CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM JAPAN

Determination of the Commission in Investigation No. 731-TA-376 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

Tables

CONTENTS

Note.--Information that would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report.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

Investigation No. 731-TA-376 (Preliminary)

CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter, provided for in item 610.89 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On April 2, 1987, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Flowline Corp., New Castle, PA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports from Japan of stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter. Accordingly, effective April 2, 1987, the Commission instituted preliminary investigation No. 731-TA-376 (Preliminary).

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 10, 1987 (52 FR 11759). The conference was held in Washington, DC, on April 27, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ The record is defined in sec. 207.2 (i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(a)).
2/ Vice Chairman Brunsdale is out of the country on an official visit and is unable to participate in this determination.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of stainless steel butt-weld pipe and tube fittings from Japan which are allegedly sold at less than fair value (LTFV). 1/ 2/

We base this determination on our assessment of indications of the significant and increasing market penetration by imports from Japan, the deteriorating condition of the industry, and the significant price depression attributable to those imports.

Like product/domestic industry

As a threshold inquiry, the Commission must identify the domestic industry to be examined for the purpose of making an assessment of material injury. Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ "Like product," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 4/

The imports that are the subject of this investigation are stainless steel butt-weld pipe and tube fittings under 14 inches in inside

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1/ Vice Chairman Brunsdale did not participate in this investigation.
2/ Material retardation is not an issue in this investigation and will not be discussed further.
3/ 19 U.S.C. § 1677(4)(A).
4/ 19 U.S.C. § 1677(10). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

diameter. [5/] The forms in which these articles are imported include both finished and unfinished fittings, [6/] with the latter category including as-formed tubular blanks. [7/] Stainless steel butt-weld pipe and tube fittings (SSPF) come in several basic shapes, including elbows, tees, reducers, stub ends, and caps, of which elbows, stub ends, and tees are the most common shapes. All SSPF have bevelled edges which, when placed against the end of a pipe, create a channel to accommodate the weld bead. [8/] Further, SSPF are used in piping systems requiring welded connections where any of the following conditions are present: corrosion of the piping system will occur if material other than stainless steel is used; contamination of the material in the system by the system itself must be prevented; high temperatures are present; extreme low temperatures are also present; and high pressures are contained within the system. Applications of SSPF include chemical, petrochemical and pharmaceutical plants, food processing, cryogenic plants, waste treatment, gas processing, and commercial and Navy nuclear operations. [9/]

The manufacture of SSPF begins with welded stainless steel pipe. While most fittings are generally cold-formed, some fittings, such as stub ends, are hot-formed by forging. In all other respects the production steps are the

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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 this investigation as "stainless steel butt-weld pipe and tube fittings under 14 inches (inside diameter), currently provided for under item number 610.8948 of Tariff Schedules of the United States Annotated (TSUSA)." 52 Fed. Reg. 13734 (Apr. 24, 1987).

6/ Petitioner notes that TSUSA 610.8948 was created in April 1984. This TSUSA classification applies to the named product "whether finished or not finished" by virtue of TSUSA General Headnote 10(h). Petition at 1.

7/ As-formed tubular blanks (tubular blanks) are dutiable under TSUSA Item No. 610.8948. Transcript of the conference (Tr.) at 80.

8/ Petition at 4; Report of the Commission (Report) at A-2.

9/ Petition at 3-4; Report at A-2.

same, and at various stages of the production process the fittings are known as tubular blanks, [10/] semi-finished, [11/] and finished. [12/]

The Commission, in considering the question of like product in a title VII investigation, examines factors relating to the characteristics and uses of the subject merchandise including physical appearance, end uses, customer perceptions of the articles, common manufacturing facilities and production employees, and channels of distribution. [13/] In the instant preliminary investigation, an issue has arisen as to whether there is one like product, consisting of finished and unfinished SSPF, including tubular blanks, [14/]

10/ Tubular blanks result from the first nine manufacturing steps listed in Appendix C to the petition: welded steel pipe is cut into fitting blanks of proper length; these blanks are then degreased of the lubricant used in the cutting process and the rough edges removed, they are stamped or marked with the heat or production number for identification during the manufacturing process, and then lubricated for forming; the blanks go through one or more forming dies and after forming, final annealing is performed to relieve stress and place the metal in condition for corrosion resistance; after annealing, the blanks are quenched in water in order to cool them as quickly as possible, for the cooling process must take place within 3 minutes of exit from the furnace. Tr. at 46-47; Report at A-2-A-3.

11/ After the tubular blanks stage, supra, the oxide scale formed during heat treatment is removed from the fitting in a pickling bath and it is rinsed in water; a final sizing operation is performed in the press to achieve the required tolerances. These processes result in the semi-finished fitting. Report at A-3; Petition at Appendix C.

12/ Fittings that have been straight-faced, bevelled and passivated are finished. Report at A-3; Tr. at 57; Petitioner's Post-Conference Brief at 5. Once these steps are completed, the fitting is marked with an electrochemical etch. The etching acid is neutralized and the fitting is rinsed, inspected and packed for warehousing or shipment. Report at A-3; Petition at Appendix C.

13/ See Certain Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 at 3-6 (1984).

14/ The petitioner, Flowline Corp. (Flowline), and TSI Industries, Inc. (TSI), an importer of finished fittings, argue that there is a single like product. They argue that the physical differences between finished and unfinished SSPF are minor, and unfinished fittings have only one end use which is conversion into finished fittings. Tr. at 44. Petitioner asserts that the only capital investment necessary to perform finishing operations is bevelling machinery, which represents less than 30 percent of the total investment in capital equipment necessary to manufacture SSPF. TSI also argues that unfinished fittings are interchangeable with finished fittings after minor processing. Petitioner's Post-Conference Brief at 2-6, 11-15; TSI's Post-Conference Brief at 4-11.

whether there are two like products, consisting of (1) tubular blanks and (2) finished and semi-finished fittings, [15/] or whether there are three like products consisting of (1) finished fittings, (2) semi-finished fittings, and (3) tubular blanks. As with all like product determinations, the question of whether finished and unfinished articles constitute one like product is a factual case-by-case determination. [16/]

The data in this investigation reveal that finished SSPF result from a multi-step production process and that the unfinished SSPF at issue--including tubular blanks and semi-finished SSPF--represent advanced stages of this integrated process. Because SSPF cannot be used for their intended purposes unless they are completely finished, each stage of production from tubular blanks through the finished product is necessary and does not change the function of the fitting. Therefore, the only use of tubular blanks and semi-finished SSPF is further processing into finished fittings. Based upon the above analysis, for purposes of this preliminary investigation we determine that there is a single like product, SSPF that is "like" the imported SSPF product regardless of the form in which it is imported.

15/ Gerlin Corp., an importer of tubular blanks who converts the blanks into finished fittings, argues the conversion of tubular blanks to finished SSPF constitutes substantial transformation resulting in a product with a different name, character and use from other SSPF. Gerlin Post-Conference Brief at 17-19.

16/ The Commission recently addressed the question of whether finished, semi-finished and "rough-formed" carbon steel butt-weld pipe fittings constituted the same like product. We determined that there was a single like product because unfinished fittings had no use other than further processing into finished fittings, finishing operations did not significantly alter the fittings' function, and the weighted-average cost attributable to finishing operations was only 14 percent of the total production cost. See Butt-Weld Pipe Fittings from Brazil and Taiwan, Invs. Nos. 731-TA-308 and 310 (Final), USITC Pub. 1918 at 5-7 (1986) (Butt-Weld Pipe Fittings from Brazil and Taiwan).

Domestic industry

Having determined that there is one like product consisting of finished and semi-finished fittings, and tubular blanks, we conclude that there is one domestic industry against which to assess the impact of alleged unfairly traded imports.

A substantial quantity of the SSPF produced and sold in the United States is made from unfinished fittings purchased from foreign sources. A question has arisen as to whether the firms that purchase unfinished fittings and convert them into finished fittings perform sufficient operations to be considered producers of the like product. 17/ 18/ The Commission has considered this issue in a recent investigation and included converters of unfinished fittings in the domestic industry. 19/

The data in the instant investigation reveal that converters account for 8 to 20 percent of the value of the finished product, or up to half the value

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17/ TSI argues that because the finishing operations of converters are "not significant in terms of capital investment in property, facilities and equipment," that converters should be included in the industry. TSI's Post-Conference Brief at 13. Gerlin Corp., the only converter participating in this investigation, argues that there are two industries: integrated producers (i.e., those that make tubular blanks) and the finished fittings industry, which consists solely of converters. Gerlin's Post-Conference Brief at 5-7.

18/ Butt-Weld Pipe Fittings from Brazil and Taiwan at 8-9. See also Low-Fuming Brazing Copper Wire and Rod from New Zealand, Inv. No. 731-TA-247 (Final), USITC Pub. 1790 (1986). There the Commission included flux-coaters of the product in the domestic industry because they were producers of the like product, they added significant value (20 percent) to the final product, their capital investment was substantial, and employment levels were significant.

19/ Commissioner Eckes refers to his footnote 19 in Butt-Weld Pipe Fittings from Brazil and Taiwan and does not join the discussion which follows regarding converters.

added during the SSPF manufacturing process. [20/] Further, as stated previously, the only use for a tubular blank is further processing into a finished fitting, and the further processing is necessary to make the fitting useful for its end use. [21/] In addition, the finishing operations of the converters represent an important stage of production in an integrated industry. [22/] Finally, converters' capital investments in their finishing operations are significant when compared with those of other U.S. producers. [23/] We therefore determine that the domestic industry consists of the producers and converters of SSPF.

Related parties

The statute provides for excluding from the domestic industry producers who are also importers or are related to importers or exporters in appropriate circumstances. [24/] The basis for the related parties provision is the concern that inclusion of those producers in the domestic industry may distort injury data because they may be shielded from the effects of the subject imports. [25/] In this investigation, we considered whether Gerlin, a

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20/ Petitioner places the value added at 8 to 20 percent. Petitioner's Post-Conference Brief at 5. Gerlin believes the value added usually exceeds 20 percent. Gerlin's Post-Conference Brief at 10. The difference in these estimates reflects the fact that value added to an unfinished fitting varies according to the stage of production at which it was purchased. Report at A-5. The finishing of a tubular blank accounts for roughly half the value added by the entire SSPF manufacturing process. Id.

