consumption of U.S.-produced rough-formed and semifinished butt-weld pipe fittings.

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

The bulk of U.S. consumption of rough-formed and semifinished butt-weld pipe fittings, all of which are used in the production of finished fittings, is accounted for by articles produced for captive consumption and by imports. \* \* \* reporting production of semifinished articles for sale, had open-market shipments of \* \* \* pounds in 1983, \* \* \* pounds in 1984, \* \* \* pounds in 1985, and \* \* \* pounds during January-June 1986, compared with \* \* \* pounds during January-June 1985. Apparent consumption of rough-formed and semifinished butt-weld pipe fittings increased from 42.5 million pounds in 1983 to 67.8 million pounds in 1984, or by 59 percent, and then fell by 14 percent to 58.3 million pounds in 1985 and by an additional 29 percent during January-June 1986 compared with January-June 1985.

#### Channels of distribution

\* \* \* \* \*

Producers reported that 98 percent of their 1985 shipments of finished butt-weld pipe fittings were sold to jobbers or distributors for eventual sale to the end user and only 2 percent were to the end user directly. Minimal amounts of finished fittings are sold to other U.S. producers that desire to complete their product line, or to supplement their own production. Importers also reported that 98 percent of their shipments of finished butt-weld pipe fittings were to distributors in 1985.

Some distributors stock only U.S. fittings and some only imports, whereas others carry both lines, either separately or commingled. In addition to selling butt-weld pipe fittings, distributors typically stock other types of pipe fittings and related products such as valves. 1/

#### U.S. Producers

The Commission identified 12 U.S. producers 2/ of butt-weld pipe fittings. Questionnaire responses were received in these final investigations from 11 of these producers, accounting for virtually all of the production of finished butt-weld pipe fittings in 1985. Table 2 presents the names of the producing firms and their shares of 1985 and January-June 1986 production of finished butt-weld pipe fittings by integrated processes and by conversion of purchased unfinished fittings.

Six U.S. producers do not buy any unfinished butt-weld pipe fittings; these "integrated" firms begin their manufacturing process with pipe (or other such raw materials as plate, billets, or bars) that they first make into rough-formed fittings and then complete the necessary machining, cleaning, painting, and so forth, steps to finish the fittings. Two 3/ U.S. producers buy only unfinished butt-weld fittings as their raw material; these "converter" firms then complete whatever advancement steps are necessary in order to finish the fittings. Four other U.S. producers buy rough-formed or semifinished fittings as well as the raw materials used by the integrated producers; these "combined" firms produce some of their finished butt-weld fittings in integrated processes from pipe, plate, bar, or billet and produce the remainder of their finished fittings by converting purchased unfinished fittings into finished products.

Ladish Co., Inc.--Ladish, one of the petitioners, is \* \* \* and currently operates establishments producing butt-weld pipe fittings in Russellville, AR, and Cynthiana, KY. Ladish is \* \* \*.

Mills Iron Works, Inc.--The only butt-weld pipe fittings produced by Mills Iron Works, one of the petitioners, in its Gardena, CA, plant are reducers. Most other reporting producers manufacture more than one type of butt-weld pipe fitting. \* \* \*.

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1/ Transcript of hearing, pp. 16 and 26.

2/ One of these producers, ITT Grinnell, ended production of butt-weld pipe fittings during 1985 and \* \* \*. \* \* \*. Hence, available aggregate U.S. producers' data for 1983 and 1984 are understated.

3/ Technically, there \* \* \* that has no integrated production of finished butt-weld fittings; however, \* \* \* has so little integrated production that it is effectively a converter.

Table 2.--Finished butt-weld pipe fittings: U.S. producers' shares of total production, by types of firms and by types of production processes, 1985 and January-June 1986

Firm	Type of producer	Position with respect to petitions	Share of total reported production of finished butt-weld fittings made by--					
			All processes	Integrated processes	Conversion processes	Jan.- 1985:June 1986	Jan.- 1985:June 1986	Jan.- 1985:June 1986
-----Percent-----								
Petitioners:								
Ladish Co., Inc-----:	***	Supports	***	***	***	***	***	***
Mills Iron Works, Inc--:	***	Supports	***	***	***	***	***	***
Steel Forgings, Inc----:	***	Supports	***	***	***	***	***	***
Subtotal-----			***	***	***	***	***	***
All other:								
Flo-Bend, Inc-----:	***	***	***	***	***	***	***	***
Hackney, Inc-----:	***	***	***	***	***	***	***	***
ITT Grinnell-----:	***	***	***	***	***	***	***	***
Los Angeles Boiler Works, Inc-----:	***	***	***	***	***	***	***	***
Standard Fittings Co---:	***	***	***	***	***	***	***	***
Tube Forgings of America, Inc-----:	***	***	***	***	***	***	***	***
Tube-Line Co-----:	***	***	***	***	***	***	***	***
Tube Turns, Inc-----:	***	Opposes	***	***	***	***	***	***
Weldbend Corp-----:	***	Supports	***	***	***	***	***	***
Subtotal-----			***	***	***	***	***	***
Total-----			100	100	100	100	100	100

Source: Compiled from questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

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

Steel Forgings, Inc.--Located in Shreveport, LA, this petitioner is \* \* \*.

Flo-Bend, Inc.--Flo-Bend, located in Tulsa, OK, is a small domestic producer of the products subject to the investigations. \* \* \*. 1/ Flo-Bend is \* \* \*.

Hackney, Inc.--This Dallas-based company, \* \* \* producer of butt-weld pipe fittings, \* \* \*. Hackney produces some of the subject fittings \* \* \*.

LA Boiler Works--This company moved its production facilities from Los Angeles, CA, to Blackwell, OK, in 1983 in an attempt to \* \* \*. LA Boiler Works produces \* \* \*.

Standard Fittings Co.--This company located in Opelousas, LA, started production of carbon steel butt-weld pipe fittings in 1984. \* \* \*.

Tube Forgings of America, Inc.--Tube Forgings, located in Portland, OR, ceased operations in December 1985 and its assets were attached by the bank to pay its liabilities; however, equipment and inventories of the firm were purchased from the bank by a corporation headed by Jay Zidell, the son of the former owner and the inventories are being liquidated. \* \* \*. Mr. Zidell states that, as of this time, there are no plans to \* \* \*.

Tube Turns, Inc.--Tube Turns is \* \* \* opposed to the petitions. On December 15, 1983, Tube Turns was purchased by several affiliates of Sumitomo from ALCHEM, Inc. Tube Turns, located in Louisville, KY, produces \* \* \*.

Tube-Line Co.--Tube-Line is the \* \* \*.

Weldbend Corp.--This company located near Chicago, IL, is \* \* \* U.S. producer of butt-weld pipe fittings and is in support of the petitions. Weldbend reported \* \* \*. At the hearing, counsel for TSI Industries, Inc., Silbo Steel Corp., and Conforja S/A stated that his clients sell finished butt-weld pipe fittings to Weldbend. Subsequently, counsel stated that the fittings were unpainted. 2/ Weldbend, \* \* \*, reported that \* \* \*.

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1/ See letter to U.S. Department of Commerce dated Mar. 12, 1986, from Counsel for Flo-Bend (Docket No. 1288-1290). As previously discussed, Customs' current position is that all butt-weld pipe fittings made from pipe are classifiable under TSUS item 610.88 as butt-weld fittings rather than under TSUSA item 606.7120 as non-further-processed forgings. However, some rough-formed fittings are indeed liquidated under TSUSA item 606.7120. Petitioners limited the scope of the product(s) to imports classifiable (not classified) under TSUS item 610.88 (see letter from counsel for petitioners dated Aug. 21, 1986).

2/ Post-hearing brief filed on behalf of TSI Industries, Inc., Silbo Steel Corp., and Conforja S/A, p. 3.



## U.S. Importers

The Commission received responses to its questionnaires in these final investigations from 24 importers, accounting for virtually all of the imports of butt-weld pipe fittings from Brazil, Japan, and Taiwan in 1985. 1/ Only three firms reported importing rough forgings. The sources of these imports were \* \* \* and \* \* \*. Eleven firms reported importing semifinished butt-weld pipe fittings. The sources of these imports were \* \* \*, Japan (imported mostly by \* \* \*), Taiwan (imported mostly by \* \* \*), and other countries (imported mostly by \* \* \*). Nineteen firms reported importing finished fittings. The principal sources of these imports were \* \* \*, Japan (imported mostly by \* \* \*), 2/ and Taiwan (imported mostly by \* \* \*).

\* \* \* import unfinished fittings that they convert into finished fittings. \* \* \* does not import these unfinished fittings but does buy them from \* \* \*. Although \* \* \* is not an importer of record for any imports of butt-weld pipe fittings, it is \* \* \* customer of subject butt-weld pipe fittings imported by \* \* \*.

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

U.S. production, capacity, and capacity utilization

Table 3 shows U.S. producers' production of rough-formed fittings as well as their production of finished butt-weld pipe fittings from not only their own rough-formed fittings but also from unfinished fittings obtained from other sources. Production of rough-formed fittings decreased from \* \* \* pounds in 1983 to \* \* \* pounds in 1985, or by 14 percent and then continued to fall by another 10 percent during January-June 1986, compared with such production during January-June 1985. \* \* \* reported no production of the rough-formed fittings; however, \* \* \*'s reported production of the rough-formed fittings \* \* \*.

Production of finished butt-weld pipe fittings from imported or otherwise purchased rough-formed fittings was reported by \* \* \*; 3/ such production nearly tripled from \* \* \* pounds in 1983 to \* \* \* pounds in 1985, and increased by about one-sixth in January-June 1986, compared with such production during January-June 1985. Production of finished butt-weld pipe fittings from purchased rough-formed fittings more than doubled as a share of total production of finished butt-weld pipe fittings from \* \* \* percent in 1983 to \* \* \* percent in 1985 and \* \* \* percent during January-June 1986.

Production of finished butt-weld pipe fittings from imported, or otherwise purchased, semifinished fittings increased by 75 percent in 1984 to \* \* \* pounds, fell by 12 percent to \* \* \* pounds in 1985, and then decreased by 30 percent during January-June 1986, compared with such production during

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1/ Thirteen of these importers each accounted for imports of over 1 million pounds of butt-weld pipe fittings in 1985. They are, in order of import quantity, \* \* \*. Two other importers had imports of over 1 million pounds during January-June 1986--\* \* \* and \* \* \*.

2/ \* \* \*.

3/ \* \* \*.

Table 3.--Butt-weld pipe fittings: U.S. production of finished butt-weld pipe fittings from rough-formed and semifinished fittings purchased from another producer and/or importer, and from carbon steel pipe, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)						
Item	1983	1984	1985	January-June--		
				1985	1986	
Production of rough-formed fittings-----	***	***	***	***		***
Production of finished butt-weld pipe fittings from:						
Rough-formed fittings purchased from another producer and/or importer-----	***	***	***	***		***
Semifinished fittings purchased from another producer and/or importer <u>1</u> /----	***	***	***	***		***
Carbon steel pipe <u>2</u> /----	20,910	22,715	17,453	8,596		8,075
Total production of finished butt-weld pipe fittings-----	36,602	51,795	47,580	25,008		22,698

1/ Includes production reported by \* \* \* that had additional processing steps of \* \* \*. Such production amounted to \* \* \*.

2/ Data also include production of butt-weld pipe fittings from carbon steel plates, billets, and bars.

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

January-June 1985. Such production increased its share of total production of finished butt-weld pipe fittings from \* \* \* percent in 1983 to \* \* \* percent in 1984, and then decreased its share to \* \* \* percent in 1985 and \* \* \* percent during January-June 1986. 1/

Production of finished fittings from purchased unfinished fittings, whether rough-formed or semifinished, increased from 15.7 million pounds in 1983 to 29.1 million pounds in 1984, or by 85 percent, and then increased by an additional 4 percent in 1985; during January-June 1986, such production amounted to 14.6 million pounds, representing a decrease of 11 percent

1/ Not all of the semifinished fittings were imported merchandise. \* \* \*. Although the Commission questionnaire did not collect information on conversion of imported versus U.S. unfinished fittings to the finished form, such conversion of U.S.-produced semifinished butt-weld fittings would account for a negligible share of the production of finished butt-weld pipe fittings<sup>A14</sup> from semifinished fittings.

compared with that during January-June 1985. Production of finished fittings by conversion of unfinished fittings accounted for 43 percent of total production of finished butt-weld pipe fittings in 1983, 56 percent in 1984, 63 percent in 1985, and 64 percent during January-June 1986. Production of finished fittings from unfinished fittings that were already beveled and required \* \* \* to convert to a finished fitting amounted to \* \* \* percent of total production of finished butt-weld fittings in 1983, \* \* \* percent in 1984, \* \* \* percent in 1985, and \* \* \* percent during January-June 1986.

Integrated production of finished butt-weld pipe fittings from carbon steel pipe, plate, and bars rose by 9 percent to 22.7 million pounds in 1984 and then fell by 23 percent to 17.5 million pounds in 1985 and continued to fall by 6 percent during January-June 1986, compared with such production during January-June 1985. Integrated production of finished butt-weld pipe fittings decreased as a share of the total production of finished butt-weld pipe fittings from 57 percent in 1983 to 44 percent in 1984, 37 percent in 1985, and 36 percent during January-June 1986. Tube Turns, a producer using both integrated and conversion processes, alleges that it has had difficulties in obtaining seamless pipe used in the production of butt-weld pipe fittings from U.S. producers and foreign sources. The firm feels that this problem has been exacerbated by export restraint agreements between the United States and several countries including Japan. 1/

Total production of finished butt-weld pipe fittings increased from 36.6 million pounds in 1983 to 51.8 million pounds in 1984, or by 42 percent, and then decreased by 8 percent to 47.6 million pounds in 1985. Total production of finished butt-weld pipe fittings then continued to fall by 9 percent during January-June 1986, compared with such production during January-June 1985.

