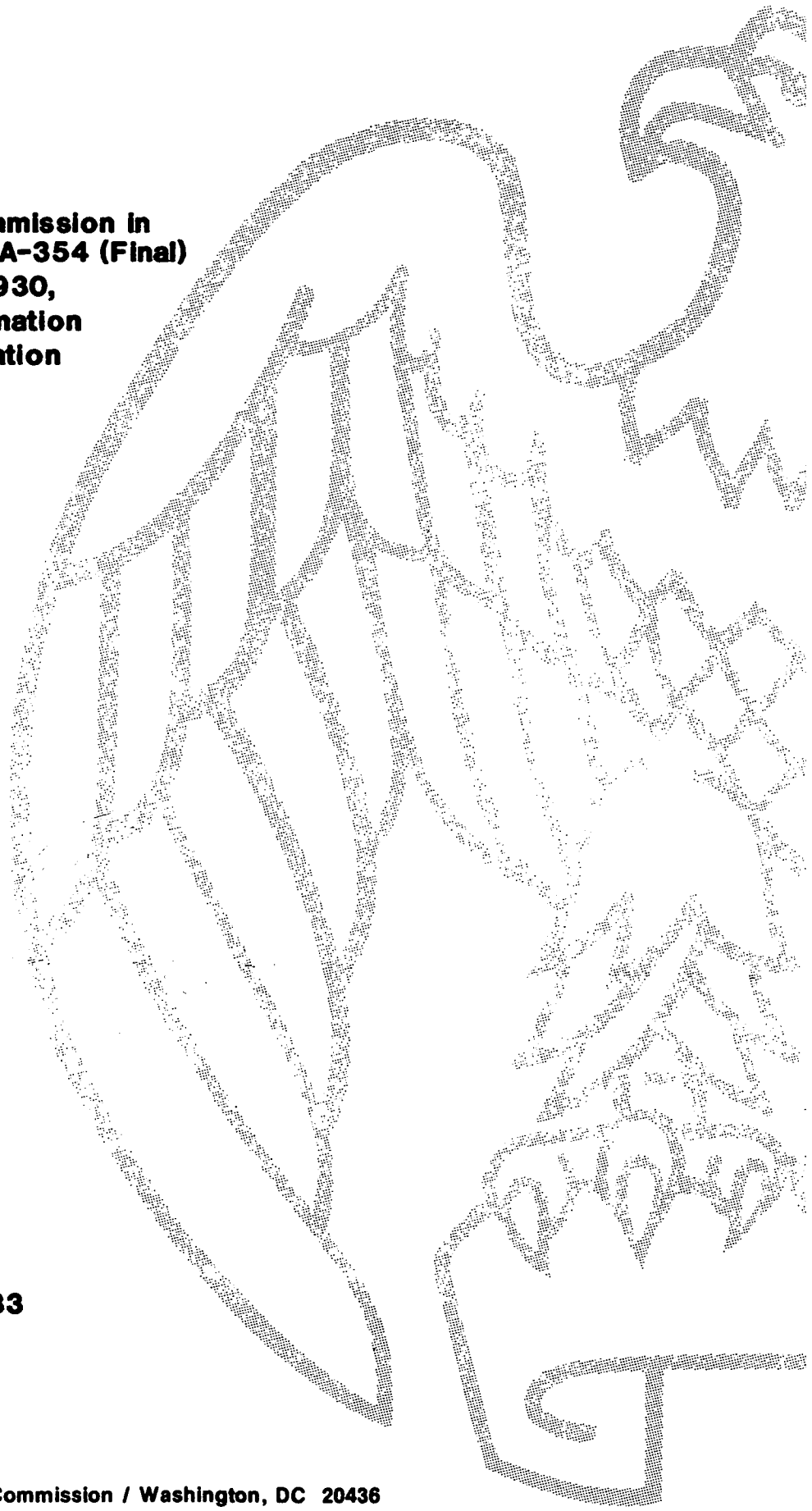
STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

Determination of the Commission in Investigation No. 731-TA-354 (Final) 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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-354 (Final)

STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

Determinations

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Sweden of seamless stainless steel pipes, tubes, hollow bars, and blanks therefor, all the foregoing of circular cross section, provided for in items 610.51 and 610.52 of the Tariff Schedules of the United States (TSUS), that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). The Commission further determines 3/ that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Sweden of welded stainless steel pipes, tubes, hollow bars, and blanks therefor, all of the foregoing of circular cross section, provided for in TSUS items 610.37 and 610.52, that have been found by the Department of Commerce to be sold in the United States at LTFV.

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

2/ Chairman Liebeler determines that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry is not materially retarded, by reason of imports from Sweden of seamless stainless steel pipes and tubes that have been found by the Department of Commerce to be sold at less than fair value.

3/ Commissioners Eckes and Lodwick determine that an industry in the United States is materially injured by reason of imports from Sweden of welded stainless steel pipes and tubes that have been found by the Department of Commerce to be sold in the United States at LTFV.

Background

The Commission instituted this investigation effective May 22, 1987, following a preliminary determination by the Department of Commerce that imports of certain stainless steel hollow products from Sweden were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 1, 1987 (52 F.R. 24537). The hearing was held in Washington, DC, on October 13, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine, first, that an industry in the United States is materially injured by reason of imports of seamless stainless steel pipe and tube from Sweden that are sold at less than fair value ("LTFV"). [1/] [2/] We base this determination primarily on the deteriorating condition of the domestic industry, significant market penetration by imports of seamless pipe and tube from Sweden, and a pattern of underselling by those imports.

We determine, second, that an industry in the United States is not materially injured or threatened with material injury by reason of imports of welded stainless steel pipe and tube from Sweden that are sold at LTFV. [3/] Data provided in this final investigation indicate that the performance of the domestic welded pipe and tube industry has improved steadily, although it remains weak. Furthermore, the causal link between imports from Sweden and the condition of the domestic industry is not sufficiently strong. Although the subject imports increased, Swedish market penetration remained low, the financial performance of the industry steadily improved, and prices remained relatively stable.

Like product/domestic industry

In order to assess material injury, the Commission is required to define the scope of the relevant domestic industry. The term "industry" is defined as "the domestic producers as a whole of a like product, or those producers

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

2/ Chairman Liebeler determines that an industry in the United States is not materially injured or threatened with material injury by reason of LTFV imports of seamless stainless steel pipe and tube from Sweden. See her Additional and Dissenting Views, infra.

3/ Commissioner Eckes and Commissioner Lodwick determine that an industry in the United States is materially injured by reason of LTFV imports of welded pipe and tube from Sweden. See their Dissenting Views, infra.

whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 4/ "Like product," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 5/ In considering like product questions, the Commission typically examines the characteristics and uses of the merchandise, including the following factors: (1) physical appearance, (2) end uses, (3) customer perceptions, (4) common manufacturing facilities and employees, (5) production processes, (6) channels of distribution, and (7) interchangeability of the product. 6/

The imported product subject to this final investigation is stainless steel pipe and tube. 7/ 8/ As we noted in a recent final determination on this same product, stainless steel pipe and tube comes in two varieties,

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4/ 19 U.S.C. § 1677(4)(A).
5/ 19 U.S.C. § 1677(10).
6/ See, e.g., Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134 and 135 (Final), USITC Pub. No. 1514 at 3-6 (1984); and Industrial Phosphoric Acid from Belgium and Israel, Invs. Nos. 701-TA-285 and 286 (Preliminary) and 731-TA-365 and 366 (Preliminary), USITC Pub. No. 1931 at 4-6 (1986).
7/ The article subject to an investigation is defined by the scope of the Department of Commerce's investigation. The scope of this investigation is certain stainless steel hollow products including pipes, tubes, hollow bars and blanks therefor, of circular cross section, containing over 11.5 percent chromium by weight, as provided for under TSUSA item numbers 610.3701, 610.3727, 610.3741, 610.3742, 610.5130, 610.5202, 610.5229, 610.5230, and 610.5231, and currently classifiable under Harmonized System item numbers 7304.41.00, 7304.49.00, 7306.40.10 and 7306.40.50. 52 Fed. Reg. 37,810.
8/ The Commission has investigated stainless steel pipe and tube imports from Sweden on three prior occasions. See Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Preliminary), USITC Pub. No. 1903 (1986); and Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. No. 1966 (1987); and Stainless Steel Pipes and Tubes from Sweden, Inv. No. 731-TA-354 (Preliminary), USITC Pub. No. 1919 (1986).

welded and seamless, depending on the method of manufacture. 9/ The seamless product is more expensive than the welded product and is generally used where greater strength and reliability is required. Moreover, seamless pipe and tube can be used for most applications calling for welded pipe and tube, whereas the opposite is not generally true. Consequently, the distinct physical characteristics of each product make them generally suitable for different uses.

As noted, the Commission has determined on other occasions that welded and seamless pipe and tube are separate like products. 10/ In each case, we found that the two products differ in end use, physical characteristics, and price, are not interchangeable, and are produced by different processes. 11/ We thus find, again, that welded and seamless pipe and tube are separate like products. 12/

9/ See Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. No. 1966 at 5 (1987).
10/ See Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Final), USITC Pub. No. 1966 at 6 (1987); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Inv. No. 701-TA-168 (Final), USITC Pub. No. 1345 at 4 (1983); Certain Seamless Steel Pipes and Tubes from Japan, Inv. No. 731-TA-87 (Final), USITC Pub. No. 1347 at 3-7 (1983); and Pipes and Tubes of Iron or Steel from Japan, Inv. No. 731-TA-15 (Preliminary), USITC Pub. No. 1058 at 5 (1980).
11/ Id. See also Report of the Commission ("Report") at A-3, A-6-A-7.
12/ In the preliminary investigation, petitioners urged the Commission to find that welded and seamless pipe and tube constitute one like product. However, petitioners in the final investigation stated that since the Commission has consistently found that welded and seamless pipe and tube constitute two separate like products, petitioners would not further address the issue. See Pre-Hearing Brief of Petitioners, The Specialty Tubing Group and the United Steelworkers of America, AFL/CIO ("Pre-Hearing Brief of Petitioners") at 6.

An issue that arose with respect to welded pipe and tube in this investigation, as in the earlier countervailing duty ("CVD") investigation, is whether pipe and tube containing between 10.1 and 11.5 percent chromium (primarily grade 409 pipe and tube) is like the imported article. 13/ Avesta argued, as it did in the CVD investigation, that grade 409 pipe and tube, like other grades, is used to "transmit gases and fluids" 14/ and that grade 409 is considered stainless steel pipe and tube by the American Society for Testing and Materials, the domestic industry in general, and the Department of Commerce (in its Current Industrial Reports). 15/

In considering this issue we find, once again, that grade 409 pipe is physically different from the higher grade products in that it contains less chromium and is of lower quality, that grade 409 pipe is used mainly in automotive exhaust systems, and that it is produced primarily by a distinct group of companies using a less expensive and less complex process than is required to produce higher grades of pipe and tube. Finally, a large proportion of grade 409 pipe does not enter into the open market, but is consumed internally by companies that are essentially fabricators of automotive exhaust systems. 16/ The Commission decided to continue its past

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13/ Report at A-5. See Inv. No. 701-TA-281 (Final) at 6-7.
14/ Pre-Hearing Brief Submitted on Behalf of Avesta Sandvik Tube AB and Avesta Stainless Inc. ("Pre-Hearing Brief of Avesta") at 18.
15/ Id.
16/ Report at A-6.

practice in this regard and not include articles containing between 10.1 and 11.5 percent chromium within the like product definition. 17/

The Commission also determined in the preliminary antidumping and CVD investigations that redraw hollows and finished seamless pipe and tube are one like product. 18/ In the past, the Commission has considered several factors -- including physical characteristics, complexity and costs of processing, interchangeability, market, prices, and independent uses -- in deciding whether semifinished and finished products (in this case redraw hollows) constitute one like product. 19/ We note here that redraw hollows and finished seamless pipe and tube have similar physical characteristics, are manufactured using the same processing and finishing operations, and are produced often in the same sizes and to the same specifications. 20/ Accordingly, we determine that redraw hollows and finished seamless pipe and tube are one like product.

17/ Vice Chairman Brunsdale does not agree that grade 409 pipe should be excluded from the like product. This grade of pipe is produced using the same equipment and process as other welded pipe. Indeed, two firms that produce pipe of higher grades (and therefore are included in the domestic industry) also produce grade 409. See Report at A-6. However, the Commission has not obtained much information about grade 409 pipe (e.g., shipments, production, financial results of producers). Therefore her analysis in this case relies on data available in the staff report.

18/ Inv. No. 731-TA-354 (Preliminary), USITC Pub. No. 1919 at 8 and Inv. No. 701-TA-281 (Preliminary), USITC Pub. No. 1903 at 7.

19/ See, e.g., Stainless Steel Pipes and Tubes from Sweden, Inv. No. 701-TA-281 (Preliminary), USITC Pub. No. 1903 at 6-7 & n.13 (1986), Certain Brass Sheets and Strips from Brazil, Canada, France, Italy, the Republic of Korea, Sweden, and West Germany, Invs. Nos. 701-TA-269 and 270 (Preliminary) and 731-TA-311-317 (Preliminary), USITC Pub. No. 1837 at 7 (1986).

20/ See Report at A-15.

Finally, in considering whether to include redrawers of pipe and tube in the domestic industry, [21/] we find here, as we did in the CVD investigation, that facilities involved in the later stages of production of the like product are generally considered part of the domestic industry, that the activities of the redrawers in cold-working the pipe are very similar to the cold-working activities performed by integrated producers, and that redrawers add substantial value -- approximately 50 percent -- to the product they are producing. [22/] Therefore, we again determine that redrawers are part of the domestic industry.

Based on the foregoing, the Commission concludes that there are two domestic industries: the welded pipe and tube industry, which consists of (1) integrated companies that melt stainless steel, produce the required basic shapes (sheet, strip, and plate), and then make the pipe and tube, and (2) non-integrated companies that purchase the basic shapes and make the pipe and tube; and the seamless pipe and tube industry, which consists of (1) integrated companies that melt the steel, produce the basic shapes, and then make the pipe and tube, and (2) redrawers.

Related Parties

Under the statute, the Commission may in appropriate circumstances exclude from the domestic industry any U.S. producers that are also "related to the exporter or importers, or are themselves importers of the

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21/ See, Inv. No. 701-TA-281 (Final) at 7-8. A redrawer is a company that purchases a hollow tube (i.e., a redraw hollow) and cold-works it, reducing the outside diameter and wall thickness.
22/ Id. at A-16.

allegedly . . . dumped merchandise." [23/] In this investigation, we considered whether to exclude Sandvik Steel Co. ("Sandvik"), a domestic producer that is wholly owned by a Swedish seamless tube manufacturer and that imported seamless tubes from Sweden during the period of investigation.

Sandvik asserted that appropriate circumstances do not exist to exclude it as a related party (1) because Sandvik can buy redraw hollows from other sources at prices comparable to or lower than those offered by its parent, (2) because Sandvik imports from its parent primarily to obtain sizes and grades unavailable from other sources, [24/] and (3) because Sandvik's profitability is attributable to its state-of-the-art cold-working facility, extensive investment in research and development, and a large and specialized sales force. [25/]

23/ See 19 U.S.C. § 1677(4)(B). Section 1677(4)(B) provides in relevant 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.

See also S. Rep. No. 249, 96th Cong., 1st Sess. at 83 (1979). In considering whether to exclude a producer under the related parties provision, the Commission first must ascertain 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. See Butt-Weld Pipe Fittings from Brazil and Taiwan, Invs. Nos. 731-TA-308 and 310 (Final), USITC Pub. No. 1918 at 9-10 and n.27 (1986). See also Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. No. 1798 at 10-13 (1986). In previous investigations, the Commission has focused upon the following factors among others in determining whether "appropriate circumstances" exist to exclude a related party: (1) the percentage of domestic production attributable to the related producers; (2) whether related producers chose to import the product under investigation in order to benefit from the unfair market; and (3) the competitive position of the related domestic producer vis-a-vis other domestic producers. Id. at 11.

24/ Pre-Hearing Brief of Sandvik at 16-18.

25/ Id. at 18.

In this final investigation, the Commission obtained information confirming that Sandvik is the exclusive U.S. importer of products from its parent company, thus indicating that the latter may be directing its exports to the United States so as not to compete with its related U.S. producer. 26/ In addition, Sandvik appears to have benefited from the consistently lower prices of Swedish imported products relative to domestic products. 27/ Therefore, applying section 771(4)(B), we determine that Sandvik should be excluded from the domestic industry.

Seamless Pipe and Tube

Condition of the domestic industry

In determining the condition of a domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment and profitability. 28/

During the period of the Commission's investigation -- 1984 through 1986, as well the first two quarters of 1987 -- most of the principal economic indicators of the condition of the industry deteriorated. U.S. apparent consumption of seamless pipe and tube rose from 28,005 short tons in 1984 to 30,678 short tons in 1985, then declined almost 11 percent to 27,194 short

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26/ Report at A-17.
27/ Id. at A-33. Prices for Sandvik steel averaged 0.5 to 18 percent lower than for other domestic producers in eastern U.S. markets, 8 to 38 percent lower in midwestern markets and 3 to 14 percent lower in western markets. Id. at A-72. These lower retail prices suggest that Sandvik may receive lower than market prices for certain of its inputs imported at LTFV from Sweden.
28/ 19 U.S.C. § 1677(7)(C)(iii).

tons in 1986, [29/] and declined even more sharply -- by 24 percent -- in January-June 1987 compared with the corresponding period of 1986. [30/]

Domestic production of seamless pipe and tube by integrated producers decreased steadily from 7,760 short tons in 1984 to 6,900 short tons in 1986, or by 11 percent, [31/] and then by another 5.4 percent in the interim 1986-1987 comparison. [32/] The integrated producers' capacity to produce also declined sharply from 21,300 short tons in 1984 to 15,300 short tons in 1986, [33/] and from 7,826 in interim 1986 to 7,697 in interim 1987. [34/] Reflecting the sharp decline in domestic capacity, capacity utilization rose from 36 percent in 1984 to 45 percent in 1986, [35/] but declined slightly from 50.9 percent in January-June 1986 to 49.0 percent in January-June 1987. [36/]

29/ Report at A-20.
30/ Id.
31/ Id. at A-21.
32/ Id. These figures do not include production by redrawers. All seamless tube producers who are not redrawers are integrated producers. We note that production by redrawers (excluding Sandvik) increased 7.5 percent from 1984 to 1986, but declined 10.4 percent in interim 1987 as compared with interim 1986. Id. In the report, data for the redrawers are presented in separate tabulations to avoid double-counting. See id. at A-19 and A-21.
33/ Report at A-22.
34/ Id. Redrawers' capacity (excluding Sandvik) increased by 3.2 percent from 1984 to 1985, dropped by 1.4 percent in 1986, then declined by 5.1 percent in January-June 1987, as compared with the corresponding period in 1986. The capacity utilization rate increased from 1984 through 1986, then declined in January-June 1987 as compared with January-June 1986. Id.
35/ Report at A-22, Table 3.
36/ Id.

U.S. domestic shipments by integrated producers measured both by quantity and by value fell during the period -- from 8,010 short tons valued at $67.4 million in 1984 to 6,681 short tons valued at $60.2 million in 1986, [37/] with a marginal decline in interim 1987. [38/] Year-end inventories of U.S. producers decreased by 46 percent during 1984-86, from 3,827 short tons in 1984 to 2,074 in 1986, [39/] and by 21.7 percent between June 30, 1986 and June 30, 1987. [40/] The ratio of inventories to shipments also fell, from 47.8 percent in 1984 to 31.0 percent in 1986, and from 26.2 percent on June 30, 1986 to 20.6 percent on June 30, 1987. [41/]

Employment trends in the domestic industry reflected the industry's deteriorating economic condition. The average number of workers engaged in the production of seamless pipe and tube fell sharply from 1984 to 1986, [42/] as did hours worked and wages paid. [43/] Labor productivity rose. [44/]

37/ Id. at A-23, Table 5. Shipments by redrawers, excluding Sandvik Steel Co. increased from 3,204 short tons in 1984 to 3,436 short tons in 1986, falling from 1,889 short tons in interim 1986 to 1,695 short tons for the same period in 1987. Id. at A-24.

38/ Report at A-23-A-24.

39/ Id. at A-26.

40/ Id. Redrawers' (excluding Sandvik's) year-end inventories declined between 1984 and 1985, rising in 1986 and in interim 1987 over interim 1986. Id. at A-27. As a percentage of redrawer shipments, inventories declined from 38.7 percent in 1984 to 36.5 percent in 1985, then rose to 43.6 percent in 1986.

41/ Report at A-26. It should be noted that the redrawers' yearend inventories, excluding Sandvik Steel Co., increased slightly during the period of investigation, from 407 short tons in 1984 to 493 short tons in 1986, and from 427 short tons on June 30, 1986 to 504 short tons on June 30, 1987. Id. at A-27.

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

43/ Id.

44/ Id. For redrawers, each of the employment indicators remained relatively stable during the period of investigation.

Net sales of seamless pipe and tube declined steadily during the period of investigation. The decline in net sales was reflected in the industry's generally low profitability over the period. We note that the increase in profitability in 1986 is partially attributable to the departure from the industry of Babcock and Wilcox, and that operating profits declined sharply in interim 1987 as compared with interim 1986. 45/

On the basis of the sharp declines in capacity, production, shipments, employment, and net sales, we determine that the U.S. seamless pipe and tube industry has suffered material injury.

Material injury by reason of LTFV imports of seamless pipe and tube from Sweden

In determining whether the domestic industry is materially injured by reason of LTFV imports of seamless pipe and tube from Sweden, 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. 46/

The volume of imports and the market penetration of seamless pipe and tube remained significant throughout the period of investigation. Such imports reached a record level of 5,726 short tons in 1984, declined to 4,592 short tons in 1985, and then rose to 4,866 short tons in 1986, 47/ and then declined slightly to 1,827 in the most recent interim period. The imports'

45/ Report at A-32, Table 10.
46/ 19 U.S.C. § 1677(7)(B).
47/ Report at A-52, Table 21. Imports in 1983 were approximately 3,551 short tons. See Stainless Steel Pipes and Tubes from Sweden, Inv. No. 731-TA-354 (Preliminary), USITC Pub. No. 1919 at A-36 (1986).

share of U.S. apparent consumption was 20.4 percent in 1984, 15.0 percent in 1985, 17.9 percent in 1986. [48/] This share fell slightly to 16.3 percent in interim 1987 over 16.8 percent in interim 1986. [49/] We do not find this latter decline significant in light of evidence that it resulted, at least in part, from this investigation. [50/] We note that import penetration by value rose from interim 1986 to interim 1987. [51/] [52/]

In addition to significant levels of import volumes and market penetration, the industry faced consistent underselling by the imported product. [53/] As the record reveals, there were eleven orders of seamless pipe and tube placed from 1985 to 1987, that were reported by purchasers during this investigation and the final CVD investigation and that involved competition between the domestic product and the imports from Sweden. Of

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48/ Id. at A-56, Table 23. See also Id. at A-24.
49/ Id.
50/ According to Commerce, the monthly import figures in 1987 of seamless pipe and tube from Sweden declined from 574 short tons in February and 632 in March, to a mere 108 in April and 112 in May. This decrease nearly coincides in time with the imposition of the preliminary dumping margins, which took effect in May, 1987. We have stated in past investigations that import declines caused by the initiation of an investigation or the imposition of preliminary dumping margins will not affect the Commission's analysis of causation. See Candles From the People's Republic of China, Inv. No. 731-TA-282 (Final), USITC Pub. No. 1888 at 16 (1986).
51/ Report at A-56, Table 23.
52/ In assessing the relative market presence of Swedish imports, Commissioner Lodwick notes that Swedish imports as a percentage of domestic integrated producer shipments averaged 67% during 1984-1986 and was 73% in 1986. Swedish imports relative to combined integrated producer and redrawer domestic shipments (excluding Sandvik) averaged 46% during 1984-1986 and was 48% in 1986.
53/ See n.84, infra, for the views on underselling of Vice Chairman Brunsdale.

these, seven were awarded to Sandvik. 54/ 55/ 56/ In these seven orders, the prices of the Swedish imports were 8 to 15 percent below the quoted domestic prices. 57/ The reasons cited by the purchasers for buying the Swedish seamless pipe and tube included lower prices. 58/ During the period of investigation, prices of domestic seamless pipe and tube generally declined for both hot-finished and cold-rolled products. 59/

Based on the foregoing considerations, we conclude that the significant volume of seamless pipe and tube from Sweden and the high import penetration throughout the period of investigation, combined with the pattern of underselling of these imports and the revenue lost to the domestic industry, demonstrate that these LTFV imports have caused material injury to the domestic industry. 60/

Welded Pipe and Tube

Condition of the domestic industry 61/

Data provided for the domestic welded pipe and tube industry show that, while it remains in a weakened condition, its performance has significantly improved. Although we have reservations, we nonetheless find material

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54/ Report at A-72.
55/ The Commission notes that, in the final CVD investigation in connection with this product, the Commission confirmed two instances of lost revenue suffered by petitioners. Id. at A-82.
56/ See n.84, infra, for the views on lost sales of Vice Chairman Brunsdale.
57/ Report at A-82. Of the four remaining orders, in two of them domestic prices exceeded prices of the competing Swedish products by 10 to 14 percent. In the remaining two orders, domestic prices were slightly lower than prices of Swedish products but exceeded prices quoted for competing Japanese products by 7 and 4 percent. Id.
58/ Report at A-72.
59/ Id. at A-63-A-64, Table 24.
60/ See n.84, infra, for the views on dumping margin of Vice Chairman Brunsdale.

injury. We make our assessment on the condition of the domestic industry as a whole, but we must note -- as we did in the final CVD determination -- the divergence of performance between integrated and nonintegrated producers. 62/

Nonintegrated producers were profitable throughout the investigation. 63/ In contrast, the integrated producers experienced steadily decreasing net sales; and their operating losses, although declining, remained large enough to cause the industry as a whole to show a net loss despite the fact that integrated producers account for only about 20 percent of the industry. 64/

In previous investigations, we recognized some divergence in performance between integrated and nonintegrated producers but found, as we do here, material injury for the industry as a whole. However, in this case, it is a much closer question due to the fact that the integrated producers account for relatively less of the domestic industry than was the case in the past and the nonintegrated producers are performing substantially better. In this investigation, as in our earlier investigation, a somewhat greater divergence of performance or less relative significance of the integrated producers may have resulted in a different conclusion. 65/

61/ Commissioner Eckes and Commissioner Lodwick do not join in the majority's discussion of the condition of this domestic industry. See their Dissenting Views, infra.
62/ See Inv. No. 701-TA-281 (Final) at 9-10.
63/ Report at A-37.
64/ Id.
65/ See Inv. No. 701-TA-281 (Final) at 10.

Thus, we find that the industry as a whole is still suffering material injury. [66/] We reach this conclusion on the basis of not only the financial data, but also the slight decline in production in 1986, [67/] the somewhat sharper decline in shipments in 1986, [68/] the corresponding increase in inventories, [69/] and the generally low rate of capacity utilization throughout the period of investigation. [70/] Furthermore, employment, hours worked, wages paid, and total compensation also declined throughout the period. [71/]

No material injury by reason of LTFV imports of welded pipe and tube from Sweden

Based on considerations that each of us discusses in separate Additional Views, we determine that there is no material injury by reason of LTFV imports of welded pipe and tube from Sweden. [72/]

66/ Vice Chairman Brunsdale has severe reservations about the finding that domestic industry is materially injured. She notes, for example, that production, shipments, capacity, number of employees, hours worked, and net sales of the domestic industry were relatively unchanged over the period of investigation. Report at A-31 (Table 2), A-33 (Table 3), A-42 (Table 7), A-52 (Table 12). While the Vice Chairman does not find that the domestic industry is materially injured, she assumes arguendo that it is and considers the issue of causation in her Additional Views, infra.
67/ Report at A-22.
68/ Id. at A-25.
69/ Id. at A-27.
70/ Id. at A-22.
71/ Id. at A-28, table 7.
72/ See the Additional Views, infra, of Chairman Liebeler, Vice Chairman Brunsdale and Commissioner Rohr.

No threat of material injury by reason of imports of LTFV welded pipes and tubes from Sweden

In determining whether a U.S. industry is threatened with material injury by reason of dumped imports, the Commission considers among other factors, any existing unused foreign capacity, increases in imports to the United States, any rapid increase in U.S. market penetration, the likelihood that such penetration will increase to an injurious level, the probability that imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices, any substantial increase in inventories in the United States, and the potential for product-shifting. 73/ The Commission must find that the threat is real and injury is imminent. 74/

The Swedish industry, though export-oriented, 75/ is currently operating at quite a high rate of capacity utilization, 76/ a not surprising situation considering that the industry recently completed a substantial reorganization begun in 1979 in part to reduce overcapacity. Swedish capacity has recently increased slightly, but the capacity utilization rate has risen even more. 77/

We also find it significant that the United States has traditionally represented a quite small share of the Swedish export market for welded pipe and tube. 78/ Moreover, in view of the fact that the Swedish krona has appreciated relative to the U.S. dollar in real terms, 79/ the U.S. market is not likely to become more attractive in the near future (assuming the trend

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73/ 19 U.S.C. § 1677(7)(F)(i).
74/ 19 U.S.C. § 1677(7)(F)(ii); see also S. Rep. No. 249, supra, at 89.
75/ Report at A-49, table 19.
76/ Id.
77/ Id.
78/ Id.
79/ Id. at A-77, table 27.

continues). [80/] This assessment is reinforced by Avesta's change in marketing strategy. Avesta has rapidly decreased its U.S. inventories and plans to begin marketing directly from Sweden. [81/] This may magnify the certain lead-time problems,[82/] making Swedish imports even less of a potential threat. We observe that a company planning rapid increases in sales and market share normally does not adopt such a marketing strategy. Furthermore, the primary export markets for Swedish pipe and tube are Western European countries to which Sweden has duty free access by reason of membership in the European Free Trade Association, which increases the relative attractiveness of those markets. Finally, we note that, although Swedish imports increased in both absolute and relative terms in 1984-86, these increases were relative to a very small market share in 1983. [83/] Given the absence of other factors indicating further increases, the gain in imports from Sweden to date is insufficient to support an affirmative threat determination.