21/ Tr. at 52, 58.

22/ Report at A-5.

23/ Id. at A-15 (all U.S. producers) and A-35 (Gerlin).

24/ 19 U.S.C. § 1677(4)(B) provides in pertinent part:

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

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

producer which exclusively converts imported tubular blanks, should be excluded as a related party.

The analysis to determine whether to exclude related parties includes two steps. First, the Commission must determine whether the domestic producers are also importers or are related to importers or exporters of the merchandise under investigation. Second, the Commission must determine whether appropriate circumstances exist for excluding the related parties from the domestic industry. 26/

In the instant investigation, the Commission notes that a substantial quantity of the SSPF produced and sold in the United States is made from unfinished fittings purchased from Japan. In addition, unfinished fittings are imported largely by U.S. producers of SSPF. 27/ Further, Gerlin's finished products compete with imports of finished SSPF and are not shielded from the effects of the allegedly LTFV imports. 28/ Thus, for purposes of this preliminary determination, we conclude that the circumstances are not appropriate to exclude Gerlin from the domestic SSPF industry.

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

27/ Report at A-19, Table 10.

28/ Gerlin only opposes the petition to the extent it seeks to impose antidumping duties on imports of tubular blanks. Gerlin's Post-Conference Brief at 4-6.

Condition of the domestic industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 29/ The data in this investigation reveal that although several of the economic indicators rose from 1984 to 1985, the performance of the domestic industry deteriorated markedly during 1986 and interim periods 1986-87. 30/

Apparent U.S. consumption of SSPF rose sharply from 4.5 million pounds in 1984 to 8.8 million pounds in 1985, but then declined to 8.2 million pounds in 1986 and to 1.9 million pounds in January-March 1987 compared with 2.6 million pounds for the corresponding period of 1986. 31/

Production of SSPF increased from about 2.9 million pounds in 1984 to 3.7 million pounds in 1986, and then fell slightly from 1.0 million pounds in interim period 1987 compared with 1.1 million pounds in the corresponding period of 1986. 32/ Although capacity increased from 16.9 million pounds in 1984 to 19.1 million pounds in 1986, capacity fell to 13.2 million pounds in interim 1987 compared with 14.2 million pounds in the corresponding period of 1986. Capacity utilization was at a low level during the period of

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29/ 19 U.S.C. § 1677(7)(C)(iii).

30/ One firm changed ownership in late 1984 and was unable to provide the requested data for that year and only seven firms provided data for the Jan.-Mar. periods. Therefore, data for 1984 and the partial years are understated, except for market penetration, which is overstated.

31/ Report at A-6. While this decline may be attributed in part to flat demand by facilities that use SSPF (chemical plants, pharmaceutical plants, food processing plants, gas processing plants and nuclear power plants), see Id., we note that 19 U.S.C. § 1673b(a) only requires the Commission to determine if there is a reasonable indication that allegedly dumped imports constitute a cause of material injury.

32/ Report at A-6.

investigation, increasing only slightly from 17.4 percent in 1984 to 19.0 percent in 1986, and to 31.3 percent during interim period 1987 compared with 31.0 percent during the corresponding period of 1986. 33/

Domestic shipments of SSPF rose from 2.9 million pounds in 1984 to 3.8 million pounds in 1985 before declining to 3.6 million pounds in 1986, or by 4 percent. Shipments continued to decline to 666,000 pounds in interim period 1987 compared with 762,000 pounds in 1986, or by 13 percent. 34/ On a value basis shipments followed the same trend, rising from $27 million in 1984 to $31 million in 1985, before falling to $29 million in 1986 and to $4.1 million in interim period 1987 compared with $4.8 million during the corresponding period of 1986. 35/ In addition, with the corresponding decrease in shipments, inventories rose during the period of investigation from 305,000 pounds in 1984, to 359,000 pounds in 1985, to 406,000 pounds in 1986, to 360,000 pounds in interim period 1987 compared to 325,000 pounds in the corresponding period of 1986. The ratio of inventories to shipments also rose from 10.7 percent in 1984 to 13.5 percent in interim 1987. 36/

The number of workers employed in the production of SSPF followed the same trend as most other economic indicators, increasing from 252 in 1984 to 268 in 1985, and then decreasing to 247 in 1986 and to 240 in interim period 1987 compared with 279 during the corresponding period of 1986. 37/ Hours

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33/ Id. We note that by comparison, Japanese producers of SSPF operated at above 85 percent of capacity in 1984 and 1985, and at 81 percent in 1986. Id. at A-17.

34/ Id. at A-8.

35/ Id. at A-9.

36/ Id. at A-10.

37/ Five firms reported layoffs, involving at least 5 percent of the workforce or 50 workers, which the firms attributed to cost reductions because of market conditions. Id. at A-11.

worked, wages paid, and total compensation followed the same declining trend. 38/

Net sales of firms by their SSPF operations declined irregularly from $25.8 million in 1985 to $23.1 million in 1986, to $3.6 million in interim period 1987 compared with $4.0 million during the corresponding period of 1986. Further, the industry was unprofitable during most of the period of investigation. Operating income deteriorated from a profit of $16,000 in 1984 to a loss of $389,000 in 1985 and $437,000 in 1986. 39/

Finally, while some individual producers' production, shipment, and profit-and-loss experience during the period of investigation may have been favorable, 40/ the industry as a whole performed very poorly.

On the basis of the record in this preliminary investigation, we determine that there is a reasonable indication that the domestic SSPF industry is currently experiencing material injury.

Reasonable indication of material injury by reason of allegedly LTFV imports from Japan

In determining whether the domestic industry is materially injured "by reason of" LTFV imports from Japan, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 41/

The volume of imports of SSPF from Japan were clearly significant throughout the period of investigation. Imports of finished and unfinished

38/ Id. at A-10.
39/ Id. at A-13, Table 7.
40/ Id. at A-4.
41/ 19 U.S.C. § 1677(7)(B).

fittings from Japan more than tripled from 1.2 million pounds in 1984 to 4.0 million pounds in 1986. 42/

Market penetration of finished and unfinished SSPF from Japan was also significant, increasing from 7.6 percent in 1984 to 30.2 percent in 1986. This ratio accounts for well over half of U.S. market penetration from all sources in 1986, 56.0 percent. 43/ Although market penetration declined slightly from 1985 to 1986, the absolute percentages were significant and remain well above the 1984 levels. Thus, the imports subject to investigation continue to have a significant presence in the U.S. market. 44/ Additionally, at a time when the SSPF market as a whole is expanding, correspondent to the increase in Japanese import market share, the domestic industry has experienced a substantial loss of market share. 45/

In addition to increasing market penetration by imports of Japanese SSPF, the record discloses a highly price-sensitive industry faced with consistent underselling of imported SSPF from Japan. Since all SSPF must meet the same

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42/ Moreover, imports from Japan far outstripped those from other countries during the period of investigation. Of the total quantity of imports from all sources in 1984, 1985 and 1986, imports from Japan represented 48 percent, 71 percent and 65 percent, respectively. Report at A-17. Measured in terms of dollar value, imports from Japan rose dramatically from $3.8 million in 1984 to $10.4 million in 1985 and $11.6 million in 1986. Id. at A-7, Table 1.

43/ Market penetration is calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings. Id. at A-20-A-21.

44/ Market penetration by dollar value was 12.2 percent in 1984, 24.5 percent in 1985, and 28.7 percent in 1986. We note that while absolute volume of the subject imports dropped from interim 1986 as compared with interim 1987, market penetration was 42.5 percent in interim 1986 and 50.0 percent in interim 1987. Id. at A-7, Table 1. These data indicate a steady increase in market penetration throughout the period of investigation.

45/ U.S. imports of SSPF from all sources have risen from 2.4 million pounds in 1984 to 6.1 million pounds in 1986. Id. at A-21. At the same time, apparent consumption has shown an overall increase between 1984 and 1986 of 4.4 million pounds to 8.2 million pounds respectively, Id. at A-7, and U.S. producers' share of the market declined from 64.5 percent in 1984 to 44.0 percent in 1986. Id. at A-21, Table 12.

ANSI specifications, SSPF products produced in Japan and in the United States are virtually identical. Purchasers contacted by the Commission staff indicated that price was the most important factor in purchasing decisions, and that the source of the fittings had little effect on their choice of suppliers. 46/ The Commission has considered these circumstances in evaluating the effects of imports of Japanese SSPF on prices of the like product.

Price comparisons between the domestic products and imports from Japan reveal that imports of SSPF from Japan have consistently been priced below SSPF produced in the United States throughout the period of investigation by margins ranging from 4 percent to 60 percent. 47/ Moreover, quarterly prices reported by U.S. producers have shown an overall decline since 1984. 48/ Information gathered from purchasers indicates that import prices are designed to fall just below the domestic price. 49/ The effect of this

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46/ Memorandum of May 11, 1987 to Commissioner Rohr from International Economist Concerning Market Dynamics (Market Memo) at 1-2. This memorandum is based on information from 7 purchasers, all of whom are distributors. Most distributors reported buying from several different manufacturers and importers, ranking price, delivery and service as the three most important considerations. Most purchasers will contact up to five suppliers to get the most favorable product mix, discount and delivery arrangement. In addition, three producers alleged several instances of lost sales and revenues to competing Japanese products. Report at A-26. When the staff contacted the relevant purchasers, most ranked price, delivery and service as the three most important factors in their purchasing decisions. Market Memo at 1.

47/ The Commission requested producers and importers of SSPF to report quarterly f.o.b. prices, after discounts, for each firm's largest sale to a distributor during Jan.-Mar. 1984-Jan.-Mar. 1987. These firms were also asked to provide quarterly data on the total quantity and value of sales for each of five specified SSPF products. Useable price data were received from six producers representing more than half of reported 1986 production, and from five importers accounting for less than half of 1986 total imports from Japan. Report at A-19-A-24. Prices for the specified Japanese fittings were priced below the equivalent domestic fittings in all cases. Id. at A-20-A-26.