The Commission was able to confirm the plant closings or major production line shutdowns since 1982 identified in the petition. The 1982 closing of Taylor Forge in Memphis, TN, \* \* \*. A major production line shutdown identified in the petition at Ladish's Cudahy, WI, plant in 1984 also involved

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1/ See, e.g., transcript of conference at pp. 67 and 68, transcript of hearing at pp. 105-108, and letter dated Nov. 4, 1986, filed by Tube Turns' counsel. Ladish Co., on the other hand, reported no problem purchasing seamless pipe and believes the price has decreased in the last 2 years because of oversupply (transcript of hearing at pp. 12 and 13). \* \* \* were contacted by the staff regarding the availability of seamless pipe. There was general consensus among these producers that seamless pipe was available; however, several firms added qualifying statements. \* \* \* reported that it had to buy in large quantities to purchase from its primary source, \* \* \*. \* \* \* concurs that large quantities are necessary to purchase from U.S. mills; \* \* \* buys both foreign and domestic pipe from distributors that in many cases have excess inventories they are working down. \* \* \* buys imported pipe from \* \* \* because it is priced substantially below the U.S. domestic price; however, \* \* \* reports that the price of \* \* \* pipe in the United States is about 20 to 30 percent lower than the price of \* \* \* pipe in \* \* \* and feels that the quotas on pipe negotiated by the Government, although "well-meanned," are protecting the basic steel industries and "shooting the fitting industry in the head." Although \* \* \* states that pipe is readily available from both U.S. and foreign sources, it is more economical to buy the unfinished fitting than to buy the pipe and form the fitting.

primarily butt-weld pipe fittings over 14 inches inside diameter. <sup>1/</sup> Ladish \* \* \*. Although ITT Grinnell \* \* \*, the firm indicated \* \* \* that the Princeton, KY, plant did produce finished butt-weld pipe fittings under 14 inches in inside diameter, primarily from \* \* \*, prior to its closure in 1985. \* \* \*. Tube Forgings' Portland, OR, plant, \* \* \* during 1984 and 1985, closed in December 1985. This closing, however, was only temporary; the facilities are currently being used to \* \* \*. <sup>2/</sup>

Table 4 shows U.S. producers' production, capacity, and capacity utilization data for rough-formed and finished butt-weld pipe fittings. Capacity to produce the rough-formed fittings has remained essentially constant throughout the period. However, capacity to produce the finished butt-weld pipe fittings steadily increased from \* \* \* pounds in 1983 to \* \* \* pounds in 1985, or by 6 percent, and continued to increase by 3 percent during January-June 1986, compared with capacity during January-June 1985. \* \* \* reported a \* \* \*-percent increase between 1983 and 1985 in the firm's capacity to do both integrated and finishing processes; capacity increases amounted to \* \* \* pounds for integrated production and \* \* \* pounds for finishing processes. A decrease of \* \* \* pounds in annual capacity during 1983-85 was reported by \* \* \* as a result of \* \* \*; an increase of \* \* \* pounds was reported by \* \* \* during this period as was an increase of \* \* \* pounds by \* \* \*. Capacity changes by \* \* \* apply to both rough-formed and finished butt-weld fittings operations. Capacity utilization was significantly higher for finishing butt-weld pipe fittings than for rough-forming operations. Capacity utilization for the rough-formed fittings decreased from 25 percent in 1983 to 21 percent in 1985 and to 19 percent during January-June 1986. Capacity utilization for finishing increased from 38 percent in 1983 to 52 percent in 1984 and then fell to 46 percent in 1985 and 43 percent during January-June 1986.

#### U.S. producers' purchases of butt-weld pipe fittings

Four U.S. producers of butt-weld pipe fittings reported minimal purchases of finished fittings, virtually all of which were produced in the United States. Five producers reported purchases of unfinished butt-weld fittings that they converted into finished fittings. The purchases of unfinished fittings by U.S. producers increased from 11.8 million pounds in 1983 to 35.4 million pounds in 1985 and then decreased to 17.1 million pounds during January-June 1986, compared with 24.8 million pounds during January-June 1985. Imports by U.S. producers accounted for 21 percent to 45 percent of these purchases in each period and purchases of imported fittings from importers or other sources accounted for 52 percent to 78 percent; purchases of U.S.-produced fittings accounted for 3 percent or less of total purchases

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<sup>1/</sup> \* \* \*.

<sup>2/</sup> Although Mr. Zidell, the president of the firm, \* \* \*. The position of the petitioners is that the inventories of Tube Forgings are being liquidated in an orderly manner (see p. 4 of petitioners' post-hearing brief), whereas the position of respondents is that Tube Forgings' closure and reacquisition by the Zidell family was a profitable action and the firm has clearly not ceased production (see, for example, p. 5 of post-hearing brief on behalf of TSI Industries, Inc., Silbo Steel Corp., and Conforja S/A).

Table 4.--Butt-weld pipe fittings: U.S. production, capacity, and capacity utilization of rough-formed and finished butt-weld pipe fittings, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Rough-formed fittings:					
Production--1,000 pounds--	***	***	***	***	***
Capacity-----do-----	***	***	***	***	***
Capacity utilization <u>1/</u>					
percent--	25.1	27.9	21.2	20.8	18.9
Finished fittings:					
Production--1,000 pounds--	36,602	51,795	47,580	25,008	22,698
Capacity-----do-----	***	***	***	***	***
Capacity utilization <u>1/</u>					
percent--	38.2	52.1	46.4	48.5	43.1

1/ Calculated from data supplied by firms reporting both production and capacity figures.

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

of unfinished fittings in each period. Purchases of butt-weld pipe fittings by U.S. producers are shown in the following tabulation, (in thousands of pounds).

Item	1983	1984	1985	January-June--	
				1985	1986
Unfinished fittings:					
Imported by U.S. producers of butt-weld pipe fittings----	***	***	***	***	***
Other purchases of imported products <u>1/</u> -----	***	***	***	***	***
Purchases of U.S.-produced products-----	***	***	***	***	***
Total-----	11,848	24,176	35,364	24,786	17,116
Finished fittings:					
Imported by U.S. producers of butt-weld pipe fittings----	***	***	***	***	***
Other purchases of imported products-----	***	***	***	***	***
Purchases of U.S.-produced products-----	***	***	***	***	***
Total-----	***	***	***	***	***

1/ Includes purchases of unfinished pipe fittings that have been beveled prior to importation, reported by \* \* \*, amounting to \* \* \*.

Three U.S. producers of butt-weld pipe fittings reported importing unfinished pipe fittings. Imports from Japan and Taiwan increased their share of such imports of unfinished fittings from 71 percent in 1983 to 94 percent in 1984, 99 percent in 1985, and 100 percent during January-June 1986. Four producers of butt-weld pipe fittings reported purchasing imported unfinished pipe fittings from U.S. importers or other sources. Product imported from Brazil, Japan, and Taiwan accounted for a minimum of 14 percent to 54 percent of such purchases. <sup>1/</sup>

#### U.S. producers' shipments

Shipments of semifinished butt-weld pipe fittings and finished butt-weld pipe fittings are presented in table 5. No U.S. producer reported shipments of rough-formed fittings. \* \* \* reported shipments of semifinished butt-weld pipe fittings.

Domestic shipments of finished butt-weld pipe fittings produced in U.S. establishments increased 10 percent from 1983 to 1985, and then rose by 16 percent during January-June 1986, compared with domestic shipments during January-June 1985. \* \* \* reported \* \* \* domestic shipments of finished butt-weld pipe fittings during January-June 1986, compared with January-June 1985; \* \* \*, however, reported \* \* \* domestic shipments of \* \* \* pounds in 1983, \* \* \* pounds in 1984, \* \* \* pounds in 1985, and \* \* \* pounds during January-June 1986, compared with \* \* \* pounds shipped during January-June 1985. \* \* \*'s share of domestic shipments has likewise \* \* \* over the period from \* \* \* percent in 1983 to \* \* \* percent in 1985 and \* \* \* percent during January-June 1986.

#### U.S. producers' inventories

Inventories of rough-formed butt-weld pipe fittings, all of which was imported material that was \* \* \*, \* \* \* from \* \* \* pounds at yearend 1982 to \* \* \* pounds at yearend 1984 and then \* \* \* to \* \* \* pounds at yearend 1985 (table 6). As of June 30, 1986, such inventories amounted to \* \* \* pounds.

Imported semifinished butt-weld pipe fittings composed the majority--70 percent or higher--of the inventories of semifinished butt-weld pipe fittings reportedly held by U.S. producers. Inventories of semifinished butt-weld pipe fittings decreased from \* \* \* pounds at yearend 1982 to \* \* \* pounds at yearend 1983 and then rose to \* \* \* pounds at yearend 1985. As of June 30, 1986, such inventories amounted to \* \* \* pounds.

Inventories of finished butt-weld pipe fittings, unlike the unfinished material, is virtually all of the reporting firms' "own" production (although production includes converting purchased unfinished fittings). Such inventories decreased from 22.4 million pounds at yearend 1982 to 14.8 million pounds at yearend 1983 and then rose to 20.1 million pounds at yearend 1985. As of June 30, 1986, however, such inventories fell to 15.0 million pounds.

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<sup>1/</sup> \* \* \* reported total purchases of foreign-produced unfinished fittings but said that such data by country of origin were not available. However, several suppliers of \* \* \* reported that they supplied \* \* \*. Therefore, the shares of purchases of unfinished fittings from Brazil, Japan, and Taiwan are understated. A-18

Table 5.--Butt-weld pipe fittings: Shipments of U.S.-produced butt-weld pipe fittings, by types, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Quantity (1,000 pounds)					
Semifinished:					
Intracompany and inter-					
company transfers----	***	***	***	***	***
Domestic shipments <u>1</u> /--	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total-----	***	***	***	***	***
Finished:					
Intracompany and inter-					
company transfers----	***	***	***	***	***
Domestic shipments-----	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total-----	43,664	46,546	48,164	24,092	27,876
Value (1,000 dollars)					
Semifinished:					
Intracompany and inter-					
company transfers----	***	***	***	***	***
Domestic shipments <u>1</u> /--	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total-----	***	***	***	***	***
Finished:					
Intracompany and inter-					
company transfers----	***	***	***	***	***
Domestic shipments-----	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total-----	42,091	46,462	45,836	24,445	22,302

1/ \* \* \*.

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

Table 6.--Butt-weld pipe fittings: End-of-period inventories of butt-weld pipe fittings held by U.S. producers, by types, 1982-85, January-June 1985, and January-June 1986

(In thousands of pounds)							
Item	As of Dec. 31--				As of June 30--		
	1982	1983	1984	1985	1985	1986	
Rough formed fittings 1/-----	***	***	***	***	***	***	***
Semifinished butt-weld pipe fittings 2/----	***	***	***	***	***	***	***
Finished butt-weld pipe fittings 3/----	22,398	14,767	19,056	20,124	21,160	14,983	
Total-----	34,395	23,939	24,235	31,484	35,835	27,773	

1/ Data are for \* \* \* and represent rough-formed fittings that were purchased from importers.

2/ Foreign-produced semifinished fittings accounted for over 70 percent of the reported inventories in each period, composing \* \* \* percent of the inventories held at yearend 1982 and 1983, \* \* \* percent of the inventories held at yearend 1984, \* \* \* percent of those held at yearend 1985, \* \* \* percent of those held on June 30, 1985, and \* \* \* percent of those held on June 30, 1986.

3/ Virtually all inventories of finished fittings were reported by the firms as their own production. \* \* \*.

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

### Employment

Employment data were provided by firms accounting for 58 percent of total production of finished butt-weld pipe fittings in 1985. The average number of production and related workers employed in the production of butt-weld pipe fittings increased by 19 percent from 1983 to 1984, fell slightly in 1985, and fell by an additional 6 percent during January-June 1986, compared with that during January-June 1985 (table 7). Hours worked by and wages and total compensation paid to these workers followed the same general trend. Productivity increased from 1983 to 1985 and then decreased slightly during January-June 1986, compared with that during January-June 1985, and unit labor costs decreased from 1983 to 1985 and then increased slightly during January-June 1986, compared with that during January-June 1985.



Table 7.--Average number of production and related workers producing butt-weld pipe fittings, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor costs in the production of butt-weld pipe fittings, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Average number of production and related workers-----	194	230	224	205	192
Hours worked by production and related workers					
1,000 hours---	365	448	415	203	200
Wages paid to production and related workers					
1,000 dollars---	3,600	4,388	4,049	1,989	2,000
Total compensation paid to production and related workers-----	4,566	5,430	5,013	2,458	2,429
Labor productivity					
pounds per hour--	53.9	63.6	66.6	73.7	72.8
Hourly compensation <u>3/</u> -----	\$9.86	\$9.79	\$9.76	\$9.80	\$10.00
Unit labor costs <u>4/</u>					
per 1,000 pounds--	\$232	\$190	\$181	\$164	\$167

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

2/ Includes wages and contributions to Social Security and other employee benefits.