80/ We note that there is no likelihood that production can be shifted between welded and seamless pipe and tube. Id. at A-5, A-6-A-7. Even though the drawing equipment of the two Swedish companies, Sandvik (seamless producer) and Avesta (welded producer), can be utilized to redraw either welded or seamless hollows, the equipment used to produce the welded and seamless hollows themselves is not interchangeable. Because Avesta is the only welded producer and is already operating at virtually full capacity and thus has no extra welded hollows to sell, there is no potential for Sandvik also to become a supplier of welded pipe and tube.

81/ Report at A-47.

82/ See the Additional Views, infra, of Vice Chairman Brunsdale and Commissioner Rohr.

83/ Report at A-54. In addition, the level of Swedish imports declined sharply in interim 1987 from interim 1986. Id.

Thus, we find that there is no real and imminent threat of material injury to the domestic industry by reason of dumped imports of welded pipe and tube from Sweden. 84/

84/ *In Vice Chairman Brunsdale's view, the evidence on underselling in this case is not persuasive that dumped seamless pipe is a cause of material injury. She notes that this evidence is very limited and confined to bid price information for eleven orders each of mechanical tubing and of redraw hollows. Although bid prices were generally lower for the Swedish product than for the domestic product this is not suprising given that delivery of the Swedish product generally involved longer lead times and consequently greater costs to the purchaser, which in turn required the Swedish producers to bid a lower price for their product. Report at A-72 and A-73.

*Vice Chairman Brunsdale does not find the evidence in this case on lost sales by the domestic industry to be persuasive. She notes that there were only two confirmed cases of specific transactions where a domestic producer lost a sale to the Swedish exporter.

*Vice Chairman Brunsdale also considers the magnitude of the dumping margin in her analysis of causation. In this case the final dumping margin for seamless pipe and tube from Sweden was 20.47 percent. This margin is moderately high and, together with the fact that import penetration was also a moderately high 17.9 percent in 1986, suggests that the price advantage gained by the Swedish exporter as a result of unfair pricing had a material impact on the domestic industry. Report at A-76 (Table 23) and INV-K-125.

ADDITIONAL AND DISSENTING VIEWS OF CHAIRMAN LIEBELER

Inv. No. 731-TA-354 (Final)
Stainless Steel Pipes and Tubes from Sweden

I determine that an industry in the United States is not materially injured, or threatened with material injury, by reason of imports of stainless steel pipes and tubes from Sweden which the Department of Commerce has determined are being sold at less-than-fair-value.[1/] I concur with the majority in their discussions of like product, condition of the industry, related parties, and threat of material injury by welded pipes and tubes. Because my views on causation, and on threat of material injury by seamless pipes and tubes differ, I offer these additional and dissenting views.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped or subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine

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1/ Material retardation is not an issue because there is an established domestic industry producing stainless steel pipes and tubes.

whether the domestic industry producing the like product is materially injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission answers both questions in the affirmative, 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 antidumping law. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2/]

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial,

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2/ C. Sands, Sutherland Statutory Construction, § 45.02 (4th ed. 1985).

or unimportant."[3/] This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

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

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

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3/ 19 U.S.C. § 1977(7)(A)(1980).

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

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

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

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is matter for the judgment of the ITC."[6/] Since the domestic industry is no doubt worse off by the 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

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

5/ Id.

6/ Id.

Commission must delve further to find what condition Congress has attempted to remedy.

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

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

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

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[8/]

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

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

8/ Id.

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 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

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

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

rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11/]

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

> 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

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

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

elasticity of supply of other imports).[13/]

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

Causation analysis

The commission has determined that there are two like products, welded stainless steel pipes and tubes, and seamless stainless steel pipes and tubes. I consider each of them in turn.

13/ Id. at 16.

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

Welded Stainless Steel Pipes and Tubes

Examining import penetration data is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. Welded market share increased from 2.4 percent of consumption in 1984 to 2.8 percent in 1985, and to 3.7 percent in 1986. Interim figures show that import penetration decreased, however, from 4.3 percent of consumption in January-June 1986 to 1.5 percent in the same period of 1987.[15/] Import penetration is thus in a very low range and consistent with unfair price discrimination.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[16/] and the more likely it is that the domestic producers will be adversely affected. The Department of Commerce estimated a dumping margin of

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15/ Report at Table 23. These import penetration ratios are measured in terms of quantity. The value-based import penetration figures are as follows: 2.0 percent in 1984, 2.0 percent in 1985, 2.7 percent in 1986; 3.2 percent in January-June 1986, and 1.4 percent in January-June 1986. Id.

16/ See text accompanying note 8, supra.

34.50 percent for Swedish welded stainless steel pipes and tubes.[17/] This dumping margin is moderate to high and not inconsistent with a finding of unfair price discrimination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. While domestic and imported products are generally of similar quality, purchasers have indicated that domestic producers enjoy advantages with respect to lead time.[18/] Longer lead times require larger purchases per order and therefore higher inventory carrying costs. Purchasers noted the costs of carrying large inventories associated with longer order lead times as a significant factor when deciding to purchase domestic or foreign welded stainless steel pipes and tubes.[19/] Thus, the evidence on product homogeneity is somewhat mixed.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that

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17/ Report at A-11.

18/ Report at A-73-74.

19/ Report at A-74.

domestic producers were lowering their prices to maintain market share. Prices of the welded product were more or less steady during the period of investigation.[20/] This factor is thus inconsistent with unfair price discrimination.

The fifth factor is barriers to entry (foreign supply elasticity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain some degree of market power. There are many producers of welded stainless steel pipes and tubes, and the import penetration ratio for countries other than Sweden has been significant and was higher in 1986 than it was in 1984.[21/] Indeed, in 1986, Canada, Taiwan, and Japan all exported more welded stainless steel pipes and tubes to the United States than did Sweden.[22/] Based on this information, one would normally conclude that barriers to entry by other countries are low.[23/] Voluntary restraint agreements are in effect with respect

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20/ Report at Tables C-4 and C-5.

21/ Report at Table 23.

22/ Report at Table 22.

23/ See generally Tr. at 57 (statement of Mr. Malashevich).

to carbon steel and certain specialty steel products including stainless steel pipes and tubes but, with the exception of the agreement with Brazil, no VRA's negotiated to date contain a specific limit on stainless steel pipes and tubes.[24/] Thus, these VRA's, while affecting the elasticity of supply of other foreign producers of stainless steel pipes and tubes, are not a strong entry barrier yet.

These factors must be balanced in each case to reach a sound determination. While the LTFV margins are moderate to high, other factors do not support an affirmative determination. Import penetration has been very low, and prices have essentially been steady. Evidence on product homogeneity is mixed, and the VRA's, in their current form, do not appear to be a significant barrier to entry. Thus I reach a negative determination.

Seamless Stainless Steel Pipes and Tubes

Material Injury Analysis

Seamless market share was 20.4 percent in 1984, 15.0 percent in 1985, 17.9 percent in 1986, and 16.3 percent

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24/ Report at A-9.

for the first half of 1987.[25] Thus, while import penetration has been moderate, it has also, after some fluctuation, declined during the period of investigation. This factor is not consistent with a finding of unfair price discrimination.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price and the more likely it is that the domestic producers will be adversely affected. The Department of Commerce estimated a dumping margin of 20.47 for seamless stainless steel pipes and tubes.[26] This dumping margin is moderate.

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. While domestic and imported products are

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25/ Report at Table 23. The above figures are on a quantity basis. On a value basis, seamless import penetration from Sweden was 14.4 percent for 1984, 12.0 percent for 1985, 12.3 percent for 1986, and 12.5 percent for the first half of 1987. Id.

26/ INV-K-125, November 6, 1987.

generally similar, a significant number of purchasers noted that they viewed the domestic seamless product as "more reliable" than that imported from Sweden.[27/] Moreover, purchasers indicated that domestic producers enjoy advantages with respect to lead time.[28/] Longer lead times require larger purchases per order and therefore higher inventory carrying costs. Purchasers noted the costs of carrying large inventories associated with the longer lead times as significant factors when deciding to purchase domestic or foreign seamless stainless steel pipes and tubes.[29/] Finally, approximately 14.0 percent of Swedish seamless U.S. imports are in sizes or special alloys that have no precise U.S. produced equivalents.[30/] Thus, there is considerable evidence that domestic products and Swedish imports are not homogeneous.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain

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27/ Report at A-73.

28/ Report at A-73-74.

29/ Report at A-74.

30/ Report at A-60.

market share. Prices of the seamless product were steady to slightly down during the period of investigation.[31/] This factor does not support unfair price discrimination.

The fifth factor is barriers to entry (foreign supply elasticity). If there are barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. There are many producers of seamless stainless steel pipes and tubes, with the import penetration ratios for countries other than Sweden having been consistently over 50 percent.[32/] Based on this information, one would normally cconclude that barriers to entry by other countries are low.[33/] Voluntary restraint agreements are in effect with respect to carbon steel and certain specialty steel products including stainless steel pipes and tubes but, with the exception of the agreement with Brazil, no VRA's negotiated to date contain a specific limit on stainless steel pipes and tubes. Thus, these VRA's, while affecting the elasticity of supply of other foreign producers of

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31/ Report at Tables C-1 to 3.

32/ Report at Table 23.

33/ See generally Tr. at 57(statement of Mr. Malashevich).

stainless steel pipes and tubes, are not a strong entry barrier yet.

These factors must be balanced in each case to reach a sound determination. Market share is moderate and has declined within the period of investigation. The LTFV margin is moderate, and prices have been stable to slightly declining. The VRA's, in their current form, do not appear to be a significant barrier to entry for this product, and Swedish imports and domestic products are not homogeneous. Other than a moderate dumping margin, the other four factors suggest that any harm to the domestic industry is not by reason of dumped seamless stainless steel pipes and tubes from Sweden.

Threat of Material Injury Analysis

In determining whether a U.S. industry is threatened with material injury by reason of imports subject to investigation, the Commission is required to consider a number of factors including, among others, increases in exporting country production capacity or existing unused capacity, any rapid increase in U.S. market penetration,

and increases in inventories of the merchandise in the United States.[34/] The Commission must also find that the threat is real and injury is imminent.[35/] The record does not contain such evidence of a real and imminent threat to the domestic industry from imports of seamless pipe and tube from Sweden.

As noted above, seamless import penetration has been essentially steady, indeed actually declining from a penetration level of 20.4 percent in 1984 to 17.9 percent in 1986 (to a somewhat lower figure for the first half of 1987).[36/] Thus there is no evidence to indicate that penetration will rapidly increase to an injurious level. This is particularly true since Sweden's capacity to produce seamless pipes and tubes has remained steady, and capacity utilization has generally remained quite high.[37/] In addition, between 1984 and 1986 importer inventories of seamless pipes and tubes from Sweden rather significantly declined.[38/]

34/ 19 U.S.C.§1677(7)(F)(i).

35/ 19 U.S.C.§1677(F)(ii); see also S. Rep. No. 249, 96th Cong. , 1st Sess. 89(1979).

36/ Report at Table 23.

37/ Report at Table 18.

38/ Report at A-46.

Moreover, it also appears significant that the United States has traditionally represented less than twenty five percent of the Swedish export market for seamless pipe and tube.[39/] If the Swedish krona continues to appreciate relative to the U.S. dollar, as it has since 1985,[40/], it appears unlikely that the United States will become a more attractive market. This is particularly true given the fact that Sweden exports considerable amounts of seamless pipe and tube to Western European countries with currencies appreciating relative to the U.S. dollar.[41/] Sweden also has duty free acess to those countries by reason of membership in the European Free Trade Association, a fact which increases the relative attractiveness of those markets. Finally, I should point out that on an absolute basis U.S. imports of Swedish seamless stainless steel pipe and tubes has declined between 1984 and 1986.[42/] In this context, and in the absence of other factors pointing the other way, I find that there is no real and imminent threat of material

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39/ Report at Table 18.

40/ Report at Table 27.

41/ Id.

42/ Report at Table 21.

injury by reason of imports of seamless pipe and tube from Sweden.

Conclusion

Therefore, I conclude that an the industry in the United States producing stainless steel pipes and tubes is not materially injured or threatened with material injury by reason of imports of welded or seamless stainless steel pipes and tubes from Sweden which are being sold at less-than-fair-value .

ADDITIONAL VIEWS OF VICE CHAIRMAN ANNE E. BRUNSDALE

Stainless Steel Pipe and Tube from Sweden
Investigation 731-TA-354 (Final)

November 18, 1987

Subject to certain reservations noted in the opinion,[1] I agree with my colleagues in the majority on the determination regarding stainless steel seamless pipe and tube from Sweden. With respect to stainless steel welded pipe and tube from Sweden, I concur with the majority on like product, domestic industry, condition of industry, and threat of material injury, and I offer these views to explain my reasoning on causation.

My analysis of the information on record in this case leads me to conclude that dumped imports of stainless steel welded pipe and tube from Sweden did not have a material effect on the domestic industry during the period of investigation. In particular, I find that the dumped imports did not significantly suppress or depress prices of the domestic like product. Nor did they significantly reduce the volume of domestic industry shipments. As a consequence, the sales revenue lost by the

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[1] See Views of the Commission, supra.

domestic industry as a result of dumped imports is also very small.

To determine the maximum possible adverse effects on domestic prices and volumes in this case, I considered first the absolute and relative amounts of the subject imports. The quantity of dumped imports increased 53 percent in the 1984-1986 period, from 1,844 short tons in 1984 to 2,822 short tons in 1986.[2] The market penetration of dumped imports on a quantity basis behaved similarly, increasing from 2.4 percent in 1984 to 2.8 percent in 1985 and 3.7 percent in 1986.[3] The greatest adverse impact of the subject imports on the domestic industry would have occurred in 1986 because it was then that the Swedish import penetration was highest. Shipments by domestic producers that year were 62,500 short tons.[4]

In order to assess these maximal effects, it is important to have information on the price sensitivities of domestic demand and domestic supply.[5] Evidence prepared by the Office of

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[2] Report at A-54 (Table 22).

[3] Id. at A-56 (Table 23).

[4] Id. at A-23 (Table 5).

[5] For my views on the importance of elasticities in causation

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Economics indicates that domestic demand is not very elastic but that domestic supply is highly elastic.[6] The figure reported for the demand elasticity of stainless steel welded pipe and tube is between -0.75 and -1.5.[7] Thus, if the average price of that product declines by 10 percent, other things remaining the same, quantity demanded would increase between 7.5 and 15 percent. The figure reported for supply elasticity is at least 10.[8] Thus, if the average domestic price obtained by U.S. producers rises by 1 percent, other things remaining the same, quantity supplied by domestic firms would increase by at least 10 percent. Conversely, if domestic shipments increase by 10 percent, the domestic supply price would rise by no more than 1 percent.

To assess the maximum adverse volume effect on the domestic industry caused by the dumped imports, I make two assumptions,

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analysis see Certain Welded Carbon Steel Pipes and Tubes from Taiwan, Inv. 731-TA-349 (Final), USITC Pub. 1994 (July 1987) at 55-63 (Additional Views of Vice Chairman Brunsdale).

6 Memorandum from the Office of Economics, EC-K-437 (November 5, 1987) ("Economics Memo"). The evidence on elasticity numbers was prepared by the Office of Economics and incorporates comments and evaluations offered by parties in this case.

7 Id. at 7.

8 Id.

both highly favorable to the domestic industry. First, I assume that the total size of the market was little affected by the lower price of the dumped pipe and tube. This assumption is very favorable to the domestic industry because while demand is moderately elastic it is not completely inelastic. Ordinarily one expects that dumping would expand the total size of the market somewhat because it would tend to lower prices. As a consequence it would actually create new business as opposed to only taking existing business away from other suppliers. When I assume that the total market was not increased as a result of dumping, I am assuming that every sale captured by a dumped import necessarily was a sale lost by other existing suppliers. This assumption exaggerates any injury to domestic producers.

Second, I also assume that the total volume of the dumped imports replaces an equal volume of domestic shipments on a one-for-one basis. This assumption is also very favorable to the domestic industry -- that is, it exaggerates any injury suffered by domestic producers.[9]

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[9] Note that this line of analysis implicitly assumes that (1) no other foreign supplier is adversely affected by the dumped imports, (2) stainless steel welded pipe and tube is a highly fungible product, and (3) the price advantage enjoyed by the dumped imports as a result of the dumping was so large that the

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Under these assumptions, the volume effect in 1986, the year when the imports were greatest, would have caused a contraction in domestic industry shipments of only 4.3 percent. In other words, domestic industry shipments would have fallen by the amount of the Swedish imports -- that is, by 2,822 short tons, or 4.3 percent (equal to 2,822 divided by 62,500 plus 2,822). A contraction of this relative magnitude is small. Moreover, as explained below, it is also too large to be a realistic conclusion in this case.

Even if we were to accept this approximate magnitude for the relative volume effect, the extent of price suppression/price depression would be very small. Its maximum extent would be equal to the percentage decrease in the domestic supply price as result of the decrease in domestic shipments caused by dumped imports. Since domestic shipments were at most 4.3 percent lower and since the supply elasticity is greater than 10, price suppression/price depression would be, <u>at most</u>, 0.43 percent (that is, 4.3 percent divided by 10). I do not find this degree of price decline to be significant. Finally, the maximum adverse

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entire volume of stainless steel welded pipe and tube from Sweden can be attributed to dumping and total imports are increased by the amount of dumped imports. I will take up these matters below.

effect of the dumped imports on domestic industry revenue is also small. At most, the revenues lost by domestic producers as a result of dumping in this case is only 4.7 percent -- equal to the sum of the volume effect (4.3 percent) and the price effect (0.4 percent). This reduction in revenue is too small to be material.

A realistic assessment of the degree to which the dumped imports reduced domestic shipments, prices, and industry revenue is smaller than the maximum relative magnitudes presented above. There are three reasons why this is so.

First, heretofore, I have ignored the fact that there are other countries that supply stainless steel welded pipe and tube to the domestic market. For example, in 1986 there were three other countries that were more significant players in the domestic market than Sweden -- Canada, Taiwan, and Japan.[10] Furthermore, throughout the period of investigation the market penetration of other countries was considerably higher than that of Sweden. As I have noted above, Sweden's maximum penetration was 3.7 percent in 1986. Between 1984 and 1986 the market penetration of all other countries combined ranged from a low of

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[10] Report at A-54 (Table 22).

12.7 percent in 1985 to a high of 15.2 percent in 1986.[11] When the Swedes dump in the domestic market, they take away business from Canadian, Taiwanese, and Japanese suppliers as well as from domestic suppliers. Therefore, the contraction in domestic shipments resulting from Swedish dumping would have been smaller than 4.3 percent.

Second, I have also ignored the fact that domestic and Swedish pipe and tube are not perfect substitutes, that is, not highly fungible products. In this case the Swedish product appears to be generally comparable in physical quality to the domestic product.[12] However, the two are not highly fungible when transactions characteristics are considered. Purchasers indicated that, because the Swedish product generally has longer lead times than the domestic product, they place larger orders and hold larger inventories of the Swedish pipe and tube.[13] This means that it costs more to buy the Swedish product than the domestic product. Thus, the price of Swedish pipe and tube would have to be lower than the price of the comparable domestic product before purchasers would buy the former. Indeed, the

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11 Id. at A-56 (Table 23).

12 Id. at A-74. Economics Memo at 2.

13 Economics Memo at 3.

evidence indicates that delivered prices were at least 5 to 25 percent lower for Swedish pipe and tube.[14] Since Swedish and domestic products are not highly fungible, it is not reasonable to assume, as I did above, that the Swedish product would displace the domestic like product on a one-for-one basis in the U.S. market. Thus, the potential adverse effect of the dumped imports on domestic shipments is less than 4.3 percent.

Finally, to this point I have assumed that the price advantage the dumping conferred on the Swedish imports was so large that the entire amount of Swedish imports can be attributed to the unfair act. Even if this were true, it does not mean that the amount of Swedish imports correctly reflects the impact of the dumped imports on the domestic industry. This is because there may be a highly integrated world market in welded pipe and tube and, if so, other countries would, to at least some extent, tend to replace the Swedes if they were forced out of the U.S. market.[15]

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[14] Report at A-74. In addition, between 15 and 25 percent of the U.S. market is apparently subject to buy-American preferences -- deriving, for example, from consumer preferences, union/company policies, government-mandated contracts. To the extent that these preferences can be influenced by prices, the Swedish product would tend to be less expensive than the domestic product. Id. at A-74-75.

[15] For a discussion of supply and demand of stainless steel pipe and tube in the world market, see Economics Memo at 8.

The final dumping margin in this case is 34.5 percent.[16] If the full dumping margin were passed through to the price of Swedish pipe and tube sold in the domestic market, that price in the United States would be lowered by about 25 percent (equal to 0.345 divided by 1.345).[17] This price advantage would have been considerable and could have accounted for a large proportion of Swedish imports. However, even in this event, it is not likely that Swedish dumping would have produced an adverse effect on the domestic industry of anything approaching the maximum 4.3 percent volume effect presented above. Absent the unfair price advantage the resulting decline in imports from Sweden would, to some extent, have been replaced by imports from other countries. Instead of exporting to the United States, the Swedes could, instead, ship pipe and tube to other countries. Indeed, the bulk

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16 Report at A-11.

17 For a discussion of the role of the dumping margin in assessing harm to a domestic industry, see Memorandum from the Office of Economics, EC-J-010 (January 7, 1986), at 29-31. For a discussion of the propriety of Commission consideration of this factor, see Hyundai Pipe Co., Ltd., et. al. v. U.S. International Trade Commission, et. al., slip op. 87-18 (CIT February 23, 1987).

of their output already goes to such countries.[18] However, as firms in those countries saw their own markets having to absorb additional pipe and tube from Sweden, they would look to more attractive markets elsewhere, one of which would be the United States. They would therefore ship more to the United States. After allowing for this jostling and juggling by foreign suppliers, the total amount of pipe and tube imports into the United States from all sources would probably not be very much lower. But even if they were, they would not fall by the full amount of Swedish pipe and tube that was diverted from the U.S. market to other markets.[19] The thrust of this analysis is that in order to properly assess the effects of dumped imports from Sweden on domestic firms, it is necessary to allow for the supply responses by other countries if Sweden's imports were removed from the domestic market. When this is done the adverse effect of dumped imports on domestic shipments will be less, possibly considerably less, than 4.3 percent.

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[18] Report at A-49 (Table 19).

[19] Note that the United States has concluded voluntary export arrangements (VRAs) with a number of major foreign suppliers covering carbon steel products and certain specialty steel products, including stainless steel pipe and tube products. However, with the exception of Brazil, none of the VRAs contain specific import limits on stainless steel pipe and tube. Id. at A-10.

For the foregoing reasons, I determine that dumped imports of stainless steel welded pipe and tube from Sweden are not a cause of material injury to the domestic industry.

Additional Views of Commissioner David B. Rohr on Causation Regarding Welded Stainless Steel Pipes and Tubes

The Commission very recently considered welded stainless steel pipes and tubes from Sweden. In April 1987, I determined that although the domestic industry was experiencing material injury, welded stainless steel pipes and tubes imported from Sweden were not a cause of that injury. 1 Once again, I find that the domestic industry is still experiencing material injury. 2 The additional evidence developed in this investigation further supports a finding of no causal nexus between the subject imports and the requisite injury.

In making this determination, I considered, as the Commission is statutorily required to, the absolute and relative volume of the subject imports and the effect of these imports on domestic prices and domestic producers of the like product. 3 To assess the effect of the subject imports on the domestic industry, I considered the volume and price of the

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1 See Additional Views of Commissioner David B. Rohr on Causation in Stainless Steel Pipes and Tubes From Sweden, Investigation No. 701-TA-281 (Final), USITC Pub. 1966 (April 1987).

2 See majority views of Chairman Liebeler, Commissioner Brunsdale, and Commissioner Rohr.

3 19 U.S.C. 1677(7)(B).

subject imports in the context of performance of the industry and market conditions during the period of investigation.

Causation must be analyzed specifically in the context of the trends in industry performance during the period of investigation. The welded stainless steel pipe and tube industry has not attained the levels of performance experienced before its 1982 declines. However, during the period of investigation, the U.S. industry did show signs of improvement in domestic production and production capacity. Furthermore, the industry made large financial gains, though still reporting a net operating loss due to the poor performance of the integrated producers. These conditions differ from those of similar industries in previous investigations where the Commission found material injury characterized by rapidly worsening performance. 4 In contrast, during the first half of 1987, production, capacity, and financial performance of the U.S. industry decreased considerably.

In the context of these conditions, I have examined the role of imports. The first element in my analysis is the volume of imports. There was an increase in both the absolute volume of Swedish imports and their market share between 1984 and 1986. Swedish market share increased from 2 percent to 4 percent of total domestic consumption. While Swedish market share remained small, this increase is certainly not insignificant.

However, since the middle of 1986, Swedish imports have declined markedly, and accounted for only 1.5 percent of domestic consumption in the

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4 See, for example, Stainless Steel Sheet and Strip from
(Footnote continued on next page)

first half of 1987. This decline in imports is consistent with the Avesta's reported change in its market strategy. Thus, while from 1984 to 1986 the volume and market share of the subject imports increased, the industry was showing signs of improvement. In contrast, since the middle of 1986, the Swedish imports have fallen rapidly while the U.S. industry's condition has worsened. These trends do not support a conclusion that the material injury being experienced by the U.S. industry was caused by the subject imports.

The second element in my analysis is a consideration of the effect of the subject imports on domestic prices. Although the price data gave some mixed signals, prices of both the domestic like product and the subject welded stainless steel pipe and tube imports generally remained stable since 1984. In the only product category for which trend comparisons were possible, prices of the domestic and imported product declined by two percent and three percent, respectively, from the first quarter of 1985 to the fourth quarter of 1986. From the fourth quarter of 1986 to the second quarter of 1987, the price of the domestic product increased by 3 percent while the import price dropped by 3 percent.

In assessing causation, it should be noted that it was during this most recent period that imports of welded stainless steel pipes and tubes from Sweden decreased rapidly, thus indicating the lack of a causal link between the price of the imported product and its effect on the U.S. market and domestic producers.

(Footnote continued from previous page)
Spain, Inv. No. 731-TA-164 (Final) USITC Pub. 1593 at 20 (October 1984) where the Commission found the industry in an "accelereated downturn."

I have also considered underselling in order to discover possible price effects of the Swedish imports. Swedish imports did consistently undersell the domestic product. Absent corroboration from other indicators, such as the changes in market share and price trends discussed above, underselling alone is not a sufficient basis for finding the existence of a causal nexus. Further, given the available data in this investigation, I have given relatively less weight to underselling than to other factors. 5 As I noted in *Argentine Steel:*

> Price comparisons will be better and entitled to greater weight when: (a) there are a greater number of comparisons; (b) the transactions are more representative, i.e., there are many transactions in each comparison, there are uniform conditions, such as geography and purchasers, and there are more nearly identical products being compared. 6

In this investigation, there were a limited number of price comparisons for any one product category, and significant differences were found between prices in various geographic regions. Finally, although the domestic product and the imported product are relatively fungible within given grades and sizes, there are customer preferences and lead time differences that support a

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5 *See* Maine Potato Council v. U.S., 613 F Supp.1237, 1244 (1985). *See also* S. Rep. 349, 96th Cong., 1st Sess. 88 ("the signifcance to be assigned to a particular factor is for the ITC to decide"); and H.R. Rep. 317, 96th Cong., 1st Sess 46 (1979)(the significance to the various factors will depend on the facts of each case).

6 Cold-Rolled Carbon Steel Plates and Sheets from Argentina, Inv. No. 731-TA-175 (Final-Court Remand) Views of Commissioner Rohr at 67-68 *(Argentine Steel), on appeal sub. nom. USX v. United States,* Court No. 85-03-00325 (Ct. Int'l Td.).

price premium for the domestic good and partially limit the commercial interchangeability of the foreign and domestic products. These considerations do not negate the validity of price comparisons, but suggest that their importance in this investigation is relatively less than in other investigations where the factors I applied in the *Argentine Steel* decision were stronger.

The limited commercial interchangeability between the subject imports and the domestic product also curtails the extent to which domestic purchasers will rely on Swedish imports for supply. The longer lead times associated with the Swedish product require domestic purchasers to maintain large inventories at a higher cost. Further, the purchaser's need for assured supply of pipes and tubes as a raw material appears more important than minor differences in price between suppliers. 7

These limitations to commercial interchangeability are supported by the fact that the subject imports had the lowest price relative to the domestic product in the Midwest. The U.S. industry is concentrated in the Midwest. Import lead times would be highest while supply security would be lowest relative to the domestic product in this region. Therefore, the subject imports are the least commercially substitutable for the domestic product in the Midwest. 8 It is particularly telling that the lower price of the imported product did not lead to imports gaining a large share of the U.S.

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7 See discussion of purchasers' questionnaire responses on product differences and pricing differences, Staff Report at A-73 through A-76.

8 Staff report at A-12 and A-72.

market and U.S. prices remained relatively stable. These facts lead to a conclusion that the subject imports had at most a negligible impact on domestic prices.