48/ Id. at A-22-A-26.

49/ Market Memo at 3.

pricing pattern has been to drive the price of the U.S. products steadily downward throughout the period of investigation. 50/

We conclude that the substantial volume of SSPF from Japan and the high import penetration throughout the period of investigation, together with the consistent pattern of underselling of these imports, which has contributed to price depression, constitutes a reasonable indication of material injury to the domestic industry by reason of imports of SSPF from Japan which are allegedly sold at LTFV.

50/ This trend is apparent from the price data supplied by U.S. producers and importers. While the prices of SSPF from Japan have fluctuated and at times appear to be rising, they fall far below the prices of equivalent domestic products. Report at A-23-A-24. Domestic producers have been forced to lower their prices in an effort to compete with Japanese imports of SSPF. Tr. at 16.

ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Stainless Steel Buttweld Pipe
Fittings From Japan
Inv. No. 731-TA-376
(Preliminary)

I determine that there is a reasonable indication than an industry in the United States is materially injured by reason of imports of stainless steel butt-weld pipe fittings from Japan which are allegedly being sold at less-than-fair-value.[1]

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

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine that there is a reasonable indication that the dumped or

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[1] Since there is an established domestic industry, material retardation was not an issue in this investigation and will not be discussed further.

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

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

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

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

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

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[3] 19 U.S.C. § 1977(7)(A)(1980).

were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

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

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

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[5]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current

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

[5] Id.

law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

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

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[7]

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

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[6] Id.

[7] 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 price.[8]

This "complex and difficult" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]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."[10]

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

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8 Id.

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

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

conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any injury or threat of injury to the domestic industry is not "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11]

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

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[13]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

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

[13] Id. at 16.

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

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. Market penetration of imports of stainless steel butt-weld pipe fittings from Japan on a value basis increased from 12.2 percent of apparent U.S. consumption in 1984, to 24.5 percent in 1985, and to 28.7 percent in 1986.[15] Moreover, preliminary figures for January-March 1987 indicate that Japanese import penetration is continuing to increase.[16] Thus, on a value basis, Japaneese stainless steel butt-weld pipe fitting imports into the United States have been both substantial and increasing.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more

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15 Report, at Table 1. Because a substantial proportion of U.S. imports require further processing in the United States, for purposes of this preliminary determination I have determined that market penetration on the basis of value is a more meaningful indicator than penetration on the basis of quantity. Staff Memorandum to Commission, May 11, 1987.

16 Report, Table 1.

likely it is that the product is being sold below the competitive price[17] and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not yet had time to calculate any margins. I therefore usually rely on the margins alleged by petitioner. The dumping margins alleged range from 37 percent to 139 percent.[18] These alleged dumping margins are moderately high to very 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. All parties agree that Japanese and domestic stainless steel butt-weld pipe fittings are more or less equal in terms of quality and interchangeable in end-uses, although distributors have noted that occasionally an end user will specify a certain producer's or importer's

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17 See text accompanying note 8, supra.

18 Report, at A-1.

product.[19] For the purposes of this preliminary investigation, I thus find that these products are substitutable, though not perfectly.

As to the fourth factor, evidence of declining domestic prices ceteris paribus might indicate that domestic producers were lowering their prices in order to maintain market share. Domestic prices of stainless steel butt-weld pipe fittings have declined between January-March of 1984 and January-March of 1987, with the declines in prices having been rather precipitous with respect to certain product types.[20] This factor is therefore not inconsistent with a finding of unfair price discrimination.

The fifth factor is foreign supply elasticity (barriers to entry). If there is a low foreign elasticity of supply (or high barriers to entry) it is more likely that a producer can gain market power. Japan has by far been the principal source of U.S. imports of stainless

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[19] Report, at A-22.

[20] Report, Table 13.

steel butt-weld pipe fittings, supplying, on a value basis,[21] 50.7 percent of total imports in 1984, 64.2 percent of total imports in 1985, and 64.9 percent of total imports in 1986. Thus, imports from other countries have accounted for a significant, but decreasing, share of total imports.[22] Consequently, while there appears to be at least some evidence that foreign elasticity of supply is low, the evidence is inconclusive.[23]

In summary, these five factors must be considered in each case to reach a sound determination. Market penetration is significant and increasing. I assume that the margins are consistent with a finding of unfair price discrimination. Homogeneity of the product is supportive of a finding of unfair price discrimination, as is the fact that domestic prices of stainless steel butt-weld pipe fittings have been generally declining. With respect

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21 See note 15 supra explaining the use of value statistics.

22 In 1986, on a value basis, 10.8 percent of total imports came from Taiwan, 9 percent from Canada, and 7.8 percent from Israel. Report, at A-18.

23 Information regarding the production capacity of various other countries and related information might be helpful in further analyzing this question.

to foreign supply elasticity, the evidence is mixed. In sum the above factors appear to support an affirmative determination with respect to unfair price discrimination.

Conclusion

Therefore, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of stainless steel butt-weld pipe fittings from Japan.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On April 2, 1987, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel for Flowline Corp., New Castle, PA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Japan of stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter, provided for in item 610.89 of the Tariff Schedules of the United States (TSUS), which are being, or are likely to be, sold in the United States at less than fair value (LTFV). Accordingly, effective April 2, 1987, the Commission instituted investigation No. 731-TA-376 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)). The purpose of the Commission's investigation is to determine whether or not there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of such stainless steel butt-weld pipe and tube fittings.

Notice of the institution of the Commission's investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 10, 1987 (52 F.R. 11759). 1/ The Commission held a public conference in Washington, DC, on April 27, 1987, at which time all interested parties were allowed to present information and data for consideration by the Commission. 2/ The Commission voted on this investigation at its meeting on May 13, 1987. The statute directs the Commission to make its determination within 45 days of the receipt of a petition, or in this case by May 18, 1987.

Nature and Extent of the Alleged LTFV Sales 3/

The petition alleges that stainless steel butt-weld pipe and tube fittings under 14 inches in inside diameter from Japan are being sold in the United States at LTFV margins ranging between 37 percent and 139 percent. 4/ Petitioner's allegations were based on differences between the U.S. price and the constructed value of five high-volume, finished butt-weld fittings that

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1/ A copy of the Commission's Federal Register notice is presented in app. A.
2/ A list of witnesses who appeared at the public conference is presented in app. B.
3/ Stainless steel butt-weld pipe fittings have not been the subject of any other statutory investigation by the Commission. In December 1986, the Commission completed investigations (Nos. 731-TA-308 and 310 (Final)) on Certain Carbon Steel Pipe Fittings From Brazil and Taiwan, and in January 1987, the Commission completed an investigation (No. 731-TA-309 (Final)) on those same products from Japan. As a result of these investigations, the Commission unanimously determined in all cases that an industry in the United States was materially injured by reason of the LTFV imports.
4/ Petition, p. 18.

are, according to the petition, representative of the market for such fittings. 1/ The petition also alleges that critical circumstances exist with regard to the subject imports from Japan. 2/

The Products

Description and uses

Stainless steel butt-weld pipe fittings come in several basic shapes: "elbows," "tees," "reducers," "stub ends," and "caps." Of these, elbows, stub ends, and tees are the most common shapes. A characteristic of all stainless steel butt-weld fittings is that the edges of finished fittings are beveled so that when they are placed against the end of a pipe that has also been beveled a shallow channel is created to accommodate the "bead" of the weld used to join the fittings to the pipe.

Stainless steel butt-weld fittings are used in piping systems requiring welded connections when one or more of the following conditions is also a factor in designing the system: (1) corrosion of the piping system will occur if material other than stainless steel is used; (2) contamination of the material in the system by the system itself must be prevented; (3) high temperatures (in excess of 300 °F) are present; (4) extreme low temperatures are also present; and (5) high pressures are contained within the system. Stainless steel butt-weld fittings are used in so called process piping systems such as chemical plants, petrochemical plants, pharmaceutical plants, food processing facilities, breweries, cryogenic plants (including basic oxygen steel processing), waste treatment facilities, pulp and paper production facilities, gas processing (gas separation) facilities, commercial nuclear powerplants, and nuclear navy applications (in reactor lines and water lines).

Manufacturing process

Production of stainless steel butt-weld fittings begins with welded stainless steel pipe or unfinished fittings. In integrated production, stainless steel butt-weld pipe fittings are generally cold-formed from fusion-welded stainless steel pipe. However, production of some types of fittings, notably stub ends, requires heating the raw material and performing forging operations. Usually, the pipe used is ASTM Grade A-312 and the stainless steel alloy is 304L or 316L. A number of production steps are common to every shape fitting. However, steps related to forming the fitting vary depending on its shape.

To manufacture elbows, welded or seamless steel pipe is cut into fitting blanks of proper length. The blanks are degreased of the lubricant used in the cutting process and the rough edges are removed. The blanks are stamped, or otherwise marked, with the heat or production number for identification during the manufacturing process. Blanks are then lubricated for forming.

1/ Ibid, p. 8.
2/ Ibid, pp. 25-27.

Elbow blanks are cold formed on hydraulic presses. 1/ The blanks go through one or more forming dies. 2/ After forming, final annealing is performed at 1,950 °F to stress relieve and place the metal in condition for corrosion resistance. After annealing, the blanks are quenched in water in order to cool them as quickly as possible through the carbon precipitation temperature range of 1,400 °F to 800 °F. The cooling process must take place within 3 minutes of exit from the furnace. The oxide scale formed during heat treatment is removed in a pickling bath and the fitting is rinsed with water. A final sizing operation is performed in the press to achieve the required tolerances. The ends of the formed elbows are then machined to exact size (straight faced) and a bevel for welding purposes is added. The machined elbow is degreased, passivated in hot diluted nitric acid, and then rinsed with water. The passivation process activates a chromium oxide film on the surface of the metal, which gives it a corrosion resistant character. The fitting is marked with an electrochemical etch identifying it as complying with industry standards. The etching acid is neutralized, and the fitting is rinsed, inspected, and packed for warehouse storage or shipment.