3/ Based on wages paid excluding fringe benefits.

4/ Based on total compensation paid.

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

### Financial experience of U.S. producers

Six firms, accounting for \* \* \* percent of 1985 production of finished butt-weld pipe fittings, 1/ furnished usable income-and-loss data on both their overall establishment operations and on their operations producing carbon steel butt-weld pipe fittings under 14 inches in inside diameter. Three additional producers, 2/ accounting for \* \* \* percent of 1985 production, provided income-and-loss data on their overall establishment operations for facilities in which butt-weld pipe fittings are produced but were unable to provide usable data on the subject product.

Operations producing carbon steel butt-weld pipe fittings under 14 inches in inside diameter.--Aggregate income-and-loss data of six U.S. producers on their operations producing subject butt-weld pipe fittings are presented in table 8. A breakdown of net sales, operating income, and the ratio of operating income to net sales by the type of producer and by firm is presented in table 9. Aggregate net sales increased from \$41.6 million in 1983 to \$46.3 million in 1984, or by 11.2 percent, and then declined by 3.0 percent to \$44.9 million in 1985. Aggregate net sales of the five producers 3/ reporting in the interim periods of 1985 and 1986 were \$21.0 million and \$23.9 million, respectively, representing an increase of 13.8 percent between the two interim periods. 4/

The six producers incurred aggregate operating losses in 1983, 1984, and 1985 of \$7.7 million, \$3.9 million, and \$4.1 million, respectively, with operating loss margins of 18.5 percent, 8.3 percent, and 9.1 percent. 5/ Aggregate operating losses of the five firms reporting interim-period data increased from \$1.1 million in 1985 to \$1.3 million in 1986; for both interim periods, the operating losses amounted to 5.4 percent of sales. 6/ All six producers incurred operating losses in 1983 and five of the six reported operating losses in 1984 and 1985. Three of the five firms reporting interim data suffered operating losses in both interim periods.

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1/ \* \* \*.

2/ \* \* \*.

3/ \* \* \* provided data on its operations during 1983-85 but not on the interim periods ended June 30, 1985, and June 30, 1986, because the \* \* \*.

4/ \* \* \* reported \* \* \* of \* \* \* percent in its sales in 1984, \* \* \* in 1985, and then a \* \* \*-percent \* \* \* between the interim periods of 1985 and 1986. Excluding data for \* \* \*, aggregate net sales show \* \* \*.

5/ Three firms, \* \* \*, \* \* \*, and \* \* \*, incurred operating losses of more than \$\*\*\* each in at least 2 years. The financial difficulties of \* \* \* have already been discussed. The losses incurred by \* \* \*. Questions were asked of \* \* \* of \* \* \*, concerning possible reasons for \* \* \*. \* \* \* stated that market conditions are imposing limits on the prices that producers can demand for butt-weld pipe fittings; he attributes this to the cost advantage that importers and some competitors may have. \* \* \*. Excluding \* \* \* data, aggregate operating loss margins fell from \* \* \* percent in 1983 to \* \* \* percent in 1984 and then increased nearly threefold to \* \* \* percent in 1985.

6/ The operating loss margins with \* \* \*'s data excluded would be \* \* \* percent in 1983, \* \* \* percent in 1984, \* \* \* percent in 1985, \* \* \* percent in interim 1985, and \* \* \* percent in interim 1986.

Table 8.--Income-and-loss experience of U.S. producers on their operations producing carbon steel butt-weld pipe fittings under 14 inches in inside diameter, by firms, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983	1984	1985	Interim period ended June 30--	
				1985	1986
Net sales-----1,000 dollars--:	41,621	46,298	44,908	20,992	23,882
Cost of goods sold-----do-----:	41,195	1/ 43,291	43,116	19,456	21,828
Gross profit-----do-----:	426	3,007	1,792	1,536	2,054
General, selling, and adminis-:					
trative expenses					
1,000 dollars--:	8,131	6,864	5,858	2,663	3,334
Operating (loss)-----do-----:	(7,705)	(3,857)	(4,066)	(1,127)	(1,280)
Interest (expense)-----do-----:	(1,528)	(1,158)	(1,569)	(***)	(***)
Other income or (expense)					
1,000 dollars--:	389	135	(727)	***	***
Net (loss) before income					
taxes-----1,000 dollars--:	(8,844)	(4,880)	(6,362)	(1,427)	(1,564)
Depreciation and amortization					
expense included above					
1,000 dollars--:	2,546	2,589	1,984	799	869
Cash-flow 2/-----do-----:	(6,298)	(2,291)	(4,378)	(628)	(695)
Ratio to net sales:					
Cost of goods sold					
percent--:	99.0	93.5	96.0	92.7	91.4
Gross profit-----do-----:	1.0	6.5	4.0	7.3	8.6
General, selling, and adminis-:					
istrative expenses					
percent--:	19.5	14.8	13.0	12.7	14.0
Operating (loss)-----do-----:	(18.5)	(8.3)	(9.1)	(5.4)	(5.4)
Net (loss) before income					
taxes-----percent--:	(21.2)	(10.5)	(14.2)	(6.8)	(6.5)
Number of firms reporting					
operating losses-----:	6	5	5	3	3
Number of firms reporting-----:	6	6	6	5	5

1/ \* \* \*.

2/ Cash-flow is defined as net income or loss before taxes plus depreciation and amortization expense.

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

Table 9.--Selected financial data of U.S. producers on their operations producing carbon steel butt-weld pipe fittings under 14 inches in inside diameter, by firm, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	:	:	:	:	Interim period	
	:	1983	:	1984	:	ended June 30--
	:		:		:	
	:		:		:	1985 : 1986
Net sales:	:		:		:	:
Integrated producers:	:		:		:	:
* * *	:	*	:	*	:	*
Combination producers:	:		:		:	
* * *	:	*	:	*	:	*
Converters:	:		:		:	
* * *	:	*	:	*	:	*
Total-----do-----:	:	41,621	:	46,298	:	44,908 : 20,992 : 23,882
Operating income or (loss):	:		:		:	
Integrated producers:	:		:		:	
* * *	:	*	:	*	:	*
Combination producers:	:		:		:	
* * *	:	*	:	*	:	*
Converters:	:		:		:	
* * *	:	*	:	*	:	*
Total-----do-----:	:	(7,705)	:	(3,857)	:	(4,066): (1,127): (1,280)
Ratio of operating income or (loss) to net sales:	:		:		:	
Integrated producers:	:		:		:	
* * *	:	*	:	*	:	*
Combination producers:	:		:		:	
* * *	:	*	:	*	:	*
Converters:	:		:		:	
* * *	:	*	:	*	:	*
Average-----do-----:	:	(18.5)	:	(8.3)	:	(9.1): (5.4): (5.4)

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

Cash-flow, which was negative in all periods, amounted to \$6.3 million in 1983, \$2.3 million in 1984, \$4.4 million in 1985, \$628,000 in interim 1985, and \$695,000 in interim 1986.

Overall establishment operations.--Aggregate income-and-loss data for nine producers of butt-weld pipe fittings on the overall operations of their establishments within which butt-weld pipe fittings are produced are presented in table 10. The aggregate data for the six producers that also furnished product-line data are discussed below and are presented separately from the other three producers' aggregate data in table 10.

Aggregate net sales for the six firms reporting product-line data increased from \$105.5 million in 1983 to \$111.5 million in 1985, or by 5.7 percent for the 2 years. Net sales for the five firms reporting product-line data for the interim periods increased from \$56.8 million in 1985 to \$58.9 million in 1986, or by 3.7 percent. 1/

The six producers incurred aggregate operating losses that decreased from \$9.8 million in 1983 to \$8.8 million in 1984 and \$4.5 million in 1985; the operating loss margins were 9.3 percent, 8.0 percent, and 4.0 percent, respectively. The five firms reporting data for the interim periods incurred operating losses that decreased from \$944,000, or 1.7 percent of sales, in interim 1985 to \$869,000, or 1.5 percent of sales, in interim 1986. 2/ Five of the six firms reported operating losses for 1983, three did so for 1984, and four for 1985. Two of the five firms reporting data for the interim periods suffered operating losses in interim 1985 and three had operating losses in interim 1986.

Capital expenditures.--Of the six firms providing profit-and-loss data on their butt-weld pipe fittings operations, three firms provided the Commission with usable data on their capital expenditures for land, buildings, machinery, and equipment for the establishments in which butt-weld pipe fittings are produced and two firms provided data on their capital expenditures relating to butt-weld pipe fittings operations. These capital expenditures are shown in the following tabulation (in thousands of dollars):

	<u>Overall</u> <u>establishment</u>	<u>Butt-weld</u> <u>pipe fittings</u>
1983-----	***	***
1984-----	***	***
1985-----	***	***
Interim period of--		
1985-----	***	***
1986-----	***	***

1/ \* \* \* showed substantial increases in net sales from \$\*\*\* in 1983 to \$\*\*\* in 1985, representing an increase of \* \* \* percent in 2 years, and from \$\*\*\* in interim 1985 to \$\*\*\* in interim 1986, representing an increase of \* \* \* percent. Excluding data from \* \* \*, aggregate net sales show a \* \* \* from 1983 to 1985 and a \* \* \* from interim 1985 to interim 1986 compared with 7.3 percent and 1.3 percent increases, respectively, for the periods when data for \* \* \* are included.

2/ \* \* \* reported substantial operating losses in 1983 and 1984, \$\*\*\* and \$\*\*\*, respectively. The aggregate operating loss margins without \* \* \* are \* \* \* percent in 1983, \* \* \* percent in 1984, \* \* \* percent in 1985, \* \* \* percent in interim 1985, and \* \* \* percent in interim 1986.

Table 10.--Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which butt-weld pipe fittings are produced, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986

Item	1983 <u>2/</u>	1984 <u>2/</u>	1985	Interim period ended June 30--	
				1985	1986
Net sales:					
6 producers--1,000 dollars--	105,454	109,296	111,504	56,762	58,853
3 producers-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Cost of goods sold:					
6 producers-----do-----	<u>3/</u> 95,110	<u>4/</u> 101,041	100,951	49,976	51,550
3 producers-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Gross profit:					
6 producers-----do-----	10,344	8,255	10,553	6,786	7,303
3 producers-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
General, selling, and adminis- trative expenses:					
6 producers--1,000 dollars--	20,161	17,024	15,029	7,730	8,172
3 producers-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Operating income or (loss):					
6 producers--1,000 dollars--	(9,817)	(8,769)	(4,476)	(944)	(869)
3 producers-----do-----	(***)	***	***	***	(***)
Total-----do-----	(***)	(***)	(***)	(***)	(***)
Interest (expense):					
6 producers--1,000 dollars--	(3,857)	(2,365)	(3,323)	(***)	(***)
3 producers-----do-----	(***)	(***)	(***)	(***)	(***)
Total-----do-----	(***)	(***)	(***)	(***)	(***)
Other income or (expense):					
6 producers--1,000 dollars--	1,228	765	(753)	(***)	***
3 producers-----do-----	***	***	***	***	(***)
Total-----do-----	***	***	(***)	(***)	***
Net income or (loss) before income taxes:					
6 producers--1,000 dollars--	(12,446)	(10,369)	(8,552)	(2,088)	(1,696)
3 producers-----do-----	(***)	(***)	***	***	(***)
Total-----do-----	(***)	(***)	(***)	(***)	(***)
Depreciation and amortization expense included above:					
6 producers--1,000 dollars--	5,293	4,949	4,636	2,118	2,347
3 producers-----do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Cash-flow: <u>5/</u>					
6 producers--1,000 dollars--	(7,153)	(5,420)	(3,916)	30	651
3 producers-----do-----	(***)	***	***	***	(***)
Total-----do-----	(***)	(***)	(***)	***	***

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See footnotes at end of table.

Table 10.--Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which butt-weld pipe fittings are produced, accounting years 1983-85 and interim periods ended June 30, 1985, and June 30, 1986--Continued

Item	1983 <u>2/</u>	1984 <u>2/</u>	1985	Interim period ended June 30--	
				1985	1986
Ratio to net sales:					
Cost of goods sold:					
6 producers-----percent--	90.2	92.4	90.5	88.0	87.6
3 producers-----do-----	***	***	***	***	***
Average-----do-----	***	***	***	***	***
Gross profit:					
6 producers-----do-----	9.8	7.6	9.5	12.0	12.4
3 producers-----do-----	***	***	***	***	***
Average-----do-----	***	***	***	***	***
General, selling, and admin- istrative expenses:					
6 producers-----percent--	19.1	15.6	13.5	13.6	13.9
3 producers-----do-----	***	***	***	***	***
Average-----do-----	***	***	***	***	***
Operating income or (loss):					
6 producers-----percent--	(9.3)	(8.0)	(4.0)	(1.7)	(1.5)
3 producers-----do-----	(***)	***	***	***	(***)
Average-----do-----	(***)	(***)	(***)	(***)	(***)
Net income or (loss) before income taxes:					
6 producers-----percent--	(11.8)	(9.5)	(7.7)	(3.7)	(2.9)
3 producers-----do-----	(***)	(***)	***	***	(***)
Average-----do-----	(***)	(***)	(***)	(***)	(***)
Number of firms reporting operating losses:					
6 producers-----	5	3	4	2	3
3 producers-----	2	1	1	1	3
Number of firms reporting-----	9	9	9	8	8

1/ The "6 producers" aggregation consists of data provided by the 6 producers that also provided income-and-loss data on their operations producing subject butt-weld pipe fittings; only 5 of these 6 producers provided data for the interim periods. The other "3 producers" were unable to provide product line data. One of the other 3 producers, \* \* \*, changed its \* \* \*.