Furthermore, our investigation of the petitioner's lost sales and lost revenue allegations did not establish any price effect. The Commission staff contacted all four purchasers involved in the petitioner's lost sales allegations. In addition, the seven purchasers cited in lost sales allegations and five purchasers cited in lost revenue allegations by petitioners during the recent subsidy investigation. These allegations did not involve a significant percentage of sales of the Swedish product. Only two purchasers indicated that they purchased the imported Swedish welded stainless steel pipe and tube because of its lower price. Most of the purchasers reported that the imported product would have to have a substantial price advantage before they would consider purchasing it over the domestic product. Although the lost sales allegations in this investigation represent an argument for an impact as a result of imports, in light of the other factors I have considered, these allegations are insufficient to establish the requisite causal nexus.

Our investigation of lost sales and lost revenues provides additional information which I consider critical in an analysis of the role of imports -- the degree of head-on commercial competition between the Swedish product and the domestic product. Although the products are generally comparable in quality, purchasers reported that the important differences in order-lead-times significantly reduce the substitutability of the imported product for the domestic product. In addition, factors such as "buy America" provisions, customer loyalty, and reliability of supply shape customer

preferences and were reported to have limited the market for the Swedish product. These differences suggest that there is a strong preference for the domestic product and a limit to the ability of Swedish imports to have an injurious impact on the U.S. industry.

Finally, none of the purchasers contacted by the Commission staff was an exclusive purchaser of Swedish imports, nor were Swedish imports the major source of their supply. All relied primarily on domestic producers and considered Swedish imports as a supplementary source.

In the final analysis, however, it is neither the volume nor the price effect of imports in the abstract that establishes a causal nexus, but whether they have had a material impact on the performance of the industry. Despite increases in both subject import volume and market penetration from 1984 to 1986, the domestic industry has continued to improve. In contrast, while import volume and market penetration have rapidly declined in 1987, the industry's performance has shown signs of weakening. This fact must be relevant to any causation analysis. In a previous steel investigation, the Commission concluded:

> It is our view that, absent other significant evidence of causation,...market penetration is insufficient to support a finding of material injury by reason of...imports...in the context of current conditions facing the domestic...industry." 9

Further, when considered within the context of the relatively small volumes of imports from Sweden and relatively stable domestic prices, the

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9 Cold-Rolled Carbon Steel Sheet From Brazil, Inv. No. 731-TA-154 (Final), USITC Pub. 1579 at 7 (September 1984).

underselling in this investigation was insufficient to injuriously impact domestic producers. Considering the trends in volume and price of the subject imports in the context of performance of the domestic indusy and market conditions during the period of investigation, I find that the LTFV imports of welded stainless steel pipes and tubes from Sweden were not a cause of material injury.

DISSENTING VIEWS OF COMMISSIONER ECKES AND COMMISSIONER LODWICK ON WELDED STAINLESS STEEL PIPES AND TUBES FROM SWEDEN

We respectfully disagree with the Commission majority and determine that an industry in the United States is materially injured by reason of imports of welded stainless steel pipes and tubes from Sweden that the Department of Commerce has found to be sold at less than fair value (LTFV). We base our determination on the same fundamental factors detailed in our April determination regarding subsidized imports of the same product from Sweden.1/

The information in this investigation differs from that in the earlier investigation in that there is more detail regarding certain economic indicators; and that the data generally cover the period 1984 through June 1987. In the earlier investigation, we found material injury to the domestic industry based on information through September, 1986. The additional information collected in the current investigation does not materially change the picture of this industry revealed in April. In a weak and highly competitive market, Swedish imports are increasing in volume and market penetration. There is evidence of general price undercutting

1/ Stainless Steel Pipes and Tubes from Sweden, Investigation No. 701-TA-281 (Final), April 1987.

by these LTFV imports, and also domestic price suppression. Throughout the period of investigation, the performance of the domestic industry as a whole has been poor.2/

The following paragraphs briefly summarize the new information disclosed in this investigation.

CONDITION OF THE DOMESTIC INDUSTRY

The operating levels of the domestic industry declined in 1986, with domestic shipments and capacity utilization falling to their lowest points during the investigative period. Both indicators displayed modest improvement during the first half of 1987.

Employment factors also deteriorated in 1986. Both hours worked and total compensation fell to their lowest annual levels of the investigative period, while productivity remained stable. In interim 1987, hours worked and total compensation continued to fall, although productivity improved slightly.

Financial performance indicators reflect the same conditions as operating and employment factors. Net sales were lower in 1986 than in 1984 or 1985, and operating losses were incurred in all three years. Respondents make much of the

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2/ Imports from Sweden declined in 1987 following the filing of the CVD petition in September, 1986 and the AD petition in October, 1986. Imports often decline in response to the filing of a petition so we attach no weight to this development.

disparity between the financial results of the integrated and nonintegrated companies, so it is particularly noteworthy that nonintegrated producers experienced their lowest annual operating income and operating margins of the investigative period in 1986. Further, the integrated producers earned a very low operating profit in interim 1987, and their operating margin slightly exceeded the minimal operating margin of the nonintegrated producers. The profitability of the nonintegrated producers, never large, has turned downward since 1985.

We conclude that the information clearly indicates that the domestic industry continues to experience material injury.

CAUSATION

The volume of imports from Sweden increased more than 50% from 1844 short tons in 1984 to 2822 short tons in 1986. Import penetration rose concommitantly from 2.4% in 1984 to 3.7% in 1986. However, even this strong growth trend understates the expansion in Sweden's market presence in 1986, as the importer sharply drew down his inventories of Swedish material during the year.

This increase in import volume and penetration was achieved with general undercutting of domestic prices. Information on purchases by distributors shows general and consistent undercutting of domestic prices by the Swedish imports in the Eastern, Western, and Midwestern U.S. market areas.

The impact of this increasing volume and penetration of LTFV imports from Sweden, which were priced to undercut domestic prices, is clearly visible in the poor operating and financial performance of the domestic industry. Accordingly, we find that the LTFV imports of welded stainless steel pipes and tubes from Sweden are a cause of material injury to the domestic industry.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

Following a preliminary determination by the U.S. Department of Commerce that imports of stainless steel pipes and tubes 1/ from Sweden are being or are likely to be sold in the United States at less than fair value (LTFV), 2/ the U.S. International Trade Commission, effective May 22, 1987, instituted investigation No. 731-TA-354 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Notice of the institution of the Commission's final investigation, and of the public hearing to be held in connection therewith, was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on July 1, 1987 (52 F.R. 24537). 3/ The hearing was held on October 13, 1987, in Washington, DC. 4/

On October 9, 1987, Commerce published in the Federal Register its final affirmative determination of sales at LTFV (52 F.R. 37810). 5/ The Commission issued its final determination on November 18, 1987.

This investigation results from a petition filed by the Specialty Tubing Group 6/ on October 20, 1986, alleging that an industry in the United States is materially injured or threatened with material injury by reason of imports of stainless steel pipes and tubes from Sweden that are allegedly being sold at less than fair value. In response to that petition, the Commission instituted investigation No. 731-TA-354 (Preliminary) under section 733 of the Tariff Act of 1930 (19 U.S.C § 1673b(a)) and, on December 4, 1986, notified Commerce of its determination that there was a reasonable indication of material injury.

1/ The subject stainless steel pipes, tubes, hollow bars, and blanks therefor, all the foregoing of circular cross section, are provided for in items 610.37, 610.51, and 610.52 of the Tariff Schedules of the United States (TSUS).

2/ Commerce published its preliminary determination in the Federal Register on May 22, 1987 (52 F.R. 19369).

3/ A copy of the Commission's notice is presented in app. A. The Commission established a work schedule in conformance with Commerce's postponement of its final LTFV determination from July 29, 1987, to Oct. 5, 1987, in response to a request from respondents.

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

5/ A copy of Commerce's notice is presented in app. A.

6/ The Specialty Tubing Group consists of the following firms: Al Tech Specialty Steel Corp., Allegheny Ludlum Steel Corp., ARMCO-Specialty Steel Division, Carpenter Technology Corp., Damascus Tubular Products, and Trent Tube Division, Crucible Materials Corp. On Feb. 6, 1987, counsel for the Specialty Tubing Group amended the petition to add the United Steelworkers of America as a copetitioner in the investigation.

Previous Investigations

The Commission has conducted three other investigations concerning stainless steel pipes and tubes. The first investigation, No. AA1921-180, 1/ covered imports of welded stainless steel pipes and tubes from Japan. The trade complaint was filed on behalf of a group of domestic pipe and tube producers. On July 20, 1978, the Commission determined that there was no injury or likelihood of injury as a result of sales of welded pipes and tubes from Japan at less than fair value. In the second investigation, No. 731-TA-87 (Final), the Commission examined the impact of imports of certain seamless steel (including stainless) pipes and tubes from Japan. 2/ The petitioner in the investigation was Babcock and Wilcox Co. In February 1983, the Commission made an affirmative determination, which resulted in the issuance of an antidumping order in 1983. The order was revoked effective October 23, 1985, as the result of an import restraint agreement reached with Japan.

The most recent investigation, No. 701-TA-281 (Final), 3/ was instituted as a result of a petition filed on September 4, 1986, on behalf of the same group of producers represented in this investigation. In April 1987, the Commission announced a final determination that industries in the United States were not being injured by reason of imports from Sweden of stainless steel pipes, tubes, hollow bars, and blanks therefor, all the foregoing of circular cross section, which were found by the Department of Commerce to be subsidized by the Government of Sweden.

The Product

Description and uses

The stainless steel pipes and tubes subject to this investigation include both welded and seamless products of circular cross section. 4/ The terms "pipes" and "tubes" are generally used interchangeably. However, some industry publications consider pipes to be products produced in large

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

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

3/ Stainless Steel Pipes and Tubes From Sweden: Determination of the Commission in Investigation No. 701-TA-281 (Final), Under the Tariff Act of 1930, USITC Publication 1966, April 1987.

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

quantities in a few standard sizes and tubes to be products made to customers' specifications for dimensions, finish, chemical composition, and mechanical properties. According to these sources, pipes are normally used as conduits for liquids or gases, whereas tubes are generally used for load-bearing or mechanical purposes. Pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing and Materials (ASTM) and the American Society of Mechanical Engineers (ASME).

Pipes and tubes are produced to numerous metallurgical and dimensional specifications. The subject products are most commonly used in pressure and mechanical applications. More specifically, stainless steel pipes and tubes are used extensively in applications in which corrosion and heat resistance and high strength-to-weight ratios are important considerations. Typical applications are in heat exchangers, condensers, boilers, feed water heaters, evaporators, separators, stock lines for the petrochemical industry, digestor lines, blow lines, pharmaceutical production lines, food-processing equipment, and sanitary tubing for the dairy industry. Stainless steel tubes are also used in ornamental applications such as decorative tubing for automobiles, seating for cars and buses, hand railings, furniture, hospital equipment, and display racks. Small tubes, generally less than 3/8 inch in diameter, are used in the manufacture of medical and dental instruments (e.g., needles), specialized machinery parts, and electrical and electronic components.

In the preliminary subsidy investigation there was sharp disagreement on the extent of the overlap in the end uses for seamless and welded stainless steel pipes and tubes. Petitioners testified that in the size ranges in which both seamless and welded pipes and tubes are produced, there is approximately 95-percent overlap on total volume of sales, i.e., customers can use either product. Respondents argued that price and technical differences are principal reasons why seamless and welded pipes and tubes are not commercially interchangeable. 1/ Petitioners contend that as wall thicknesses increase, the differences between seamless and welded production methods not only disappear, but that in some instances welding becomes the more costly method. 2/ In the final countervailing duty investigation, petitioners focused on the impact of subsidized imports of welded stainless steel pipes and tubes on domestic producers of that product. Petitioners based their shift to a "two like product" analysis on the Commerce determination, which effectively limited its subsidy finding to welded stainless steel pipes and tubes, and the findings of a majority of the Commission in both the preliminary countervailing duty and antidumping investigations that seamless and welded stainless steel pipes and tubes constitute two like products. 3/ Petitioners have retained the two-product approach in this final antidumping investigation. Seamless pipes and tubes are more commonly used in demanding applications that require exceptional strength, high pressure containment, and a great degree of reliability. Traditional applications for seamless stainless steel pipes and tubes are in nuclear power plants, conventional

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1/ Transcript I, pp. 72, 117, and 147-149.
2/ Postconference brief of the Specialty Tubing Group in investigation No. 731-TA-354 (Preliminary), app. C, pp. 1-2.
3/ Prehearing brief of the Specialty Tubing Group, p. 3, and transcript of the public hearing in investigation No. 701-TA-281 (Final)(Transcript II), pp. 50-51.

power plants, certain oil and gas tubing, and certain uses within the pulp and paper industry. 1/ Welded pipes and tubes are more commonly used to transport liquids at atmospheric pressure. 2/

One distinct type of seamless stainless steel pipes and tubes produced in the United States and imported from Sweden is hollow bar, which is also referred to in the market as mechanical tubing. Hollow bar is a tubular product characterized by a high ratio of wall thickness to outside diameter (OD). 3/ The product is sold to parts machiners that machine the tubing into flanges, fittings, or valves. Estimates of the size of the U.S. market for hollow bar range from 2,500 to 4,500 short tons per year. 4/

Another type of seamless stainless steel pipes and tubes is the redraw hollow. 5/ In investigation No. 701-TA-281 (Preliminary), representatives of Sandvik, the exclusive importer of Swedish seamless redraw hollows, referred to redraw hollows as semifinished products. This designation was challenged in investigation No. 731-TA-354 (Preliminary) by petitioners, who contend that hollows are actually finished products that in most cases are redrawn to smaller dimensions but that could also be used "as is" in final end-use applications. Redraw hollows, however, are most often reduced in size and brought to their final form through cold working that takes place subsequent to their original sale. Sandvik testified that none of its hollows were produced to pipe specifications and, therefore, none could be sold to end users without some further cold working. 6/ Staff conversations with firms that purchase redraw hollows provided mixed responses on this question. 7/ Most firms indicated that they purchased hollows produced to their own specifications rather than standard pipe schedule specifications. There were several firms that had at times purchased stock from distributors that was in fact finished pipe that they then used as redraw material.

1/ Transcript I, p. 147.
2/ Transcript I, p. 121.
3/ Ibid.
4/ Ibid.; also postconference brief of the Specialty Tubing Group in investigation No. 731-TA-354 (Preliminary), app. F.
5/ Although most redraw hollows are seamless, there is some U.S. production of welded redraw hollows. Petitioners testified during the public hearing in investigation No. 701-TA-281 (Final) that three producers of welded stainless steel pipes and tubes were actually redrawers that should not be considered part of the domestic industry. The staff contacted all three firms and determined * * *. The remaining firm, * * *, was purchased by its current owners * * *. * * * confirmed that his firm purchased welded hollows that were then drawn to smaller sizes. * * *. It appears that the bulk of welded redraw hollows are produced by welded pipe and tube producers who then do their own redrawing.
6/ Transcript of the public conference in investigation No. 731-TA-354 (Preliminary)(Transcript III), pp. 87-88.
7/ The staff conducted fieldwork during the preliminary antidumping investigation and the preliminary and final countervailing duty investigations on these products and conducted a telephone survey in the preliminary antidumping investigation (during the week of Nov. 10, 1986). All firms known to produce or purchase seamless redraw hollows were contacted and responded to inquiries.

As previously noted, the TSUS defines stainless steel as an alloy steel that contains, among other materials, more than 11.5 percent chromium. Data gathered in the preliminary antidumping and countervailing duty investigations included only products meeting this specification. Subsequent to the Commission's institution of the final countervailing duty investigation, counsel representing Avesta requested in a submission dated December 11, 1986, that stainless steel be defined for purposes of this investigation to comprise material with greater than 10 percent chromium content and that questionnaire data be gathered on this basis. Counsel argued that the U.S. industry, the ASTM, and the Department of Commerce (in its Current Industrial Reports) all recognize stainless steel as any steel that contains more than 10 percent chromium, as well as the required proportions of other materials. The ASTM designations that cover pipes and tubes between 10 percent and 11.5 percent chromium are grades 409 and 422. Counsel further argued that this definitional difference "materially distorts the statistical picture of the U.S. market for stainless steel pipes and tubes and the financial picture of the U.S. producers." This "material distortion" appears to stem from counsel's allegation that one of the petitioning firms produces a "significant" quantity of pipes and tubes in grade 409 or grade 422.

In a submission dated December 19, 1986, counsel for the petitioners urged the Commission to reject the proposal. Counsel argued that collecting data on pipes and tubes made of stainless steel containing between 10 and 11.5 percent chromium would serve no useful purpose, and would constitute a departure from the Commission's own precedent. According to counsel for petitioners, the most significant grade of stainless steel containing between 10 and 11.5 percent chromium is grade 409. Counsel stated that tubular products produced from this grade steel are of far lower quality and cost than products containing more than 11.5 percent chromium. Grade 409 tubular products were developed for the automotive exhaust and emission control market and continue to be produced specifically for this unique market. Counsel argued that as a result of these differences in quality and end uses, grade 409 tubular products are not interchangeable with higher quality tubular products made of stainless steel containing more than 11.5 percent chromium. Counsel further contended that the domestic industry does not produce such products to any significant degree, has not suffered material injury with respect to production of such products, and has not experienced any competition from Swedish producers of such products.

The Commission has acknowledged this stainless steel definitional problem in prior investigations under both Title VII of the Tariff Act of 1930 and Section 201 of the Trade Act of 1974. In all such investigations, the TSUS definition was used and products not meeting its chromium specification were not covered. However, an argument could be raised that pipes and tubes in grades 409 and 422 are "like" pipes and tubes containing more than 11.5 percent chromium.

The Commission's questionnaire in this investigation requested separate data on shipments 1/ of pipes and tubes produced from grades of stainless

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1/ In the final countervailing duty investigation (No. 701-TA-281 (Final)) producers were asked to provide separate data on profit-and-loss information for grades of stainless steel with chromium contents between 10.1 percent and 11.5 percent; however, none of the firms were able to provide this information because of the small volumes involved.

steel with chromium contents between 10.1 percent and 11.5 percent. Representatives for Avesta and Sandvik reported * * *. Of the 28 domestic producers of the stainless steel pipes and tubes subject to the investigation that responded to the questionnaire, only 5 firms reported such shipments in 1986. An additional firm, * * *, reported in a questionnaire response that * * *. In all cases the products shipped were welded pipes and tubes.

The quantities of such shipments and their shares of total domestic shipments of all welded stainless steel pipes and tubes by the 24 responding welded producers (including * * *) during 1984-86, January-June 1986, and January-June 1987, are shown in the following tabulation:

Period	Domestic shipments (short tons)	Share of total (percent)
1984----------	***	***
1985----------	***	***
1986----------	***	***
January-June--		
1986----------	***	***
1987----------	***	***

The principal grade 409 producers, * * *, * * *, and * * *, reported that shipments of these grades were to automotive parts fabricators, specifically firms producing automotive exhaust systems such as manifolds, tailpipes, and catalytic converters. * * *. The production process is less extensive for these products, essentially requiring only welding and annealing. Other grades of stainless steel are not acceptable for this market, although alloy steels other than stainless can also be used.

During the public hearing in investigation No. 701-TA-281 (Final), witnesses for petitioners testified that substantial volumes of grade 409 tubular products were shipped by a group of producers outside the Specialty Tubing Group. 1/ Reference was made to four companies that petitioners believed accounted for virtually all grade 409 tubing. The staff contacted all four cited firms as well as a fifth producer. It was determined that two of the five firms, * * * and * * *, produce grade 409 tubing for open market sales. * * *. Two other firms, * * * and * * *, were fabricators of exhaust systems. These firms produce grade 409 tubing but utilize all of it in the production of finished products. The remaining firm, * * *. * * * could recall only one purchase of 400 series material in the last 5 years. * * * purchased some grade 430 tubing for sale to the small instrumentation market.

Manufacturing processes

Seamless stainless steel pipes and tubes.--Seamless pipes and tubes are produced by forming a central cavity in solid steel stock. The central cavity may be formed by rotary piercing and rolling, or by extruding. Rotary piercing and rolling operations produce the bulk of seamless steel (all grades, including carbon, alloy, and stainless) tubular products. A

1/ Transcript II, pp. 66-68.

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

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

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

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

U.S. tariff treatment

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

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

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

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

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

No preferential tariff treatment is afforded to products of countries other than Israel (duty-free entry under the U.S.-Israel Free Trade Area Agreement) and beneficiaries of the Caribbean Basin Economic Recovery Act (see TSUS general headnote 3(e)(vii)), whose products enter free of duty.

Import Restraint Program

In July 1984, the Commission reported its findings and recommendations to the President in investigation No. TA-201-51, concerning carbon and certain alloy steel (excluding stainless steel) products. 3/ The Commission determined that imports of certain carbon steel products 4/ were a substantial cause of serious injury, or threat thereof, to certain domestic industries and recommended the imposition of a 5-year program of tariffs and quotas. On September 18, 1984, the President determined that taking "escape clause"

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

action under section 202(b)(1) of the Trade Act of 1974 was not in the national economic interest (49 F.R. 36813). Instead of taking action under the statute, the President established a nine-point policy to address the concerns of the industry. Under this policy, the President directed the United States Trade Representative to negotiate voluntary restraint arrangements (VRAs) to cover a 5-year period (from Oct. 1, 1984, through Sept. 30, 1989) with countries whose exports to the United States had increased significantly in recent years as a result of an unfair surge in imports. These measures were expected to return the share of imports in the U.S. market to a more normal level of approximately 18.5 percent, excluding semifinished steel (which, subsequent administration statements indicate, would be limited to about 1.7 million tons per year).

To date, VRAs have been negotiated with 19 countries and the European Community (EC) (excluding Portugal and Spain, which negotiated separate agreements). 1/ These agreements cover imports of all carbon steel products and certain specialty steel products, including stainless steel pipes and tubes. With the exception of Brazil, none of the VRAs negotiated to date contain a specific import limitation on stainless steel pipes and tubes. Sweden has not negotiated a VRA. The agreements have taken the form of market share arrangements and quotas, or a combination thereof. The absence of a specific limit on specialty steel products would allow foreign producers to concentrate their exports in higher value per pound items, such as stainless steel pipes and tubes. The agreements are tailored to each country, with considerable variation in the number of individual product categories subject to limitation. Under the terms of the arrangements, the Department of Commerce revoked any existing antidumping or countervailing duty orders, and petitioners withdrew existing petitions and agreed not to file new unfair trade petitions on finished steel products.

1/ In addition, in December 1986, Taiwan announced a unilateral export restraint of steel products (including stainless steel pipes and tubes) to the United States of 20,000 to 25,000 tons per month through 1987.

The negotiated arrangement level for import penetration for all pipe and tube products, including those under investigation, was 33.2 percent for 1987. The following tabulation shows the specific shares negotiated by country (on either a percentage or tonnage basis):

Country	1987 Arrangement Level for Pipes and Tubes 1/
Australia	0.16%
Austria	0.04% 2/
Brazil	1.59% 3/
EC(10)	7.60%
Finland	0.10%
Japan	13.26%
Mexico	1.33%
South Africa	4/
Republic of Korea	7.67%
Spain	0.89%
China (PRC)	33,000 tons 5/
Czechoslovakia	6,000 tons 5/
East Germany	6,587 tons 5/
Hungary	15,000 tons 5/
Poland	24,389 tons 5/
Romania	16,808 tons 6/
Trinidad and Tobago	30,000 tons 5/
Venezuela	3,754 tons 7/
Yugoslavia	5,164 tons 5/
Portugal	8/

1/ Data compiled by the U.S. Department of Commerce, August 1986.
2/ This is a "basket" amount, which includes pipes and tubes (except oil country tubular goods (OCTG)) as well as other steel products.
3/ Brazil negotiated a specific import penetration level of 0.40 percent for stainless steel pipes and tubes.
4/ Imports of pipes and tubes are prohibited under the Comprehensive Anti-Apartheid Act of 1986.
5/ This is a "basket" amount, which includes pipes and tubes, as well as other steel products.
6/ This amount excludes OCTG.
7/ This amount excludes standard pipe, line pipe, and OCTG.
8/ Pipes and tubes are included in the "all other steel products" category, which has an arrangement level of zero. However, Portugal can shift up to 3,000 tons from its "flat rolled products" arrangement level during 1987.

Nature and Extent of Sales at LTFV

On October 9, 1987, Commerce published notice that it had made a final determination 1/ that certain stainless steel hollow products 2/ from Sweden

1/ The entire text of this determination is presented in app. A.
2/ The scope of Commerce's investigation covered certain stainless steel hollow products including pipes, tubes, hollow bars, and blanks therefor. Commerce determined that these products constituted a single class or kind of merchandise.

are being, or are likely to be, sold in the United States at LTFV. Commerce's investigation covered the period May 1, 1986, through October 31, 1986. Comparisons were made on virtually all of the sales of the products during the period of investigation.

To make a determination of whether sales of the subject products were made at LTFV, Commerce compared the United States price with the foreign market value. For Sandvik, Commerce found sufficient sales of hollow bar in the home market to make comparisons. There were, however, insufficient sales of redraw hollows and finished pipes and tubes to be used as a basis for determining foreign market value. The third country market with the largest volume of sales of the most similar merchandise was determined to be the Federal Republic of Germany (FRG); therefore, comparisons were based on sales of these products to that country. For Avesta, Commerce found sufficient sales in the home market to form the basis of comparison and therefore used delivered home-market prices.

Commerce found that the final weighted-average LTFV margins were as follows (in percent):

Firm	Margin
Sandvik AB..... 1/	20.47
Avesta Sandvik Tube AB.....	34.50
All others..... 1/	26.45

1/ On November 5, 1987, Commerce informed Commission staff by telephone that it had revised its final weighted-average LTFV margins for Sandvik AB and all firms other than Sandvik AB and Avesta Sandvik Tube AB.

Commerce provided information on the total quantity and value of the subject stainless steel hollow products that were exported to the United States and the quantity and value of shipments that were found to be sold at LTFV. According to these data, which cover the period May-October 1986, *** percent of Sandvik's exports by quantity and *** percent by value were sold at LTFV, whereas *** percent of Avesta's exports by quantity and *** percent by value were sold at LTFV. This information is shown in the following tabulation:

Company	Total sales	Sales at LTFV	Total sales	Sales at LTFV
	---1,000 dollars---		------Short tons------	
Sandvik.....	***	***	***	***
Avesta.....	***	***	***	***

The U.S. Market

U.S. producers

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

Generally, stainless steel pipe and tube producers concentrate on the production of either seamless or welded products. One exception among integrated producers was Carpenter Technology, which prior to October 1986 produced both welded and seamless pipes and tubes. In addition, five of the nonintegrated producers of the welded pipes and tubes also produce seamless pipes and tubes from redraw hollows. 1/

During the period of investigation (January 1984-June 1987), 33 firms 2/ were engaged in the production of the stainless steel pipes and tubes subject to this investigation (see table 1 for a listing of firms that provided data in response to the Commission's questionnaire); production facilities are located throughout the country, with a concentration in the Northeastern and Midwestern regions. A discussion of the various types of producers follows.

Integrated seamless producers.--There were five integrated producers of seamless stainless steel pipes and tubes during the period of investigation. In response to a specific inquiry, * * *, accounting for *** percent of reported shipments, indicated they were in support of the petition. * * *.

Al Tech Specialty Steel Corp. is one of the largest integrated producers of seamless stainless steel pipes and tubes. On July 1, 1986, Al Tech was acquired by a Canadian firm, Rio Algon. It was initially announced that the company would close down the Al Tech melt facility in Watervliet, NY; however, the melt facility continues to operate * * *, and the company plans to * * *. * * *. * * *. Al Tech's sales fall in the ***-inch outside diameter (OD) to ***-inch-OD range, whereas its sales of redraw hollows fall in the 1.05-inch-OD to 2-inch OD range, with occasional sales in the 2-1/2-inch-OD range. Since 1984, Al Tech has been the only U.S. producer to produce and sell redraw hollows.

1/ * * *.

2/ During the public hearing in the final countervailing duty investigation respondent Sandvik made reference to a possible producer of seamless pipes and tubes, Curtis Wright. Commission staff contacted officials of the firm, which is located in Buffalo, NY. * * *. The general manager of the firm, * * *, indicated that Curtis Wright competed with Sandvik in the * * * range and * * *. However, * * * stated that * * *. An additional firm, * * *, reported that it does not produce the subject products.

Table 1
Stainless steel pipes and tubes: Selected U.S. producers, their shares of domestic shipments, positions regarding the petition, and plant locations, by types, 1986

Item	Share of reported 1986 domestic shipments	Position regarding petition	Plant locations
	Percent		
Seamless:			
Integrated producers:			
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total seamless	100.0		
Welded:			
Integrated producers:			
***	***	***	***
***	***	***	***
***	***	***	***
Nonintegrated producers:			
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total welded	100.0		

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

Source: Shares of domestic shipments compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Babcock and Wilcox was * * *, accounting for approximately *** percent of domestic producers' shipments in 1984. This company produced seamless pipes and tubes in the ***-inch-OD to ***-inch-OD range. In August 1985, this company shut down its pipe and tube facility because of "* * *."

Carpenter Technology was an integrated producer of seamless and welded stainless steel pipes and tubes until October 20, 1986, when the firm announced that it was ceasing production of welded pipes and tubes at its plant in Union, NJ. Carpenter continues to produce seamless pipes and tubes at its plants in Reading, PA, and Bridgeport, CT, as well as at the facilities of a wholly owned subsidiary in Fryeburg, ME. * * *. * * *. Carpenter is a *** producer of seamless pipes and tubes, accounting for approximately *** percent of domestic shipments of this product in 1986.