U.S. tariff treatment

Imports of the stainless steel butt-weld pipe and tube fittings covered by this investigation are classified in TSUS item 610.89 and reported under item 610.8948 3/ of the Tariff Schedules of the United States Annotated (TSUSA), which covers stainless steel butt-weld fittings under 14 inches in inside diameter. The column 1 rate of duty 4/ is 6.2 percent ad valorem, and the column 2 rate of duty is 45 percent ad valorem. 5/ Imports under this tariff item have been designated as articles eligible for duty-free treatment under the Generalized System of Preferences (GSP), 6/ under the Caribbean

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1/ Production of stub ends differs in that the forming process involves hot forming rather than cold forming. The other production steps are essentially the same. The manufacturing processes for tees and reducers are virtually the same as the manufacturing process for elbows.

2/ Sometimes a semi-formed elbow requires heat treatment to stress relieve the blank from hardening and/or embrittlement.

3/ Prior to Apr. 1, 1984, the subject products were reported under TSUSA item 610.8048.

4/ 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, as provided under the special rates of duty column.

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

6/ 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.

Basin Economic Recovery Act (CBERA), and under the U.S.-Israel Free Trade Area Implementation Act. Imports from Japan are dutiable at the column 1 rate of duty.

U.S. Producers

The Commission received questionnaire responses from nine firms, all of which were listed in the petition, that manufacture stainless steel butt-weld pipe fittings under 14 inches in inside diameter. A substantial quantity of the stainless steel butt-weld pipe fittings produced and sold in the United States is made from unfinished fittings purchased from other sources. Such production involves finishing or conversion operations only. 1/ Flowline Corp., the petitioner, is an integrated producer; that is, it forms stainless steel into unfinished fittings that it subjects to the additional processing needed to convert them into finished fittings. Several U.S. producers engage in integrated production with respect to some, but not all, of their output. To varying degrees, these "combination" companies also purchase unfinished fittings from foreign or domestic sources and convert them into finished fittings in the United States. It is believed that the nine firms responding to the questionnaires account for the vast bulk of U.S. production of stainless steel butt-weld pipe fitting under 14 inches in inside diameter. U.S. producers, type of production, plant locations, and production in 1986 are presented in the following tabulation:

U.S. producer	Type of production	Plant location	Production in 1986 (1,000 pounds)
Alloy Piping Products	Combination	Shreveport, LA	***
Bestweld, Inc.	Integrated	Bridgeport, PA	***
Customs Alloy Corp.	Integrated	Califon, NJ	***
Flowline Corp. 1/	Integrated	New Castle, PA Whiteville, NC	***
Flo-Mac	Integrated	Los Angeles, CA	***
Gerlin Corp.	Converter	Carol Stream, IL	***
Ladish Co., Inc.	Integrated	Cudahy, WI	***
Franke, Inc.	Combination	Palm, PA	***
Taylor Forge Stainless	Combination	Somerville, NJ	***
Total			3,648

1/ Flowline Corp. is the petitioner in this investigation. ***. Gerlin Corp. opposes the petition and representatives of that firm appeared at the Commission's conference in opposition to the imposition of antidumping duties.

1/ The petition states that there is only one U.S. company, Gerlin Corp., whose total output consists of fittings made in this manner, from unfinished fittings produced abroad; petition, p. 2. Separate trade data for this firm are presented in app. C.

U.S. Importers

According to the Customs net import file, 16 firms imported stainless steel butt-weld pipe fittings from Japan in 1986. The Commission received data from 12 firms, including 5 U.S. producers that imported these products. Many of the importers (except producers-importers) are related to the foreign producers from which they import. The bulk of the imports by producers were unfinished fittings that they converted into finished products. The firms that are not producers imported mostly finished fittings. None of these latter importers modify or otherwise add value to the imported product. Based on official statistics, the firms that responded to the questionnaires accounted for more than the total quantity reported for 1984 and 1986 and for 50.7 percent of the stainless steel butt-weld pipe fittings imported from Japan in 1985. 1/

Counsel for Gerlin Corp. and counsel for the producers in Japan have argued that "tubular blanks," which are included in TSUS item 610.89 and which are imported almost exclusively by U.S. producers, should be excluded from this investigation. Gerlin defines tubular blanks as products made from pipe, plate, or forgings that have been formed to a basic shape, heat treated, and sized, but which require additional transformation to adapt to use as a finished fitting. These blanks, according to Gerlin, require all of the following processes: blasting, pickling (cleaning), machining and beveling, passivating, electroetching, and saw cutting as required. Tubular blanks reportedly account for a substantial proportion of the imports from Japan and are not usable as finished fittings. Both the petitioner and Gerlin agree that the full process of producing a finished pipe fitting from a blank adds about 20 percent to the value of the product, or about one-half of the value added in the entire process of manufacturing pipe fittings as performed by the integrated producers. 2/

The U.S. Market

Channels of distribution

Semifinished stainless steel butt-weld pipe fittings, when imported by a firm that does not manufacture finished fittings, are sold to U.S. producers for conversion into finished products. As stated earlier, five of the nine U.S. producers are direct importers of unfinished fittings from Japan. The volume of unfinished fittings imported by other importers that responded to the Commission's questionnaire was small compared with their imports of finished fittings. Finished fittings, both imported and domestic, are sold principally to unrelated distributors and fabricators. 3/

1/ U.S. producers accounted for 39 percent of the imports from Japan in 1986.
2/ Transcript, pp. 27, 30, and 52-57; postconference brief on behalf of Japanese producers, pp. 4-5. Petitioner notes that the value added to an unfinished fitting varies according to the stage of production at which it was purchased. Accordingly, petitioner states that the value added by the finishing operations could range from 8 to 20 percent. Petitioner estimates that the average value added by the finishing operations would be about 10 to 12 percent. Transcript, p. 27, and postconference brief on behalf of Flowline Corp., p. 5.
3/ Transcript, p. 90.

U.S. consumption

Apparent U.S. consumption of stainless steel butt-weld pipe fittings rose sharply from about 4.5 million pounds in 1984 1/ to 8.8 million pounds in 1985, but then decreased by 6 percent to 8.2 million pounds in 1986 (table 1). Consumption data for January-March 1986 and January-March 1987 are understated because only seven of the nine producers provided shipment data for those periods. The demand for stainless steel butt-weld pipe fittings is a derived demand dependent on use in such facilities as chemical plants, pharmaceutical plants, food processing plants, gas processing facilities, and commercial nuclear powerplants. 2/ The decline in consumption in 1986 and during January-March 1987 can be attributed, at least in part, to a flat demand in some of those industries. 3/

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

The information in this section of the report is based on data received from questionnaire returns. As indicated previously, the Commission received usable questionnaires from nine firms that manufacture stainless steel butt-weld pipe fittings. The staff believes that these firms accounted for the vast bulk of U.S. production of stainless steel butt-weld pipe fittings under 14 inches in inside diameter during the period covered by the Commission investigation, except in 1984, a year for which one firm could not provide data. 4/

U.S. capacity, production, and capacity utilization

U.S. capacity to manufacture stainless steel butt-weld pipe fittings increased annually from about 16.9 million pounds in 1984 to 19.1 million pounds in 1986. Data for 1984 are understated as explained previously. The increase in capacity in 1986 compared with that in 1985 was accounted for largely by ***.

Production of stainless steel butt-weld pipe fittings increased from about 2.9 million pounds in 1984 to 3.7 million pounds in 1985 and then declined to 3.6 million pounds in 1986. Production, as reported by seven of the nine producers, was down 6 percent during January-March 1987 compared with production in the corresponding period of 1986. Capacity utilization by the responding producers increased from 17.4 percent in 1984 to 19.7 percent in 1985, but then slipped to 19.0 percent in 1986 (table 2).

1/ One firm, which accounted for *** percent of aggregate reported U.S. production in 1986, changed ownership in November 1984 and was unable to provide the requested data for 1984.
2/ Petition, p. 4.
3/ Transcript, pp. 16 and 40.
4/ This firm accounted for *** percent of aggregate reported U.S. production in both 1985 and 1986.

Table 1
Stainless steel butt-weld pipe fittings under 14 inches in inside diameter: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
	On the basis of quantity				
U.S. producers' total domestic shipments of finished fittings made in the United States 1/ 1,000 pounds..	2,862	3,767	3,598	762	666
Imports of unfinished fittings by U.S. producers of finished fittings.....1,000 pounds..	817	1,062	1,520	476	87
Other imports.....do....	1,573	4,973	4,579	1,819	2/ 1,175
Total imports 3/.....do....	2,390	6,035	6,099	2,295	2/ 1,262
Apparent consumption.....do....	4,435	8,740	8,177	2,581	1,841
Ratio of imports to apparent consumption 4/.....percent..	35.5	56.9	56.0	70.5	63.8
	On the basis of value				
U.S. producers' total domestic shipments of finished fittings made in the United States 1/ 1,000 dollars..	26,551	31,490	29,422	4,844	4,101
Imports from Japan: 5/					
Imports of unfinished fittings by U.S. producers of finished fittings.....1,000 dollars..	2,493	4,268	5,942	2,083	384
Other imports.....do....	1,325	6,172	5,662	1,175	2/ 3,899
Total.....do....	3,818	10,440	11,604	3,258	2/ 4,283
Imports from all other countries 5/...1,000 dollars..	3,533	4,915	5,399	1,652	2/ 563
Total imports 5/.....do....	7,351	15,355	17,003	4,910	2/ 4,846
Apparent consumption.....do....	31,409	42,577	40,483	7,671	8,563
Share of apparent consumption:					
U.S. producers' shipments 6/ percent..	76.6	63.9	58.0	36.0	43.4
Total imports.....do....	23.4	36.1	42.0	64.0	56.6
Imports from Japan.....do....	12.2	24.5	28.7	42.5	50.0

1/ Includes shipments of finished fittings produced from imported unfinished fittings. Data for 1984 are for 8 firms; data for 1985-86 are for 9 firms, and data for the January-March periods are for 7 firms.
2/ Estimated on the basis of imports during January-February 1987.
3/ Includes both unfinished and finished fittings.
4/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.
5/ Landed duty-paid value.
6/ Calculated as the ratio to consumption of U.S. producers' total domestic shipments of finished fittings less their imports of unfinished fittings from Japan.