2/ Data for the \* \* \* producers have been revised to exclude figures for product lines, not subject to investigation, that were discontinued by \* \* \*. In 1983, net sales, gross profit, and operating income of the discontinued products were \$\*\*\*, \$\*\*\*, and \$\*\*\*, respectively. Sales, gross profit, and operating income of the discontinued lines in 1984 were \$\*\*\*, \$\*\*\*, and \$\*\*\*, respectively.

3/ \* \* \*.

4/ \* \* \*.

5/ Cash-flow is defined as net income or loss before taxes plus depreciation and amortization expense.

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

Investment in productive facilities.---The same three firms providing the data on capital expenditures presented above provided data on their investment in property, plant, and equipment employed in the manufacture of all products of their establishments and in the manufacture of butt-weld pipe fittings. These data are presented in the following tabulation (in thousands of dollars):

	<u>Original</u> <u>cost 1/</u>	<u>Book</u> <u>value 1/</u>
Establishment products:		
1983-----	42,713	21,551
1984-----	44,186	20,401
1985-----	45,570	18,687
Interim period of--		
1985-----	***	***
1986-----	***	***
Butt-weld pipe fittings:		
1983-----	18,983	9,614
1984-----	21,100	9,688
1985-----	19,653	7,780
Interim period of--		
1985-----	***	***
1986-----	***	***

1/ Data are for three firms in 1983-85 and for two firms in the interim periods ended June 30, 1985, and June 30, 1986.

Capital and investment.---U.S. producers were asked to describe any actual or potential negative effects of imports of semifinished and finished carbon steel butt-weld pipe fittings under 14 inches in inside diameter from Brazil, Japan, and Taiwan on their firms' growth, investment, and ability to raise capital. Their replies are as follows:

\* \* \* \* \*

In its prehearing brief, counsel for Weldbend stated that the firm has "invested several million dollars of capital to become an integrated producer" 1/ of butt-weld pipe fittings and at the public hearing, counsel stated that these "investments are ongoing. They are not completed. We are not an integrated producer at this point, and the situation in the market with respect to dumping is going to have an effect on whether we complete the process or not." 2/ Counsel for Weldbend provided the staff with information regarding investments already made toward integration, future investments planned, and the likelihood of future investment and/or operation of existing

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1/ Prehearing brief of Weldbend, p. 1.

2/ Transcript of hearing, p. 44.



facilities in the event of negative determinations by the Commission in the investigations concerning imports of butt-weld pipe fittings from Brazil, Japan, and Taiwan. This information is presented in appendix E and summarized below.

Weldbend's investments to date with respect to equipment to make rough-formed fittings have amounted to over \$\*\*\* and fall into two categories:

1. \* \* \*.
2. \* \* \*.

Current and future investments by Weldbend with respect to equipment that would enable the firm to operate as an integrated producer of butt-weld pipe fittings fall into two categories:

1. \* \* \*.
2. \* \* \*.

### The Question of the Threat of Material Injury

#### Consideration factors

In its examination of the question of the threat of material injury to an industry in the United States, the Commission considers, among other relevant factors, any increase in production capacity or existing unused capacity in the exporting country likely to result in an increase in exports of the subject merchandise to the United States, any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, the probability that the price of the subject imported product will have a depressing or suppressing effect on the domestic price of the merchandise, any substantial increase in inventories of the merchandise in the United States, any other demonstrable trends that indicate that the importation (or sale for importation) of the merchandise will be the cause of actual injury, and the potential for product shifting.

Information on the market penetration of the subject butt-weld pipe fittings is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and the LTFV Imports." Available information on the depressing or suppressing effect of the imported product on domestic prices is presented in the pricing section of this report.

#### The foreign industries

The Commission has requested quantitative data on production, capacity, capacity utilization, home-market shipments, export shipments, and end-of-period inventories of butt-weld pipe fittings from counsel for Brazil and Taiwan. The responses are presented in table 11.

Table 11.--Butt-weld pipe fittings: Selected data for producers in Brazil and Taiwan, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Brazil: <u>1/</u>					
Capacity-----1,000 pounds--:	***	***	***	***	***
Production-----do-----:	***	***	***	***	***
Capacity utilization					
percent--:	***	***	***	***	***
Home-market shipments					
1,000 pounds--:	***	***	***	***	***
Exports to--					
United States-----do-----:	***	***	***	***	***
Third countries-----do-----:	***	***	***	***	***
Total exports-----do-----:	***	***	***	***	***
Taiwan:					
Capacity <u>2/</u> --1,000 pounds--:	***	***	***	***	***
Production <u>2/</u> -----do-----:	***	***	***	***	***
Capacity utilization <u>2/</u>					
percent--:	***	***	***	***	***
Shipments:					
Home-market shipments <u>2/</u>					
1,000 pounds--:	***	***	***	***	***
Exports to--					
United States <u>3/</u>					
1,000 pounds--:	***	***	***	<u>4/</u> ***	<u>4/</u> ***
Third countries <u>2/</u>					
1,000 pounds--:	***	***	***	***	***
Total exports--do-----:	***	***	***	***	***
Nonspecified shipments <u>5/</u>					
1,000 pounds--:	***	***	***	<u>6/</u>	<u>5/</u>
Total shipments					
1,000 pounds--:	***	***	***	<u>3/</u> ***	<u>3/</u> ***

1/ Data are for \* \* \*.2/ Data are for \* \* \*.3/ Data are for \* \* \*.4/ Data are for \* \* \*.5/ Data are for \* \* \*.6/ Not available.

Source: Compiled from confidential information submitted in response to requests from staff of the U.S. International Trade Commission.

\* \* \* \* \*

\* \* \*. However, Gei Bey Corp., which had total shipments of \* \* \*, went bankrupt in 1986 and its productive facilities have been dismantled. 1/ \* \* \*.

#### U.S. importers' inventories

Importing firms that do not further process the unfinished fittings reported that they \* \* \* inventories of rough-formed fittings or semifinished butt-weld fittings. Information on inventories of foreign-produced unfinished butt-weld fittings that are held by U.S. producers that perform the finishing steps is presented in the U.S. producers' inventories section of the report. \* \* \* reported imports of finished butt-weld pipe fittings from Brazil and reported \* \* \*. Four firms, accounting for 19 percent of the imports of finished butt-weld pipe fittings from Japan, 27 percent of the imports from Taiwan, and 53 percent of the imports from all countries in 1985, reported data on inventories. Yearend inventories of finished butt-weld pipe fittings from \* \* \* combined fell 58 percent to \* \* \* pounds in 1983 and then increased by 162 percent to \* \* \* pounds in 1985 (table 12). Combined inventories held as of June 30, 1986, at \* \* \* pounds, represented an increase of 8 percent over such inventories held as of June 30, 1985.

Table 12.--Butt-weld pipe fittings: End-of-period inventories of imported finished butt-weld pipe fittings, by source, 1982-85, January-June 1985, and January-June 1986

(In thousands of pounds)							
Source	As of Dec. 31--				As of June 30--		
	1982	1983	1984	1985	1985	1986	
Brazil-----	***	***	***	***	***	***	***
Japan-----	***	***	***	***	***	***	***
Taiwan-----	***	***	***	***	***	***	***
Subtotal-----	***	***	***	***	***	***	***
All other countries----	***	***	***	***	***	***	***
Total-----	***	***	***	***	***	***	***

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

1/ Letter submitted by counsel for Taiwan respondents dated Nov. 3, 1986. A-31

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

U.S. imports

The petitioners note that finished as well as some unfinished butt-weld pipe fittings are entering under TSUS item 610.88 but state that some unfinished butt-weld pipe fittings classifiable in TSUS item 610.88 have improperly been classified in TSUS item 606.71. Table 13, compiled from official statistics of the U.S. Department of Commerce, provides import data on merchandise entering under TSUS item 610.88 from the subject countries and other important sources. Cumulated imports from the countries subject to these investigations increased their share of the total quantity of U.S. imports of butt-weld pipe fittings from 77 percent in both 1983 and 1984 to 83 percent in both 1985 and January-June 1986.

Table 14 presents data compiled from importers' responses to questionnaires of the U.S. International Trade Commission. It shows more imports of butt-weld pipe fittings than indicated in Commerce's official statistics. Imports of butt-weld pipe fittings, whether finished or unfinished, increased from 47 million pounds in 1983 to 79 million pounds in 1984, and then decreased to 71 million pounds in 1985 and \* \* \* pounds during January-June 1986, representing about a one-fourth decrease compared with 36 million pounds imported during January-June 1985. Imports of finished butt-weld pipe fittings from Brazil, Japan, and Taiwan, as a share of the imports of finished and unfinished butt-weld pipe fittings from all sources, decreased from 45 percent in 1983 to 40 percent in both 1984 and 1985 and then increased by about one-tenth to \* \* \* percent during January-June 1986. Imports of unfinished butt-weld pipe fittings imported from Brazil, Japan, and Taiwan accounted for an additional 25 percent in 1983 and an additional 32 percent each in 1984 and 1985; during January-June 1986, the share of unfinished butt-weld pipe fittings imported from Brazil, Japan, and Taiwan increased by about one-eighth over that in 1984-85, to \* \* \* percent.

Market penetration

Imports of rough-formed and semifinished butt-weld pipe fittings \* \* \*. Imports of these products from the countries under investigation represented 54 percent to 57 percent of total such imports of unfinished fittings in 1983-85; this share increased by about one-fourth to \* \* \* percent during January-June 1986.

Apparent U.S. consumption of finished butt-weld pipe fittings, computed by adding imports of finished butt-weld fittings to domestic shipments of finished butt-weld fittings (whether produced by integrated processes or converted from purchased unfinished fittings), increased 17 percent in 1984 to 80.6 million pounds, and fell by 2 percent to 79.0 million pounds in 1985. Apparent U.S. consumption during January-June 1986, at 41.2 million pounds, represented an increase of 8 percent over such consumption during January-June 1985. Imports of finished fittings from the three countries subject to these investigations accounted for 30 percent of total apparent U.S. consumption of

Table 13.--Butt-weld pipe fittings: U.S. imports for consumption, 1/ by principal sources, 1983-85, January-June 1985, and January-June 1986

Source	1983	1984	1985	January-June--	
				1985	1986
Quantity (1,000 pounds)					
Japan-----	19,498	29,223	22,767	11,133	10,310
Taiwan-----	5,952	9,320	14,346	6,469	8,682
Brazil-----	111	1,631	3,171	1,948	2,606
Subtotal-----	25,561	40,174	40,284	19,550	21,598
West Germany-----	471	937	2,910	1,206	855
Italy-----	626	1,128	1,460	944	723
United Kingdom-----	1,175	3,609	1,905	1,449	139
France-----	4,785	5,398	1,145	718	1,374
All other sources-----	745	1,191	1,063	493	1,280
Total-----	33,362	52,437	48,768	24,361	25,969
Value 2/ (1,000 dollars)					
Japan-----	12,087	17,119	16,120	8,212	7,639
Taiwan-----	3,682	5,501	8,973	3,919	5,294
Brazil-----	36	713	1,553	929	1,197
Subtotal-----	15,804	23,334	26,646	13,059	14,130
West Germany-----	360	598	1,616	680	832
Italy-----	589	988	1,567	818	738
United Kingdom-----	600	1,600	1,247	945	160
France-----	2,092	2,583	641	397	768
All other sources-----	468	1,099	705	291	523
Total-----	19,913	30,202	32,424	16,190	17,151
Unit value (per 1,000 pounds)					
Japan-----	\$620	\$586	\$708	\$738	\$741
Taiwan-----	619	590	625	606	610
Brazil-----	321	437	490	477	459
Average-----	618	581	661	668	654
West Germany-----	766	639	556	564	973
Italy-----	940	876	1,073	867	1,020
United Kingdom-----	511	443	655	652	1,156
France-----	437	479	560	553	559
All other sources-----	629	923	664	590	409
Average-----	597	576	665	665	660

1/ Imports under TSUSA item 610.8046 prior to April 1984, and TSUS item 610.88 thereafter.

2/ C.i.f. duty-paid values are presented in the table. Customs values are presented in table D-2.

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

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

Table 14.--Butt-weld pipe fittings: U.S. imports from selected sources, 1/ by types, 1983-85, January-June 1985, and January-June 1986

(In thousands of pounds)

Item	1983	1984	1985	January-June--	
				1985	1986
Rough-formed fittings:					
Brazil-----	***	***	***	***	***
Japan <u>2/</u> -----	***	***	***	***	***
Taiwan-----	***	***	***	***	***
Subtotal-----	***	***	***	***	***
All other sources <u>3/</u> ----	***	***	***	***	***
Total-----	***	***	***	***	***
Semifinished fittings:					
Brazil-----	***	***	***	***	***
Japan-----	***	***	***	***	***
Taiwan-----	***	***	***	***	***
Subtotal-----	***	***	***	***	***
All other sources-----	***	***	***	***	***
Total-----	***	***	***	***	***
Finished fittings:					
Brazil-----	***	***	***	***	***
Japan <u>4/</u> -----	***	***	***	***	***
Taiwan-----	***	***	***	***	***
Subtotal-----	20,880	31,059	28,580	13,149	11,923
All other sources-----	***	***	***	***	***
Total-----	***	***	***	***	***
Total:					
Brazil-----	***	***	***	***	***
Japan-----	25,503	43,404	34,328	14,371	10,133
Taiwan-----	***	***	***	***	***
Subtotal-----	32,471	56,235	51,312	22,618	21,775
All other sources-----	14,147	22,307	19,973	13,577	***
Total-----	46,618	78,542	71,285	36,195	***

1/ The values of these imports are presented in table D-3.