Combustion Engineering is * * * producer of seamless stainless steel pipes and tubes, accounting for approximately *** percent of shipments in 1986. Combustion Engineering produces pipes in the ***-inch-OD to ***-inch-OD range, with a concentration in the ***-inch-OD to ***-inch-OD range. It uses a process whereby two furnaces feed a casting line that centrifugally casts hollows, which are then cold worked. This process is allegedly very competitive from a cost perspective and produces a cleaner product. Combustion Engineering feels it is more * * *. Prior to 1984 Combustion Engineering was * * * supplier of redraw hollows to U.S. redrawers; however, it discontinued selling redraw hollows in 1984 * * *. In 1986 this firm reported * * *. However, it continues to produce approximately *** percent of its product from its own melt and is therefore still classified as an integrated producer.

Timken is a * * * integrated producer of seamless stainless steel pipes and tubes, accounting for approximately *** percent of U.S. shipments by the seamless integrated producers. Timken produces seamless pipes and tubes in the ***-inch-OD to ***-inch-OD range.

Integrated welded producers.--There were three integrated producers of welded pipes and tubes during the period of investigation. These three producers accounted for approximately *** percent of reported U.S. producers' shipments of welded pipes and tubes in 1986. All three producers indicated they were in support of the petition.

Allegheny Ludlum produces pipes and tubes in the ***-inch-OD to ***-inch-OD range. This firm accounted for *** percent of U.S. producers' shipments of welded pipes and tubes in 1986. Armco, the * * * producer of welded pipes and tubes, accounting for *** percent of U.S. producers' shipments in 1986, produces welded pipes and tubes in the ***-inch-OD to ***-inch-OD range. Carpenter Technology accounted for approximately *** percent of U.S. producers' shipments of welded pipes and tubes in 1986. Carpenter Technology closed its welded stainless steel pipe and tube mill as of January 1, 1987.

Seamless redrawers and nonintegrated welded producers.--There are nine redrawers of seamless stainless steel pipes and tubes in the United States. 1/

1/ * * *. * * *. * * *.

Redraw hollows are supplied to redrawers by Al Tech, Combustion Engineering (until 1984 when it discontinued sales), Sandvik, and producers in Japan, Italy, West Germany, and the United Kingdom. Al Tech sells hollows in sizes ranging from 1.05-inch OD to 2.0-inch OD. Sandvik offers imported hollows in sizes ranging from 1.25-inch OD to 1.7-inch OD. The sales of finished seamless stainless steel pipes and tubes produced by these redrawers from hollows were equivalent to over *** percent of U.S. producers' shipments. 1/ These firms are for the most part also producers of welded stainless steel pipes and tubes and can be grouped according to the size range of their redraw production. Six firms 2/ concentrate on the production of smaller diameter tubing ranging from 3/4-inch OD down to hypodermic needle size. The market for these products is dominated by domestic producers, with little or no import penetration. The remaining three firms 3/ concentrate their production in larger tube sizes, ranging from 1/8-inch OD to 4-1/2-inch OD, with the bulk of production between 1-inch OD and 1-3/4-inch OD. These firms appear to have more foreign competition and, except for * * *, the size range of their production overlaps to some degree with that of their suppliers of redraw hollows.

* * * and * * *, two redrawers of seamless pipes and tubes, indicated they are opposed to the petition of the Specialty Tubing Group. Two redrawers indicated they were in support (* * * and * * *), four redrawers indicated they did not wish to take a position, and the position of one is unknown.

Petitioners have urged the Commission to exclude redrawers from the definition of the domestic industry for two reasons:

> "First, redrawers perform a finishing operation only and do not engage in the essential operation that defines the domestic industry, the manufacture through hot working of stainless pipe and tube from a basic steel shape. Unlike the domestic industry, redrawers including Sandvik Steel Company, purchase tubing that sees no subsequent hot work. Rather, redrawers purchase redraw hollows produced either by the domestic industry or foreign producers and finish the hollows through cold working to the desired specifications. In essence, the work performed by the redrawers is no different from that performed by any other customer that purchases specialty tubing (for example, a hollow bar) and machines or otherwise finishes the product to specification.
>
> Second, it would be inappropriate to include redrawers in the domestic industry because such an industry definition would result in inaccurate and misleading data." 4/

Representatives of Sandvik Steel challenged petitioners' contention on the basis of the substantial value added by seamless redrawers. A telephone survey of redrawers by Commission staff revealed that value added varied from

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1/ Sales of seamless pipe and tube produced by these firms from redraw hollows are not included in domestic shipment data so as to avoid double counting.
2/ * * *.
3/ * * *.
4/ Postconference brief of Petitioners in investigation No. 701-TA-281 (Preliminary), pp. 9-10.

as low as 35 percent to as much as 300 percent. Most firms reported value added in excess of 50 percent. The large variation in value added is a function of the size of the hollow purchased versus the size of the final product produced. The closer the final product is to the dimensions of the redraw hollow, the fewer the passes required on draw machinery and therefore, the less additional cost. Redrawers generally purchase hollows between 1 and 2 inches OD. Firms producing finished tube with OD's of 1 to 1-3/4 inches had lower value added, whereas those producing at 5/8-inch OD and below reported substantially higher values. Sandvik Steel Co., itself a redrawer, has provided data showing that the average percent value added to the redraw hollows it purchased was *** percent in 1985 and *** percent in January-June 1986.

Twenty nonintegrated producers of welded pipes and tubes responded to the Commission's questionnaire. These firms accounted for approximately *** percent of shipments of all reporting welded producers in 1986. Eight of the nonintegrated welded producers, accounting for *** percent of U.S producers' shipments of welded pipes and tubes, indicated they were in support of the petition. Eleven nonintegrated producers indicated they did not wish to take a position in the investigation, and one producer was opposed to the petition. Five of these nonintegrated welded producers are also redrawers of the seamless product. 1/

U.S. importers

Two firms import stainless steel pipes and tubes from Sweden. Seamless stainless pipes and tubes are imported by Sandvik Steel Co., located in Scranton, PA. The company is a division of Sandvik, Inc., a Delaware corporation that in turn is owned by Sandvik AB of Sweden. Sandvik is an importer of both seamless stainless steel hollows and finished seamless stainless pipes and tubes. It also produces finished seamless stainless steel pipes and tubes at its facility in Scranton, utilizing redraw hollows imported from Sweden. Welded stainless steel pipes and tubes are imported by Avesta Stainless, Inc., located in Totowa, NJ. Avesta Stainless is a wholly owned subsidiary of Avesta AB, a Swedish stainless steel producer. With minor exceptions, both Sandvik and Avesta are exclusive U.S. importers of seamless and welded stainless steel pipes and tubes produced by their parent firms in Sweden. 2/

Channels of distribution

In the U.S. market, sales of finished pipes and tubes are generally made directly to end users or to distributors, which in turn sell to end users. Distributors are middlemen that buy large quantities of pipes and tubes, typically from both domestic producers and importers, warehouse the product, and sell smaller quantities to end users. According to questionnaire responses, *** percent of U.S. producers' domestic shipments of seamless stainless steel pipes and tubes and *** percent of U.S. importers' domestic shipments of such products were made to unrelated distributors in 1986. About

1/ * * *.
2/ Transcript I, pp. 115 and 143.

56 percent of U.S. producers' domestic shipments of welded stainless steel pipes and tubes and *** percent of U.S. importers' domestic shipments of such products in 1986 were made to unrelated distributors. The remaining shipments were made to unrelated end users.

Finished welded pipes and tubes are supplied by a small number of integrated U.S. producers and a larger number of nonintegrated producers, as well as by imports. Finished seamless pipes and tubes are supplied by a small number of integrated U.S. producers, by a larger number of domestic firms known as redrawers, 1/ which manufacture finished pipes and tubes from a semifinished product known as redraw hollows, and by imports. Redraw hollows are supplied to redrawers by the integrated U.S. producers and by imports. Seamless imports from Sweden include both finished pipes and tubes and redraw hollows. Sandvik Steel Co., the importer, uses most of the imported Swedish redraw hollows in its own redrawing operation and sells the remainder to other U.S. redrawers. Figure 1 shows the flow of redraw hollows and finished seamless pipes and tubes from Sweden, the United States, and other countries to U.S. redrawers and purchasers.

Apparent U.S. consumption

In the course of investigation No. 701-TA-281 (Preliminary), data from four different data bases were cited in discussing consumption of stainless steel pipes and tubes in the U.S. market. Petitioners provided data from two sources: a survey prepared by the American Iron and Steel Institute and one prepared on their behalf by Economic Consulting Services, Inc. 2/ Respondents cited the Commission's own survey of the U.S. steel industry, which included data on specialty steel. 3/ Finally, reference was made to a survey of the U.S. Department of Commerce, which includes data on stainless steel pipe and tube shipments through 1985. 4/ All of these data sources were based on varying numbers of respondents and produced some differences in both absolute volumes and trends in shipments.

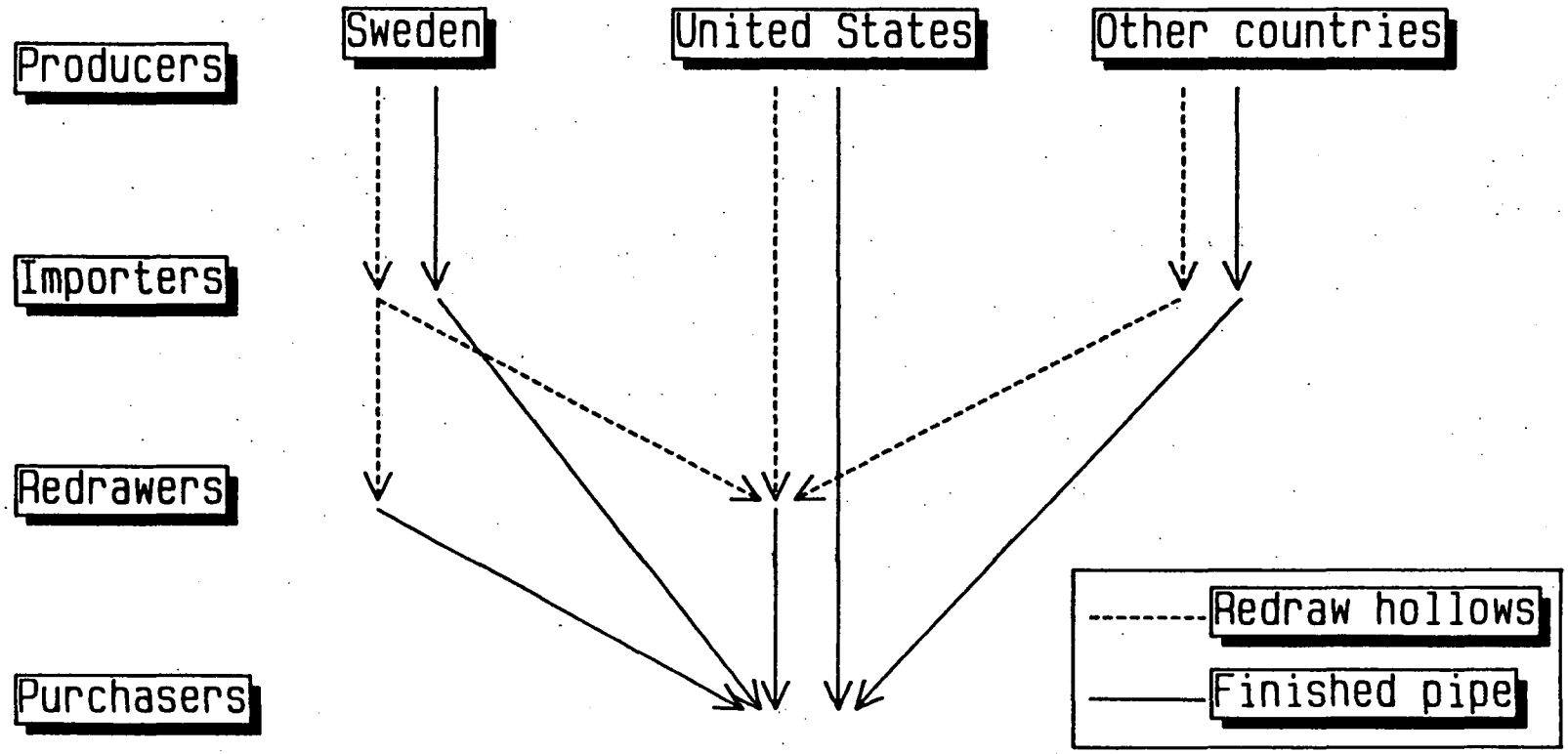
1/ See the "U.S. producers" section for a description of these classes of producers.

2/ Countervailing Duty Petition against Specialty Tubing from Sweden, Tables 1 and 2.

3/ Annual Survey Concerning Competitive Conditions in the Steel Industry and Industry Efforts to Adjust and Modernize: Report to the President on Investigation No. 332-209 under Section 332 of the Tariff Act of 1930, USITC Publication 1881, September 1986,

4/ Transcript I, p. 97. The survey referred to is an annual Current Industrial Report (MA33B) on steel mill products, published by the Bureau of the Census. The survey was sent to all known producers of steel mill products, approximately 330 companies. Whereas the exact correlation between the pipe and tube products reported in the survey and those subject to this investigation is not known, the survey defines stainless steel as containing 10 percent or more of chromium and including heat resisting steel. This definition conflicts with the Commission's and Commerce's definition of the scope of this investigation, and results in an overstatement of the volume of shipments. Moreover, the Census report includes shipments of seamless pipes and tubes by redrawers. Such data are excluded from the Commission's data base to avoid double counting (shipments of redraw hollows are included in the data base).

Figure 1.--Seamless stainless steel pipes and tubes: Channels of distribution



Source: Compiled from information developed during the course of the investigation.

During the public hearing in the final countervailing duty investigation, all parties commented further on the data base. Petitioners contended that the Commission's questionnaire data were the best available measurement of shipments by the domestic industry. 1/ Counsel for petitioners further argued that shipment data for welded pipes and tubes presented by respondents included products that were outside the scope of the Commission's investigation. 2/ Respondent Avesta alleged that the Commission's shipment data on welded stainless steel pipes and tubes only represented approximately 60 percent of domestic shipments. 3/ Data submitted on behalf of Avesta indicated that total shipments by U.S. producers of welded stainless steel pipes and tubes were at least 90,000 short tons in 1985 and 88,000 short tons in 1986. The consultant responsible for developing the data base reported that he had included some products that are currently considered outside the scope of the investigation and had based his estimates on telephone conversations with industry contacts rather than questionnaire responses. However, he noted that the Department of Commerce, in its Current Industrial Report, independently arrived at a similar shipment figure for 1985. Finally, witnesses for Sandvik argued that data concerning the operations of redrawers must be included in the Commission's data base for seamless stainless steel pipes and tubes. 4/ Similar arguments have been advanced by counsel for Avesta and Sandvik in the current antidumping investigation, whereas counsel for petitioners has reaffirmed its position that the Commission's questionnaire data constitute the best available data base and that the Commission's methodology for calculating shipments and consumption is correct.

After reviewing all of the data sources, the staff concluded that, for purposes of this investigation, the responses to the Commission's questionnaire provide the most reliable data base. 5/ Extensive efforts have been made to obtain responses from domestic producers outside the petitioning group. Complete questionnaire responses were received from 16 firms, 6 of which were petitioners, and partial responses (primarily data on capacity, production, shipments, and inventories) were received from an additional 12 firms.

Domestic-shipment data for seamless pipes and tubes reported in response to the Commission's questionnaires are believed to account for all such shipments of the products subject to this investigation. Shipment data from producers designated as redrawers are not included in consumption calculated on the basis of quantity; the inclusion of such data would clearly overstate apparent consumption through double counting, in that redrawers' purchases of redraw hollows from U.S. producers and foreign sources are already included. However, apparent consumption calculated on the basis of value includes the value added by redrawers. Data for welded pipes and tubes are estimated to account for approximately 90 percent of the domestic shipments of the welded stainless steel pipes and tubes subject to investigation. In total, usable responses were received from 28 domestic producers (including 7 of the 9 firms identified as redrawers) and were confined to the products subject to this investigation.

1/ Transcript II, p. 27.
2/ Ibid.
3/ Ibid., pp. 79 and 93-95.
4/ Ibid., pp. 142-149; also prehearing brief on behalf of Sandvik in investigation No. 701-TA-281 (Final), pp. 19-21.
5/ Data on alloy steel pipes and tubes containing less than 11.5 percent chromium (e.g. grade 409) are not included in this data base.

Stainless steel pipes and tubes.--Apparent consumption increased from 104,382 short tons in 1984 to 109,571 short tons in 1985, an increase of 5.0 percent, then declined by 4.9 percent in 1986 to 104,236 short tons (table 2). Consumption declined by 8.4 percent in January-June 1987 compared with consumption in the corresponding period in 1986. This decline was due to a 25-percent drop in imports, as domestic shipments declined by less than 1 percent.

Table 2
Stainless steel pipes and tubes: Apparent U.S. consumption, by types, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
	Quantity (short tons)				
Seamless	28,005	30,693	27,194	15,017	11,175
Welded	76,377	78,878	77,042	41,991	41,053
Total	104,382	109,571	104,236	57,008	52,228
	Value (1,000 dollars)				
Seamless 1/	133,424	156,131	129,935	70,518	57,246
Welded	265,854	275,935	268,223	145,059	135,789
Total	399,278	432,066	398,158	215,577	193,035

1/ Includes the value added by redrawers.

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

Seamless stainless steel pipes and tubes.--Apparent consumption increased from 28,005 short tons in 1984 to 30,693 short tons in 1985, then decreased by 11 percent to 27,194 short tons in 1986 as both domestic shipments and imports declined. Consumption of the seamless pipes and tubes continued to decline, by 26 percent, in January-June 1987 compared with consumption in the corresponding period of 1986, due primarily to a 32-percent drop in imports (domestic shipments dropped by 8 percent).

Welded stainless steel pipes and tubes.--Apparent consumption in this category followed the same general trend, increasing from 76,377 short tons in 1984 to 78,878 short tons in 1985, then declining 2.3 percent to 77,042 short tons in 1986. The drop in consumption was due to a 6.3-percent decline in domestic shipments, while imports increased by 19.3 percent. Consumption of welded pipes and tubes declined slightly, by 2.2 percent, in January-June 1987 compared with consumption in January-June 1986.

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

Complete data relating to the condition of the industry producing seamless stainless steel pipes and tubes were received from five integrated firms and five redrawers. Two of the remaining four redrawers were able to provide capacity, production, and shipment data. 1/ The data base used in the following discussion consists of the returns of the five integrated producers of seamless pipes and tubes, which are believed to account for 100 percent of domestic shipments. Data concerning the U.S. production operation of Sandvik Steel Co., a wholly owned subsidiary of Sandvik AB (Sweden), were excluded from the domestic seamless data base as were data for the other seamless redrawers. 2/ Sandvik's data as well as those of the other redrawers are presented in separate tabulations where appropriate.

Complete data relating to the condition of the industry producing welded stainless steel pipes and tubes were received from 3 integrated producers and 12 nonintegrated firms. Data concerning capacity, production, shipments, and inventories were received from eight additional nonintegrated producers. The 23 firms that provided shipment data are believed to account for approximately 90 percent of domestic shipments of welded stainless steel pipes and tubes.

U.S. production, capacity, and capacity utilization

Stainless steel pipes and tubes.--As shown in table 3, production of stainless steel pipes and tubes increased from 72,473 short tons in 1984 to 75,242 short tons in 1985, then declined to 72,921 short tons in 1986. Capacity to produce stainless steel pipes and tubes 3/ increased slightly from 1984 to 1985 then declined in 1986. Capacity showed a drop of 7.9 percent in January-June 1987 compared with capacity in January-June 1986. Capacity utilization fluctuated between 56 and 64 percent during the period.

Seamless stainless steel pipes and tubes.--Seamless production decreased steadily from 7,760 short tons in 1984 to 6,900 short tons in 1986, or by 11 percent. Production continued to decline in January-June 1987, by 5.4 percent compared with production in the corresponding period of 1986. Capacity decreased in 1985 and 1986 as Babcock and Wilcox withdrew from production. The capacity-utilization rate increased from 36.4 percent in 1984 to 45.1 percent in 1986, then declined slightly in January-June 1987 compared with that in January-June 1986.

1/ Without complete shipment data from all redrawers, as well as data by source for their purchases of redraw hollows, domestic shipments could not be recalculated to show only shipments of finished pipes and tubes as suggested by respondent Sandvik.

2/ In the preliminary investigation, the Commission excluded Sandvik's data under the related-party provision. Although a related party's shipment data would normally be included so as not to skew consumption data, Sandvik's use of imported Swedish redraw hollows in its production operation requires the exclusion of such data to prevent double counting. Data for Sandvik and the other redrawers is presented in separate tables and tabulations.

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

Table 3
Stainless steel pipes and tubes: U.S. production, capacity, and capacity utilization, by types, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Production:					
Seamless (short tons)....	7,760	7,374	6,900	3,986	3,772
Welded (short tons).....	64,713	67,868	66,021	37,394	34,389
Total (short tons).....	72,473	75,242	72,921	41,380	38,161
Capacity: 1/					
Seamless (short tons)....	21,300	2/ 18,300	15,300	7,826	7,697
Welded (short tons).....	107,830	111,737	113,701	57,413	52,361
Total (short tons).....	129,130	130,037	129,001	65,239	60,058
Capacity utilization:					
Seamless (percent).....	36.4	40.3	45.1	50.9	49.0
Welded (percent).....	60.0	60.7	58.1	65.1	65.7
Average (percent).....	56.1	57.9	56.5	63.4	63.5

1/ Average capacity to produce, rather than end-of-year capacity.
2/ * * *.

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

Production by redrawers of seamless pipes and tubes increased steadily from *** short tons in 1984 to *** short tons in 1986, an increase of *** percent, then declined by *** percent in January-June 1987 compared with production in January-June 1986 (table 4). Redrawers' capacity increased by *** percent from 1984 to 1986, then declined by *** percent in January-June 1987, compared with capacity in the corresponding period of 1986. The average capacity-utilization rate of the redrawers declined from *** percent in 1984 to *** percent in 1986, then dropped to *** percent in January-June 1987, compared with *** percent in January-June 1986. The sharp decline in production and capacity utilization in January-June 1987 was primarily due to * * *.

Welded stainless steel pipes and tubes.--Production of welded pipes and tubes increased from 64,713 short tons in 1984 to 67,868 short tons in 1985, then declined slightly to 66,021 short tons in 1986. Production declined further, by 8.0 percent, in January-June 1987 compared with January-June 1986. Capacity increased by 5.4 percent from 1984 to 1986 and then declined by 8.8 percent in January-June 1987 compared with capacity in January-June 1986. Capacity utilization increased from 60.0 percent in 1984 to 60.7 percent in 1985, then dropped to 58.1 percent in 1986. Capacity utilization was 65.7 percent in January-June 1987 compared with 65.1 percent in the corresponding period of 1986.

U.S. producers' domestic shipments

Stainless steel pipes and tubes.--Domestic shipments of stainless steel pipes and tubes by U.S. producers increased from 72,101 short tons in 1984 to 74,676 short tons in 1985, then decreased 7.4 percent to 69,181 short tons in

Table 4
Seamless stainless steel pipes and tubes: U.S. production, capacity, and capacity utilization of redrawers, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Production:					
Sandvik (short tons).....	***	***	***	***	***
Other redrawers (short tons).....	3,236	3,444	3,479	1,993	1,786
Total (short tons).....	***	***	***	***	***
Capacity: 1/					
Sandvik (short tons).....	***	***	***	***	***
Other redrawers (short tons).....	4,305	4,441	4,380	2,238	2,124
Total (short tons).....	***	***	***	***	***
Capacity utilization:					
Sandvik (percent).....	***	***	***	***	***
Other redrawers (percent).	75.2	77.6	79.4	89.1	84.1
Average (percent).....	***	***	***	***	***

1/ Average capacity to produce, rather than end-of-year capacity.

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

1986. Domestic shipments decreased by less than 1 percent in January-June 1987 compared with those in January-June 1986 (table 5).

Table 5
Stainless steel pipes and tubes: U.S. producers' domestic shipments, 1/ by types, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
	Quantity (short tons)				
Seamless.....	8,010	7,985	6,681	3,988	3,680
Welded.....	64,091	66,691	62,500	34,095	34,307
Total.....	72,101	74,676	69,181	38,083	37,987
	Value (1,000 dollars)				
Seamless 2/.....	67,426	74,300	60,288	34,141	28,820
Welded.....	234,602	242,727	228,731	123,807	116,612
Total.....	302,028	317,027	289,019	157,948	145,432

1/ Including intracompany transfers.
2/ Includes the value added by redrawers.

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

Seamless stainless steel pipes and tubes.--Shipments declined almost 17 percent from 1984 to 1986, dropping from 8,010 short tons in 1984 to 6,681 short tons in 1986. Shipments then declined by 7.7 percent in January-June 1987 compared with those in the corresponding period of 1986.

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

Item	1984	1985	1986	January-June-- 1986	1987
Redraw hollows	***	***	***	***	***
Other seamless	***	***	***	***	***
Total	8,010	7,985	6,681	3,988	3,680

Domestic shipments of redraw hollows and finished seamless pipes and tubes imported but not further processed by Sandvik Steel Co., as well as shipments of finished pipes and tubes that were redrawn by Sandvik Steel, are shown in the following tabulation (in short tons):

Item	1984	1985	1986	January-June-- 1986	1987
Not further processed:					
Redraw hollows	***	***	***	***	***
Finished seamless	***	***	***	***	***
Subtotal	***	***	***	***	***
Redrawn by Sandvik Steel	***	***	***	***	***
Total	***	***	***	***	***

Domestic shipments of finished pipes and tubes redrawn by Sandvik Steel and other redrawers, which were not included in the shipment data base as previously discussed, are shown in the following tabulation (in short tons):

Item	1984	1985	1986	January-June-- 1986	1987
Sandvik	***	***	***	***	***
Other redrawers	3,204	3,379	3,436	1,889	1,695
Total	***	***	***	***	***

Redrawers' (including Sandvik's) domestic shipments of finished pipes and tubes increased by *** percent from 1984 to 1985, then declined by *** percent in 1986. Shipments by these producers declined by *** percent in January-June 1987, compared with shipments in January-June 1986. This drop in 1987 was due in large part to a * * *.

Welded stainless steel pipes and tubes.--Producers' domestic shipments of welded products followed a different trend from that of seamless products, increasing by 4.1 percent from 1984 to 1985, then decreasing by 6.3 percent in 1986 to 62,500 short tons. Shipments of the welded product increased by less than 1 percent in January-June 1987 compared with shipments in January-June 1986.

U.S. exports

Exports of stainless steel pipes and tubes 1/ increased from 1,389 short tons in 1984 to 1,487 short tons in 1986 (table 6). Exports increased to *** short tons in January-June 1987 compared with *** short tons in January-June 1986. The bulk of exports in 1986 were welded pipes and tubes destined for the European Community and Canada.

Table 6
Stainless steel pipes and tubes: U.S. producers' export shipments, by types, 1984-86, January-June 1986, and January-June 1987

(In short tons)

Item	1984	1985	1986	January-June-- 1986	1987
Seamless	509	167	133	***	***
Welded	880	1,230	1,354	775	952
Total	1,389	1,397	1,487	***	***

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

U.S. producers' inventories

Stainless steel pipes and tubes.--U.S. producers' yearend inventories increased during 1984-86, but were lower at the end of June 1987 than at the end of June 1986. During the period covered by the investigation, these inventories varied between 20 and 26 percent of annual domestic shipments, as shown in the following tabulation:

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

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1984.....1/	16,209	24.4
1985.....1/	15,980	23.8
1986.....	17,555	25.4
As of June 30--		
1986.....	16,650	2/ 21.9
1987.....	15,243	2/ 20.1

1/ Inventories are understated because * * *, which accounted for *** percent of 1986 inventories, was unable to provide inventory information for 1984 and 1985.
2/ Calculated on the basis of annualized shipments.

Seamless stainless steel pipes and tubes.--U.S. producers' yearend inventories of seamless pipes and tubes decreased by 46 percent during 1984-86. Inventories were 4.9 percent lower on June 30, 1987, than on June 30, 1986. During the period covered by the investigation, these inventories decreased from 48 percent of shipments in 1984 to 27 percent of annualized domestic shipments in January-June 1987, as shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1984.....	3,827	47.8
1985.....	3,049	38.2
1986.....	2,074	31.0
As of June 30--		
1986.....	2,086	1/ 26.2
1987.....	1,984	1/ 27.0

1/ Calculated on the basis of annualized shipments.

Redrawers' yearend inventories of seamless pipes and tubes declined from *** short tons in 1984 to *** short tons in 1985, then increased to *** short tons in 1986. As of June 30, 1987, inventories were *** short tons, or *** percent higher than they were as of June 30, 1986. As a percent of redrawers' shipments, inventories declined from *** percent in 1984 to *** percent in 1985, then climbed back up to *** percent in 1986, as shown in the following tabulation:

Item	As of December 31-- 1984	1985	1986	As of June 30-- 1986	1987
Inventories:					
Sandvik (short tons).....	***	***	***	***	***
Other redrawers (short tons).....	407	399	493	427	504
Total (short tons).....	***	***	***	***	***
Inventories as a percent of shipments:					
Sandvik (percent).....	***	***	***	1/ ***	1/ ***
Other redrawers 2/ (percent).....	38.7	36.5	43.6	1/ 31.9	1/ 49.6
Total (percent).....	***	***	***	1/ ***	1/ ***

1/ Calculated on the basis of annualized shipments.
2/ Calculated using only firms providing both inventory and shipment data.