Source: Domestic shipments and imports by producers, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 2
Stainless steel butt-weld pipe fittings: U.S. producers' capacity, production, and capacity utilization, 1984-86, January-March 1986, and January-March 1987 1/

Item	1984	1985	1986	January-March-- 1986	January-March-- 1987
Capacity.....1,000 pounds..	16,922	18,823	19,148	14,166	13,219
Production:					
From stainless steel pipe or plate....1,000 pounds..	2,621	2,682	2,301	673	737
From semifinished fittings purchased from another producer and/or importer 1,000 pounds..	321	1,032	1,347	426	296
Total production....do....	2,942	3,714	3,648	1,099	1,033
Capacity utilization percent..	17.4	19.7	19.0	2/ 31.0	2/ 31.3

1/ Data for 1984 are for 8 firms; data for 1985-86 are for 9 firms; and data for the January-March periods are for 7 firms.
2/ On an annualized basis.

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

As noted previously, a substantial quantity of the finished stainless steel butt-weld pipe fittings produced and sold in the United States is made from unfinished fittings purchased from other sources. The share of total reported U.S. production accounted for by such purchased semifinished fittings rose from 11 percent in 1984 to 28 percent in 1985 and 37 percent in 1986, then declined to 29 percent during January-March 1987.

U.S. producers' shipments and exports

Total domestic shipments of stainless steel butt-weld pipe fittings by U.S. producers increased from about 2.9 million pounds in 1984 to 3.8 million pounds in 1985 (table 3). Shipments in 1986 declined by about 4 percent from those in 1985, to 3.6 million pounds. Shipments continued to decline during January-March 1987, falling by 13 percent from shipments in the corresponding period of 1986. 1/

1/ Shipment data are for finished fittings. U.S. producers reported no sales of semifinished fittings.

Table 3
Stainless steel butt-weld pipe fittings: U.S. producers' total domestic shipments, 1984-86, January-March 1986, and January-March 1987 1/

Period	Quantity	Value	Unit value
	1,000 pounds	1,000 dollars	Per pound
1984	2,862	26,551	$9.28
1985	3,767	31,490	8.36
1986	3,598	29,422	8.18
January-March--			
1986	762	4,844	6.36
1987	666	4,101	6.16

1/ Data for 1984 are for 8 firms; data for 1985-86 are for 9 firms; and data for the January-March periods are for 7 firms.

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

U.S. producers' shipments of finished fittings that were manufactured from imported unfinished fittings increased from 28 percent of total shipments in 1984 and 1985 to 42 percent in 1986, as shown in the following tabulation (in thousands of pounds):

	Finished fittings manufactured from--		
Period	Imported unfinished fittings	Other	Total
1984	817	2,045	2,862
1985	1,062	2,705	3,767
1986	1,520	2,078	3,598
January-March--			
1986	476	286	762
1987	87	579	666

Two firms, *** and ***, were the only U.S. producers that exported stainless steel butt-weld pipe fittings during 1984-86. *** exported less than *** pounds annually during the period, all to ***. Exports by ***, which were shipped to *** and ***, increased from *** pounds in 1984 to *** pounds in 1985, then dropped to *** pounds in 1986. Exports accounted for less than *** percent of total sales by *** during 1984-86.

U.S. producers' inventories

Inventory data were provided by five firms that in 1986 accounted for *** percent of total reported shipments of stainless steel butt-weld pipe fittings by U.S. producers. 1/ U.S. producers' yearend inventories increased annually from 305,000 pounds in 1984 to 406,000 pounds in 1986, or by 33 percent. As a share of domestic shipments by all producers, inventories increased from 10.7 percent in 1984 to 11.3 percent in 1986 (table 4).

Table 4
Stainless steel butt-weld pipe fittings: U.S. producers' yearend inventories and shipments, 1984-86, January-March 1986, and January-March 1987

Period	Inventories	Shipments	Ratio of inventories to shipments 1/
	------1,000 pounds-----		Percent
1984.....	305	2,862	10.7
1985.....	359	3,767	9.5
1986.....	406	3,598	11.3
January-March--			
1986.....	325	762	2/ 10.7
1987.....	360	666	2/ 13.5

1/ Ratios are based on shipments by all responding producers. Based on shipments by only the firms that reported inventory data, the ratio averaged 33.0 percent annually during 1984-86.
2/ On the basis of annualized shipments.

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

Employment and wages

The number of workers employed in the production of stainless steel butt-weld pipe fittings increased by 6.3 percent, from 252 in 1984 to 268 in 1985, then declined by 7.8 percent to 247 in 1986. The number of hours worked by those employees increased slightly in 1985 compared with those in 1984, but declined in 1986 to 6.4 percent below the number of hours worked in 1984. Hourly wages declined by 10.4 percent, from $9.46 in 1984 to $8.48 in 1986, and total compensation declined by 10.5 percent, from $12.05 to $10.79. During January-March 1987, the number of production workers and hours worked declined by 14.0 percent and 14.4 percent, respectively, from employment in the corresponding period of 1986, and hourly wages and total compensation increased by 8.6 percent and 12.9 percent, respectively (table 5). Workers at three of the firms are represented by unions.

1/ U.S. producers do not keep inventory data based on weight and four firms were unable to convert their inventory values to quantity.

Table 5
Stainless steel butt-weld pipe fittings: Number of production and related workers, hours worked by such workers, and hourly wages and total compensation paid, 1984-86, January-March 1986, and January-March 1987 1/

Period	Number of workers	Hours worked	Hourly wages paid	Total hourly compensation
		Thousands		
1984	252	545	$9.46	$12.05
1985	268	549	9.24	11.46
1986	247	510	8.48	10.79
January-March--				
1986	279	146	8.53	10.86
1987	240	125	9.26	12.26

1/ Data for 1984 are for 8 firms; data for 1985-86 are for 9 firms; and data for the January-March periods are for 7 firms.

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

U.S. producers were asked to report any reductions in the number of production and related workers if such reductions involved at least 5 percent of the workforce or 50 workers. Five firms reported such layoffs, all of which were attributed to cost reductions because of market conditions. The reported layoffs are shown in the following tabulation:

Firm	Number of workers	Date	Duration of reduction
* *	* *	* *	* *

Financial experience of U.S. producers

Eight U.S. producers of stainless steel butt-weld pipe fittings furnished usable income-and-loss data on their overall establishment operations, and seven firms supplied data on their operations producing such fittings. 1/ The latter seven producers accounted for *** percent of reported U.S. production of stainless steel butt-weld pipe fittings in 1986.

Overall establishment operations.--The income-and-loss experience of U.S. producers on the overall operations of their establishments within which stainless steel butt-weld pipe fittings are produced is presented in table 6. Net sales of all products produced in these establishments declined irregularly from $66.3 million in 1984 to $65.9 million in 1986. Net sales of

1/ ***.

Table 6
Income-and-loss experience of U.S. producers on the overall operations of their establishments in which stainless steel butt-weld pipe fittings are produced, accounting years 1984-86 and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

Item	1984	1985	1986	Interim period ended Mar. 31-- 1986	1987
Net sales.....1,000 dollars..	66,302	67,287	65,932	20,726	17,552
Cost of goods sold.....do....	57,664	55,200	53,263	16,379	14,152
Gross profit.....do....	8,638	12,087	12,669	4,347	3,400
General, selling, and administrative expenses 1,000 dollars..	11,604	11,817	12,055	3,115	3,064
Operating income or (loss).....do....	(2,966)	270	614	1,232	336
Interest expense.....do....	1,995	2,072	2,445	1,022	919
Other income or (expense), net.....1,000 dollars..	393	404	6	(77)	35
Net income or (loss) before income taxes..do....	(4,568)	(1,398)	(1,825)	133	(548)
Depreciation and amortization.....do....	3,290	3,236	2,989	882	801
Ratio to net sales of--					
Cost of goods sold percent..	87.0	82.0	80.8	79.0	80.6
Gross profit.....do....	13.0	18.0	19.2	21.0	19.4
General, selling, and administrative expenses percent..	17.5	17.6	18.3	15.0	17.5
Operating income or (loss).....do....	(4.5)	0.4	0.9	5.9	1.9
Net income or (loss) before income taxes percent..	(6.9)	(2.1)	(2.8)	0.6	(3.1)
Number of companies reporting operating losses.....	4	3	3	2	2
Number of companies reporting data.....	7	8	8	6	6

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

stainless steel butt-weld pipe fittings were 31.3 percent, 38.4 percent, and 35.1 percent of total establishment net sales in 1984, 1985, and 1986, respectively. Operating income improved from a loss of $3.0 million in 1984 to profits of $270,000 in 1985 and $614,000 in 1986.

Stainless steel butt-weld pipe fittings.--The income-and-loss experience of the U.S. producers on their operations producing stainless steel butt-weld pipe fittings is shown in table 7 for 1984-86 and interim periods ended March 31, 1986, and March 31, 1987. Aggregate net sales increased from $20.7 million to $25.8 million, or by 24.5 percent, from 1984 to 1985. Such sales decreased 10.4 percent to $23.1 million in 1986. Operating income during the same period fell from $16,000 in 1984 to a loss of $437,000 in 1986.