2/ All imports in 1984 and January-June 1986 were imported under TSUS item 610.88; imports in 1985 were imported under TSUS item 610.88 and TSUSA item 606.7120.

3/ All imports were reported as being entered under TSUSA item 606.7120.

4/ \* \* \*.

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

finished butt-weld pipe fittings in 1983, 39 percent in 1984, 36 percent in 1985, and 29 percent during January-June 1986 (table 15).

Market penetration of rough-formed and semifinished butt-weld pipe fittings from the three countries subject to these investigations accounted for 17 percent of total apparent U.S. consumption of finished butt-weld pipe fittings in 1983, 31 percent in 1984, 29 percent in 1985, and 24 percent during January-June 1986.

### Prices

The demand for butt-weld pipe fittings is a derived demand dependent upon such industries as energy, oil refining, construction, and shipbuilding. The decline in prices for many items between 1984 and 1986 is at least partly due to the decrease in the demand for pipe fittings in the energy and energy related sectors. Some of the purchasers contacted have stated that the decline in the energy sector over the past few years has resulted in direct decreases in the demand for pipe fittings and pipe in general and in reduced market prices.

Prices of carbon steel butt-weld pipe fittings are determined in a market composed of producers, converters, importers, distributors, and end users. Butt-weld pipe fittings are priced on a per unit basis. Producers, converters, and importers typically sell their standardized products to distributors, but may sell directly to the end user if large quantities are required or if special user specifications must be met. Certain uses of pipe fittings, including gas and oil transmission and power plants, require fittings that can withstand great pressures, and hence, require high-quality pipe fittings that carry a premium price. End users whose pipes are required to withstand low pressure generally do not require pipe fittings of as high quality, and hence, tend to buy lower priced fittings. Thus, the end markets for pipe fittings are somewhat differentiated by the strength of fitting required. Some importers contend there are markets closed to imported and converted butt-weld pipe fittings. Contact with purchasers of the products indicated that closed markets did exist through the early 1980's. Currently, however, those markets, except possibly the nuclear power industry where butt-weld pipe fittings must be certified, are no longer closed to imported and converted fittings.

The price of the pipe input has a significant effect on the final cost of the fitting. One U.S. producer estimated that the domestic pipe it uses accounts for approximately 50 percent of the total cost of finished pipe fittings. <sup>1/</sup> Since the price of domestic and imported pipe has fallen notably since 1983, the total cost of production of pipe fittings may have fallen for domestic producers. <sup>2/</sup> Domestic producers of carbon steel butt-weld pipe fittings may use either U.S.-produced or imported carbon steel pipe in their production processes.

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<sup>1/</sup> Based on an interview with representatives of \* \* \*.

<sup>2/</sup> See transcript of conference held in connection with investigations Nos. 731-TA-301 through 303 (Preliminary) on Feb. 6, 1986, at pp. 47 and 64.

Table 15.--Butt-weld pipe fittings: Apparent U.S. consumption and market penetration of imports, by types and by sources, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Finished butt-weld pipe fittings: <u>1/</u>					
Apparent U.S. consumption <u>2/</u> ---1,000 pounds--	68,625	80,561	79,015	38,159	41,218
Market penetration by imports of--					
Finished butt-weld pipe fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	***	***	***	***	***
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	30	39	36	34	29
Other sources---do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Rough-formed and semi-finished fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	***	***	***	***	***
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	17	31	29	25	24
Other sources---do-----	***	***	***	***	***
Total <u>3/</u> -----do-----	***	***	***	***	***
Total finished and unfinished fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	37	54	43	38	25
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	47	70	65	59	53
Other sources---do-----	21	28	25	36	***
Total <u>3/</u> -----do-----	68	97	90	95	***
Rough-formed and semifinished butt-weld pipe fittings:					
Apparent U.S. consumption <u>2/</u> ---1,000 pounds--	42,486	67,760	58,276	30,927	21,983

See footnotes at end of table.



Table 15.--Butt-weld pipe fittings: Apparent U.S. consumption and market penetration of imports, by types and by sources, 1983-85, January-June 1985, and January-June 1986--Continued

Item	1983	1984	1985	January-June--	
				1985	1986
Rough-formed and semifin-					
ished butt-weld pipe					
fittings:					
Market penetration by					
imports of--					
Rough-formed and semi-					
finished fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	***	***	***	***	***
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	27	37	39	31	45
Other sources--do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***

1/ Market penetration on the basis of value is presented in table D-4.

2/ See table 1 for computations of apparent consumption.

3/ Differences in end-of-period inventory levels of unfinished butt-weld fittings were considerable during the period. Adjustments for fluctuations in reported inventories of purchased rough-formed and semifinished fittings would result in market penetrations of imports of the unfinished fittings of \* \* \* percent in 1983, \* \* \* percent in 1984, \* \* \* percent in 1985, \* \* \* percent during January-June 1985, and \* \* \* percent during January-June 1986; market penetrations of total imports of butt-weld fittings would be \* \* \* percent in 1983, \* \* \* percent in 1984, \* \* \* percent in 1985, \* \* \* percent during January-June 1985, and \* \* \* percent during January-June 1986.

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

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

Producers, converters, and importers of carbon steel butt-weld pipe fittings were asked to report f.o.b. prices for their largest sale per quarter of finished fittings for each of the following five sizes for the January 1984-June 1986 period:

Product 1--Carbon steel butt-weld, 4-inch nominal, 90° long radius, standard weight elbow pipe fitting.

Product 2--Carbon steel butt-weld, 6-inch nominal, 90° long radius, standard weight elbow pipe fitting.

Product 3--Carbon steel butt-weld, 8-inch nominal, 90° long radius, standard weight elbow pipe fitting.

Product 4--Carbon steel butt-weld, 6- by 4-inch concentric, standard weight reducer pipe fitting.

Product 5--Carbon steel butt-weld, 4-inch nominal, standard weight tee pipe fitting.

Elbow pipe fittings were selected for three of the samples because they are the highest volume products of both the domestic industry and importers from the subject countries. Six domestic firms, accounting for the bulk--\* \* \* percent--of 1985 production of finished fittings, provided usable questionnaire price data on finished fittings. <sup>1/</sup> One importer, accounting for \* \* \* percent of 1985 imports of finished fittings from Brazil, provided prices for Brazilian finished fittings. Seven importers of the Japanese product and nine importers of the Taiwan product, accounting for 83 percent and 72 percent of 1985 imports of finished fittings from Japan and Taiwan, respectively, reported usable prices for finished fittings. F.o.b. weighted-average prices were calculated from these data.

Producers, converters, and importers were asked to describe all forms of discounts they provide to purchasers of their products. Most of the responding domestic producers provide "net period with cash discounting" schemes similar in construction to the common "2 percent/10 net 30" program that many industries offer. This particular discounting method means that payment of the full amount is due in 30 days but a purchaser can receive 2 percent off the sale price if payments are made within 10 days. The discounts provided by reporting producers were all 2 percent with payable dates ranging from 10 to 25 days. Four importers of pipe fittings from Taiwan and one importer of pipe fittings from Japan also reported providing this type of discount. \* \* \*.

Trends in prices.--Quarterly prices reported by U.S. producers and converters during January 1984-June 1986 generally decreased for the three elbow fittings (products 1, 2, and 3) and for reducer and tee fittings

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<sup>1/</sup> \* \* \*. \* \* \*, a domestic firm accounting for \* \* \* percent of 1985 production of finished butt-weld fittings did not provide usable price data but supplied a listing of the prices that the company charged for the five specific products during January 1983-June 1986. \* \* \*'s prices were generally consistent with the domestic weighted average prices.

(products 4 and 5). Producers and converters' prices declined by 14.0 percent for product 1, by 16.9 percent for product 2, and by 14.7 percent for product 3 (table 16). Producer and converter prices for reducer pipe fittings declined by 16.0 percent, whereas producer and converter prices for tee pipe fittings declined by 15.9 percent during the same period (table 17).

Prices of products 1, 2, and 3 produced in Brazil generally declined from April-June 1985 through April-June 1986. Brazilian prices declined by \* \* \* percent for product 1, by \* \* \* percent for product 2, and by \* \* \* percent for product 3. Brazilian elbow fittings undersold the U.S.-produced equivalent in each period by margins ranging from 4 to 20 percent. There were no reported prices for reducers and tees from Brazil.

Prices of Japanese-produced fittings showed no consistent patterns. Elbow fitting prices generally increased through October-December 1984 and then declined during 1985 before increasing during January-June 1986. Japanese-produced reducer fitting prices increased through January-June 1985, then fluctuated with no apparent trend for the remainder of the period of investigation. Prices of Japanese-produced tees showed no discernable trends, fluctuating from period to period from January-March 1984 through April-June 1986. The Japanese products undersold the U.S.-produced equivalent in each period but one. Margins on elbows ranged from less than 1 percent to 33 percent. Japanese-produced reducers undersold U.S.-produced reducers by margins no less than 25 percent. Japanese-produced tees undersold U.S.-produced tees by margins ranging from 11 to 30 percent with the exception of one quarter in which Japanese tee prices were higher than the U.S. equivalent.

The price of Taiwan-produced elbow pipe fitting product 1 changed little during the period under consideration, whereas the prices of elbow pipe fitting products 2 and 3 showed increases of 22.6 and 13.1 percent, respectively. Prices of Taiwan-produced reducer fittings increased 16.6 percent. Prices of Taiwan-produced tee fittings declined 2.1 percent. The decline of U.S. elbow prices combined with the increase in Taiwan-produced elbow fittings caused the margins of underselling for elbow pipe fittings to decline between January-March 1984 and October-December 1985. Margins of underselling by Taiwan-produced reducer and tee fittings were usually large. Margins for reducers were never below 30 percent and margins for tees ranged between 16 and 35 percent except for January-March 1985 when the margin was 7 percent.

#### Purchasers' views

The staff contacted 10 different purchasers of carbon steel butt-weld pipe fittings in order to discuss the operations of market forces in the butt-weld pipe fittings industry. These purchasers included distributors, pipe fabricators, and end users that purchase fittings directly from the manufacturers. <sup>1/</sup> Seven of the ten are distributors, and four of these stock only U.S.-produced pipe fittings. Three of these four indicated that they would purchase imported fittings only if an end user requested them and that they would not keep any imports in inventory. Only one distributor reported intermingling inventories of all pipe fittings from all sources; the others reported keeping all fittings from different sources separate and distinct in inventory.

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<sup>1/</sup> \* \* \*.

Table 16.--Finished butt-weld elbow fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Brazil, Japan, and Taiwan and margins of underselling (overselling), by quarters, January 1984-June 1986

Product and period	U.S. price	Imports from Brazil		Imports from Japan		Imports from Taiwan	
		Price 1/	Margin of underselling: (overselling)	Price	Margin of underselling: (overselling)	Price	Margin of underselling: (overselling)
Product 1:	Per unit:	Per unit:	Percent	Per unit:	Percent	Per unit:	Percent
1984:							
Jan.-Mar---	***	***	***	***	28.9	***	26.2
Apr.-June---	***	***	***	***	23.2	***	26.4
July-Sept---	***	***	***	***	16.8	***	33.9
Oct.-Dec---	***	***	***	***	11.0	***	18.4
1985:							
Jan.-Mar---	***	***	***	***	4.8	***	11.8
Apr.-June---	***	***	***	***	11.8	***	13.8
July-Sept---	***	***	***	***	12.6	***	15.9
Oct.-Dec---	***	***	***	***	17.6	***	9.7
1986:							
Jan.-Mar---	***	***	***	***	15.6	***	11.1
Apr.-June---	***	***	***	***	1.2	***	14.2
Product 2:							
1984:							
Jan.-Mar---	***	***	***	***	32.5	***	40.4
Apr.-June---	***	***	***	***	22.8	***	32.4
July-Sept---	***	***	***	***	16.5	***	29.4
Oct.-Dec---	***	***	***	***	11.0	***	34.6
1985:							
Jan.-Mar---	***	***	***	***	5.0	***	18.7
Apr.-June---	***	***	***	***	23.6	***	14.0
July-Sept---	***	***	***	***	17.9	***	11.0
Oct.-Dec---	***	***	***	***	15.5	***	13.4
1986:							
Jan.-Mar---	***	***	***	***	17.4	***	17.8
Apr.-June---	***	***	***	***	0.3	***	12.1
Product 3:							
1984:							
Jan.-Mar---	***	***	***	***	31.1	***	33.5
Apr.-June---	***	***	***	***	31.5	***	30.0
July-Sept---	***	***	***	***	15.2	***	21.7
Oct.-Dec---	***	***	***	***	10.9	***	16.9
1985:							
Jan.-Mar---	***	***	***	***	4.8	***	13.3
Apr.-June---	***	***	***	***	28.2	***	20.6
July-Sept---	***	***	***	***	8.7	***	6.8
Oct.-Dec---	***	***	***	***	16.9	***	3.3
1986:							
Jan.-Mar---	***	***	***	***	17.1	***	13.4
Apr.-June---	***	***	***	***	0.0	***	11.9

1/ Only 1 importer reported.