Welded stainless steel pipes and tubes.--U.S. producers' yearend inventories of welded pipes and tubes increased slightly during 1984-85, but climbed in 1986 as shipments declined. During 1984-85, these inventories were at 21 and 22 percent of annual domestic shipments respectively. The ratio of inventories to shipments rose to 24.8 percent in 1986, as shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to shipments (percent)
As of Dec. 31--		
1984.....	1/ 12,382	21.2
1985.....	1/ 12,931	21.8
1986.....	15,481	24.8
As of June 30--		
1986.....	14,564	2/ 21.4
1987.....	13,259	2/ 19.3

1/ Inventories are understated because * * *, which accounted for *** percent of 1986 inventories, was unable to provide inventory information for 1984 and 1985.
2/ Calculated on the basis of annualized shipments.

U.S. employment

The number of workers employed in the production of stainless steel pipes and tubes decreased throughout the period of investigation (table 7). Hours worked by, wages paid to, and total compensation of such workers also declined. The trends related to the seamless and welded products were similar with the exception of wages per hour. On an hourly basis, wages of production and related employees producing seamless stainless steel pipes and tubes were fairly constant during 1984-85 and then fell in 1986. Hourly wages of welded pipe and tube workers declined from 1984 to 1985, then increased slightly in 1986. Productivity, based on tons of production per hour worked, generally increased during the period covered by the investigation.

Table 7
Stainless steel pipes and tubes: Employment of production and related workers and their hours worked, wages paid, total compensation, and productivity, 1984-86, January-June 1986, and January-June 1987 1/

Item	1984	1985	1986	January-June-- 1986	January-June-- 1987
	Number of production and related workers				
Seamless:					
Integrated producers	407	340	234	249	239
Redrawers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Welded	1,221	1,238	1,168	1,225	1,030
Other 3/	***	***	***	***	***
Total	2,086	2,047	1,877	1,941	1,753
	Hours worked (thousands)				
Seamless:					
Integrated producers	843	724	509	295	270
Redrawers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Welded	2,597	2,710	2,567	1,337	1,102
Other 3/	***	***	***	***	***
Total	4,288	4,272	3,892	2,059	1,808
	Wages (thousands of dollars)				
Seamless:					
Integrated producers	11,647	9,998	6,339	3,666	3,554
Redrawers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Welded	30,047	28,695	27,761	14,653	11,819
Other 3/	***	***	***	***	***
Total	50,675	48,128	43,792	23,238	20,374
	Total compensation (thousands of dollars)				
Seamless:					
Integrated producers	17,856	15,326	9,353	5,680	5,043
Redrawers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Welded	36,092	34,021	33,425	16,971	13,942
Other 3/	***	***	***	***	***
Total	56,061	51,804	45,048	23,739	19,970
	Wages per hour				
Seamless:					
Integrated producers	$13.82	$13.81	$12.45	$12.43	$13.16
Redrawers 2/	7.69	8.16	9.28	9.15	8.65
Average, seamless	12.45	12.39	11.50	11.57	11.94
Welded	11.57	10.59	10.81	10.96	10.73
Other 3/	11.74	12.53	12.83	12.29	12.32
Average	11.82	11.27	11.25	11.29	11.27
	Productivity (tons per hour) 5/				
Seamless:					
Integrated producers	.009	.010	.013	.013	.014
Redrawers 2/	.006	.007	.007	.009	.008
Average, seamless	.008	.009	.011	.012	.012
Welded	.019	.018	.019	.019	.022
Other 3/	.006	.006	.006	.006	.006
Average	.014	.014	.015	.016	.017

1/ Data were provided by *** firms accounting for *** percent and *** percent, respectively, of reported U.S. producers' domestic shipments of seamless and welded pipes and tubes, and by *** firms accounting for *** percent of reported redrawers' shipments (excluding Sandvik) in 1986.
2/ Excludes Sandvik Steel.
3/ Firms that produce both seamless and welded pipes and tubes, but could not provide separate data by product.
4/ Not available.
5/ Includes data only from firms reporting both production and hours worked.

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

Fourteen firms reported the union status of their employees. Workers at nine firms are represented by the United Steel Workers, and workers at others are represented by the International Brotherhood of Electrical, Radio, and Machine Workers; International Brotherhood of Boilermakers; International Association of Machinists and Aerospace Workers, AFL-CIO; and the United Auto Workers. Employees of the remaining firm, * * *, are not represented by a union. Whereas several of the responding producers reported minor layoffs of employees, four firms reported reductions in staff that they characterized as permanent. Carpenter reported a permanent layoff of *** workers on December 31, 1985, and the additional layoff of *** workers as of December 31, 1986. Damascus (a welded pipe and tube producer) reported a *** percent reduction in the number of its employees between January 1984 and June 1987. Trent Tube laid off *** workers when it shut down its pipe and tube facility in California. It also reported temporary layoffs in August, September, and October 1986 for *** days as well as a permanent layoff of *** workers in January-March 1987. Babcock and Wilcox reported the permanent layoff of *** workers in August 1985, when it shut down its pipe and tube facility.

Three producers of welded pipes and tubes experienced strikes during the period of investigation. Workers at Trent Tube's East Troy, WI, facilities struck for * * *, resulting in a reduction in shipments of *** short tons. An * * * strike at Armco during February-April 1987 resulted in decreased shipments of *** short tons. Finally, workers at Bristol Metals have been on strike from May 1, 1987, to the present. In all three cases, management continued at least partial operation of the plants, and in the case of Bristol Metals, hired replacement workers to minimize lost production. Bristol is currently operating at an estimated ***. All of the strikes resulted from management demands for wage concessions or the continuation of existing concessions. 1/

Employment data provided by Sandvik Steel are shown in table 8.

Table 8
Seamless stainless steel pipes and tubes: Sandvik Steel's employment of production and related workers and their hours worked, wages paid, total compensation, and productivity, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Production and related workers (number)	***	***	***	***	***
Hours worked (thousands)	***	***	***	***	***
Wages paid (1,000 dollars)	***	***	***	***	***
Total compensation (1,000 dollars)	***	***	***	***	***
Wages per hour	***	***	***	***	***
Productivity (tons per hour)	***	***	***	***	***

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

1/ Prehearing brief of Avesta, exhibit IV, and posthearing brief of petitioners, appendix 4.

Financial experience of U.S. producers

Five producers provided usable income-and-loss data on the overall operations of their establishments within which seamless stainless steel pipes and tubes are produced, as well as on their operations producing only seamless stainless steel pipes and tubes. Three firms, * * *, * * *, and * * *, which produce only seamless and welded tubing in their establishments, were not able to break out separately their welded and seamless financial operations (* * * was, however, able to break out separately its asset valuation, capital expenditure, and research and development data). These three firms' income statement data, therefore, cannot be shown in the seamless or welded financial tables, but are shown in the combined seamless and welded financial operations table. Eleven producers of the welded products provided usable financial data on the overall operations of their establishments within which welded stainless steel pipes and tubes are produced, as well as on their operations producing only welded stainless steel pipes and tubes.

Seamless stainless steel pipe and tube establishment operations.--Aggregate income-and-loss data on the overall establishment operations of seamless producers are presented in table 9. Aggregate net sales of the five reporting firms 1/ declined from $*** in 1984 to $*** in 1985, a decrease of *** percent, then declined further to $*** in 1986, or by *** percent. Sales of seamless stainless steel pipes and tubes accounted for approximately *** percent of aggregate establishment net sales during 1984-86.

Operating income increased from $*** in 1984 to $*** in 1985, but deteriorated to a $*** operating loss during the 1986 accounting year. The operating income (loss) margins for the producers during the 1984-86 period were an erratic 0.02 percent, 1.9 percent, and (3.5) percent, respectively. Two of the firms experienced operating losses during 1984, 1985, and 1986.

During the interim period ended June 30, 1987, aggregate net sales totaled $***, down *** percent from net sales of $*** reported during interim 1986. Aggregate operating income of the producers more than doubled from $*** during interim 1986 to $*** during interim 1987. The operating margins for the 1986 and 1987 interim periods were 2.3 percent and 5.5 percent, respectively. One firm reported an operating loss during interim 1986 and interim 1987.

Seamless stainless steel pipe and tube product-line operations.--Income-and-loss data on seamless operations are presented in table 10. Net sales of the four producers (* * *) and one seamless redrawer (* * *) declined from $*** during 1984 to $*** during 1985, or by *** percent, then dropped further by *** percent in 1986 to $***.

An operating loss of $*** was experienced in 1984, primarily because of the * * *. Operating income of $*** was reported during 1985, in large part because of * * *. Of the two producers that experienced operating losses during 1984-85, * * *. Operating income improved further to $*** during 1986, or by *** percent. The aggregate operating income (loss) margins for the producers of seamless pipe and tube during 1984-86 were (11.0) percent, 4.9 percent, and 7.6 percent, respectively. Two firms experienced operating losses during 1984-85, and no losses were reported during 1986.

1/ The firms are * * *.

Table 9
Income-and-loss experience of 5 U.S. producers 1/ on the overall operations of their establishments within which seamless stainless steel pipe and tube is produced, 2/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30-- 3/ 1986	1987
	Value (1,000 dollars)				
Net sales	***	***	***	***	***
Cost of goods sold	***	***	***	***	4/ ***
Gross profit	***	***	***	***	***
General, selling, and administrative expenses	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***	***
Depreciation or amortization included above	***	***	5/ ***	***	4/ 5/ ***
Cash flow 6/	***	***	***	***	***
	Share of net sales (percent)				
Cost of goods sold	90.7	87.1	90.8	84.3	4/ 80.4
Gross profit	9.3	12.9	9.2	15.7	19.6
General, selling, and administrative expenses	9.3	10.9	12.7	13.5	14.1
Operating income or (loss)	7/	1.9	(3.5)	2.3	5.5
Net income or (loss) before income taxes	(1.0)	(0.1)	(5.6)	(0.5)	0.9
	Number of firms reporting				
Operating losses	2	2	2	1	1
Net losses	2	2	2	2	1
Data	5	5	5	5	5

1/ The firms are * * *.
2/ Does not include Sandvik Steel Co.
3/ * * *.
4/ * * *.
5/ * * *.
6/ Cash flow is defined as being net income or loss before taxes plus depreciation and amortization.
7/ Less than 0.05 percent.

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

Table 10
Income-and-loss experience of 5 U.S. producers 1/ on their operations producing seamless stainless steel pipe and tube, 2/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985 4/	1986	Interim period ended June 30--3/ 1986	1987
	Value (1,000 dollars)				
Net sales	***	***	***	***	***
Cost of goods sold	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***
General, selling, and administrative expenses	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income or (loss) before income taxes	***	***	***	***	***
Depreciation or amortization included above	***	***	5/ ***	***	5/ ***
Cash flow 6/	***	***	***	***	***
	Share of net sales (percent)				
Cost of goods sold	106.2	89.6	86.8	87.5	90.9
Gross profit or (loss)	(6.2)	10.4	13.2	12.5	9.1
General, selling, and administrative expenses	4.8	5.5	5.6	5.8	5.2
Operating income or (loss)	(11.0)	4.9	7.6	6.7	3.9
Net income or (loss) before income taxes	(12.5)	3.1	6.2	5.2	2.4
	Number of firms reporting				
Operating losses	2	2	0	1	1
Net losses	2	2	1	1	1
Data	5	5	4	4	4

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.
6/ Cash flow is defined as being net income or loss before taxes plus depreciation and amortization.

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

Seamless net sales for the firms that provided interim data 1/ decreased from $*** during the interim period ended June 30, 1986, to $*** during the interim period ended June 30, 1987, or by *** percent. Operating income also declined, from $*** in interim 1986 to $*** during interim 1987, a decrease of *** percent. The operating margins during interim 1986 and 1987 were 6.7 percent and 3.9 percent, respectively. One of the producers experienced an operating loss during both interim periods.

Sandvik Steel Co., a wholly owned subsidiary of Sandvik AB, is the exclusive importer of Swedish seamless stainless steel pipe and tube. Because of the nature of this relationship, data contained in the seamless product-line table exclude Sandvik. The tabulation below presents a comparison of the financial performance of Sandvik with that of * * *, the three other U.S. producers, * * * and the redrawer * * * on their seamless product-line operations (in thousands of dollars, except as noted):

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
Net sales:					
* * *.....	***	***	***	***	***
3 other seamless producers.	***	***	***	***	***
Seamless redrawer.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Operating income or (loss):					
* * *	***	***	***	***	***
3 other seamless producers.	***	***	***	***	***
Seamless redrawer.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Operating income (loss) as a percent of sales:					
* * *.....	***	***	***	***	***
3 other seamless producers.	***	***	***	***	***
Seamless redrawer.....	***	***	***	***	***
Subtotal-weighted.....	***	***	***	***	***
Sandvik Steel Co.....	***	***	***	***	***
Grand total-weighted.....	***	***	***	***	***

1/ The firms are * * *.

Welded stainless steel pipe and tube establishment operations.--Aggregate income-and-loss data on welded overall establishment operations are presented in table 11. Aggregate net sales of the 11 firms 1/ rose from $246.8 million in 1984 to $278.1 million during 1985, an increase of 12.7 percent, but then declined by 5.2 percent to $263.5 million during 1986. Sales of welded stainless steel pipes and tubes accounted for approximately 78 percent of aggregate establishment sales during 1986.

Operating losses declined from $2.3 million in 1984 to $241,000 during 1985. Operating income in the amount of $2.6 million was reported in 1986. The operating income (loss) margins during the 1984-86 period were (1.0) percent, (0.1) percent, and 1.0 percent, respectively. Six welded producers experienced operating losses in 1984, four producers experienced losses during 1985, and five firms reported losses during 1986.

During the interim period ended June 30, 1987, aggregate establishment net sales of the welded producers totaled $126.3 million, down 4.5 percent from net sales of $132.3 million reported during interim 1986. Operating income decreased from $4.3 million during interim 1986 to $1.3 million during interim 1987, or by 70 percent. The operating margins during interim 1986 and 1987 were 3.2 percent and 1.0 percent, respectively. Two welded producers reported operating losses during interim 1986, and four producers experienced losses during interim 1987.

Welded stainless steel pipe and tube product-line operations.--Income-and-loss data on welded operations are presented in table 12. Net sales of the 11 firms 2/ increased from $207.7 million in 1984 to $213.3 million during 1985, or by 2.7 percent, then declined to $204.8 million during 1986, or by 4.0 percent.

Operating losses declined somewhat, from $3.9 million in 1984 to $3.5 million in 1985, and then to $1.8 million during 1986. The operating-loss margins during 1984-86 were as follows: 1.9 percent, 1.7 percent, and 0.9 percent, respectively. Five welded producers experienced operating losses during 1984, four producers reported losses in 1985, and seven firms incurred losses during 1986.

1/ The firms are * * *. These firms accounted for 85 percent of domestic shipments in 1986 reported in response to the Commission's questionnaire.
2/ The firms are * * *.

Table 11
Income-and-loss experience of 11 U.S. producers 1/ on the overall operations of their establishments within which welded stainless steel pipe and tube is produced, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30-- 2/ 1986	1987
	Value (1,000 dollars)				
Net sales	246,773	278,087	263,503	132,340	126,339
Cost of goods sold	225,136	251,442	233,334	114,842	112,097
Gross profit	21,637	26,645	30,169	17,498	14,242
General, selling, and administrative expenses	23,984	26,886	27,531	13,240	12,964
Operating income or (loss)	(2,347)	(241)	2,638	4,258	1,278
Interest expense	2,087	2,657	2,222	1,340	1,914
Other income or (expense), net	(41)	(3,622)	(108)	178	88
Net income or (loss) before income taxes	(4,475)	(6,520)	308	3,096	(548)
Depreciation or amortization included above	6,664	6,816	3/ 6,539	3,293	3/ 2,896
Cash flow 4/	2,189	296	6,847	6,389	2,348
	Share of net sales (percent)				
Cost of goods sold	91.2	90.4	88.6	86.8	88.7
Gross profit	8.8	9.6	11.4	13.2	11.3
General, selling, and administrative expenses	9.7	9.7	10.4	10.0	10.3
Operating income or (loss)	(1.0)	(0.1)	1.0	3.2	1.0
Net income or (loss) before income taxes	(1.8)	(2.3)	0.1	2.3	(0.4)
	Number of firms reporting				
Operating losses	6	4	5	2	4
Net losses	6	5	6	4	6
Data	11	11	11	10	10

1/ The firms are * * *.
2/ * * *.
3/ * * *.
4/ Cash flow is defined as being net income or loss before taxes plus depreciation and amortization.

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

Table 12
Income-and-loss experience of 11 U.S. producers 1/ on their operations producing welded stainless steel pipe and tube, accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986 3/	Interim period ended June 30-- 2/ 1986	1987
	Value (1,000 dollars)				
Net sales	207,684	213,255	204,787	103,575	100,701
Cost of goods sold	190,237	193,271	184,075	91,079	89,632
Gross profit	17,447	19,984	20,712	12,496	11,069
General, selling, and administrative expenses	21,376	23,521	22,485	10,624	10,750
Operating income or (loss)	(3,929)	(3,537)	(1,773)	1,872	319
Interest expense	1,066	1,531	1,495	799	1,791
Other income or (expense), net	(186)	(1,845)	133	177	75
Net income or (loss) before income taxes	(5,181)	(6,913)	(3,135)	1,250	(1,397)
Depreciation or amortization included above	6,177	6,437	4/ 6,128	2,969	4/ 2,603
Cash flow 5/	996	(476)	2,993	4,219	1,206
	Share of net sales (percent)				
Cost of goods sold	91.6	90.6	89.9	87.9	89.0
Gross profit	8.4	9.4	10.1	12.1	11.0
General, selling, and administrative expenses	10.3	11.0	11.0	10.3	10.7
Operating income or (loss)	(1.9)	(1.7)	(0.9)	1.8	0.3
Net income or (loss) before income taxes	(2.5)	(3.2)	(1.5)	1.2	(1.4)
	Number of firms reporting				
Operating losses	5	4	7	3	6
Net losses	6	5	8	5	6
Data	11	11	11	10	10

1/ The firms are * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ Cash flow is defined as being net income or loss before taxes plus depreciation and amortization.

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

During interim periods 1986 and 1987, welded net sales declined from $103.6 million to $100.7 million, or by 2.8 percent. Operating income declined from $1.9 million during interim 1986 to $319,000 during interim 1987. The operating margins during the 1986 and 1987 interim periods were 1.8 percent and 0.3 percent, respectively. Three welded producers reported operating losses during interim 1986 and six welded producers reported operating losses during interim 1987.

Of the 11 welded producers that provided the Commission with financial data on their welded operations, 3 are integrated producers 1/ and 8 are nonintegrated producers. 2/ Operating results for the two types of welded producers were quite diverse during 1984-86, as can be seen in the tabulation below, which presents a comparison of sales and operating income for the integrated and nonintegrated producers (in thousands of dollars, except as noted):

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
Net sales:					
Integrated welded producers 1/.....	***	***	***	***	***
Nonintegrated welded producers 2/.....	***	***	***	***	***
Total.....	207,684	213,255	204,787	103,575	100,701
Operating income or (loss):					
Integrated welded producers 1/.....	***	***	***	***	***
Nonintegrated welded producers 2/.....	***	***	***	***	***
Total.....	(3,929)	(3,537)	(1,773)	1,872	319
Operating income or (loss) as a percent of sales:					
Integrated welded producers 1/.....	***	***	***	***	***
Nonintegrated welded producers 2/.....	***	***	***	***	***
Weighted-average	(1.9)	(1.7)	(0.9)	1.8	0.3

1/ 3 integrated welded producers provided 1984-86 data, and 2 provided interim data. * * *.

2/ 8 nonintegrated producers provided 1984-86 data as well as interim data.

1/ The firms are * * *.

2/ The firms are * * *.

Combined seamless and welded stainless steel pipe and tube product-line operations.--Income-and-loss data on combined seamless and welded operations are presented in table 13. Net sales declined less than 1 percent from $307 million in 1984 to $304.5 million in 1985, then fell further to $292.1 million during 1986, a decline of 4.0 percent.

An operating loss of $3.8 million was reported by the combined seamless and welded producers in 1984. During 1985 and 1986, however, the firms earned operating income of $4.9 million. The operating income (loss) margins were (1.2) percent in 1984, 1.6 percent in 1985, and 1.7 percent during 1986. Seven producers reported operating losses during 1984, six producers reported losses during 1985, and seven firms incurred losses in 1986.

During the interim period ended June 30, 1987, combined seamless and welded net sales totaled $147.6 million, down 5.9 percent from $156.8 million combined net sales reported during interim 1986. Operating income also fell, from $6.1 million during interim 1986 to $3.1 million during interim 1987, or by 49.4 percent. The operating margins were 3.9 percent and 2.1 percent for interim 1986 and 1987, respectively. Four producers reported operating losses in interim 1986 and seven producers reported operating losses during interim 1987.

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

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
Net sales:					
Seamless and welded producers 1/.....	306,950	304,465	292,148	156,794	147,585
Sandvik Steel Co...	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income or (loss):					
Seamless and welded producers 1/.....	(3,770)	4,907	4,921	6,098	3,084
Sandvik Steel Co...:	***	***	***	***	***
Total.....	***	***	***	***	***
Operating income (loss) as a percent of sales:					
Seamless and welded producers 1/.....	(1.2)	1.6	1.7	3.9	2.1
Sandvik Steel Co...	***	***	***	***	***
Weighted-average	***	***	***	***	***

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

Table 13
Income-and-loss experience of 19 U.S. producers 1/ on their operations producing seamless and welded stainless steel pipe and tube, 2/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985 4/	1986	Interim period ended June 30-- 3/ 1986	1987
	Value (1,000 dollars)				
Net sales	306,950	304,465	292,148	156,794	147,585
Cost of goods sold	281,019	267,523	256,046	134,908	128,975
Gross profit	25,931	36,942	36,102	21,886	18,610
General, selling, and administrative expenses	29,701	32,035	31,181	15,788	15,526
Operating income or (loss)	(3,770)	4,907	4,921	6,098	3,084
Interest expense	3,658	3,679	2,910	1,678	2,450
Other income or (expense), net	(240)	(2,907)	(166)	130	10
Net income or (loss) before income taxes	(7,668)	(1,679)	1,845	4,550	644
Depreciation or amortization included above	8,484	8,852	8,753	4,516	3,843
Cash flow 5/	816	7,173	10,598	9,066	4,487
	Share of net sales (percent)				
Cost of goods sold	91.6	87.9	87.6	86.0	87.4
Gross profit	8.4	12.1	12.4	14.0	12.6
General, selling, and administrative expenses	9.7	10.5	10.7	10.1	10.5
Operating income or (loss)	(1.2)	1.6	1.7	3.9	2.1
Net income or (loss) before income taxes	(2.5)	(0.6)	0.6	2.9	0.4
	Number of firms reporting				
Operating losses	7	6	7	4	7
Net losses	8	7	10	6	8
Data	19	19	18	17	17

1/ The seamless firms are * * *.
2/ Does not include Sandvik Steel Co.
3/ * * *.
4/ * * *.
5/ Cash flow is defined as being net income or loss before taxes plus depreciation and amortization.

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

The tabulation below presents sales and operating data for the seamless redrawer * * *, the three seamless redrawers that are also nonintegrated welded producers but that could not separate out their welded and seamless financial operations * * *, and Sandvik Steel Co., (in thousands of dollars, except as noted):

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
Net sales:					
3 seamless redrawers 1/....	***	***	***	***	***
* * *.....	***	***	***	***	***
Subtotal.....	50,790	51,622	51,152	30,502	29,618
Sandvik Steel Co.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Operating income or (loss):					
3 seamless redrawers 1/....	***	***	***	***	***
* * *.....	***	***	***	***	***
Subtotal.....	7,404	7,207	4,038	2,998	2,121
Sandvik Steel Co.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Operating income (loss) as a percent of sales:					
3 seamless redrawers 1/....	***	***	***	***	***
* * *.....	***	***	***	***	***
Subtotal-weighted.....	14.6	14.0	7.9	9.8	7.2
Sandvik Steel Co.....	***	***	***	***	***
Grand total-weighted.....	***	***	***	***	***

1/ The firms are * * *.

Value of plant, property, and equipment for seamless operations.--The data provided by the U.S. firms on their end-of-period investment in productive facilities in which seamless stainless steel pipe and tube is produced are shown in table 14. The aggregate investment in productive facilities for seamless pipe and tube, valued at cost, increased from $*** in 1984 to $*** in 1985, then rose to $*** during 1986. The book value of such assets declined from $*** in 1984 to $*** in 1985, then fell again to $*** during 1986.

The asset valuation for seamless pipe and tube, at original cost, declined from $*** as of June 30, 1986, to $*** as of June 30, 1987. Similarly, the book value of such assets declined from $*** as of June 30, 1986, to $*** as of June 30, 1987.

Table 14
Seamless stainless steel pipe and tube: Value of property, plant, and equipment of U.S. producers, 1/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	As of June 30-- 1986	1987
All products of establishment:					
Original cost (1,000 dollars).	***	***	***	***	***
Book value (1,000 dollars)....	***	***	***	***	2/ ***
Number of firms reporting.....	6	6	6	6	6
Seamless stainless steel pipes and tubes: 3/					
Original cost (1,000 dollars).	***	***	***	***	***
Book value (1,000 dollars)....	***	***	***	***	***
Number of firms reporting.....	5	5	5	5	5

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

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

Capital expenditures for seamless operations.--The data provided by the U.S. firms relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of seamless stainless steel pipe and tube are shown in table 15. Capital expenditures relating to seamless pipe and tube declined from $*** in 1984 to $*** in 1985, and then to $*** during 1986. Such expenditures increased from $*** during the interim period ended June 30, 1986, to $*** during the interim period ended June 30, 1987.

Table 15
Seamless stainless steel pipe and tube: Capital expenditures by U.S. producers, 1/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
All products of the establishments:					
Land and land improvements (1,000 dollars).....	***	***	***	***	***
Building or leasehold improvements (1,000 dollars).	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)...	***	***	***	***	***
Total (1,000 dollars)....	***	***	***	***	***
Number of firms reporting....	6	6	6	6	6
Seamless stainless steel pipes and tubes: 2/					
Land and land improvements (1,000 dollars).....	***	***	***	***	***
Building or leasehold improvements (1,000 dollars).	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)...	***	***	***	***	***
Total (1,000 dollars)....	***	***	***	***	***
Number of firms reporting....	5	5	5	5	5

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

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

Value of plant, property, and equipment for welded operations.--The data provided by the U.S. firms on their end-of-period investment in productive facilities in which welded stainless steel pipes and tubes are produced are shown in table 16. The aggregate investment in productive facilities for welded pipe and tube, valued at cost, increased from $121.1 million in 1984 to $128.5 million in 1985, but then fell to $94.9 million in 1986. The book value of such assets increased from $51.8 million in 1984 to $52.6 million in 1985, then rose slightly to $52.7 million during 1986.

The asset valuation for welded pipe and tube, at original cost, declined from $117.9 million as of June 30, 1986, to $82.0 million as of June 30, 1987. The book value of such assets decreased from $48.5 million as of June 30, 1986, to $47.0 million as of June 30, 1987.

Table 16
Welded stainless steel pipe and tube: Value of property, plant, and equipment of U.S. producers, 1/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986 2/	As of June 30-- 2/ 1986	1987
All products of establishment:					
Original cost (1,000 dollars)..	141,465	145,697	3/111,360	135,699	3/98,452
Book value (1,000 dollars).....	58,176	58,497	58,218	54,767	3/52,216
Number of firms reporting.....	12	12	12	11	11
Welded stainless steel pipes and tubes: 4/					
Original cost (1,000 dollars)..	121,072	128,463	3/ 94,869	117,944	3/81,961
Book value (1,000 dollars).....	51,760	52,555	52,723	48,474	3/46,964
Number of firms reporting.....	11	11	11	10	10

1/ The firms are * * *.
2/ * * *.
3/ * * *.
4/ * * *.

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

Capital expenditures for welded operations.--The data provided by the firms relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of welded stainless steel pipe and tube are shown in table 17. Capital expenditures relating to welded pipe and tube decreased from $10.7 million in 1984 to $7.2 million during 1985, and then to $5.3 million in 1986.

Total capital expenditures relating to welded pipe and tube increased from $1.7 million during the interim period ended June 30, 1986, to $2.5 million during the interim period ended June 30, 1987.

Table 17
Welded stainless steel pipe and tube: Capital expenditures by U.S. producers, 1/ accounting years 1984-86 and interim periods ended June 30, 1986, and June 30, 1987

Item	1984	1985	1986 2/	Interim period ended June 30--2/ 1986	1987
All products of the establishments:					
Land and land improvements (1,000 dollars).....	***	***	***	***	***
Building or leasehold improvements (1,000 dollars).	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)...	***	***	***	***	***
Total (1,000 dollars)....	10,676	7,232	5,359	1,705	2,483
Number of firms reporting....	12	12	12	11	11
Welded stainless steel pipes and tubes:					
Land and land improvements (1,000 dollars).....	***	***	***	***	***
Building or leasehold improvements (1,000 dollars).	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)...	***	***	***	***	***
Total (1,000 dollars)....	10,676	7,153	5,336	1,705	2,483
Number of firms reporting....	12	12	12	11	11

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

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

Research and development expenses.--Research and development expenses relating to seamless and welded stainless steel pipe and tube are shown in the following tabulation for 1984-86 and the interim periods of 1986 and 1987 (in thousands of dollars):

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
Seamless pipe & tube...	***	***	***	***	***
Welded pipe & tube.....	***	***	***	***	***
Total.....	***	***	***	***	***

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

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. (1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--
>
> (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement), 2/
>
> (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
>
> (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
>
> (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
>
> (V) any substantial increase in inventories of the merchandise in the United States,
>
> (VI) the presence of underutilized capacity for producing the merchandise in the exporting country,
>
> (VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

---

1/ Section 771(7)(F)(ii) of the act (19 U.S.C. (1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

2/ This is an antidumping investigation and the issue of subsidy is not involved.