Table 7
Income-and-loss experience of U.S. producers on their operations producing stainless steel butt-weld pipe fittings, accounting years 1984-86 and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

Item	1984	1985	1986	Interim period ended Mar. 31-- 1986	1987
Net sales.....1,000 dollars..	20,724	25,810	23,136	4,018	3,573
Cost of goods sold.....do....	16,481	21,344	18,993	3,426	3,082
Gross profit.....do....	4,243	4,466	4,143	592	491
General, selling, and administrative expenses.....1,000 dollars..	4,227	4,855	4,580	623	610
Operating income or (loss).....do....	16	(389)	(437)	(31)	(119)
Depreciation and amortization.....do....	1,024	1,022	977	178	130
Ratio to net sales of--					
Cost of goods sold.....percent..	79.5	82.7	82.1	85.3	86.3
Gross profit.....do....	20.5	17.3	17.9	14.7	13.7
General, selling, and administrative expenses.....percent..	20.4	18.8	19.8	15.5	17.1
Operating income or (loss)...do....	0.1	(1.5)	(1.9)	(0.8)	(3.3)
Number of companies reporting operating losses.....	3	3	4	3	3
Number of companies reporting.....	6	7	7	5	5

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

Three of the U.S. producers are also importers of stainless steel butt-weld pipe fittings. Selected financial data for these producers and nonimporting producers are presented in the following tabulation:

Period and item	Net sales	Gross profit	Operating income	Ratio to net sales-- Gross profit	Ratio to net sales-- Operating income
	----(1,000 dollars)-------			-----(Percent)-----	
1984:					
Importers 1/....	***	***	***	***	***
Other 4 2/.....	***	***	***	***	***
1985:					
Importers 3/....	***	***	***	***	***
Other 4 2/.....	***	***	***	***	***
1986:					
Importers 3/....	***	***	***	***	***
Other 4 2/.....	***	***	***	***	***
Interim 1986:					
Importers 3/....	***	***	***	***	***
Other 4 2/.....	***	***	***	***	***
Interim 1987:					
Importers 3/....	***	***	***	***	***
Other 4 2/.....	***	***	***	***	***

1/ ***.
2/ ***.
3/ ***.

Value of property, plant, and equipment.--U.S. producers' investment in production facilities employed in the production of stainless steel butt-weld pipe fittings and all establishment products is shown in the following tabulation (in thousands of dollars):

Item and period	Value of property, plant, and equipment: Original value	Value of property, plant, and equipment: Book value
Stainless steel butt-weld pipe fittings:		
1984.....	4,597	2,125
1985.....	5,699	2,622
1986.....	7,092	4,019
Interim period ended Mar. 31--		
1986.....	7,068	3,940
1987.....	6,080	3,563
All products:		
1984.....	47,542	22,682
1985.....	43,915	21,663
1986.....	49,182	24,268
Interim period ended Mar. 31--		
1986.....	34,479	20,279
1987.....	30,574	16,850

Capital expenditures and research and development expenses.--U.S. producers' capital expenditures for buildings, machinery, and equipment used in the production of stainless steel butt-weld pipe fittings and all establishment products are shown in the following tabulation (in thousands of dollars):

Item and period	Capital expenditures
Stainless steel butt-weld pipe fittings:	
1984	968
1985	645
1986	1,874
Interim period ended Mar. 31--	
1986	1,395
1987	0
All products:	
1984	1,921
1985	2,023
1986	4,985
Interim period ended Mar. 31--	
1986	3,764
1987	270

Research and development expenses for stainless steel butt-weld pipe fittings are shown in the following tabulation (in thousands of dollars):

Period	Research and development expenses
1984	438
1985	247
1986	426
Interim period ended Mar. 31--	
1986	185
1987	128

Capital and investment.--U.S. producers were asked to describe any actual or potential negative effects of imports of the subject products from Japan on the firm's growth, investment, and ability to raise capital. Their replies are as follows:

* * * * * * *

Consideration of the Question of Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase in the alleged LTFV imports and the penetration of the U.S. market by such imports, probable suppression and/or depression of U.S. producers' prices, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity), the availability of export markets other than the United States, and U.S. importers' inventories. Imports, market penetration, and prices are discussed in subsequent sections of this report. U.S. importers generally do not import the subject articles for inventory. Importers that responded to the Commission's questionnaire held no inventories during the period covered by this investigation. The Commission obtained from counsel for three producers in Japan data on production, capacity, home-market shipments, and exports by all Japanese producers of stainless steel butt-weld pipe fittings. 1/

Capacity of foreign producers to generate exports

Seven firms, Nippon Benkan Kogyo Co., Ltd.; Nippon Bulge Industries, Ltd.; Kuze Bellows Kogyosho Co., Ltd.; Fuji Acetylene Industry Co., Ltd.; Mia Hora; Tutui, Ltd.; and Hoko, Ltd., are Japanese manufacturers/exporters of stainless steel butt-weld pipe fittings.

Japanese production of stainless steel butt-weld pipe fittings declined by 18 percent, from 12.0 million pounds in 1984 to 9.8 million pounds in 1986 (table 8). During the same period, reported capacity fell from 14.1 million pounds in 1984 to 12.2 million pounds in 1986, or by 14 percent. Capacity utilization increased from 85.5 percent in 1984 to 89.2 percent in 1985, then declined to 80.9 percent in 1986.

Home-market shipments increased by 3 percent, from 8.7 million pounds in 1984 to 9.0 million pounds in 1985, but then fell by 23 percent to 6.9 million pounds in 1986. Exports to the United States increased by 8 percent, from 2.1 million pounds in 1984 to 2.2 million pounds in 1985, then decreased by less than 1 percent in 1986. Producers reported that finished fittings accounted

---

1/ The petitioner also alleges that, because the welded stainless steel pipe from which butt-weld fittings are produced is subject to an export restraint agreement between the United States and Japan, producers in Japan have the incentive to divert welded pipe to the production of finished fittings (petition, p. 25). The Commission requested that counsel for the Japanese producers of fittings supply capacity utilization information concerning welded pipe (see memo of Apr. 30, 1987, to the record by Mary White, Commission attorney). Counsel reported that his clients had contacted the pipe manufacturers' association in Japan, which had refused to make this information available to them. Counsel stated that his clients do not believe that welded pipe production is being diverted into the production of fittings because (1) fittings are made both from welded pipe and from plate, and (2) welded pipe has many uses other than the manufacture of pipe fittings.

Table 8
Stainless steel butt-weld pipe fittings: Japan's production, capacity, home-market sales, and exports, 1984-86

Item	1984	1985	1986
Production.....1,000 pounds..	12,035	11,936	9,844
Capacity.....do....	14,074	13,386	12,169
Capacity utilization.....percent..	85.5	89.2	80.9
Home-market sales.....1,000 pounds..	8,708	8,962	6,898
Exports to--			
The United States 1/.....do....	2,055	2,224	2,205
All other countries.....do....	1,267	1,561	1,400
Total.....do....	3,322	3,785	3,605
Exports to the United States as a share of--			
Production.....percent..	17.1	18.6	22.4
Total exports.....do....	61.9	58.8	61.2

1/ Finished fittings accounted for 54.1 percent of the total exports to the United States in 1984, 52.2 percent in 1985, and 50.3 percent in 1986.

Source: Compiled from data submitted to the Commission by counsel for Nippon Benkan Kogyo Co., Ltd.; Nippon Bulge Industries, Ltd.; and Fuji Acetylene Industry Co., Ltd.

for 54.1 percent of the total exports to the United States in 1984, 52.2 percent in 1985, and 50.3 percent in 1986. As a share of production, exports to the United States increased from 17.1 percent in 1984 to 22.4 percent in 1986. As a share of total exports, shipments to the United States amounted to 61.9 percent in 1984, 58.8 percent in 1985, and 61.2 percent in 1986.

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

U.S. imports

U.S. imports of stainless steel butt-weld pipe and tube fittings increased by 152 percent, from 2.4 million pounds in 1984 to 6.0 million pounds in 1985. Imports continued to rise in 1986, reaching 6.1 million pounds, or 1 percent above imports in 1985. During January-February 1987, imports totaled 655,000 pounds, compared with 1.2 million pounds in the corresponding period of 1986. Japan was by far the principal source, supplying 48 percent of the total quantity of imports in 1984, 71 percent in 1985, and 65 percent in 1986. Other sources of imports included Taiwan, Canada, Israel, and West Germany (table 9).

Table 9
Stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter: U.S. imports for consumption, by principal sources, 1984-86, January-February 1986, and January-February 1987

Source	1984 1/	1985	1986	January-February-- 1986	1987
	Quantity (1,000 pounds)				
Japan	1,154	4,259	3,990	895	329
Taiwan	250	318	691	66	60
Canada	310	441	384	54	61
Israel	238	275	325	79	80
West Germany	48	85	256	10	61
All other	390	657	453	77	64
Total	2,390	6,035	6,099	1,181	655
	Customs value (1,000 dollars)				
Japan	3,548	9,245	10,419	1,819	1,335
Taiwan	662	988	1,743	198	179
Canada	1,217	1,662	1,452	173	256
Israel	1,005	1,054	1,259	337	275
West Germany	244	242	461	21	116
All other	319	1,207	731	226	152
Total	6,995	14,398	16,065	2,774	2,314

1/ Includes imports entered under TSUSA item 610.8048 during January-March 1984. Stainless steel butt-weld pipe and tube fittings were reclassified, effective Apr. 1, 1984, and presently enter under TSUSA item 610.8948.

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

Imports by questionnaire respondents

Imports of stainless steel butt-weld pipe fittings from Japan reported to the Commission by questionnaire respondents increased annually from 1.5 million pounds in 1984 to 4.0 million pounds in 1986, or by 164 percent. Imports by the responding firms declined during January-March 1987, dropping 59 percent from imports in the corresponding period of 1986. As shown in table 10, U.S. producers imported principally unfinished fittings, whereas the other firms principally imported finished fittings. Imports from Japan reported by questionnaire respondents totaled more than the quantity reported in official statistics for 1984 and 1986. Questionnaire responses accounted for 50.7 percent of the total imports from Japan as reported in official statistics for 1985.