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

Note.--Because of rounding, figures may not calculate to the percentage margins shown.

Table 17.--Finished butt-weld reducer and tee fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and Taiwan and margins of underselling (overselling), by quarters, January 1984-June 1986

Product and period	U.S. price	Imports from Japan		Imports from Taiwan	
		Price	Margin of underselling: (overselling):	Price	Margin of underselling: (overselling):
		Per unit	Percent	Per unit	Percent
Product 4:					
1984:					
Jan.-Mar---	\$***	***	45.6	\$***	52.8
Apr.-June--	***	***	43.3	***	47.3
July-Sept--	***	***	25.6	***	45.7
Oct.-Dec---	***	***	48.3	***	42.4
1985:					
Jan.-Mar---	***	***	39.0	***	39.5
Apr.-June--	***	***	47.5	***	37.2
July-Sept--	***	***	40.7	***	40.5
Oct.-Dec---	***	***	35.5	***	35.8
1986:					
Jan.-Mar---	***	***	40.0	***	30.7
Apr.-June--	***	***	50.3	***	34.5
Product 5:					
1984:					
Jan.-Mar---	***	***	29.6	***	29.1
Apr.-June--	***	***	20.9	***	27.0
July-Sept--	***	***	16.5	***	34.4
Oct.-Dec---	***	***	11.0	***	22.2
1985:					
Jan.-Mar---	***	***	(7.5)	***	6.9
Apr.-June--	***	***	25.3	***	17.2
July-Sept--	***	***	22.4	***	22.9
Oct.-Dec---	***	***	18.7	***	16.6
1986:					
Jan.-Mar---	***	***	18.8	***	21.7
Apr.-June--	***	***	17.4	***	17.4

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

Note.--Because of rounding, figures may not calculate to the percentage margins shown.

At the distributor level, most fittings are sold to end users through the fulfillment of contracts for the material. For instance, a construction company will award a contract for pipe fittings to a distributor. The contract often will specify whether the fittings must be of domestic origin, or may stipulate specific approved sources (domestic and/or foreign producers) for the fittings. Distributors are then bound by the terms of the contract. A few purchasers indicated that recently contractors seem to be placing fewer restrictions on the origin of pipe fittings.

Both \* \* \* contacted, as well as the \* \* \* company, confirmed that they deal primarily or exclusively with domestic fittings. All three indicated that this was necessary for assurance of high-quality fittings that can withstand high pressures. The \* \* \* company reported that in low-pressure uses they seek low-grade fittings from any source, and buy primarily on the basis of price. Both \* \* \* reported that they perceive much more price competition in markets for pipe fittings not destined for the \* \* \* industry. One \* \* \* suggested that, overall, the market for pipe fittings for all end uses had become more price competitive because of the decline in \* \* \* construction, and the consequent decline in the need for high-quality pipe fittings. Another distributor attributed the increased price competitiveness in the marketplace for U.S. products to the strong U.S. dollar.

Most purchasers familiar with imports indicated that the Japanese product was equivalent to the U.S. product in terms of quality, and two distributors reported knowing of Japanese producers that had been approved as sources for pipe fittings by one of their customers in the gas transmission industry. \* \* \* of the purchasers contacted reported being familiar with Brazilian products, but bought little of them. \* \* \* cited delivery delays as being a particular problem with \* \* \* products. \* \* \* that deals strictly in the U.S. product commented that it believed U.S. end users would not purchase the foreign product if the country of origin was stamped on the fitting.

\* \* \* distributors of U.S. and imported pipe fittings alleged that they had not made sales because of lower prices quoted by the U.S. converter \* \* \*. The staff contacted a number of the purchasers involved, and \* \* \* purchasers confirmed having bought \* \* \*'s product because of its lower prices. A number of others could not be reached or were unwilling to comment over the telephone. \* \* \* of the firms stated that \* \* \* was the lowest priced U.S. source of pipe fittings, but that imports, if imported directly and purchased in sufficient volumes would still be cheaper than \* \* \*'s product. \* \* \* indicated that in order to get \* \* \*'s best price, the purchaser would have to buy no less than 12,000 dollars' worth of merchandise. 1/

#### Lost sales

U.S. producers were asked to furnish the Commission with customer names, quantities, and dates relating to any revenues or sales of butt-weld pipe fittings since January 1984 that have been lost to imports of butt-weld pipe fittings from Brazil, Japan, and Taiwan. One producer, \* \* \*, provided quantifiable allegations of lost sales. The quantity and value of the alleged lost sales were yearly totals for 1984 through 1986. The number of

quantifiable allegations of lost sales totaled \* \* \* pounds reportedly valued at \$\*\*\*. \* \* \* did not indicate which of the three countries under investigation were responsible for the lost sales. Eleven firms listed in the allegations were contacted by the Commission's staff. Ten representatives stated that their choice of supplier of butt-weld pipe fittings is based largely on price. Four of the representatives said that in addition to price, complete product line availability of pipes, flanges, and fittings is used to determine supplier. None of the companies contacted could quantify the amounts of imports they purchased during the period of investigation. Although all the companies who purchase imports did say they purchased butt-welded pipe fittings from Brazil, Japan, or Taiwan, only one company provided country specific information.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company is purchasing increasing quantities of imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that price is the determining factor in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings, but that these markets have opened up in the past few years because of the lower price of the imported product.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company is purchasing increasing quantities of imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that price is the determining factor in his purchases of butt-weld pipe fittings. \* \* \* said he purchases mostly the Japanese product. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings, especially in the power industry, but that these markets have opened up in the past few years because of the lower price of the imported product. \* \* \* also stated that he tries to purchase butt-weld pipe fittings with other products and that the U.S. producers are usually unable to provide all the products he desires to purchase.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company is purchasing increasing quantities of imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that price is the determining factor in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings but that these markets are getting smaller each year because of the lower price of the imported product. \* \* \* also stated that the importers provide all his product needs and that the U.S. producers are usually unable to provide all the products he desires to purchase.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company purchased mostly imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that both price and the limited number of domestic suppliers in the Northeast are the determining factors in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the U.S.

product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings but that these markets are getting smaller each year because of the lower price of the imported product. \* \* \* also stated that the importers provide all his product needs and that the U.S. producers are usually unable to provide all the products he desires to purchase.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company purchased imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that both the price and the few domestic suppliers in the Northeast are the determining factors in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the domestic product's quality. \* \* \* also stated that the nuclear power industry has been traditionally a closed market to imported butt-weld pipe fittings but that this market is opening up as importers get certification for their products.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company purchased imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that price is the determining factor in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the U.S. product's quality.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* stated that his company purchased only U.S.-produced butt-weld pipe fittings. He stated that he has trouble competing with the imported product that he said sells for \* \* \* percent less than the U.S. product. \* \* \* said that the U.S. fittings are of much better quality than the imported product.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* verified that his company purchased imports but was unable to verify the quantities listed by \* \* \*. \* \* \* said that both price and the few U.S. suppliers are the determining factors in his purchases of butt-weld pipe fittings. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings but that these markets are getting smaller each year because of the lower price of the imported product. \* \* \* also stated that the importers provide all his product needs, such as steel flanges, and that the U.S. producers are usually unable to provide all the products he desires to purchase.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* stated that his company did not purchase imports directly but purchased them indirectly by purchasing from \* \* \*. \* \* \* said that he buys from \* \* \* because of their lower price. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings but that these markets are getting smaller each year because of the lower price of the imported product.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* stated that his company purchases imports in order to compete in the market place. \* \* \* said that he buys



imports because of their lower price. He said that the imported product's quality is as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets to imported butt-weld pipe fittings but that these markets are getting smaller each year because of the lower price of the imported product.

\* \* \* alleged lost sales from \* \* \* of \* \* \* of \* \* \* pounds of butt-weld pipe fittings to imports. \* \* \* of \* \* \* stated that his company purchases imports in order to compete in the market place. \* \* \* said that he buys imports because of their lower price. He said that the imported product's quality is not quite as high as the U.S. product's quality. \* \* \* also stated that there used to be closed markets, such as the nuclear power industry, to imported butt-weld pipe fittings but that these markets are no longer closed.

#### Transportation costs

Producers reported shipping costs equal to approximately \* \* \* percent or less of the unit selling price depending upon the type of fitting being shipped for shipments in which they absorbed the freight costs. Importers reported shipping costs of approximately \* \* \* percent or less of the unit selling price for shipments in which they absorbed the freight costs. All the purchasers contacted reported buying pipe fittings from producers that absorb freight. For this reason, it is difficult for them to estimate the proportion of the price accounted for by transport costs. Two purchasers estimated that freight costs amounted to no more than 5 percent of the price of pipe fittings for typical large purchases.

#### Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the period January 1983 through March 1986 the nominal value of the Brazilian cruzado depreciated relative to the U.S. dollar by 97.4 percent (table 18). In contrast, the very high levels of inflation in Brazil during the same period resulted in the very slight appreciation of the cruzado in real terms by 7.5 percent relative to the U.S. dollar. During the period January 1983 through June 1986, the nominal value of the Japanese yen and the New Taiwan dollar appreciated relative to the U.S. dollar by 38.6 percent and 3.3 percent, respectively. The levels of inflation in Japan and Taiwan were slightly lower than that in the United States during the 13-quarter period ending January-March 1986. Therefore, changes in the real value of the Japanese yen and New Taiwan dollar were not significantly different from changes in the nominal values.

Table 18.—Nominal-exchange-rate equivalents 1/ of the Brazilian cruzado, the Japanese yen, and the New Taiwan dollar in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States, Brazil, Japan, and Taiwan, 2/ indexed by quarters, January 1983–June 1986

(January–March 1983=100)										
Period	U.S.		Brazil		Japan		Taiwan			
	Pro-	Pro-	Exchange rate		Pro-	Exchange rate	Pro-	Exchange rate		
	ducer	ducer	indexes 3/		ducer	indexes 4/	ducer	indexes 5/		
	Price	Price	Nominal		Price	Nominal	Price	Nominal		
	Index	Index	Real 6/		Index	Real 6/	Index	Real 6/		
1983:										
Jan.–Mar.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.–June	100.3	132.2	68.7	90.4	99.0	99.2	98.0	100.7	99.7	100.1
July–Sept.	101.2	189.4	51.2	95.7	99.2	97.1	95.2	101.0	99.4	99.2
Oct.–Dec.	101.8	266.9	37.8	98.8	98.6	100.6	97.4	101.1	99.3	98.6
1984:										
Jan.–Mar.	102.9	351.9	28.6	97.9	98.7	102.1	97.9	101.4	99.4	98.0
Apr.–June	103.5	467.4	21.7	97.3	98.6	102.6	97.8	102.0	100.4	98.9
July–Sept.	103.3	623.7	16.1	98.4	99.4	96.8	93.2	101.4	101.9	99.9
Oct.–Dec.	103.1	871.6	12.0	101.1	99.1	95.9	92.1	100.8	101.4	99.2
1985:										
Jan.–Mar.	102.9	1201.3	8.8	101.4	99.5	91.5	88.5	99.9	101.6	98.6
Apr.–June	103.0	1536.3	6.5	93.2	98.8	94.0	90.2	99.1	100.3	96.5
July–Sept.	102.2	2018.1	4.8	94.7	97.7	98.8	94.4	98.5	99.0	95.3
Oct.–Dec.	102.9	2858.4	3.6	100.6	95.5	113.8	105.7	97.8	99.8	94.9
1986:										
Jan.–Mar.	101.3	4264.4	2.6	107.5	93.2	125.5	115.4	97.0	101.7	97.3
Apr.–June	99.4	7/	2.4	7/	8/ 89.7	138.6	8/ 125.0	9/ 96.1	103.3	9/ 99.9

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

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

3/ U.S. dollars per Brazilian cruzado.

4/ U.S. dollars per Japanese yen.

5/ U.S. dollars per New Taiwan dollar.

6/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured here by the Producer Price Index in the United States and the respective foreign country. Producer prices in the United States increased 2.9 percent during the period January 1983 through December 1985 and then fell 3.4 percent through June 1986, whereas producer prices in Taiwan increased 2.0 percent from January 1983 through June 1984 and then fell 4.9 percent by March 1986. Producer prices in Brazil increased 4,164.4 percent from January 1983 through March 1986, and the Japanese price index registered a 10.3 percent decrease from January 1983 through May 1986.

7/ Not available.

8/ Derived from Japanese producer price data for April and May 1986 only.

9/ Derived from Taiwan producer price data for April 1986 only.

Source: Central Bank of China, Financial Statistics, May 1986; International Monetary Fund, International Financial Statistics, September 1986.

APPENDIX A  
COMMERCE'S FINAL LTFV DETERMINATIONS

**SUMMARY:** We have determined that certain carbon steel butt-weld pipe fittings from Brazil are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** October 24, 1986.

**FOR FURTHER INFORMATION CONTACT:** Michael Ready or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-2613 or 377-1769.

**SUPPLEMENTARY INFORMATION:**

**Final Determination:**

We have determined that certain carbon steel butt-weld pipe fittings from Brazil are being, or are likely to be, sold in the United States at less than fair value as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The margin applicable to all exporters in 52.25 percent.