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

The available information on foreign producers' operations (items (II) and (VI) above) is presented in the section entitled "The Swedish stainless steel pipe and tube industry and its capacity to generate exports"; and information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between the LTFV imports and the alleged material injury." Available information on U.S. inventories of the subject products (item (V)) follows.

Importers' inventories

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

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1984	***	***
1985	***	***
1986	***	***
As of June 30--		
1986	***	1/ ***
1987	***	1/ ***

1/ Calculated on the basis of annualized imports.

Seamless stainless steel pipes and tubes.--Inventories of seamless imports from Sweden, held by the sole importer, Sandvik Steel Co., declined from *** to *** percent of imports during 1984-86, as shown in the following tabulation. The size of its inventories is a reflection of the fact that the bulk of its imports are redraw hollows, which the company uses as feedstock for its U.S. pipe and tube production operation.

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1984	***	***
1985	***	***
1986	***	***
As of June 30--		
1986	***	1/ ***
1987	***	1/ ***

1/ Calculated on the basis of annualized imports.

Welded stainless steel pipes and tubes.--Inventories of imported welded stainless steel pipes and tubes from Sweden held by importers have declined since 1985, as shown in the following tabulation:

	Inventories (short tons)	Ratio of inventories to imports (percent)
As of Dec. 31--		
1984.....	***	***
1985.....	***	***
1986.....	***	***
As of June 30--		
1986.....	***	1/ ***
1987.....	***	1/ ***

1/ Calculated on the basis of annualized imports.

A witness for Avesta testified at the public hearing held during the final countervailing duty investigation that his firm had announced a change in its marketing plans in June 1986 and would no longer stock inventories in the United States. 1/ Avesta also indicated a change in policy to limit the number of distributors to whom it sells.

The Swedish stainless steel pipe and tube industry and its capacity to generate exports 2/

Seamless stainless steel pipes and tubes.--Restructuring of the Swedish stainless steel industry has resulted in the consolidation of all seamless stainless steel pipe and tube production in one firm, Sandvik AB. The firm produces and exports seamless redraw hollows as well as finished pipes and tubes. Exports from Sandvik AB account for all of Sweden's exports of such products to the United States. 3/ Sweden's capacity to produce seamless pipes and tubes ***. Sweden's production of seamless stainless steel pipes and tubes rose by *** percent from *** short tons in 1984 to *** short tons in 1985, then declined in 1986 to *** short tons (table 18). Production dropped by *** percent in January-June 1987 compared with production in the corresponding period of 1986.

Capacity utilization rose from *** percent in 1984 to *** percent in 1985, then dipped slightly to *** percent in 1986. In January-June 1987, as a result of the ***-percent drop in production, capacity utilization dropped to *** percent compared with *** percent in the corresponding period of 1986. Sandvik reported that the drop in capacity utilization in the first half of 1987 was due to * * *. Sandvik has also reported that its utilization rate for July-December 1987 is projected to be *** percent, making the annual rate nearly *** percent.

1/ Transcript II, p. 83.
2/ Data presented in this section were obtained from a telegram from the U.S. embassy in Stockholm, October 1987.
3/ Transcript I, pp. 140 and 143.

Table 18
Seamless stainless steel pipes and tubes: Sweden's capacity, production, capacity utilization, domestic shipments, and exports, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Capacity (short tons).....	***	***	***	***	***
Production (short tons).....	***	***	***	***	***
Capacity utilization (percent)....	***	***	***	***	***
Domestic shipments (short tons)....	***	***	***	***	***
Exports to:					
United States (short tons).	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
All others (short tons)....	***	***	***	***	***
Total exports (short tons)....	***	***	***	***	***

Source: Report from U.S. embassy, Stockholm, October 1987.

The bulk of Sandvik AB's production is exported; total exports accounted for *** percent of production in 1986. Of these exports, *** percent, or *** short tons, were to the United States. Redraw hollows accounted for over *** percent of exports to the United States during the period of investigation.

Sandvik has projected that its capacity will * * *, and that its production will rise from *** tons in 1987 to *** tons in 1988. Its total exports for the full year 1987 are projected to be *** short tons, increasing to *** tons in 1988; its projected exports to the United States are *** short tons for all of 1987 and for 1988.

Welded stainless steel pipes and tubes.--There is one producer in Sweden of welded stainless steel pipes and tubes, Avesta Sandvik Tube AB, which is 75-percent owned by Avesta AB and 25-percent owned by Sandvik AB. Avesta's capacity to produce welded stainless steel pipes and tubes rose by *** percent, from *** short tons in 1984 to *** short tons in 1986 (table 19). Production rose by *** percent during 1984-86, from *** short tons to *** short tons, and capacity utilization remained above *** percent. Capacity utilization then dropped to *** percent in January-June 1987.

Table 19
Welded stainless steel pipes and tubes: Sweden's capacity, production, capacity utilization, domestic shipments, and exports, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Capacity (short tons).....	***	***	***	***	***
Production (short tons).....	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***
Domestic shipments (short tons).....	***	***	***	***	***
Exports to:					
United States (short tons)...	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
* * * (short tons).....	***	***	***	***	***
All others (short tons).....	***	***	***	***	***
Total exports (short tons).	***	***	***	***	***

Source: Report from U.S. embassy, Stockholm, October 1987; submission by Avesta Stainless Tube AB, Oct. 20, 1987.

Sweden's exports of welded stainless steel pipes and tubes rose from *** short tons in 1984 to *** short tons in 1986, an increase of *** percent. The firm's largest export markets were * * *, * * *, and * * *. Exports to the United States increased steadily from *** short tons in 1984 to *** short tons in 1986, an increase of *** percent. Such exports then dropped by *** percent in January-June 1987 compared with exports in the corresponding period of 1986.

Avesta has projected that its capacity will be *** short tons for full year 1987, and will increase to *** short tons in 1988. The expected increase in capacity is reportedly the result of "* * *." Its production is projected to be approximately *** tons for all of 1987 and *** tons in 1988. Its total exports are projected to be *** to *** short tons in both full year 1987 and 1988. Projected exports to the United States are *** in July-December 1987 and *** in 1988.

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

U.S. imports

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

Stainless steel pipes and tubes.--Imports of stainless steel pipes and tubes increased steadily from 32,280 short tons in 1984 to 35,055 short tons in 1986 (table 20). The six countries 2/ listed in the following tabulation accounted for almost 80 percent of the volume of imports in 1986:

Country	Percent of total imports in 1986
Japan	32.5
Sweden	21.9
Canada	12.8
France	4.7
United Kingdom	4.2
West Germany	2.3
All others	21.5
Total	100.0

Imports of stainless steel pipes and tubes from Sweden followed a slightly different trend than total imports. These imports declined 10 percent, from 7,570 short tons in 1984 to 6,783 short tons in 1985. In 1986, imports from Sweden increased over 13 percent to 7,688 short tons. In January-June 1987 imports of the subject products from Sweden declined by 44 percent compared with imports in the corresponding period of 1986.

1/ Import data have been adjusted as follows: for TSUSA item 610.5229, cold-drawn tubing, only 40 percent of quantity and value for 1984, 1985, and 1986 and January-June 1986, and January-June 1987 have been included. This represents petitioners' estimate of the stainless steel products contained in this item. TSUSA item 610.5130 has likewise been adjusted to exclude heat-resisting hollow bars. Only 80 percent of this category has been included in the import data base. It should be noted that both of these items accounted for less than 10 percent of imports of Swedish stainless steel pipes and tubes in 1986.

2/ It should be noted that while these 6 countries accounted for the bulk of imports during the period of investigation, imports from Taiwan increased from 23 short tons in 1984 to 3,358 short tons in 1986, representing almost 10 percent of total imports in 1986.

Table 20
Stainless steel pipes and tubes: U.S. imports for consumption, 1984-86, January-June 1986, and January-June 1987

Country	1984	1985	1986	January-June-- 1986	1987
	Quantity (short tons)				
Japan	13,598	16,568	11,391	6,932	3,456
Sweden	7,570	6,783	7,688	4,338	2,442
Canada	1,563	1,449	4,482	1,777	2,718
France	2,573	1,655	1,653	1,174	594
United Kingdom	1,441	1,485	1,478	832	588
West Germany	967	1,483	809	348	260
All other countries	4,568	5,472	7,554	3,524	4,183
Total	32,280	1/ 34,895	35,055	18,925	14,241
	C.i.f., duty-paid value 2/ (1,000 dollars)				
Japan	39,306	53,085	38,154	22,230	12,973
Sweden	24,382	21,474	24,408	13,807	8,398
Canada	5,466	6,458	14,072	5,513	9,302
France	5,783	4,640	4,304	2,765	1,430
United Kingdom	4,525	5,551	5,459	2,957	2,016
West Germany	4,353	5,483	2,795	1,497	782
All other countries	13,264	15,651	20,985	9,950	12,082
Total	97,079	1/ 112,342	110,177	58,719	46,983

1/ Official statistics were revised downward by Commerce to reflect the misclassification of 44 short tons of material.
2/ Consists of Customs value plus all freight, insurance, and other charges (including U.S. import duties) incurred in bringing the products to the first port of arrival in the United States.

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

Seamless stainless steel pipes and tubes.--Imports of seamless stainless steel pipes and tubes increased from 19,995 short tons in 1984 to 22,708 short tons in 1985, then fell to 20,513 short tons in 1986, representing a decrease of almost 10 percent (table 21). Six countries accounted for 83 percent of total imports in 1986, as shown in the following tabulation:

Country	Percent of total
Japan	40.3
Sweden	23.7
France	6.9
United Kingdom	6.2
West Germany	3.8
Canada	2.4
All others	16.7
Total	100.0

Table 21
Seamless stainless steel pipes and tubes: U.S. imports for consumption, 1984-86, January-June 1986, and January-June 1987 1/

Country	1984	1985	1986	January-June-- 1986	1987
	Quantity (short tons)				
Japan	6,044	10,193	8,258	4,492	2,274
Sweden	5,726	4,592	4,866	2,527	1,827
France	2,500	1,580	1,417	939	583
United Kingdom	1,390	1,329	1,271	738	376
West Germany	776	1,352	788	327	260
Canada	241	236	492	129	319
All other countries	3,318	3,427	3,421	1,877	1,856
Total	19,995	2/ 22,708	20,513	11,029	7,495
	C.i.f., duty-paid value 3/ (1,000 dollars)				
Japan	21,849	37,478	29,632	15,775	9,903
Sweden	18,981	16,000	17,074	9,133	6,534
France	5,473	4,254	3,455	1,917	1,370
United Kingdom	4,262	4,801	4,674	2,567	1,368
West Germany	3,467	4,883	2,693	1,395	782
Canada	1,793	1,344	2,416	702	2,141
All other countries	10,004	10,374	10,740	5,978	5,709
Total	65,828	2/ 79,134	70,685	37,467	27,807

1/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to imports of seamless pipes and tubes from Sweden, this carry-over amounted to 1 ton.
2/ Official statistics were revised downward by Commerce to reflect the misclassification of 44 short tons of material.
3/ Consists of Customs value plus all freight, insurance, and other charges (including U.S. import duties) incurred in bringing the products to the first port of arrival in the United States.

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

All imports of seamless stainless steel pipes and tubes from Sweden during the period covered by this investigation were produced and exported by AB Sandvik Steel. Imports of seamless stainless steel pipes and tubes from Sweden declined by 20 percent from 5,726 short tons in 1984 to 4,592 short tons in 1985, but increased by 6 percent in 1986 to 4,866 short tons. Imports of seamless pipes and tubes from Sweden declined by 28 percent in January-June 1987 compared with imports in the corresponding period of 1986.

During the period January 1984 to June 1987, Sandvik Steel Co. reported that *** percent of its imports from Sweden were redraw hollows, of which *** percent were used in Sandvik's redrawing operation. Representatives of the firm also testified that up to 50 percent of the firm's sales were products utilizing special Sandvik alloys that do not compete in the pipe and hollow bar markets in which Al Tech and Combustion Engineering meet low-cost import competition. 1/

Welded stainless steel pipes and tubes.--Imports of welded stainless steel pipes and tubes declined slightly from 1984 to 1985, then increased by almost 20 percent in 1986 (table 22). In January-June 1987 imports of these pipes and tubes declined by 15 percent compared with imports in the corresponding period of 1986. The following tabulation lists the percentage distribution of imports from the seven countries that accounted for 94 percent of imports in 1986:

Country	Percent of total
Canada	27.4
Taiwan	22.5
Japan	21.6
Sweden	19.4
France	1.6
United Kingdom	1.4
West Germany	.1
All other	6.0
Total	100.0

Imports of welded stainless steel pipes and tubes from Sweden increased by 53 percent from 1,844 short tons in 1984 to 2,822 short tons in 1986. It should be noted that imports from Canada and Taiwan also increased sharply in 1986. Imports from these countries accounted for 27.4 percent and 22.5 percent of imports in 1986, respectively. Imports from Sweden then declined by 66 percent in January-June 1987 compared with imports in the corresponding period of 1986.

1/ Transcript III, pp. 65, 66, 80, and 81. See the section entitled "Areas of competition" in the "Prices" section for a further discussion of this issue.

Table 22
Welded stainless steel pipes and tubes: U.S. imports for consumption, 1984-86, January-June 1986, and January-June 1987 1/

Country	1984	1985	1986	January-June-- 1986	1987
	Quantity (short tons)				
Canada	1,321	1,213	3,991	1,648	2,398
Taiwan	9	283	3,273	1,276	1,722
Japan	7,554	6,376	3,134	2,440	1,181
Sweden	1,844	2,191	2,822	1,811	615
France	74	75	236	236	10
United Kingdom	52	156	207	94	213
All other countries	1,432	1,893	879	391	607
Total	12,286	12,187	14,542	7,896	6,746
	C.i.f., duty-paid value 2/ (1,000 dollars)				
Canada	3,673	5,114	11,655	4,811	7,161
Taiwan	22	577	7,896	2,922	5,006
Japan	17,457	15,607	8,522	6,455	3,070
Sweden	5,401	5,474	7,333	4,674	1,864
France	310	386	849	849	60
United Kingdom	264	751	785	389	648
All other countries	4,125	5,299	2,452	1,152	1,368
Total	31,252	33,208	39,492	21,252	19,177

1/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to imports of welded pipes and tubes from Sweden, this carry-over amounted to 16 tons.
2/ Consists of Customs value plus all freight, insurance, and other charges (including U.S. import duties) incurred in bringing the products to the first port of arrival in the United States.

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

Data on imports of stainless steel pipes and tubes from Sweden were also provided by respondents to the Commission's questionnaire. The volume of imports and the overall trends were generally similar for the two data sources, although questionnaire data show a much greater increase in imports of the welded product from 1984 to 1985 and a slight decline in seamless imports from 1985 to 1986, as shown in the following tabulation (in short tons):

Item	1984	1985	1986	January-June-- 1986	1987
Seamless 1/.....	***	***	***	***	***
Welded.....	***	***	***	***	***
Total.....	***	***	***	***	***

1/ Includes redraw hollows and hollow bars.

Data on imports of seamless redraw hollows, hollow bars, and other seamless stainless steel pipes and tubes from Sweden were provided by Sandvik Steel Co. in its response to the Commission's questionnaire. The data are presented in the following tabulation (in short tons):

Item	1984	1985	1986	January-June-- 1986	1987
Redraw hollows.....	***	***	***	***	***
Hollow bars.....	***	***	***	***	***
Other seamless.....	***	***	***	***	***
Total.....	***	***	***	***	***

Market penetration by imports

Stainless steel pipes and tubes.--The share of the market accounted for by imports from Sweden declined from 7.3 percent in 1984 to 6.2 percent in 1985, then increased to 7.4 percent in 1986. The share of the market held by imports from Sweden dropped to 4.7 percent in January-June 1987 compared with 7.6 percent in the corresponding period of 1986 (table 23).

Seamless stainless steel pipes and tubes.--The ratio of imports from Sweden to apparent consumption declined from 20.4 percent in 1984 to 15.0 percent in 1985, but recovered somewhat to 17.9 percent in 1986. The share of the market held by these imports dropped to 16.3 percent in January-June 1987 compared with 16.8 percent in January-June 1986.

Welded stainless steel pipes and tubes.--The share of the market for welded stainless steel pipes and tubes accounted for by imports from Sweden increased from a low of 2.4 percent in 1984 to 2.8 percent in 1985, and then to 3.7 percent in 1986. The share dropped, however, to 1.5 percent in January-June 1987 compared with 4.3 percent in January-June 1986.

Table 23
Stainless steel pipes and tubes: U.S. market shares, 1984-86, January-June 1986, and January-June 1987

(In percent)

Item	1984	1985	1986	January-June-- 1986	1987
	Calculated on the basis of quantity				
Seamless:					
U.S. producers	28.6	26.0	24.6	26.6	32.9
Sweden	20.4	15.0	17.9	16.8	16.3
All other countries	51.0	59.0	57.5	56.6	50.7
Total	100.0	100.0	100.0	100.0	100.0
Welded:					
U.S. producers	83.9	84.5	81.1	81.2	83.6
Sweden	2.4	2.8	3.7	4.3	1.5
All other countries	13.7	12.7	15.2	14.5	14.9
Total	100.0	100.0	100.0	100.0	100.0
Total:					
U.S. producers	69.1	68.2	66.4	66.8	72.7
Sweden	7.3	6.2	7.4	7.6	4.7
All other countries	23.7	25.7	26.3	25.6	22.6
Total	100.0	100.0	100.0	100.0	100.0
	Calculated on the basis of value 1/				
Seamless:					
U.S. producers 2/	50.5	47.6	46.4	48.4	50.3
Sweden 3/	14.4	12.0	12.3	11.4	12.5
All other countries	35.1	40.4	41.3	40.2	37.2
Total	100.0	100.0	100.0	100.0	100.0
Welded:					
U.S. producers	88.2	88.0	85.3	85.3	85.9
Sweden	2.0	2.0	2.7	3.2	1.4
All other countries	9.7	10.1	12.0	11.4	12.7
Total	100.0	100.0	100.0	100.0	100.0
Total:					
U.S. producers 2/	75.6	73.4	72.6	73.3	75.3
Sweden 3/	6.1	5.6	5.9	5.9	4.7
All other countries	18.2	21.0	21.5	20.8	20.0
Total	100.0	100.0	100.0	100.0	100.0

1/ Value calculated on a c.i.f., duty-paid basis, except where noted.
2/ Includes the value added by redrawers.
3/ Value for seamless was calculated from shipments value.

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

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

Prices

Stainless steel pipes and tubes are sold on a per-foot or per-hundred-feet basis. Semifinished seamless redraw hollows are, however, sold on a per-pound or per-hundred-pound basis. 1/ U.S. producers generally quote their prices both f.o.b. mill and delivered, though U.S. seamless producers primarily quote only f.o.b. mill. Importers quote prices on an f.o.b. port-of-entry or U.S. warehouse basis and on a delivered price basis, though seamless importers primarily quote f.o.b. port-of-entry or U.S. warehouse. Some U.S. producers equalize freight with the domestic mill nearest to the specific customer.

There are several factors that determine the final selling price for stainless steel pipes and tubes: whether seamless or welded, the ASTM or ASME category specified, the grade of steel, the diameter and wall thickness desired, whether specific lengths or random lengths are required, and, additionally for the seamless product, the production and finishing process undertaken and any special customer required requests, e.g., inside polishing, extra finishing, etc. Due to the many products that can be created from the above combinations, it is difficult for a producer to supply the whole range of the market and remain economically viable. Therefore, producers tend to concentrate in specific product and/or size areas.

Seamless pipes and tubes are more expensive to produce than welded, and are generally used where substantial wall thickness or small diameters are desired, and where strength, pressure, and reliability are major considerations. Welded products are generally used for applications requiring thinner wall thickness or larger diameter. Results from purchasers in the present investigation suggest that seamless can be substituted for welded, but that this substitution does not occur due to the price premium for the seamless product. Purchasers indicated that this price premium ranges from 5 to 200 percent 2/ of the delivered welded price depending on the dimensions and steel grade of the various products. Although some pipe and tube applications can use either seamless or welded, and some welded producers have argued that the quality of welded products is equivalent to seamless, there are still purchasers who prefer and insist upon the seamless product despite the price advantage of the welded product.

Within the seamless category, prices may also be determined by the type of production/finishing operation of the producers. 3/ Sandvik Steel Co., the U.S. importer of Swedish seamless pipes and tubes, has argued that its process of hot extruding and thereby hot finishing pipes and tubes is the most efficient, least costly method of production, a capability that the domestic manufacturers lack. The domestic producers must go through an additional

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1/ Since redraw hollows are drawn down to smaller dimensions, the weight of the product rather than the length becomes important.
2/ Most purchasers' estimates fall within a range of 15 to 65 percent.
3/ At the hearing, Clark Riley, Vice President of Al Tech, described three types of cold-working operations performed on a pipe and tube: cold-finishing, cold-drawing, and cold-pilgering. For a description of each operation, see Transcript IV, pp. 79-82. For the purposes of the above discussion, all cold-working operations are referred to as cold-finishing.

process of cold finishing the pipes and tubes, a process that Sandvik estimates adds approximately *** to *** percent to the final price. 1/ Currently, *** to *** percent of Sandvik's pipe and tube imports from Sweden are hot-finished. 2/

Al Tech has argued that while it is generally true that cold finishing is more expensive, this cost is mill, equipment, and size specific. Whereas operational costs might increase by *** percent for Al Tech by cold finishing a specific product, the yield also increases, making it difficult to quantify the overall cost difference per foot or pound. Al Tech currently cold finishes approximately *** percent of its pipes and tubes. Nearly all of the remaining *** percent is ASTM-A-312 pipe.

Combustion Engineering, the other major domestic seamless producer, * * *. * * *. * * *. * * *. 3/

Since no domestic producer both cold finishes and hot finishes any particular product, it is difficult to measure whether a cost difference exists. However, a price differential between the finishing processes does exist according to the pricing data reported by U.S. seamless producers and importers in this investigation. (See price data of products 1-4, appendix C). Hot finished pipes and tubes do appear to be priced less than cold-finished products.

Cold finishing a pipe or tube also improves the quality of the product by tightening the tolerances and smoothing the surface finish. This may represent a price premium for the seamless stainless steel product. Certain purchasers require cold finishing for some products, e.g., A-511 mechanical tubing and dairy tubing. 4/ Purchasers contacted in the present investigation state that the cold-finished pipe and tube is a better quality product and commands a price premium ranging between 3 and 35 percent depending on the product and dimensions. Cold finishing was considered to be most important for mechanical tubing (A-511). It was also preferred by redrawers for redraw hollows, although it was not an absolute requirement.

Areas of competition.--Importers have argued in the current investigation that the stainless steel pipe and tube market is made up of domestic producers and importers, each with their own niche based on product type (as defined by ASTM/ASME classification) or production size capability. They argue that Swedish imports compete in a small range of products and in areas where no domestic competition exists. Edward Nuzacci, General Manager for Tubular Products for Sandvik, contends that over 60 percent of Sandvik's combined Swedish and U.S. sales were in products outside the capability of the two largest domestic producers (Al Tech and Combustion Engineering). 5/ In

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1/ Based on telephone conversation with * * *.
2/ Sandvik Steel Co. of Scranton, PA, * * *. See Products 1 and 2 in App. C to compare the price of hot-finished pipe imported from Sweden and cold-worked pipe produced in Scranton for the same product and dimension.
3/ Based on telephone conversation with * * * of Combustion Engineering.
4/ Machinery that cuts mechanical tubing to its final size sometime requires a cold-finished tube. An automatic screw machine, for example, needs a cold-finished tube to avoid slippage.
5/ Transcript IV, p. 132; Sandvik's Post-Hearing Brief, exhibit D.

examining this issue the Commission requested information from producers and importers concerning production size range and 1986 sales by product type. Additionally, seamless producers and importers were requested to provide 1986 total sales information for products greater than 4-1/2 inches OD, a size that Sandvik argues no domestic manufacturer produces. U.S. producers were also requested to provide information on their capability to produce any of the 11 special Sandvik alloys, or any close substitutes.

Seamless.--The major seamless pipe and tube products are ASTM-A-312 pipe, ASTM-A-511 mechanical tubing or hollow bar, redraw hollows, ASTM-A-213 boiler tubing, and ASTM-A-269 general service tubing. As shown in the tabulation below, *** percent of domestic shipments of Sandvik AB's seamless pipes and tubes in 1986 were A-312 pipe, A-511 mechanical tubing, and redraw hollows. These three products accounted for *** percent of reported U.S. producer (non-redrawer) domestic shipments in 1986. Among U.S. producers, only Al Tech, which accounted for *** percent of U.S. producers' domestic shipments in 1986, concentrates production in these products. However, the majority of Al Tech's production is mechanical tubing, the least important of the three to Sandvik AB. Sandvik's U.S. subsidiary, Sandvik Steel, a redrawer of Swedish redraw hollows, concentrates in products produced by the other major domestic seamless producer, Combustion Engineering. 1/ Although Sandvik Steel and Combustion Engineering's product lines are similar, Sandvik Steel's production size range is * * *, whereas Combustion Engineering's size range is * * *.

Firms	A-312 pipe	A-511 mech. tubing	Redraw hollows	A-213 boiler tubing	A-269 general tubing	A-376 pipe 1/	Other
	Quantity (short tons)						
Sandvik AB....	***	***	***	***	***	***	***
Domestic:							
Al Tech.....	***	***	***	***	***	***	***
Comb. Eng...	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	2/ ***
Redrawers 3/..	***	***	***	***	***	***	***
Sandvik Steel.	***	***	***	***	***	***	***
	Percent of U.S. shipments by quantity						
Sandvik AB....	***	***	***	***	***	***	***
Domestic:							
Al Tech.....	***	***	***	***	***	***	***
Comb. Eng...	***	***	***	***	***	***	***
Average...	***	***	***	***	***	***	2/ ***
Redrawers 3/..	***	***	***	***	***	***	***
Sandvik Steel.	***	***	***	***	***	***	***

1/ High temperature applications.
2/ * * *.
3/ * * *.

1/ The tabulation also suggests that Sandvik Steel, a redrawer, and Sandvik AB, a producer, concentrate in different product areas, except for A-312 pipe. For this product, however, they produce different sizes.

Included in the above tabulation are Sandvik's production of stainless steel pipe products greater than 4-1/2 inches OD, a size that is generally outside U.S. producers' pipe production capability. 1/ Also included are Sandvik's production of special alloys that have no domestically produced close substitutes. Of the 11 alloys specified by Sandvik, 7 alloys (all proprietary) have no precise U.S. equivalents. As shown in the tabulation below, *** percent of Swedish seamless U.S. imports are in sizes or special alloys that have no precise U.S. produced equivalents. 2/

Item	Quantity	Value	Share of combined shipments on the basis of-- Quantity	Value 1/
	Tons	$000's	--- Percent ---	
Total combined Sandvik AB and Sandvik Steel shipments.....	***	***	100.0	100.0
Products not produced in domestic industry:				
Pipe products over 4-1/2 inches OD..	***	***	***	***
Special alloys.....	***	***	***	***
Total.....	***	***	***	***

1/ Since Sandvik Steel adds significant value to the redraw hollows it finishes (estimated at over *** percent), the denominator (combined value of shipments) used in determining shares is overstated. Therefore, the value share of Swedish products with no U.S. domestic competition is understated.

Welded.--The major welded stainless steel pipes and tubes sold in the United States are ASTM-A-312 pipe; ASTM-A-249 boiler, heat exchanger and condensor tubing; ASTM-A-268 ferritic general service tubing; and ASTM-A-269 austenitic general service tubing. As shown in the tabulation below, Avesta sold over *** percent A-312 pipe to unrelated U.S. purchasers in 1986. The

1/ Al Tech can produce mechanical tubing up to *** inches OD.
2/ The discrepancy between Sandvik's estimate of over 60 percent and the Commission's figure of *** percent is the result of Sandvik's inclusion of the following: (1) special alloys that have domestic competition, (2) Sandvik AB's finished products under 1 inch OD that do not compete with Al Tech and Combustion Engineering's products, but likely compete with those of domestic redrawers, (3) Sandvik Steel's finished products under 1 inch OD made from redraw hollows within Al Tech's production capability (Sandvik uses over *** tons of redraw hollows in its Scranton mill; it is unclear whether Al Tech has the production capacity to supply Sandvik Steel with approximately * * *), and (4) an estimate of Sandvik AB and Sandvik Steel's production of stainless steel pipes and tubes over *** inch OD and below its estimate of Al Tech and Combustion Engineering's minimum size capability of approximately *** inches OD. Al Tech produces pipe down to *** inches OD.

primary products sold by reporting U.S. producers were A-312 pipe and A-249 tubing, comprising over 70 percent of domestic shipments in 1986. 1/

Item	A-312 pipe	A-249 tubing	A-269 general tubing	A-268 general tubing	Other
	Quantity (short tons)				
Avesta AB	***	***	***	***	***
Domestic 1/	26,793	8,031	4,399	2/ 3,280	3/ 7,014
	Percent of U.S. shipments by quantity				
Avesta AB	***	***	***	***	***
Domestic 1/	54.1	16.2	8.9	2/ 6.6	3/ 14.3

1/ 11 firms provided information on products produced in 1986. These firms accounted for 80.7 percent of U.S. welded producers' reported domestic shipments in 1986.
2/ Also includes some ASTM-A-270 sanitary tubing in total.
3/ Includes A-688 feed water heater tubes, A-358 high-temperature service pipe, AMS-military specifications, and special customer-specific requirements above specifications.