Table 10
Stainless steel butt-weld pipe fittings: U.S. imports from Japan as reported in questionnaire responses, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
	Quantity (1,000 pounds)				
Imports by--					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings	393	627	2,363	832	377
Semifinished fittings	183	50	96	14	54
Total	576	677	2,459	846	431
U.S. producers:					
Finished fittings	127	98	37	0	28
Semifinished fittings	817	1,062	1,520	476	87
Total	944	1,160	1,557	476	115
Grand total	1,520	1,837	4,016	1,322	546
	Value (1,000 dollars) 1/				
Imports by--					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings	1,590	1,793	3,772	1,282	623
Semifinished fittings	618	329	588	277	231
Total	2,208	2,122	4,360	1,559	854
U.S. producers:					
Finished fittings	510	466	128	-	98
Semifinished fittings	2,493	4,268	5,942	2,083	384
Total	3,003	4,734	6,070	2,083	482
Grand total	5,211	6,856	10,430	3,642	1,336
	Unit value				
Imports by--					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings	$4.05	$2.86	$1.60	$1.54	$1.65
Semifinished fittings	3.38	6.58	6.13	19.79	4.28
Average	3.83	3.13	1.77	1.84	1.98
U.S. producers:					
Finished fittings	4.02	4.76	3.46	-	3.50
Semifinished fittings	3.05	4.02	3.91	4.38	4.41
Average	3.18	4.08	3.90	4.38	4.19
Grand average	3.43	3.73	2.60	2.75	2.45

1/ Landed duty-paid value at the U.S. port of entry, including the cost of ocean freight and insurance, brokerage charges, and import duties.

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

At the Commission's conference, representatives of the petitioner stated that imports of stainless steel butt-weld pipe fittings compete throughout the United States. 1/ In 1986, principal ports of entry for U.S. imports of stainless steel butt-weld pipe and tube fittings included New York City, Philadelphia, Chicago, and Houston. U.S. imports from Japan and all other countries in 1986, by customs districts, are presented in table 11.

Table 11
Stainless steel butt-weld pipe and tube fittings: U.S. imports for consumption from Japan and all other countries, by customs districts, 1986

(In thousands of pounds)

Customs district	Japan	All other countries	Total
New York City, NY	366	883	1,249
Philadelphia, PA	1,238	0	1,238
Chicago, IL	798	41	839
Houston, TX	360	328	688
Los Angeles, CA	260	169	429
Savannah, GA	381	23	404
Ogdensburg, NY	0	302	302
New Orleans, LA	289	5	294
Seattle, WA	13	106	119
All other	285	252	537
Total	3,990	2,109	6,099

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

U.S. market penetration

U.S. market penetration by imports from all sources increased from 35.5 percent in 1984 to 56.9 percent in 1985, and then slipped to 56.0 percent in 1986 (table 12). 2/ The ratio declined from 70.5 percent during January-March 1986 to an estimated 63.8 percent in the corresponding period of 1987. Imports from Japan increased their market share from 7.6 percent in 1984 to 36.6 percent in 1985, declined to 30.2 percent in 1986, and amounted to 50.1 percent during January-March 1987.

Prices

Price quotes for stainless steel butt-weld pipe fittings vary depending on the volume of each sale. Generally, for both producers and importers, sales of less than $4,000 to $5,000 will be quoted f.o.b. plant/warehouse,

1/ Transcript, p. 21.
2/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

Table 12
Stainless steel butt-weld pipe fittings: U.S. producers' domestic shipments, imports from Japan and all other countries, and apparent consumption, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
	Quantity (1,000 pounds)				
U.S. producers' shipments 1/..	2,862	3,767	3,598	762	666
Imports from--					
Japan.....	1,154	4,259	3,990	1,884	2/ 1,010
All other.....	1,236	1,776	2,109	411	2/ 252
Total.....	2,390	6,035	6,099	2,295	2/ 1,262
U.S. consumption 3/.....	4,435	8,740	8,177	2,581	1,841
	Share of consumption (percent)				
U.S. producers' shipments 1/..	64.5	43.1	44.0	29.5	36.2
Imports from 4/--					
Japan.....	7.6	36.6	30.2	54.6	2/ 50.1
All other.....	27.9	20.3	25.8	15.9	2/ 13.7
Total.....	35.5	56.9	56.0	70.5	2/ 63.8

1/ Includes shipments of finished fittings produced from imported unfinished fittings. Data for 1984 are for 8 firms; data for 1985-86 are for 9 firms; and data for the January-March periods are for 7 firms.
2/ Estimated by the Commission's staff based on imports during January-February 1987.
3/ Calculated as the sum of (a) U.S. producers' total domestic shipments of finished fittings made in the United States less their imports of unfinished fittings, and (b) total imports reported in official U.S. statistics.
4/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

Source: U.S. producers' shipments, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce, except as noted.

but those over these amounts are quoted delivered. Most domestic producers publish pricelists from which discounts are subtracted based on the volume of sales. Three domestic firms reported that at least *** percent of all sales are discounted from the list. *** reported that its discounts have increased from an average discount range, based on volume of sale, of *** to *** percent in 1983 to *** to *** percent during January-March 1987. Importers publish no pricelists, instead establishing prices through negotiation.

Two domestic companies reported *** minimum quantity purchase requirements, with the remaining companies setting a minimum purchase of *** net. One producer indicated a ***-percent premium for subminimum orders.

Leadtimes for orders from Japan averaged 4 months; domestic producers shipped from stock within 1 week. Longer leadtimes were reported by domestic firms for orders of products not in stock.

Producers and importers generally agreed that domestic and Japanese stainless steel butt-weld pipe fittings are equal in terms of quality and interchangeable in end uses. Distributors of these pipe fittings agreed with the producers and importers, but added that occasionally an end user will specify a certain producer's or importer's product on a sales order.

The Commission requested quarterly f.o.b. price data, after discounts, from U.S. producers and importers of stainless steel butt-weld pipe fittings for each firm's largest sale to a distributor during January-March 1984 through January-March 1987. These firms were also asked to provide quarterly data on the total quantity and value of sales for each of the specified fittings. All responding domestic producers and importers reported discounted prices. Specifications of pipe fittings for which price data were requested included the following:

> Product 1: Elbows: Stainless steel butt-weld, 1-1/2-inch nominal, 90°, long radius, sch. 10s, 304L.
>
> Product 2: Elbows: Stainless steel butt-weld, 3-inch nominal, 90°, long radius, sch. 10s, 304L.
>
> Product 3: Elbows: Stainless steel butt-weld, 6-inch nominal, 90°, long radius, sch. 10s, 304L.
>
> Product 4: Stub ends: Stainless steel butt-weld, 3-inch Type A stub end (short length), sch. 10s, 304L.
>
> Product 5: Tees: Stainless steel butt-weld, 3-inch nominal, sch 10s, 304L.

Questionnaires with usable price data were received from six producers, representing *** percent of reported 1986 production, and five importers, accounting for *** percent of 1986 total imports from Japan (and *** percent of the finished fittings imported from Japan by questionnaire respondents).

Price trends and price comparisons.--After initially increasing from *** per unit during January-March 1984 to *** during July-September 1984, the domestic producers' weighted-average price for product 1 fluctuated downward throughout most of the investigation period, falling to *** during January-March 1987, an overall price decrease of 6 percent (table 13).

Product 2 followed a trend similar to that of product 1. Prices rose from *** per unit during the first quarter of 1984 to *** in the second quarter and then fell irregularly throughout the remainder of the quarters. The sharpest decrease, 16 percent, occurred between October-December 1986 and January-March 1987, with prices falling from *** to *** per unit. Prices fell overall by 24 percent.

Table 13
Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of underselling, by quarters, January 1984-March 1987

Product and period	Domestic price	Japanese price	Margin of underselling
	Per unit	Per unit	Percent
Product 1			
1984:			
January-March	***	***	38.4
April-June	***	***	2/
July-September	***	***	37.3
October-December	***	***	19.6
1985:			
January-March	***	***	25.1
April-June	***	***	21.9
July-September	***	***	18.7
October-December	***	***	18.5
1986:			
January-March	***	***	30.1
April-June	***	***	31.0
July-September	***	***	26.6
October-December	***	***	36.4
1987:			
January-March	***	***	35.1
Product 2			
1984:			
January-March	***	***	26.5
April-June	***	***	41.8
July-September	***	***	33.0
October-December	***	***	14.0
1985:			
January-March	***	***	2/
April-June	***	***	15.7
July-September	***	***	19.7
October-December	***	***	4.3
1986:			
January-March	***	***	24.1
April-June	***	***	21.9
July-September	***	***	19.1
October-December	***	***	21.2
1987:			
January-March	***	***	16.8
Product 3			
1984:			
January-March	***	***	31.7
April-June	***	***	2/
July-September	***	***	36.5
October-December	***	***	22.7
1985:			
January-March	***	***	24.1
April-June	***	***	23.8
July-September	***	***	18.3
October-December	***	***	19.6

See footnotes at end of table.

Table 13--Continued
Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of underselling, by quarters, January 1984-March 1987

Product and period	Domestic price	Japanese price	Margin of underselling
	---------Per unit---------		Percent
Product 3--Continued			
1986:			
January-March.....	***	***	32.9
April-June.....	***	***	5.9
July-September.....	***	***	24.0
October-December.....	***	***	22.1
1987:			
January-March.....	***	***	14.3
Product 4			
1984:			
January-March.....	***	***	36.4
April-June.....	***	***	2/
July-September.....	***	***	60.0
October-December.....	***	***	31.7
1985:			
January-March.....	***	***	29.3
April-June.....	***	***	48.8
July-September.....	***	***	39.6
October-December.....	***	***	24.2
1986:			
January-March.....	***	***	24.1
April-June.....	***	***	18.9
July-September.....	***	***	41.2
October-December.....	***	***	25.0
1987:			
January-March.....	***	***	24.9
Product 5			
1984:			
January-March.....	***	***	2/
April-June.....	***	***	2/
July-September.....	***	***	47.4
October-December.....	***	***	39.7
1985:			
January-March.....	***	***	39.8
April-June.....	***	***	39.3
July-September.....	***	***	42.1
October-December.....	***	***	40.6
1986:			
January-March.....	***	***	43.6
April-June.....	***	***	38.6
July-September.....	***	***	41.6
October-December.....	***	***	27.6
1987:			
January-March.....	***	***	24.3

1/ No sales reported.
2/ Comparison not possible.

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

Prices for product 3 moved irregularly above and below the January-March 1984 price of *** through January-March 1986, peaking at *** per unit during January-March 1985, and then declined during the remainder of the investigation period. As with product 2, the largest price drop occurred between October-December 1986 and January-March 1987, with the price falling from *** to *** per unit, or by 13 percent. There was an overall decrease of 19 percent.