**Case History**

On February 24, 1986, we received a petition in proper form filed by the U.S. Butt-Weld Fittings Committee, in compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36). The petition alleged that imports of the subject merchandise from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on March 17, 1986 (March 24, 1986, 51 FR 10069), and notified the ITC of our action.

On April 2, 1986, the ITC found that there is a reasonable indication that imports of certain carbon steel butt-weld pipe fittings from Brazil are materially injuring a U.S. industry (U.S. ITC Pub. No. 1834, April, 1986).

On April 24, 1986, we presented a questionnaire to counsel for Conforja, S/A. (Conforja), the only Brazilian exporter of the subject merchandise to the United States. On June 17, 1986, we received a letter from Conforja

[A-351-602]

**Certain Carbon Steel Butt-Weld Pipe Fittings From Brazil; Final Determination of Sales at Less Than Fair Value**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice.

indicating that it did not intend to reply to the questionnaire.

We published a preliminary determination of sales at less than fair value on August 11, 1986 (51 FR 28733). Our notice of the preliminary determination provided interested parties with an opportunity to submit views orally or in writing. Accordingly, we held a public hearing on September 19, 1986.

#### Standing Issue

One U.S. producer, Tube Turns, Inc., opposes this investigation and maintains that the petition was not filed "on behalf of" a U.S. industry, as is required by section 732(b)(1) of the Act.

As we have previously stated, *see e.g., Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groundfish from Canada*, 51 FR 10041 (March 24, 1986), neither the Act nor the Commerce regulations requires a petitioner to establish affirmatively that it has the support of a majority of a particular industry. The Department relies on petitioner's representation that it has, in fact, filed on behalf of the domestic industry, until it is affirmatively shown that this is not the case. Where parties opposing an investigation provide a reasonable indication that there are grounds to doubt a petitioner's standing, the Department will review whether the opposing parties do, in fact represent a major proportion of the industry. We determined that Tube Turns, the only member of the domestic industry to oppose the investigation, does not represent a major proportion of that industry.

#### Scope of Investigation

The product covered by this investigation are carbon steel butt-weld type pipe fittings, other than couplings, under 14 inches in inside diameter, whether finished or unfinished, that have been formed in the shape of elbows, tees, reducers, caps, etc., and, if forged, have been advanced after forging. These advancements may include any one or more of the following: coining, heat treatment, shot blasting, grinding, die stamping or painting. These fittings are currently provided for under item 610.8800 of the *Tariff Schedules of the United States Annotated (TSUSA)*.

The period of investigation for this case is September 1, 1985 through February 28, 1986.

#### Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value,

we compared the United States price with the foreign market value. Because there was no response to our questionnaire, we used the United States price and foreign market value provided in the petition as the best information available pursuant to section 776(b) of the Act.

#### United States Price

Petitioner based United States price on the average customs unit values from Bureau of Census statistics of the subject merchandise imported from Brazil during the period January through October 1985.

#### Foreign Market Value

Petitioner based foreign market value on constructed value as defined in section 773(e) of the Act. The cost of materials and fabrication was calculated by petitioner based on United States manufacturing inputs and Brazilian values. To the sum of materials and fabrication cost, petitioner added the statutory minimums of 10 and 8 percent for general expenses and profit, respectively. Petitioner then added United States costs for packing.

#### Comments

*Comment 1:* Respondent and two importers, TSI Industries Incorporated (TSI) and Silbo Corporation (Silbo), argue that the Department should terminate the investigation because the petition lacks sufficient information concerning foreign market value and United States price upon which to base the initiation of an antidumping investigation.

*DOC Response:* We disagree. The information contained in the petition is consistent with the requirements of the Act and the Regulations.

*Comment 2:* Respondent, TSI, and Silbo argue that the Department should terminate the investigation for lack of standing, and, at a minimum, is required according to the CIT decision in *Gilmore Steel Corp. v. U.S.*, 585 F. Supp. 670 (1984) to conduct a thorough and meaningful standing investigation, because the petitioner failed to show that a majority of the domestic industry affirmatively supports the petition.

*DOC Response:* We disagree. See the "Standing Issue" section of this notice.

*Comment 3:* Respondent, TSI, and Silbo argue that the Department should amend the definition of product scope to avoid circumvention of any antidumping duty order that may be issued as a result of this investigation.

*DOC Response:* Based on the respondent's comment and questions raised by the ITC and by the U.S. Customs Service, we have clarified the

scope as reflected in the wording in the "Scope of Investigation" section of this notice by inserting the words "if forged" before the words "have been advanced after forging."

#### Continuation of Suspension of Liquidation

We are directing the United States Customs Service to continue to suspend liquidation of all entries of certain carbon steel butt-weld pipe fittings from Brazil that are entered, or withdrawn from warehouse, for consumption, on or after August 11, 1986, the date of publication of the preliminary determination in the Federal Register. The United States Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The bond or cash deposit amount (shown below) established in our preliminary determination of August 11, 1986, remains in effect.

Manufacturer/producer/exporter	Weighted-average margin percentage
All Producers/Manufacturers/Exporters .....	52.25

#### ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will make its determination whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on certain carbon steel butt-weld fittings from Brazil entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the

amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1763d(d)).

Paul Freedenberg,

*Assistant Secretary for Trade Administration,*  
October 20, 1986.

[FR Doc. 86-24118 Filed 10-23-86; 8:45 am]

BILLING CODE 3510-06-M

[A-583-605]

### **Certain Carbon Steel Butt-Weld Pipe Fittings From Taiwan; Final Determination of Sales at Less Than Fair Value**

**AGENCY:** International Trade Administration, Import Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** We have determined that certain carbon steel butt-weld pipe fittings (butt-weld pipe fittings) from Taiwan are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of butt-weld pipe fittings from Taiwan that are entered or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Continuation of Suspension of Liquidation" section of this notice.

**EFFECTIVE DATE:** October 23, 1986.

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

#### **SUPPLEMENTARY INFORMATION:**

##### **Final Determination**

We have determined that butt-weld pipe fittings from Taiwan are being, or are likely to be, sold in the United States at less than fair value as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). The dumping margins range from 6.84 percent to 87.30 percent, and the weighted-average margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

#### **Case History**

On February 24, 1986, we received a petition in proper form filed by the U.S. Butt-Weld Fittings Committee, in compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36). The petition alleged that imports of the subject merchandise from Taiwan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on March 17, 1986 (51 FR 10069, March 24, 1986), and notified the ITC of our action.

On April 2, 1986, the ITC found that there is a reasonable indication that imports of butt-weld pipe fittings from Taiwan are materially injuring a U.S. industry (U.S. ITC Pub. No. 1834, April 1986).

We presented questionnaires to Rigid Industries (Rigid) on May 1, 1986, to Chup Hsin Enterprises (Chup Hsin) and Gei Bey Corporation (Gei Bey) on May 22, 1986, and to Chung Ming Pipe Fitting Manufacturing Company, Ltd. (C.M.) on May 24, 1986, since we had information indicating that they accounted for approximately 95 percent of the exports to the United States during the period of investigation. A response was received on June 13, 1986, from Rigid. Responses were received from C.M. on June 23, 1986, and June 27, 1986, following C.M.'s request for an approval of a two-week extension of the due date. C.M.'s initial response lacked sufficient detail in its product descriptions to permit proper product comparisons. In addition, many entries in the computer sales listings were unclear as to their meaning and the units in which they were denominated. Also, C.M. did not submit a proper non-proprietary summary on a timely basis. Gei Bey and Chup Hsin did not respond. On August 4, 1986, we issued an affirmative preliminary determination (51 FR 28735, August 11, 1986). C.M. submitted a revised response on August 7, 1986. On August 12, 1986, petitioner alleged that Rigid was selling butt-weld pipe fittings at less than the cost of production in the home market. We determined that there was not sufficient time remaining prior to the due date for our final determination in which to investigate the allegation.

#### **Standing Issue**

One U.S. Producer, Tube Turns, Inc., opposes this investigation and maintains that the petition was not filed "on behalf of" a U.S. industry, as required by section 732(b)(1) of the Act.

As we have previously stated, *see e.g., Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groundfish from Canada*, (51 FR 10041, 10043, March 24, 1986), neither the Act nor the Commerce Regulations requires a petitioner to establish affirmatively that it has the support of a majority of a particular industry. The Department relies on petitioner's representation that it has, in fact, filed on behalf of the domestic industry, until it is affirmatively shown that this is not the case. Where parties opposing an investigation provide a reasonable indication that there are grounds to doubt a petitioner's standing, the Department will review whether the opposing parties, do, in fact, represent a major proportion of the industry. We determined that Tube Turns, the only member of the domestic industry to oppose the investigation, does not represent a major proportion of that industry.

#### **Scope of Investigation**

The products covered by this investigation are certain carbon steel butt-weld type pipe fittings, other than couplings, under 14 inches in inside diameter, whether finished or unfinished, that have been formed in the shape of elbows, tees, reducers, caps, etc., and, if forged, have been advanced after forging.

These advancements may include any one or more of the following: Coining, heat treatment, shot blasting, grinding, die stamping or painting. These fittings are currently provided for under item 610.8800 of the *Tariff Schedules of the United States Annotated (TSUSA)*.

The period of investigation is September 1, 1985, through February 28, 1986.

#### **Fair Value Comparisons**

To determine whether sales of the subject merchandise by Rigid and C.M. in the United States were made at less than fair value, we compared the United States price with the foreign market value, as specified below. Since Gei Bey and Chup Hsin did not respond, we based United States price and foreign market value on the best information available in accordance with section 776(b) of the Act.

### United States Price

As provided for in section 772(b) of the Act, for sales by Rigid and C.M., we based United States price or purchase price because their butt-weld pipe fittings were sold to unrelated purchasers in the United States prior to importation. We made deductions from F.O.B. or C.I.F. prices for ocean freight, marine insurance, brokerage, and foreign inland freight, as appropriate. Duty drawback was added in accordance with section 772(d)(1)(B) of the Act, where appropriate.

Since Gei Bey and Chup Hsin did not respond, we calculated purchase price for these two companies on the basis of offers by a Taiwan manufacturer, reported in the petition, as the best information available. This price represents offers for sale to unrelated purchasers in the United States, reduced by estimated costs of importation, as provided in section 772(d)(2) of the Act.

### Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, we based foreign market value for Rigid sales in the home market. We made deductions from delivered prices for inland freight and insurance. We made an adjustment for differences in credit terms between the respective markets, in accordance with § 353.15(a) of our regulations. For comparisons involving commissions on the U.S. sales, we made an allowance for selling expenses in the home market in accordance with 353.15(c) of our regulations. We also deducted home market packing costs and added U.S. packing costs.

C.M. had inadequate home market sales. Therefore, in accordance with section 773(a)(1)(B) of the Act, we based foreign market value for C.M. on sales to third countries. We made deductions from C.I.F. prices for inland freight, ocean freight, insurance, brokerage and handling charges. We made an adjustment for differences in credit terms in accordance with § 353.15 of our regulations. We added duty drawback. We deducted third country packing and added U.S. packing. Where we made comparisons to similar merchandise, we made an adjustment for differences in physical characteristics in accordance with § 353.16 of our regulations.

For Gei Bey and Chup Hsin, we used information provided by the petitioner as the best information available to determine foreign market value. Petitioner based foreign market value on constructed value. The costs of materials and fabrication were calculated by petitioner based on U.S. manufacturing inputs and by applying

Taiwanese values, where appropriate. To the sum of materials and fabrication cost, petitioner added the statutory minimums of ten and eight percent for general expenses and profit, respectively. Petitioner then added U.S. costs of packing.

### Petitioner's Comments

*Petitioner's Comment 1:* Petitioner argues that the deductions from United States price for ocean freight and inland freight and the U.S. packing added to the foreign market value were improperly allocated. Petitioner contends that allocation on the basis of weight would be more appropriate than an allocation based on the relative value of individual fittings within a given shipment.

*DOC Response:* While we agree generally with the petitioner that the most appropriate allocation would be on relative weight, the value based allocation methodology used by the respondent is reasonable. In addition, we do not have information on which to reallocate these costs. The total costs have been verified, and we have used the respondent's allocation of cost in our final determination.

*Petitioner's Comment 2:* Petitioner claims that the calculation of drawbacks by Rigid is incorrect since it is based on the average per kilogram drawback for all of 1985 on all products and, therefore, includes products exported outside the period of investigation, other products and products shipped to other countries.

*DOC Response:* We have limited the drawback used in our calculation to that applicable on shipments to the United States of the product under investigation during the period of investigation.

*Petitioner's Comment 3:* Petitioner argues that the Department unlawfully failed to conduct an investigation into whether Rigid was selling in the home market at prices below the cost of production.

*DOC Response:* Petitioner's allegation that Rigid was selling in the home market at less than cost was received 70 days prior to the due date of the final determination. Based on the facts in this investigation, we determined that we needed at least 86 days under accelerated procedures in order to conduct a proper investigation of that allegation. Since there was not sufficient time remaining, we did not conduct the investigation. Furthermore, we believe that the petitioner had sufficient information prior to the preliminary determination to allow the filing of a timely allegation. We did not make a determination on sufficiency of the allegation since it was untimely.

### Respondents' Comments

*Respondents' Comment 1:* Respondents argue that the petitioner does not have proper standing in this investigation and that the investigation should be terminated.