Questionnaire price data.--The Commission requested U.S. producers and importers to provide quarterly price data from January 1984 through June 1987 for six representative stainless steel pipe and tube products. 2/ For each product, the quantity and net weighted-average f.o.b. selling price of total shipments were requested for each quarter. The specified products are listed below:

Seamless:

Product 1: ASTM-A-312 or ASME-SA-312, seamless, grade AISI 304L, 2-inch schedule 40, hot-finished or cold-rolled, mill standard random lengths.

Product 2: ASTM-A-511, seamless, grade AISI 304, 2.5 inches OD X 0.250 inch WT (wall thickness), hot-finished or cold-rolled, mill-standard random lengths.

1/ Petitioners state that Avesta competes directly against U.S. producers in pipe products of sizes below 4-1/2 inches OD. The Commission did not request shipment data by product type for this size range.
2/ Due to the product diversity of stainless steel pipes and tubes, the Commission staff had difficulty during the earlier investigations identifying products for which direct competition existed between domestic producers and importers. U.S. producers and importers suggested product types and sizes they believed were representative of such competition. Frequently, these products were discovered to be either not produced by both groups or not sold during the same periods.

Product 3: ASTM-A-511, seamless, grade AISI 304, 3.625 inches OD X 0.445 inches WT (wall thickness), hot-finished or cold-rolled, mill standard random lengths.

Product 4: Grade AISI 304, seamless, OD ranging from 1.250 inches to 1.315 inches X 0.250 WT (wall-thickness), hot-finished or cold-rolled, 30 foot random lengths (ranging from 24-30 feet random lengths) (commonly referred to as stainless steel redraw hollows). 1/

Welded:

Product 5: ASTM-A-312 or ASME-SA-312, welded, grade AISI 304, 2-inch schedule 40, mill-standard random lengths.

Product 6: ASTM-A-312 or ASME-SA-312, welded, grade AISI 316L, 1-inch schedule 40, mill-standard random lengths.

The price data for each product were requested for their primary market. Price data for seamless products 1-3 and welded products 5-6 were requested for sales to distributors. Price data for the seamless product 4 were requested for sales to redrawers. Indexes of U.S. producers and importers' net f.o.b. prices of products 1-6 are shown in table 24. 2/ Actual prices reported are presented in appendix C, tables C-1 through C-5.

Eight U.S. producers and two U.S. importers reported price data during the current investigation, although not for all periods or for each product requested. 3/ The responding U.S. producers accounted for about 95 percent of total reported domestic shipments of the seamless pipes and tubes (including redraw hollows) in 1986, and for 51 percent of total reported domestic shipments of the welded pipes and tubes. 4/ The responding U.S. importers

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1/ Since redraw hollows are further reduced into pipes and tubes, exact sizes were not required for producer/importer price comparisons. A size range was selected for the outside diameter that redrawers would consider equivalent to the product specified.

2/ During the final countervailing duty investigation, U.S. producers provided pricing information on three other seamless products by quarters, during January 1983-December 1986. U.S. importers provided pricing information on one additional seamless product for the same period. During the preliminary subsidy investigation, U.S. producers provided pricing information on one other seamless pipe product and two other welded pipe and tube products, by quarters, during January 1983-June 1986. U.S. importers provided pricing information on one other welded pipe product during the preliminary subsidy investigation. Price trends for these products were similar to the results of the current investigation.

3/ Sandvik Steel Co. of Scranton, PA, also provided pricing information in the current investigation, which is presented separately from U.S. producer and importer information.

4/ Pricing information was provided for at least some quarters by all of the U.S. seamless producers and by all but one (* * *) of the U.S. welded producers who manufactured the specific product and size requested. * * *'s shipments of the specified welded product are considered to be a minor portion of all U.S. shipments of the product.

Table 24

U.S. and Swedish stainless steel pipes and tubes: Indexes of net selling price of representative stainless steel pipe and tube products, by seamless or welded, by type of customer, by hot-finished or cold-rolled for the seamless products, and by quarters, January 1984-June 1987 1/

	Seamless						
	Product 1 to distributors			Product 2 to distributors		Product 3 to distributors	
	Hot-finished		Cold-rolled	Cold-rolled	Hot-finished	Cold-rolled	Hot-finished
Period	U.S.	Sweden	U.S.	U.S.	Sweden	U.S.	Sweden
1984:							
Jan.-Mar....	100.0	***	-	100.0	***	100.0	***
Apr.-June...	103.0	***	100.0	85.4	***	91.0	***
July-Sept...	104.8	***	109.6	-	***	96.4	***
Oct.-Dec....	100.0	***	-	-	***	86.6	***
1985:							
Jan.-Mar....	97.8	***	106.3	-	***	90.1	***
Apr.-June...	111.4	***	106.4	81.4	***	96.0	***
July-Sept...	110.4	***	104.6	83.2	***	90.6	***
Oct.-Dec....	110.9	***	104.9	84.8	***	94.1	***
1986:							
Jan.-Mar....	105.0	***	106.4	91.7	***	89.9	***
Apr.-June...	93.6	***	116.1	-	***	87.5	***
July-Sept...	117.3	***	101.8	89.4	***	84.3	***
Oct.-Dec....	100.8	***	101.7	80.6	***	-	***
1987:							
Jan.-Mar....	-	***	101.7	79.6	***	85.3	***
Apr.-June...	99.2	***	103.8	85.7	***	88.3	***

See notes at the end of the table.

Table 24--Continued

U.S. and Swedish stainless steel pipes and tubes: Indexes of net selling price of representative stainless steel pipe and tube products, by seamless or welded, by type of customer, by hot-finished or cold-rolled for the seamless products, and by quarters, January 1984-June 1987 1/

	Seamless					
	Product 4 to redrawers		Welded			
	Cold-rolled	Hot-finished	Product 5 to distributors		Product 6 to distributors	
Period	U.S.	Sweden	U.S.	Sweden	U.S.	Sweden
1984:						
Jan.-Mar....	-	***	100.0	***	100.0	***
Apr.-June...	-	***	101.1	***	97.1	***
July-Sept...	-	***	102.7	***	97.4	***
Oct.-Dec....	-	***	99.5	***	93.1	***
1985:						
Jan.-Mar....	-	***	99.1	***	91.6	***
Apr.-June...	-	***	97.9	***	93.4	***
July-Sept...	-	***	99.1	***	90.8	***
Oct.-Dec....	100.0	***	98.2	***	91.3	***
1986:						
Jan.-Mar....	132.0	***	99.5	***	94.7	***
Apr.-June...	114.2	***	99.3	***	92.9	***
July-Sept...	-	***	103.0	***	95.3	***
Oct.-Dec....	-	***	98.2	***	96.3	***
1987:						
Jan.-Mar....	110.9	***	103.7	***	92.6	***
Apr.-June...	98.6	***	100.7	***	90.2	***

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

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

Note: Unless otherwise shown, January-March 1984=100.

accounted for 100 percent of total U.S. imports of the Swedish seamless (including redraw hollows) and welded pipes and tubes during 1986. (For individual product coverage, see notes at the bottom of app. C tables.)

Price trends, U.S. producers.--Based on U.S. producers' questionnaire responses during the current investigation, quarterly net f.o.b. selling prices of seamless products 2 and 3 (mechanical tubing) and welded product 6 (pipe) generally fell, prices for seamless product 1 (pipe) and seamless product 4 (redraw hollows) initially increased before declining, and prices for welded product 5 (pipe) stayed relatively level during January 1984 to June 1987.

U.S. producer prices for seamless pipe (product 1) generally rose during the first 2 years of the period before declining for both the hot-finished and cold-rolled product. Prices for the hot-finished pipe, however, ended at approximately the same level. Prices reported by U.S. producers of the cold-rolled seamless mechanical tubing (products 2 and 3) sold to distributors fell 14.3 percent and 11.7 percent, respectively. The major decline in price for these products occurred during the second quarter of 1984. Prices for the remaining 3 years fluctuated. Net f.o.b. prices of the cold-rolled seamless product 4 (redraw hollows) initially increased sharply before declining for the last 3 of the 4 quarters reported, ending 1.4 percent lower than the price reported in the fourth quarter of 1985.

Reported f.o.b. prices for welded pipe (products 5 and 6) increased by 0.7 percent and fell by 9.8 percent, respectively. Prices for product 5 stayed within 3.7 percent of the price reported in the first quarter of 1984. Prices for product 6 stayed relatively level after the major decline in price which occurred during 1984.

Price trends, U.S. importers.--Quarterly net selling prices for U.S. importers' shipments of seamless hot-finished pipe (product 1) sold to distributors rose by *** percent during the period. U.S. importer prices for hot-finished seamless mechanical tubing (products 2 and 3) fluctuated during the period, ending *** percent lower for product 2 and *** percent higher for product 3. Prices for hot-finished seamless redraw hollows (product 4) rose for the period in which sales occurred, July 1984 to June 1986. 1/

Quarterly net f.o.b. prices reported by U.S. importers for welded pipe product 5 sold to distributors fell by *** percent during January 1985-June 1987, the only period for which information was available. In contrast, U.S. importer prices climbed by *** percent for welded pipe product 6.

Price comparisons.--During the current investigation, the Commission also requested quarterly net delivered price data for four representative products from large U.S. buyers of the domestic and Swedish stainless steel pipes and tubes. Price data were requested with respect to purchases during January 1985-June 1987, and bid price information was requested for the two largest volume purchases of seamless stainless steel mechanical tubes, seamless redraw hollows, and welded tubing during 1986 and 1987 that involved competition

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1/ Sandvik reported prices * * *. * * *.

between the domestic and Swedish products. 1/ The four representative products are described below:

Seamless:

Product 7: ASTM-A-312 or ASME-SA-312, seamless, grade AISI 304 or 304L, 2-inch schedule 40, hot-finished or cold-rolled, mill-standard random lengths.

Welded:

Product 8: ASTM-A-312 or ASME-SA-312, welded, grade AISI 304, 304L, 316, or 316L, 1-inch schedule 40, mill-standard random lengths.

Product 9: ASTM-A-312 or ASME-SA-312, welded, grade AISI 304, 304L, 316, or 316L, 2-inch schedule 40, mill-standard random lengths.

Product 10: ASTM-A-312 or ASME-SA-312, welded, grade AISI 304, 304L, 316, or 316L, 4-inch schedule 40, mill-standard random lengths.

The reported net delivered purchase price data by U.S. purchasers during the current antidumping investigation resulted in 33 quarterly price comparisons between the domestic and Swedish stainless steel welded products 8 to 10 in three geographic market areas during January 1985-December 1986 (tables 25 and D-1). 2/ In addition to quarterly delivered price comparisons, bid price information reported by six responding purchasers during the current antidumping investigation and the recent final countervailing duty investigation resulted in 22 orders for which delivered purchase price comparisons were possible, involving their two largest purchases of the

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1/ Because of the diversity of seamless stainless steel mechanical tubing and redraw hollows and welded tubing, the Commission requested bid price information in the purchaser questionnaires. No purchaser contacted during the current investigation could recall receiving quotes for Swedish welded tubing.

2/ Based on returns of purchaser questionnaires in the final antidumping investigation, the reported net delivered purchase price data were aggregated into the following three U.S. market areas where similar conditions of competition and transportation exist: Eastern U.S.-New Jersey and Pennsylvania; Midwestern U.S.-Indiana, Illinois, Michigan, and Wisconsin; and Western U.S.-Oklahoma and Texas.

No comparisons were received for seamless product 7. This could be due to the specific needs of the purchaser for either a hot-finished or cold-finished product, but not both.

Table 25
Stainless steel welded pipe and tube products 8 to 10 purchased by distributors in the Eastern, Midwestern, and Western U.S. markets: Net delivered purchase prices of the representative domestic and Swedish pipe and tube products purchased by distributors and margins of under/(over) selling, by steel grades and by quarters, January 1985-December 1986 1/

Period	U.S.	Swedish	Average margins of under/(over) selling 2/	
	Per linear foot			Percent
EASTERN MARKET:				
Product 8, grade 304				
1985:				
April-June	***	***	$(0.02)	(1)
1986:				
April-June	***	***	.22	9
July-Sept.	***	***	.22	9
Product 8, grade 316				
1985:				
Oct.-Dec.	***	***	.50	16
1986:				
Jan.-Mar.	***	***	.54	18
Apr.-June	***	***	.48	15
Oct.-Dec.	***	***	.36	11
Product 9, grade 304				
1985:				
Apr.-June	***	***	(0.05)	(1)
Oct.-Dec.	***	***	(1.26)	(30)
1986:				
July-Sept.	***	***	.46	10
Oct.-Dec.	***	***	.48	11
Product 9, grade 304L				
1986:				
July-Sept.	***	***	.88	18
Product 9, grade 316				
1986:				
Apr.-June	***	***	.01	3/
Product 9, grade 316L				
1986:				
Apr.-June	***	***	1.03	16
Product 10, grade 304				
1985:				
Apr.-June	***	***	0.31	3
July-Sept.	***	***	1.16	10
1986:				
Apr.-June	***	***	0.88	7
July-Sept.	***	***	1.50	12
Oct.-Dec.	***	***	1.25	10
Product 10, grade 316				
1986:				
Jan.-Mar.	***	***	2.47	14
Apr.-June	***	***	1.66	10
Product 10, grade 316L				
1986:				
Apr.-June	***	***	1.98	12

See footnotes at end of table.

Table 25--Continued
Stainless steel welded pipe and tube products 8 to 10 purchased by distributors in the Eastern, Midwestern, and Western U.S. market: Net delivered purchase prices of the representative domestic and Swedish pipe and tube products purchased by distributors and margins of under/(over) selling, by steel grades, and by quarters, January 1985-December 1986 1/

Period	U.S.	Swedish	Average margins of under/(over) selling 2/	
	Per linear foot			Percent
MIDWESTERN MARKET:				
Product 8, grade 304				
1986:				
April-June	***	***	$0.67	29
July-Sept	***	***	0.88	36
Product 8, grade 316L				
1986:				
April-June	***	***	1.28	38
July-Sept	***	***	1.25	38
Product 9, grade 304L				
1985:				
July-Sept	***	***	(0.41)	(9)
1986:				
July-Sept	***	***	(0.54)	(12)
Product 9, grade 316L				
1986:				
Oct.-Dec	***	***	0.53	8
WESTERN MARKET:				
Product 8, grade 316L				
1986:				
Jan.-Mar	***	***	0.08	3
Product 9, grade 316L				
1986:				
Jan.-Mar	***	***	0.72	12
Product 10, grade 316L				
1986:				
Jan.-Mar	***	***	1.77	10
July-Sept	***	***	2.45	14

1/ The price data were developed from quarterly net delivered purchase price data reported by U.S. purchasers of the representative U.S. and Swedish welded stainless steel pipe and tube products. The Eastern U.S. market encompasses New Jersey and Pennsylvania; the Midwestern U.S. market encompasses Indiana, Illinois, Michigan, and Wisconsin; and the Western U.S. market encompasses Oklahoma and Texas.
2/ Any figures in parentheses indicate that the price of the domestic product was less than the price of the Swedish product.
3/ Less than 0.5 percent

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

seamless stainless steel mechanical tubing and redraw hollows during 1985-87 (table 26). 1/

Of the 33 quarterly delivered purchase price comparisons based on purchaser questionnaire returns, 22 were in the Eastern market, 7 were in the Midwestern market, and 4 were in the Western market. Nineteen of 22 quarterly delivered price comparisons between the domestic and Swedish welded products 8-10 in the Eastern U.S. market showed the Swedish products to be priced less than the domestic products, ranging from less than 0.5 percent to 18 percent below domestic prices. Five of seven quarterly price comparisons in the Midwestern market and all four price comparisons in the Western market showed the Swedish welded products to be priced less than the domestic welded products. 2/ In the Midwestern market, the prices of the Swedish products ranged from 8 to 38 percent below domestic delivered prices, whereas in the Western market the prices of the Swedish products ranged from 3 to 14 percent below domestic delivered prices. By regions, delivered prices of the Swedish welded product 8 were substantially below the domestic delivered prices in the Midwestern region as compared to the Eastern and Western regions. 3/

On the basis of the bid price information reported by purchasers during the final antidumping and subsidy investigations, three purchasers reported receiving delivered price quotes for 11 orders of the seamless stainless steel mechanical tubing during 1985-87 that involved competition between the domestic and Swedish products, and three purchasers reported receiving competing delivered price quotes for 11 orders of the seamless stainless steel

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1/ In the final subsidy investigation, bid price information was collected on sales of mechanical tubing and redraw hollows during 1985 and 1986. 8 orders from the subsidy investigation have been added to the 14 orders provided by U.S. purchasers in the current investigation to provide complete pricing information for the whole period.

13 U.S. purchasers reported delivered prices during the current investigation for products 7 to 10, and 6 U.S. purchasers (including 3 of the above) reported bid price information. The 16 responding U.S. purchasers accounted for about *** percent of total reported domestic shipments of the seamless stainless steel pipes and tubes (including redraw hollows) in 1986, and for about *** percent of the total seamless stainless steel products imported from Sweden during this period (*** percent of U.S. domestic shipments to unrelated purchasers). These purchasers also accounted for about *** percent of total reported domestic shipments of the welded pipes and tubes in 1986, and for about *** percent of the total welded products imported from Sweden during this period (*** percent of U.S. domestic shipments). The responding U.S. purchasers did not necessarily report for all products or all periods requested.

2/ The Midwestern market covered the welded products 8 and 9, and the Western market covered the welded products 8 to 10.

3/ This differed from the results of the final subsidy investigation, where Swedish welded delivered prices were substantially below the domestic delivered prices in the Eastern and Western regions as compared to the Midwestern region.

Table 26
Seamless stainless steel mechanical tubing and redraw hollows: Delivered prices quoted on U.S. orders of seamless stainless steel mechanical tubing and redraw hollows that involved competition between domestic and Swedish products, by product categories, 1/ by individual orders, annually, 1985-87

Product category, shipment period, order, and purchasing firm	Quantity	Quoted delivered prices	Country of origin	Awarded price quote	Awarded price quote was: less than losing quotes	Awarded price quote was: greater than losing quotes
	Feet	Per foot		(xxx)	Percent	Percent
Mechanical tubing						
1985: 2/						
Order 1	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	14	-
		***	U.S.	-	14	-
Order 2	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	11	-
		***	U.S.	-	14	-
Order 3	***	***	Sweden	xxx	-	-
(* * *)		***	Japan	-	10	-
		***	U.S.	-	14	-
Order 4	***	***	Sweden	xxx	-	-
(* * *)		***	Japan	-	10	-
		***	U.S.	-	14	-
1986:						
Order 1	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	8	-
		***	U.S.	-	8	-
Order 2	***	***	Sweden	-	-	10
(* * *)		***	U.S.	xxx	-	-
		***	U.S.	xxx	-	-
Order 3 2/	***	***	Japan	-	-	7
(* * *)		***	U.S.	xxx	-	-
		***	Sweden	-	0.5	-
Order 4 2/	***	***	Japan	-	-	4
(* * *)		***	U.S.	xxx	-	-
		***	Sweden	-	0.5	-
1987:						
Order 1	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	8	-
		***	U.S.	-	8	-
Order 2	***	***	Sweden	-	-	14
(* * *)		***	U.S.	xxx	-	-
		***	U.S.	-	-	0
Order 3	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	15	-

See notes at the end of the table.

Table 26--Continued
Seamless stainless steel mechanical tubing and redraw hollows: Delivered prices quoted on U.S. orders of seamless stainless steel mechanical tubing and redraw hollows that involved competition between domestic and Swedish products, by product categories, 1/ by individual orders, annually, 1985-87

Product category, shipment period, order, and purchasing firm	Quantity	Quoted delivered prices	Country of origin	Awarded price quote	Awarded price quote was: less than losing quotes	Awarded price quote was: greater than losing quotes
	Feet	Per foot		(xxx)	-------Percent-------	
Redraw hollows						
1985: 2/						
Order 1----------	***	***	Sweden	xxx	-	-
(* * *)		***	U.S.	-	9	-
Order 2----------	***	***	Sweden	-	-	9
(* * *)		***	U.S.	xxx	-	-
1986:	Pounds	Per pound				
Order 1----------	***	***	Japan	-	-	3
(Teledyne Columbia)		***	Sweden	-	-	1
		***	U.S.	xxx	-	-
Order 2----------	***	***	Japan	-	-	3
(* * *)		***	Sweden	-	-	1
		***	U.S.	xxx	-	-
Order 3----------	***	***	U.S.	-	-	1
(* * *)		***	Sweden	xxx	-	-
		***	Italy	-	1	-
		***	Japan	-	5	-
Order 4----------	***	***	Italy	-	-	5
(* * *)		***	Japan	-	-	4
		***	Sweden	xxx	-	-
		***	U.S.	-	6	-
Order 5----------	***	***	U.S.	-	-	12
(* * *)		***	Sweden	-	-	2
		***	Japan	xxx	-	-
1987:						
Order 1----------	***	***	Japan	-	-	3
(* * *)		***	Sweden	-	-	1
		***	U.S.	xxx	-	-
Order 2----------	***	***	Japan	-	-	3
(* * *)		***	Sweden	-	-	1
		***	U.S.	xxx	-	-
Order 3----------	***	***	Italy	-	-	1
(* * *)		***	Japan	xxx	-	-
		***	Sweden	-	7	-
		***	U.S.	-	12	-
Order 4----------	***	***	Italy	-	-	3
(* * *)		***	Italy	-	-	1
		***	Japan	xxx	-	-
		***	Sweden	-	4	-
		***	U.S.	-	10	-

1/ Purchasers were requested to provide delivered bid-price data for their two largest orders of seamless stainless steel mechanical tubing and redraw hollows in 1985, 1986, and 1987 that involved competition between the domestic and Swedish products.
2/ Compiled from data gathered during the final countervailing duty investigation.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission in the current final antidumping and countervailing duty investigations.

Note: * * *.

redraw hollows during this period (table 26). 1/ In 7 of the 11 purchases of mechanical tubing, involving 9,770 feet, the Swedish products were awarded the orders. In these seven awarded orders, prices of the Swedish products were less than prices of the U.S. products, ranging from 8 to 15 percent below the quoted domestic prices. Reasons cited by purchasers for buying the imported products instead of the domestic products were lower prices of the imported products and the fact that Sandvik agreed to warehouse the Swedish mechanical tubing for a longer period than would Al Tech or Combustion Engineering, the two competing domestic suppliers. In four other purchases of mechanical tubing, involving 5,579 feet purchased during 1986 and 1987, the U.S. suppliers were awarded the orders. In two of these latter orders, purchased by * * *, the domestic prices exceeded prices of the competing Swedish products by 10 and 14 percent. In two other orders, purchased by * * *, the domestic prices were slightly lower than prices of the Swedish products but exceeded prices quoted for competing Japanese products by 7 and 4 percent. 2/ Purchasers cited quicker delivery and smaller quantities per purchase offered by the domestic suppliers as the reasons for buying the higher-priced domestic products.

Of the 11 orders for the seamless stainless steel redraw hollows, 1 order of *** feet in 1985 and 2 orders totaling *** pounds in 1986 were awarded to the Swedish manufacturer. The reporting firm in 1985, * * *, cited the approximately 9 percent lower price of the Swedish redraw hollows compared with the quoted price of the domestic redraw hollows as the reason for buying the foreign instead of the domestic product. * * *, the reporting firm for the other two Swedish orders, cited the availability of Swedish hollows from U.S. stock as the major factor; * * * noted that domestic mills refused to hold stock and would only produce to order.

One order of *** feet in 1985, two orders totaling *** pounds in 1986, and two orders totaling *** pounds in 1987 were awarded to domestic suppliers. * * *, the reporting firm for all five orders, awarded the competing U.S. supplier (* * *) the orders, although the domestic prices were consistently greater than prices of the competing Swedish products. * * * indicated that quick delivery of the material was critical in these instances and that the principal reason for buying the domestic redraw hollows was that the U.S. supplier could deliver in 8-9 weeks compared with 12-16 weeks for the supplier of the Swedish products. Also, * * * stated that some customers required a domestic melt for their stainless steel product.

The remaining order of *** pounds in 1986 and two orders totaling *** pounds in 1987 were awarded to Japanese suppliers. For these orders, the domestic price quote was below the Swedish price quote in one order (* * *) 3/ and above the Swedish price quote in two orders (* * *). * * *, the reporting firm for the two orders in 1987, cited the price and quality of the Japanese product as well as the fear of the future unavailability of Sandvik stock in Scranton. * * * cited quality problems of the Swedish product for its decision to award the Japanese supplier in 1986. Due to this quality problem (scratching), both * * * and * * * stopped requesting quotes for the Swedish product.

1/ Three other redrawers, * * *, responded that they gather quotes over the telephone and do not have written records of these quotes.
2/ * * *.
3/ * * *. * * *. * * *. * * *. * * *. * * *.

Purchasers' questionnaire responses concerning competition between the domestic and imported seamless and welded stainless steel pipes and tubes.--The Commission requested purchasers to report on competitive conditions between the domestic and Swedish stainless steel pipes and tubes on the basis of their actual purchase experiences during 1985-87. Eleven distributors, 3 end users, and 6 redraw mills responded to at least some portions of this section of the purchaser questionnaire, but not everyone responded to all the questions asked. Purchasers were asked to compare any product differences between the domestic and the Swedish stainless steel pipes and tubes by physical product characteristics, by reliability of supply, and by order lead times. Purchasers were also requested to compare the delivered purchase prices of the domestic and Swedish stainless steel pipes and tubes and to give reasons for purchasing the subject imported or domestic products.

Product differences.--The responding purchasers agreed that the quality of the domestic seamless and welded stainless steel pipes and tubes was generally equal to the quality of the Swedish product. Four of the six purchasers responding for the welded product saw no differences in the reliability of supply between Swedish and domestic sources, with the remaining two purchasers divided between the two sources. For the seamless product, 4 of 10 distributors/end users commented that domestic supply was more reliable than imported Swedish sources, while 6 perceived the two sources to be equally reliable. All six redrawers who responded also agreed that domestic and Swedish sources for stainless steel pipes and tubes were equally reliable.

Comments regarding order lead time generally indicated that the imported Swedish supply was considered less favorable than the domestic supply. For the welded product, the responding purchasers cited order lead times of 6 to 26 weeks when buying the Swedish product compared with lead times up to 20 weeks when buying the domestic product. 1/ For the seamless product,

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1/ Avesta stocked welded product in the United States until 1986, when it altered its selling strategy and liquidated these warehouse supplies. During the hearing, Lennart Hallergard, President of Avesta Stainless, Inc., testified that they found their European markets more profitable and cited low prices in the United States as prompting the change. See Transcript IV, pp. 95-97. According to U.S. purchasers, the lead time of orders from Avesta's U.S. warehouses was up to 2 weeks. However, only 1 of the 6 responding purchasers of the Swedish welded product bought a significant amount of stainless steel pipes and tubes from these inventories.

Bruce Maleshevitz, from Economic Consulting Services, presented to the Commission a time series survey on lead times from 5 domestic welded producers (* * *). This survey showed that the lead time for domestic producers has increased from 3-16 weeks in 1985 to 7-20 weeks in the second quarter of 1987. * * * indicated that certain products were available for immediate delivery from stock. The major increase in lead time occurred in 1987, and it was still increasing according to the 5 producers surveyed. The longer lead times were caused by excess demand for raw materials (stainless steel strip) by non-pipe and tube producers, e.g., automobile manufacturers for catalytic converters, mufflers, and exhaust systems. This demand has caused the steel producers to arrange an allocation or controlled booking system regulating the amount of strip a company can receive each month. Spokesmen at * * *, * * *, and * * * state that while they do have excess production capacity for pipes and tubes in their mills, they are currently producing as much product as possible given the constraints of raw material supply.

purchasers commented that the order lead time for imported pipes and tubes mill direct from Sweden was 12-24 weeks (redrawers report 8-18 weeks), compared with lead times of 6-12 weeks from domestic sources. However, the lead time for Swedish seamless product from Sandvik's U.S. inventory in Scranton was 1-10 weeks. 1/

Long lead times require large purchases per order and therefore high inventory carrying costs. Purchasers regarded the costs of carrying large inventories associated with long order lead times as a significant factor when deciding to purchase the domestic or Swedish stainless steel pipes and tubes. Sixteen of 18 purchasers of the seamless product (including 5 of 6 redrawers) and 5 of 6 purchasers of the welded product who responded to the questionnaire considered inventory costs to be a major factor in their purchasing decision for stainless steel pipes and tubes. These purchasers cited higher holding costs of 1 to 12 percent for the seamless product and 1 to 17 percent for the welded product. However, two purchasers did comment that while this factor is significant for their purchasing decision, if planned correctly, there would not be any visible cost impact.

Pricing differences.--The 20 purchasers responding to this section of the questionnaire indicated that delivered prices of the Swedish seamless and welded stainless steel pipes and tubes generally must be less than domestic prices before they consider purchasing the foreign product. Minimum price differences for the welded product cited by these purchasers ranged from 5 to 25 percent of the delivered domestic price. Minimum price differences for the seamless product ranged up to 50 percent, though only up to 5 percent by the redrawers. 2/ Purchasers most frequently cited the longer lead times of the Swedish products vis-a-vis the domestic products as a factor requiring a lower price for the Swedish products. These purchasers also reported buying the domestic seamless and welded stainless steel pipes and tubes when they were more expensive than the Swedish products, most frequently citing the shorter lead times of the domestic versus the subject foreign products and in some instances noting better quality, more reliable supply, or customer preference for the domestic versus the Swedish products.