Product 4 prices fluctuated throughout the investigation period, declining overall by 19 percent, similar to the price declines of products 2 and 3. During January-March 1984, the per unit price was *** for this fitting. Prices peaked during the third quarter of 1984 at *** and then fell throughout most of the remaining quarters, with prices recovering slightly during the end of 1985 and the beginning of 1986. Prices rose to *** during July-September 1986, before falling by 29 percent during the following two quarters.

Prices for product 5 peaked during January-March 1984 at *** per unit before fluctuating downward throughout the remaining investigation period, dropping between the final two quarters by 11 percent, from *** to ***, and by 32 percent overall.

Prices for all specifications of Japanese fittings are based on a limited number of observations. All Japanese pipe fittings showed somewhat similar price trends for the investigation period, and were priced below the domestic fittings in all comparable quarters.

Prices for product 1 from Japan fluctuated throughout most of the investigation period, remaining above the January-March 1984 price of *** per unit in all quarters except January-March 1987, when prices fell to ***. The Japanese fittings were priced below domestic fittings in all comparable quarters, with margins ranging from 18 to 38 percent.

Prices for Japanese product 2 also fluctuated throughout the period, above and below the initial level of ***. Prices fell during January-March 1987 to *** per unit. For all comparable quarters, prices for these Japanese fittings were below domestic fittings, with margins ranging from 4 to 42 percent.

Prices for product 3 imported from Japan increased from an initial per unit price of *** during January-March 1984 to *** during October-December 1984, and then fluctuated during 1985 and 1986, reaching a high of *** during April-June 1986. Despite this increase, prices for the Japanese fittings were below those for the domestic product, with margins ranging from 6 to 36 percent.

Prices for Japanese-produced product 4 moved with no apparent pattern throughout the period of the investigation. Prices ranged from *** during July-September 1984 to *** during October-December 1985, and margins of underselling ranged from 19 to 60 percent.

Prices for Japanese product 5 fell from an October-December 1984 level of *** to *** during January-March 1986, but recovered slightly during the following two quarters, before rising sharply from *** to *** per unit during October-December 1986. Prices again fell during the final quarter. Margins by which Japanese fittings were priced below domestic fittings ranged from 24 to 47 percent.

Lost sales and lost revenues

Two producers of stainless steel butt-weld pipe fittings alleged *** separate instances in which they believed they lost sales to the competing Japanese product. These allegations involved purchases by *** distributors, and totaled *** pounds, valued at ***. One domestic producer also alleged *** instances of lost revenues because of price competition from the Japanese product. Alleged lost revenues totaled *** on sales of *** pounds. Staff contacted three of the purchasers involved in the alleged lost revenues; these firms accounted for *** in alleged lost revenues on sales of *** pounds. Summaries of conversations with the purchasers are summarized below.

.-- alleged that a sale of *** pounds of mixed sizes of stainless steel butt-weld pipe, valued at ***, was lost in *** to imported Japanese fittings. *** commented that he made two separate purchases of Japanese fittings from *** during ***, but the larger of the two totaled only ***.

.-- alleged two separate instances in *** in which they believed sales had been lost to Japanese competition. The total quantity involved was *** pounds, valued at ***. *** stated that he could not recall these particular quotations, but he did add that they often purchase large quantities of imported fittings. Domestic fittings are purchased in smaller quantities. He added that *** stocks domestic, Japanese, and *** stainless steel butt-weld pipe fittings, and that since 1985 he has not changed his purchasing habits to include greater volumes of imports.

.-- alleged one lost sale of *** pounds of mixed stainless steel butt-weld pipe fittings, valued at ***, in *** to ***. ***, a buyer for the firm, denied the allegation, stating that the firm purchases only domestic fittings.

.-- alleged lost revenues of *** on a sale of *** pounds of stainless steel butt-weld pipe fittings to *** in ***. *** would not comment on the allegation.

.-- alleged lost revenues of *** on a sale of *** pounds of pipe fittings to *** in ***. *** denied the allegation, commenting that previous delivery dates had not been met by ***, so *** switched to a different domestic manufacturer.

.-- alleged lost revenues of *** on sales of *** pounds of stainless steel butt-weld pipe fittings in ***. A spokesman for *** stated that the allegation was correct but declined to discuss it further.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the interval January 1984 through December 1986 the quarterly nominal value of the Japanese yen advanced sharply by 44.1 percent against the U.S. dollar (table 14). 1/ After adjustment for the relative economic movement of each currency over the 12-quarter period for which data were collected, the real value of Japan's currency appreciated 29.2 percent relative to the dollar--significantly less than the apparent appreciation of 44.1 percent represented by the nominal Japanese exchange rate.

Table 14
U.S.-Japanese exchange rates: 1/ Nominal-exchange-rate equivalents of the Japanese yen in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Japan, 2/ indexed by quarters, January 1984-December 1986

	January-March 1984=100.0			
Period	U.S. Producer Price Index	Japanese Producer Price Index	Nominal-exchange-rate index	Real-exchange-rate index 3/
			----US Dollars per yen----	
1984:				
January-March.....	100.0	100.0	100.0	100.0
April-June.....	100.7	99.9	100.6	99.8
July-September.....	100.4	100.7	94.9	95.1
October-December....	100.2	100.4	93.9	94.1
1985:				
January-March.....	100.0	100.8	89.7	90.4
April-June.....	100.1	100.1	92.1	92.1
July-September.....	99.4	99.0	96.8	96.4
October-December....	100.0	96.7	111.6	107.9
1986:				
January-March.....	98.5	94.4	123.0	117.8
April-June.....	96.6	90.4	135.8	127.1
July-September.....	96.2	87.9	148.3	135.6
October-December....	96.5	86.6	144.1	129.2

1/ Exchange rates expressed in U.S. dollars per Japanese yen.
2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
3/ The indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producer Price Index in the United States and Japan. Producer prices in the United States decreased 3.5 percent during the period January 1984 through December 1986 compared with a 13.4-percent decrease in Japanese prices during the same period.

Source: International Monetary Fund, International Financial Statistics, April 1987.

1/ International Financial Statistics, April 1987.

APPENDIX A

COMMISSION'S FEDERAL REGISTER NOTICE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-376 (Preliminary)]

Certain Stainless Steel Butt-Weld Pipe Fittings from Japan

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-376 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter, provided for in item 610.89 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by May 18, 1987.

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

EFFECTIVE DATE: April 3, 1987.

FOR FURTHER INFORMATION CONTACT: Bruce Cates (202-523-0369), 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. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-523-0161. Information may also be obtained via electronic mail by assessing the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on April 2, 1987, by Flowline Corp., New Castle, PA., a U.S. producer of certain stainless steel butt-weld pipe fittings.

Participation in the Investigation

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

Service List

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

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on April 27, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Bruce Cates (202-523-0369) not later than April 24, 1987, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before April 30, 1987, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

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

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

Issued: April 7, 1987.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-8043 Filed 4-9-87; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

CALENDAR OF WITNESSES

Calendar of Public Conference

Investigation No. 731-TA-376 (Preliminary)

CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM JAPAN

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation at 9:30 am on April 27 1987, in the Hearing Room of the USITC Building, 701 E. Street, NW, Washington, D.C.

In support of the imposition of antidumping duties

Rose, Schmidt, Chapman, Duff & Hasley
Washington, D.C.

On behalf of

Flowline Corp.
Mr. Roger Brown, President

Peter Buck Feller)
John C. Lindsey) --of Counsel

In opposition to the imposition of antidumping duties

Sonnenberg, Anderson & O'Donnell
Chicago, IL

on behalf of

Gerlin, Inc.

Mr. Joseph Romaelli, President
Mr. Jack Sharkey, Executive Vice President

Steven P. Sonnenberg)
Michael A. Johnson) --of Counsel

Graham & James
Washington, D.C.

on behalf of

Nippon Bulge Industries, Ltd.
Fuji Acetylene Industry Co., LTD.
Nippon Benkan Kogyo Co., Ltd.

Stuart E. Benson)
Jeffrey L. Snyder) --of counsel

APPENDIX C

TRADE DATA REPORTED TO THE COMMISSION BY GERLIN CORP.

Table C-1
Stainless steel butt-weld pipe fittings: Production, imports, shipments, and employment as reported to the Commission by Gerlin Corp., 1985-86, January-March 1986, and January-March 1987 1/

Item	1985	1986	January-March-- 1986	1987
Production 2/.....1,000 pounds..	***	***	***	***
Imports:				
Quantity.....1,000 pounds..	***	***	***	***
Value.....1,000 dollars..	***	***	***	***
Shipments:				
Quantity.....1,000 pounds..	***	***	***	***
Value.....1,000 dollars..	***	***	***	***
Employment of production and related workers:				
Average number.....	***	***	***	***
Hours worked.....1,000 hours..	***	***	***	***
Average hourly wage.....	***	***	***	***
Total hourly compensation.....	***	***	***	***

1/ ***.
2/ ***.
3/ ***.

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

Table C-2
Stainless steel butt-weld pipe fittings: Profit-and-loss experience as reported to the Commission by Gerlin Corp., 1985-86, and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

Item	1985	1986	Interim period ended Mar. 31-- 1986	1987
Net sales.....1,000 dollars..	***	***	***	***
Cost of goods sold.....do....	***	***	***	***
Gross profit or (loss).....do....	***	***	***	***
General, selling, and administrative expenses.....1,000 dollars..	***	***	***	***
Operating income or (loss).....do....	***	***	***	***
Depreciation and amortization...do....	***	***	***	***
Ratio of operating income or (loss) to net sales.....percent..	***	***	***	***

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

Table C-3
Stainless steel butt-weld pipe fittings: Value of property and equipment and capital expenditures as reported to the Commission by Gerlin Corp., 1984-86, January-March 1986, and January-March 1987

(In thousands of dollars)

Item	1984	1985	1986	January-March-- 1986	1987
Value of property and equipment:					
Original value	***	***	***	***	***
Book value	***	***	***	***	***
Capital expenditures:					
Land	***	***	***	***	***
Buildings	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	***	***	***	***	***

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

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

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