*DOC Response:* We disagree. See the "Standing Issue" section of this notice.

*Respondents' Comment 2:* Rigid argues that its allocation of inland freight, ocean freight and packing is reasonable and should be used for the final determination.

*DOC Response:* See our response to "Petitioner's Comment 1."

*Respondents' Comment 3:* C.M. argues that there was sufficient information on the record at the time of the preliminary determination to form the basis for our analysis, and that there is ample information currently on the record to form the basis for the final determination.

*DOC Response:* Sufficient questions were unanswered at the time of the preliminary determination concerning the product groupings and the basis for reporting prices and charges to warrant use of best information available. Supplemental information has been submitted, verified, and used for purposes of this determination.

### Interested Parties' Comments

*Interested Parties' Comment 1:* Respondent, TSI and Silbo argue that the Department should terminate the investigation for lack of standing, and, at a minimum, is required according to the CIT decision in *Gilmore Steel Corp. v. U.S.* 585 F. Supp. 670 (1984) to conduct a thorough and meaningful standing investigation, because the petitioner failed to show that a majority of the domestic industry affirmatively supports the petition.

*DOC Response:* We disagree. See the "Standing Issue" section of this notice.

### Interested Parties' Comment 2

TSI Industries, Inc. and Silbo Steel Corp., importers of butt-weld pipe fittings, argue that the Department should amend the definition of the product scope to avoid circumvention of any antidumping duty order that may be issued as a result of this investigation.

*DOC Response:* Based on the importers' comment and questions raised by the ITC and the Customs Service, we have clarified the scope as reflected in the wording in the "Scope of Investigation" section of this notice by inserting the words "if forged" before the words "have been advanced after forging."

**Verification**

As provided in section 776(b) of the Act, we verified all information used in this determination by using standard verification procedures, including examination of all relevant sales and accounting records.

**Continuation of Suspension of Liquidation**

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of butt-

weld pipe fittings from Taiwan that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register.

The United States Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. This suspension of liquidation will remain in effect until further notice.

Manufacturer/producer/exporter	Weighted-average margin percentage
Rigid.....	6.84
C.M.....	8.57
Ge. Bey.....	87.30
Chup Han.....	87.30
All Others.....	49.46

**ITC Notification**

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring, or are threatening material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as result of the suspension of liquidation will be refunded or cancelled.

However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on butt-weld pipe fittings from Taiwan entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

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

**Paul Freedenberg,**

*Assistant Secretary for Trade Administration,*  
October 20, 1986.

[FR Doc. 86-24119 Filed 10-23-86; 8:45 am]

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APPENDIX B

THE COMMISSION'S NOTICE OF INSTITUTION

reason of imports from Brazil, Japan, and Taiwan of carbon steel butt-weld pipe and tube fittings, under 14 inches in inside diameter,<sup>1</sup> provided for in item 610.88 of the Tariff Schedules of the United States (TSUS), which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before October 20, 1986, and the Commission will make its final injury determinations by December 8, 1986 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

**EFFECTIVE DATE:** August 11, 1986.

**FOR FURTHER INFORMATION CONTACT:** Bonnie Noreen (202-523-1369), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

**SUPPLEMENTARY INFORMATION:**

**Background**

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain carbon steel butt-weld pipe fittings from Brazil, Japan, and Taiwan are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in petitions filed on February 24, 1986, by the U.S. Butt-Weld Fittings Committee. In response to those petitions the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations,

(Investigations Nos. 731-TA-308 through 310 (Final))

**Butt-Weld Pipe Fittings From Brazil, Japan, and Taiwan**

**AGENCY:** United States International Trade Commission.

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

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-308 through 310 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)), to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by

<sup>1</sup> For purposes of these investigations, such fittings may be finished or unfinished but must be advanced beyond forging. Such advancements may include any one or more of the following: coining, heat treatment, shot blasting, grinding, die stamping, or painting. Such fittings do not include couplings (provided for in TSUS item 610.86).

determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 12938, April 16, 1986).

#### Participation in the Investigation

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 twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the later entry for good cause shown by the person desiring to file the entry.

#### Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the 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.

#### Staff Report

A public version of the prehearing staff report in these investigations will be placed in the public record on October 10, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

#### Hearing

The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on October 28, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on October 14, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on October 21, 1986, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 21, 1986.

Testimony at the public hearing is governed by § 207.23 of the

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

#### Written Submissions

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on November 4, 1986. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before November 4, 1986.

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

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

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

By order of the Commission.  
Issued: August 21, 1986.

Kenneth R. Mason,  
Secretary

[FR Doc. 86-19399 Filed 8-26-86; 8:45 am]  
BILLING CODE 7030-02-M



APPENDIX C  
LIST OF WITNESSES

CALENDAR OF PUBLIC HEARING

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

Subject : Butt-Weld Pipe Fittings  
From Brazil, Japan and Taiwan

Inv. No. : 731-TA-308, 309, 310 (Final)

Date and time: October 28, 1986 - 9:30 a.m.

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

In support of the imposition of antidumping duties:

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

U.S. Butt-Weld Fittings Committee

Richard Steele, Vice President and General  
Manager, Industrial Production, Ladish Co.

James Bamberger, Manager, Sales, Ladish Co.

Wayne Larson, Corporate Counsel

Peter Buck Feller)  
Lawrence J. Bogard)—OF COUNSEL  
Michael K. Tomenga)

Mayer, Brown & Platt—Counsel  
Washington, D.C.  
on behalf of

Weldbend Corporation (U.S. Producer)

Charles S. Levy—OF COUNSEL

- more -

In opposition to the imposition of antidumping duties:

Bergman, Abell, Kay & Simon—Counsel  
Washington, D.C.  
on behalf of

Taiwanese respondents Rigid Industries Co., Ltd.  
and C.M. Pipe Fitting Mfg. Co., Ltd.

David Simon—OF COUNSEL

CCTF Inc., Seattle, Washington

on behalf of

Rigid Industries Company, Ltd.

Mark Beach, Marketing Manager, CCTF, Inc.

Grunfeld, Desiderio, Lebowitz & Silverman—Counsel  
Washington, D.C.  
on behalf of

Conforja S/A  
TSI Industries, Inc  
Silbo Steel Coporation

Bruce M. Mitchell)  
Philip S. Gallas ) --OF COUNSEL

Wilmer, Cutler & Pickering—Counsel  
Washington, D.C.  
on behalf of

Tube Turns, Inc.

Robert C. Cassidy, Jr.) --OF COUNSEL  
Marcia C. Miller )

Akin, Gump, Strauss, Hauer & Feld—Counsel  
Washington, D.C.  
on behalf of

Nippon Benkan Kogyo Co., Ltd.

Warren E. Connelly ) --OF COUNSEL  
Claude G.B. Fontheim)





APPENDIX D

TABLES

Table D-1--Butt-weld pipe fittings: Value of apparent U.S. consumption, 1983-85, January-June 1985, and January-June 1986

(In thousands of dollars)						
Item	:	:	:	:	January-June--	
	1983	1984	1985	:	1985	1986
	:	:	:	:	:	:
Finished butt-weld pipe	:	:	:	:	:	:
fittings:	:	:	:	:	:	:
Domestic shipments-----	***	***	***	:	***	***
Imports-----	***	***	***	:	***	***
Apparent consumption----	56,425	67,690	68,369	:	34,783	31,053
	:	:	:	:	:	:

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

Table D-2.--Butt-weld pipe fittings: U.S. imports for consumption, 1/ by selected sources, 1983-85, January-June 1985, and January-June 1986

Source	1983	1984	1985	January-June--	
				1985	1986
Quantity (1,000 pounds)					
Japan-----	19,498	29,223	22,767	11,133	10,310
Taiwan-----	5,952	9,320	14,346	6,469	8,682
Brazil-----	111	1,631	3,171	1,948	2,606
Subtotal-----	25,561	40,174	40,284	19,550	21,598
West Germany-----	471	937	2,910	1,206	855
Italy-----	626	1,128	1,460	944	723
United Kingdom-----	1,175	3,609	1,905	1,449	139
France-----	4,785	5,398	1,145	718	1,374
All other sources-----	745	1,191	1,063	493	1,280
Total-----	33,362	52,437	48,768	24,361	25,969
Value 2/ (1,000 dollars)					
Japan-----	10,158	14,398	13,822	7,037	6,567
Taiwan-----	3,281	4,635	7,442	3,236	4,486
Brazil-----	30	630	1,385	818	1,074
Subtotal-----	13,469	19,663	22,648	11,091	12,127
West Germany-----	311	479	1,356	554	722
Italy-----	502	810	1,347	700	593
United Kingdom-----	490	1,278	1,003	755	139
France-----	1,691	2,160	544	337	661
All other sources-----	400	955	600	244	468
Total-----	16,862	25,346	27,498	13,680	14,710
Unit value (per 1,000 pounds)					
Japan-----	\$521	\$493	\$607	\$632	\$637
Taiwan-----	551	497	519	499	517
Brazil-----	270	386	437	419	412
Average-----	527	490	562	567	561
West Germany-----	660	511	466	459	845
Italy-----	802	718	922	742	820
United Kingdom-----	417	354	527	520	1,003
France-----	353	400	475	470	480
All other sources-----	536	802	565	494	366
Average-----	505	483	564	562	566

1/ Imports under TSUSA item 610.8046 prior to April 1984, and TSUS item 610.88 thereafter.

2/ Customs values are presented in the table. C.i.f. duty-paid values were presented in table 13.

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

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

Table D-3.--Butt-weld pipe fittings: U.S. imports from certain sources, by type, 1983-85, January-June 1985, and January-June 1986

(In thousands of dollars)						
Item	1983	1984	1985	January-June--		
				1985	1986	
Rough-formed fittings:						
Brazil-----	***	***	***	***	***	***
Japan 1/-----	***	***	***	***	***	***
Taiwan-----	***	***	***	***	***	***
Subtotal-----	***	***	***	***	***	***
All other sources 2/--	***	***	***	***	***	***
Total-----	***	***	***	***	***	***
Semifinished fittings:						
Brazil-----	***	***	***	***	***	***
Japan-----	***	***	***	***	***	***
Taiwan-----	***	***	***	***	***	***
Subtotal-----	***	***	***	***	***	***
All other sources-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***
Finished fittings:						
Brazil-----	***	***	***	***	***	***
Japan 3/-----	***	***	***	***	***	***
Taiwan-----	***	***	***	***	***	***
Subtotal-----	12,371	19,462	21,006	9,683	7,978	
All other sources-----	***	***	***	***	***	***
Total-----	***	***	***	***	***	***
Total:						
Brazil-----	***	***	***	***	***	***
Japan-----	14,224	25,402	23,267	10,160	6,316	
Taiwan-----	***	***	***	***	***	***
Subtotal-----	18,906	33,817	34,485	15,551	13,688	
All other sources-----	7,571	10,837	10,064	6,742	***	
Total-----	26,477	44,654	44,549	22,293	***	

1/ All imports in 1984 and January-June 1986 were imported under TSUS item 610.88; imports in 1985 were imported under TSUS item 610.88 and TSUSA item 606.7120.

2/ All imports were reported as being entered under TSUSA item 606.7120.

3/ \* \* \*.

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

Table D-4.--Butt-weld pipe fittings: Value of apparent U.S. consumption and market penetration of imports, by types and by sources, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Finished butt-weld pipe fittings:					
Apparent U.S. consumption <u>1/</u> --1,000 dollars--	56,425	67,690	68,369	34,783	31,053
Market penetration by imports of--					
Finished butt-weld pipe fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	***	***	***	***	***
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	22	29	31	28	26
Other sources--do-----	***	***	***	***	***
Total-----do-----	***	***	***	***	***
Rough-formed and semi-finished fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	***	***	***	***	***
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	12	21	20	17	18
Other sources--do-----	***	***	***	***	***
Total <u>2/</u> -----do-----	***	***	***	***	***
Total finished and unfinished fittings:					
Brazil-----percent--	***	***	***	***	***
Japan-----do-----	25	38	34	29	20
Taiwan-----do-----	***	***	***	***	***
Subtotal-----do-----	34	50	50	45	44
Other sources--do-----	13	16	15	19	***
Total <u>2/</u> -----do-----	47	66	65	64	***

1/ See table D-1 for computations of apparent consumption.

2/ Differences in end-of-period inventory levels of unfinished butt-weld fittings were considerable during the period. Adjustments for fluctuations in reported inventories of purchased rough-formed and semifinished fittings is not available on a value basis.

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

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



APPENDIX E

INVESTMENTS BY WELDBEND CORP.

At the hearing, Commissioner Stern asked questions of counsel for Weldbend regarding statements in the firm's prehearing brief that it had made investments to become an integrated producer of carbon steel butt-weld pipe fittings. Counsel for Weldbend provided the following information in telephone conversations with Commission staff on November 19, 1986.

Investments already made by Weldbend to become an integrated producer of butt-weld pipe fittings include the following:

\* \* \* \* \*

Counsel for Weldbend pointed out that \* \* \*. The firm reportedly does have the capability to \* \* \*.

Weldbend reported that it has made investments of \$\*\*\* to convert rough-formed fittings into finished fittings. Included in these investments are--

\* \* \* \* \*

Additionally, counsel reported that Weldbend is currently investing in \* \* \*. Counsel for Weldbend states that a negative determination by the Commission \* \* \*.