Buy American preferences.--The U.S. importer of the Swedish welded stainless steel products has argued that an identifiable buy-American market exists for stainless steel pipes and tubes. Avesta estimates this market to be 10-15 percent, whereas U.S. producers claim the market is less than 2 percent. During the current investigation, U.S. purchasers were requested to report the proportion of their yearly purchases of stainless steel pipes and tubes that must be from domestic sources to satisfy any buy-American

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1/ 9 of 10 distributors/end users and 3 of 6 redrawers purchase a majority of their Swedish seamless product from Sandvik's U.S. inventory.

2/ Purchasers also stated that in their market areas delivered prices of the seamless and welded Swedish stainless steel pipes and tubes were generally less than delivered prices of the domestic products. However, some purchasers noted that for some seamless products the Swedish price was higher than the domestic price by as much as 10 percent. U.S. purchasers also commented that price differences between the Swedish and domestic sources have narrowed over the period of investigation.

preference. Two measurements of these preferences were requested: a standard category -- domestic purchases due to consumer preferences, company/union policies, or government mandated contracts, and an exclusive category -- only government mandated (federal, state, or local) contracts. The purchasers were also requested to indicate the criteria they used to classify a product as American-made, and the flexibility they have to ignore these preferences and purchase the imported product.

Fourteen of the 35 purchasers responding to this section of the questionnaire stated that they required a portion of their purchases to be domestic product. 1/ According to these purchasers, an American-made stainless steel pipe and tube product was classified as either having a domestic melt or containing over 50 percent of its value produced in the United States. 2/ Stainless steel products produced by Sandvik in Scranton qualified as American-made by this criterion.

The proportion of purchases due to buy-American preferences ranged from 2 to 75 percent (0 to 30 percent for government mandated contracts) for the 14 purchasers. 3/ Most purchasers indicated that this policy was governed by customers who required the domestic product, and, therefore, the purchasers had little flexibility to ignore these preferences. Other purchasers who had purchasing flexibility cited convenience, loyalty to domestic suppliers, and attempts to maintain several sources of supply as the reasons for their policy. Three purchasers, * * *, commented that if the price for imports were 15 to 40 percent below the price for domestic product, each would purchase more imported stainless steel products. 4/ However, these purchasers also stated that they have not seen prices for imports fall to this level in their area.

Although it is difficult to estimate the buy-American market with any precision, questionnaire results indicate that between 15 and 25 percent of the U.S. market for stainless steel pipes and tubes is subject to buy-American preferences (including consumer preferences, union/company policies, or government-mandated contracts). However, only 1 to 4 percent of these purchases were subject exclusively to government-mandated contracts.

Transportation costs.--Stainless steel pipes and tubes are generally shipped by truck within the United States. Transportation costs range from approximately zero to 2 percent of the total delivered price for stainless steel pipes and tubes sold by U.S. producers and U.S. importers. The 16 U.S.

1/ The 35 purchasers represent approximately 27 percent of total U.S. consumption. An additional 26 "buy-American" purchasers were identified by U.S. producers and importers in the current investigation. Of these 26 companies, only 6 were required to purchase domestic product due to buy-American preferences. All 6 were connected directly or indirectly through contracts to U.S. Government regulations toward purchasing specialty steel products and, therefore, purchased only domestic product.
2/ For some seamless purchases, domestic melts were required. The welded product was classified American-made if it was welded in the United States.
3/ One purchaser * * *. * * *.
4/ * * *.

producers and 2 importers who reported information on transportation factors in the current antidumping investigation stated that they absorb at least some of the U.S. inland freight costs to their customers. Suppliers of the seamless pipes and tubes appear to absorb less U.S. inland freight costs than the suppliers of the welded products. On shipments to U.S. producers' and importers' largest customers, no inland freight costs were absorbed by seamless manufacturers and importers, whereas welded manufacturers paid between 0 and 100 percent of all freight costs.

Additionally, the responding U.S. producers and importers of the seamless pipes and tubes consistently reported absorbing 10 percent or less of U.S. inland freight costs on at least 72 percent of their shipments, whereas the responding suppliers of the welded pipes and tubes generally reported absorbing more than 50 percent of U.S. inland freight charges on at least 70 percent of their shipments. However, the seamless importer, Sandvik Steel, * * *. 1/

The welded producers have argued that they started picking up freight costs in order to remain competitive with increasing imports from Sweden as well as other countries. One U.S. producer, * * *, has reportedly stopped absorbing freight costs on its U.S. shipments of pipes and tubes in 1987.

Of the 20 purchasers who responded to a question on whether transportation costs were a major factor in the firms' purchasing decision for stainless steel pipes and tubes, 15 stated that it was not a major factor. The five purchasers who stated that it was a major factor, however, responded that there was no difference in cost between the domestic and Swedish products.

Exchange rates.--Table 27 shows nominal and real exchange rate indexes for the U.S. dollar and the Swedish krona. The currency of Sweden nominally depreciated relative to the U.S. dollar through 1984 and January-March 1985, and appreciated throughout the rest of the period. Overall, the Swedish krona appreciated relative to the U.S. dollar by approximately 26.6 percent during January 1984-June 1987. A 6.1-percent inflation rate in Sweden, compared with a 0.7-percent deflation rate in the United States during this period, resulted in an appreciation of 35.3 percent in the real value of the Swedish krona relative to the U.S. dollar by June 1987.

Lost sales

Four additional specific allegations of lost sales were reported during the current investigation by one U.S. producer (* * *) of welded stainless steel pipes and tubes. The Commission staff has contacted all purchasers cited. In addition, the Commission staff contacted two purchasers cited in the final subsidy investigation and five purchasers cited in the preliminary subsidy investigation.

1/ * * *. * * *. * * *.

Table 27
Indexes of the nominal and real exchange rates between the U.S. dollar and the Swedish krona 1/ and indexes of producer prices in the United States and Sweden, 2/ by quarters, January 1984-June 1987

(January-March 1984=100)

Period	Nominal exchange-rate index	Real exchange-rate index 3/	U.S. producer price index	Swedish producer price index
1984:				
Jan.-Mar....	100.0	100.0	100.0	100.0
Apr.-June...	99.6	100.3	100.7	101.4
July-Sept...	94.8	97.0	100.4	102.7
Oct.-Dec....	91.6	95.8	100.2	104.8
1985:				
Jan.-Mar....	86.1	92.6	100.0	107.5
Apr.-June...	89.2	95.8	100.1	107.5
July-Sept...	95.0	102.7	99.4	107.5
Oct.-Dec....	102.0	109.7	100.0	107.5
1986:				
Jan.-Mar....	107.6	115.9	98.5	106.1
Apr.-June...	110.7	119.3	96.6	104.1
July-Sept...	114.4	123.0	96.2	103.4
Oct.-Dec....	115.3	125.2	96.5	104.8
1987:				
Jan.-Mar....	122.6	133.1	97.7	106.1
Apr.-June...	126.6	135.3	99.3	4/ 106.1

1/ Based on exchange rates expressed in U.S. dollars per Swedish krona.
2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and Sweden. As a result, these indexes only approximate actual price changes of the subject stainless steel pipe and tube products in the United States and Sweden. Quarterly producer prices in the United States fell by 0.7 percent during January 1984-June 1987 compared with rising producer prices in Sweden of 6.1 percent during this period.
3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured by producer price indexes in the United States and Sweden.
4/ Estimated.

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

Allegations investigated during the final antidumping investigation.--
* * * was named by * * * in a lost sale allegation. In * * *, * * * allegedly purchased *** feet of various sizes of Swedish welded stainless steel pipes at delivered prices ranging from *** to *** percent below * * *'s delivered price, depending on size.

* * * could not recall ever purchasing any foreign product. He stated that due to customer restrictions, approximately *** percent of * * *'s purchases had to be American-made, though not necessarily an American melt.

* * *'s purchases of stainless steel pipes averaged approximately *** (*** percent seamless and *** percent welded) per year. * * *. * * *. * * *.

* * * stated that seamless pipes were superior to welded pipes in terms of quality (better tensile strength), though they were priced 15-20 percent higher than welded pipes. He could not recall any "seamless" customer requesting welded pipe as a replacement.

* * * was named by * * * in an alleged lost sale involving *** feet (*** pieces) of welded stainless steel tubing in * * *. Avesta allegedly quoted a price *** percent below * * *'s and *** percent below * * *'s. * * * allegedly split the order between * * * and Avesta.

* * * * * * *

* * *. * * *. * * * only purchases stainless steel pipes and tubes from domestic sources, though the company has no specific buy-American policy.

* * * was named by * * * in a lost sale allegation of * * *. Avesta allegedly offered * * *. * * * denied ever purchasing the Swedish welded product and did not recall the specific quote. * * *.

* * * currently purchases approximately *** tons of stainless steel pipes and tubes per year (*** percent welded, *** percent seamless). *** percent of its purchases are from imported sources, primarily Japan. * * * has started purchasing some seamless product from Sweden, but this accounts for less than *** percent of total purchases. * * * states that as a rule the imported product must be priced lower than domestic prices by 2-1/2 to 5 percent due to increased inventory costs associated with longer lead times.

* * * was cited in a lost sale allegation by * * *. Avesta allegedly offered prices at * * *. * * * had no recollection of any offers from Avesta, nor knowledge of any purchases of Swedish stainless steel pipes or tubes.

* * * presently purchases over *** of stainless steel pipes and tubes per year (*** percent seamless, *** percent welded). In 1986, *** percent of welded product and *** percent of seamless product were from domestic sources. * * * states that *** percent of these purchases must be American made due to company preferences alone. However, if the price of imports were 30 to 40 percent below domestic prices, * * * would purchase more imported product but would still purchase domestic product, albeit in smaller amounts. * * * commented that purchasing domestic was a matter of loyalty by

distributors and a necessity to keep reliable sources. Recently, * * * noted that both domestic and imported lead times have been increasing, prompting * * * to purchase more inventory. This has resulted in a 25-percent increase in holding costs.

Allegations investigated during the final subsidy investigation.--* * * was named by * * * in a lost sale allegation. In * * *, * * * allegedly purchased about *** feet of various sizes of Swedish welded stainless steel pipes at delivered prices averaging about *** percent below * * *'s delivered prices. Although * * * of the firm could not recall the specific transaction, he stated that his firm frequently purchases the types of welded stainless steel pipes covered in the allegation. * * * also indicated that prices of the domestic and Swedish pipes cited were about what he saw in the market at the time of the allegations, and it is likely that his firm bought the subject Swedish material, and if they did it was primarily because of the lower price of the foreign material. * * * claims that prices of the Swedish welded products currently range from 3 to 4 percent below domestic prices. According to * * *, quality of the domestic and Swedish welded stainless steel pipes and tubes are comparable.

* * * also commented that its major domestic suppliers of the welded stainless steel pipes and tubes are * * *, * * *, and * * *, whereas Avesta is its major supplier of the Swedish welded pipes and tubes (* * * generally does not buy any other foreign welded stainless steel pipes and tubes). * * * indicated that * * * used to be a major domestic supplier to his firm, but in 1985 * * * dropped * * * as a supplier in favor of other domestic firms. * * * cited two reasons for this switch. * * *. * * *.

* * * was named by * * * in a lost sale allegation. * * * allegedly purchased about *** of various sizes of Swedish welded stainless steel pipes in * * * at delivered prices ranging from *** to *** percent below * * *'s delivered prices. * * * stated that his firm purchased about * * * of the Swedish welded pipe during this period from Avesta because of its low price. Subsequently, according to * * *, he learned that Avesta was selling the same products as * * * to * * *'s end-user customers, so he ended * * *'s relationship with Avesta. * * * explained that * * * often supplements its own production of welded stainless steel pipes and tubes with purchases from other sources (mostly domestic). These latter supplemental purchases were from stainless steel strip that * * * supplied to other domestic mills, which converted it to pipes and tubes and shipped the finished products back to * * *.

* * * * * * *

Allegations investigated during the preliminary subsidy investigation. 1/

Allegations of * * * concerning * * * stainless steel pipes and tubes.--* * * allegedly purchased about *** tons of various sizes of Swedish stainless steel seamless pipes and tubes in * * * at delivered prices ranging

1/ See also app. E for a summary of additional discussions with purchasers named in undocumented lost sales allegations made during the preliminary subsidy investigation.

from *** to *** percent less than * * *'s delivered prices. * * * could not recall buying the specific alleged products. He explained that his firm purchases mostly special alloy stainless steel pipes and tubes (seamless and welded), which are produced domestically and imported from Sweden. * * * pointed out, however, that his firm generally purchases proprietary grades from Sweden that are not available domestically. According to * * *, his firm's purchases of the imported * * * of stainless steel pipes and tubes from Sweden have increased as a proportion of his firm's total purchases of stainless steel pipes and tubes during 1983-86. On the basis of limited purchases of the regular alloy stainless steel pipes and tubes (both seamless and welded), * * * stated that delivered prices of the imported stainless steel products from Sweden are generally less than delivered prices of competing domestic products, although quality of the domestic and Swedish pipes and tubes are comparable.

* * * was cited in two lost sales allegations. In the first one, * * * allegedly purchased about *** tons of various sizes of Swedish stainless steel seamless pipes and tubes in * * * at delivered prices averaging *** percent less than * * *'s prices. In the second allegation, * * * allegedly purchased about *** tons of various sizes and grades of Swedish stainless steel * * * in * * * at delivered prices ranging from *** to *** percent less than domestic prices. * * * of the firm could not recall buying the specific products in either allegation, but stated that his firm buys both domestic and imported (some of it Swedish) stainless steel seamless and welded pipes and tubes. He further stated that * * *'s purchases of the Swedish material probably increased during 1983-86 as a proportion of his firm's total purchases of the stainless steel products. * * * indicated that delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices, although quality of the domestic and Swedish products is comparable. Since 1983, * * * has seen in his market area the price of the imported seamless products from Sweden as much as 15 percent below competing domestic producers' prices. He pointed out, however, that the price of the Swedish seamless products are at about the midrange of competing prices in the U.S. market.

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

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

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

Allegations of * * * concerning * * * stainless steel pipes and tubes.--* * * allegedly purchased *** tons of Swedish stainless steel welded pipes and tubes in * * * at delivered prices about *** percent below * * *'s delivered prices. * * * could not recall the specific instance cited, but stated that during the last 15 months his firm has purchased imported stainless steel seamless and welded pipes and tubes from Sweden instead of the U.S. product, primarily because of price. According to * * *, quality of the domestic and Swedish stainless steel pipes and tubes is comparable. * * * stated that his firm bought about 70 percent domestic and 30 percent imported stainless steel pipes and tubes in 1985 and January-September 1986, after buying only the domestic product in 1983 and 1984. According to * * *, about 95 percent of the imported material came from Sweden. * * * stated that delivered prices of the Swedish stainless steel pipes and tubes are generally less than domestic producers' delivered prices by about 12 to 13 percent, but greater than delivered prices of imports from Far East suppliers. * * * pointed out that the Swedish price advantage would have to be at least 8 to 10 percent before he would begin switching from the domestic to the foreign product. * * * indicated that low prices of the Swedish stainless steel products contributed to low U.S. producers' prices.

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

* * * also commented on * * *. * * *. According to * * *, * * *. * * * stated that his firm purchased * * *.

* * * allegedly purchased *** tons of Swedish stainless steel * * * pipes and tubes in * * * at delivered prices about *** percent below * * *'s quoted delivered prices. * * * of the firm stated that his firm purchased the Swedish products during this period instead of the domestic products primarily because of the lower price of the imported products. According to * * *, quality of the domestic and Swedish stainless steel welded pipes and tubes is comparable. * * * noted that his firm uses mostly the * * * products.

Lost revenue

No additional specific allegations of lost revenue were reported during the current investigation. The Commission staff, however, contacted two purchasers cited in the final subsidy investigation and three purchasers cited in the preliminary subsidy investigation.

Allegations investigated during the final subsidy investigation.--* * * was named by * * * in a lost revenue allegation involving the * * * products. * * * allegedly initially quoted delivered prices for *** feet of various grades and sizes of * * * to * * * in * * * that ranged from about *** to *** percent above delivered prices quoted for the Swedish products. * * * then reportedly reduced its prices by the amount of this difference to make this sale, representing a revenue loss by * * * of about ***. Although * * * could not recall the exact prices, he confirmed buying some of the cited * * * from * * * after the domestic firm lowered its prices to those quoted for the Swedish material. * * * considered the quality and delivery schedules of the domestic and Swedish seamless products to be comparable. * * * remarked that generally the price gap between the domestic and Swedish seamless stainless steel pipes and tubes would have to be at least 10 percent before he would consider buying the Swedish material.

* * * was named by * * * in a lost revenue allegation involving the * * * products. * * * allegedly initially quoted delivered prices for *** feet of various grades and sizes of * * * stainless steel pipes to * * * in * * * that averaged about *** percent above delivered prices quoted for the imported products from Sweden. * * * then reportedly reduced its price by *** percent to make the sale, which would represent a revenue loss by * * * of about ***. * * * confirmed that * * * was awarded the sale after it lowered its price by about 5 percent as a result of competition with the Swedish material. * * * considered the quality of the domestic and Swedish welded products to be comparable.

Allegations investigated during the preliminary subsidy investigation.--The Commission received specific allegations of lost revenue regarding imports of Swedish * * * stainless steel pipes and tubes from * * * during the preliminary investigation. 1/ * * * cited three customers to which it allegedly reduced its prices as a result of price competition with the Swedish * * * pipes and tubes. Conversations with representatives of the three firms contacted are discussed below.

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

* * * was named in a second allegation of lost revenue. * * * allegedly initially quoted delivered prices of various grades and sizes of * * * to * * * in * * * that ranged from *** to *** percent above delivered prices quoted for the imported products from Sweden. Although * * * reported quoting its prices for *** tons of the * * *, it did not provide the Commission with its final price quotes. As a result, no estimate of possible lost revenue could be calculated. * * * did not recall the purchase. He explained,

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

however, that domestic producers, probably aware of low-priced imports in his market area, including those from Sweden, have lowered their prices by 5 to 10 percent during 1983-86.

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

APPENDIX A

FEDERAL REGISTER NOTICES OF THE COMMISSION AND COMMERCE

[Investigation No. 731-TA-354 (Final)]

Stainless Steel Pipes and Tubes Fro Sweden; Final Antidumping Investigation and Scheduling of Hearing

AGENCY: United States International Trade Commision.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-354 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673(d)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Sweden of stainless steel pipes, tubes, hollow bars, and blanks therefor, all the foregoing of circular cross-section, whether welded or seamless, provided for in items 610.37, 610.51, and 610.52 of the Tariff Schedules of the United States, that have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Commerce was scheduled to make its final LTFV determination on or before July 29, 1987; however, on June 5, 1987, Commerce decided, upon request from the foreign producers, to postpone its final determiniton and is now scheduled to make its final determination on or before October 5, 1987. The Commission will make its final injury determination by November 18, 1987 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673(a) and 1673(b))).

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

EFFECTIVE DATE: June 22, 1987.

FOR FURTHER INFORMATION CONTACT: Judith C. Zech (202-523-0339), 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 contract the Office of the Secretary at 202-523-0161.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of stainless steel pipes and tubes from Sweden are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. § 1673). The investigation was requested in a petition filed on October 20, 1986, by the Specialty Tubing Group. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information development during the course of that investigation, determined that there was a reasonable indication that industries in the United States were materially injured by reason of imports of the subject merchandise (51 FR 44536, December 10, 1986).

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 201.111), not later than twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the 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.

Staff report.—A public version of the prehearing staff report in this investigation will be placed in the public record on September 24, 1987, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on October 13, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on October 1, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a perhearing conference to be held at 9:30 a.m. on October 7 in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 8, 1987.

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

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public heaing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on October 20, 1987. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before October 20, 1987.

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

Any business informaiton 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 § 207.20 of the Commission's rules (19 CFR 207.20)

By order of the Commission.

Issued: June 25, 1987.
Kenneth R. Mason.
Secretary.
[FR Doc. 87-14966 Filed 6-30-87; 8:45 am]
BILLING CODE 7020-02-M

International Trade Administration

[A-401-603]

Final Determination of Sales at Less Than Fair Value; Stainless Steel Hollow Products From Sweden

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We have determined that stainless steel hollow products (SSHP) from Sweden are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

EFFECTIVE DATE: October 9, 1987.

FOR FURTHER INFORMATION CONTACT: Gregory G. Borden (202/377-3003) or Mary S. Clapp (202/377-1769), Office of Investigations, Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that stainless steel hollow products from Sweden are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)). The margins found for the companies investigated are listed in the "Suspension of Liquidation" section of this notice.

Case History

On May 15, 1987, we made an affirmative preliminary determination (52 FR 19369, May 22, 1987).

On May 21, 1987, we received a cost of production (COP) questionnaire response from Sandvik AB (SAB, or Sandvik) concerning sales of seamless redraw hollow to the Federal Republic of Germany (FRG).

On May 27, 1987, we received a request from SAB, a respondent in this case, to postpone the final determination to no later than the 135th day after publication of our "Preliminary Determination" notice in the Federal Register. We granted this request and postponed the final determination until no later than October 5, 1987 (52 FR 22367, June 11, 1987).

Supplemental computer tape responses from the respondents were received on June 30, 1987. A supplemental COP response from SAB was received on July 14, 1987.

We verified the exporter's sales price responses for both respondents in the United States from July 13 to July 16, and from July 20 to July 22, 1987. We verified the purchase price, home market and third country responses of the respondents in Sweden and the FRG from August 17, 1987 to August 28, 1987.

On September 14, 1987, the Department held a public hearing. Interested parties submitted comments for the record in their pre-hearing briefs of September 10, 1987, and in their post-hearing briefs of September 16, 1987.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System ("HS") by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedule of the United States Annotated* ("TSUSA") item numbers and the appropriate HS item numbers with the product descriptions on a test basis, pending Congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed Harmonized System schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Additionally, all Customs offices have reference copies, and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The products covered by this investigation are certain stainless steel hollow products including pipes, tubes, hollow bars and blanks therefor, of circular cross-section, containing over 11.5 percent chromium by weight, as provided for under TSUSA item numbers 610.3701, 610.3727, 610.3741, 610.3742, 610.5130, 610.5202, 610.5229, 610.5230, and 610.5231, and currently classifiable under HS item numbers 7304.41.00, 7304.49.00, 7306.40.10, and 7306.40.50.

Fair Value Comparisons

To determine whether sales of SSHP in the United States were made at less than fair value, we compared the United States price to the foreign market value as specified below.

We made comparisons on virtually all of the sales of the products during the period of investigation, May 1, 1986 through October 31, 1986.

United States Price

For SAB and Avesta Sandvik Tube AB (AST, or Avesta), we based United States price on exporter's sales price (ESP) when those sales were made after importation, in accordance with section 772(c) of the Act. For those sales by SAB and AST to the United States which were made prior to importation, we

determined that the merchandise had been purchased through related parties directly from the manufacturer or producer and, therefore, based the United States price on purchase price in accordance with section 772(b) of the Act for the following reasons:

1. The merchandise in question was shipped directly from the manufacturer to the unrelated buyer, without being introduced into the inventory of the related selling agent;

2. This was the customary commercial channel for sales of this merchandise between the parties involved; and

3. The related selling agent located in the United States acted only as a processor of sales-related documentation and a communication link with the unrelated U.S. buyer.

Where all the above elements are met, we regard the routine selling functions of the exporter as having been merely relocated geographically from the country of exportation to the United States, where the sales agent performs them. Whether these functions are done in the United States or abroad does not change the substance of the transactions or the functions themselves.

In instances where merchandise is ordinarily diverted into the related U.S. selling agent's inventory, we regard this factor as an important distinction because it is associated with a materially different type of selling activity than the mere facilitation of a transaction such as occurs on a direct shipment to an unrelated U.S. purchaser. In situations where the related party places the merchandise into inventory, that party commonly incurs substantial storage and financial carrying costs and has added flexibility in his marketing. We also use the inventory test because it can be readily understood and applied by respondents who must respond to Department questionnaires in a short period of time. It is objective in nature, as the final destination of the goods can be established from normal commercial documents associated with the sale and verified with certainty.

We calculated purchase price and ESP based on the packed, f.o.b. or c.i.f., duty paid or delivered prices to unrelated purchasers in the United States. We made deductions for foreign inland freight, ocean freight, marine insurance, U.S. duty, and U.S. inland freight, as appropriate. For ESP sales, we also deducted credit costs and other expenses normally incurred in selling the merchandise in the United States.

For the exporter's sales price sales involving further manufacturing, we deducted all value added in the United States. This value consisted of all costs associated with the manufacture and sale of the finished pipe or tube, and a proportional amount of the profit or loss related to these costs. Profit or loss was calculated by deducting from the sales price of the finished pipe or tube all costs incurred in Sweden and the U.S. by the company for the production and sale of the product. The profit or loss was then apportioned between the costs of the redraw hollows and additional costs incurred in the U.S. based on the ratio of these costs to total costs.

For the costs of the SSHP sold in the United States, the Department relied primarily on the cost data provided by the respondent In those instances when it appeared all costs were not included or appropriately quantified or valued, certain adjustments were made. For Sandvik AB, interest expenses, classified by the company as factory overhead, were reclassified as a general expense. Freight expense, which was included in general expenses, was deducted from the general expenses, since it concerned an expense incurred after shipment. A proportional amount of general, administrative, and interest expenses were added to these manufacturing costs in determining the total costs incurred in Sweden. For the costs incurred in the United States, packing labor costs were reclassified from direct labor to packing expense.

Foreign Market Value

SAB

In accordance with section 773(a) of the Act, we found sufficient sales of hollow bar in the home market to form the basis of comparison We based our calculations on delivered home market prices We made deductions for inland freight. We deducted home market packing costs and added U.S. packing costs. For comparison to ESP sales, we deducted selling expenses incurred on home market sales up to the amount of the indirect selling expenses incurred for sales to the U.S. market, as an offset in accordance with § 353.15(c) of our regulations. For purchase price comparisons, we made an adjustment for differences in credit based on arm's-length borrowing rates in Sweden and for ESP comparisons deducted home market credit costs, in accordance with § 353.15 (b) and (c) of our regulations.

In accordance with section 773(a)(1)(B) of the Act, we determined that there were insufficient home market sales of seamless redraw hollows and finished pipes and tubes to be used as a basis for determining foreign market value. The third country market with the largest volume of sales of the most similar merchandise is the Federal Republic of Germany (FRG). On April 17, 1987, petitioners alleged that third country prices of seamless redraw hollows were below the cost of production. We did not have sufficient time to develop data for purposes of the preliminary determination. Since then, we have received and analyzed the relevant data for purposes of this determination.

For the cost of production of redraw hollows sold in the FRG, the Department relied generally on the cost data provided by SAB. Interest expense, which was classified by the company as part of the factory overhead, was reclassified as a general expense. This interest was then adjusted to reflect a proportional amount of interest expense of Sandvik AB, deducting an apportioned amount for the credit expense, which was included as a selling expense.

The freight expense, which was an ex-factory expense, was excluded from general and administrative expenses. Verified selling expenses were used.

Since we found that virtually all sales were at prices above the cost of production, we based our comparisons for redraw hollows on all sales of that product in the FRG.

We made deductions from delivered prices for discounts and for foreign inland freight between Sweden and the FRG. We deducted third country packing costs and added U.S. packing costs. For comparisons to purchase price, we made a circumstance of sale adjustment for differences in credit expenses. For comparison to ESP, we deducted credit cost incurred in the FRG and offset indirect selling expenses on the U.S. sales, in accordance with § 353.15 (b) and (c) of the Commerce regulations. Where we compared similar products, we made adjustments for differences in physical characteristics based on differences in direct manufacturing costs in accordance with § 353.16 of our regulations.

AST

We found sufficient sales in the home market to form the basis of comparison and, therefore, used delivered home market prices. We made deductions for foreign inland freight and discounts. We deducted home market packing costs and added U.S. packing costs. For comparison to ESP sales, we offset the selling expenses incurred in the U.S. with home market selling expenses, in accordance with § 353.15(c) of our regulations. We made an adjustment for difference in credit terms in accordance with § 353.15(b) of our regulations. Where we compared similar products, we made adjustments for differences in

physical characteristics based on differences in direct manufacturing costs in accordance with § 353.16 of our regulations.

Such or Similar Merchandise

Petitioners advocate product comparisons for nonidentical products based on grade, finish (hot or cold), outside diameter and wall thickness. However, where significant differences in physical dimensions would result when using within-grade matches of some merchandise, petitioners state that the Department should use comparisons between regular and low-carbon versions of equivalent grades. In cases where factors being compared vary by more than 20 percent, petitioners urge the use of constructed value instead of the matches proposed by Sandvik.

Petitioners allege that many of Sandvik's proposed matches are defective, comparing products with wide differences in production cost, or overlooking closer matches available. Petitioners also object to Avesta's proposed matches, claiming that Avesta has overlooked identical product matches and chosen others that are not the closest possible comparisons. As with Sandvik, petitioners propose that where matching factors differ by more than 20 percent, the Department should use constructed value.

Sandvik states that when there is no home market or third country merchandise that is identical to that being sold in the U.S., the product matches contained in its concordance computer tape should be used.

Avesta claims an adjustment for differences in physical characteristics between welded pipes and tubes sold in Sweden and those sold for export to the U.S. Avesta bases its claim on its assertion that there were virtually no "identical" product matches between U.S. and Swedish sales and that the "similar" products compared differed in size standards, chemistries and wall thickness, with corresponding differences in cost of production.

Where we found sales of identical merchandise in the relevant foreign market, we made comparisons to sales of the identical products. Where we based our comparisons on sales of similar merchandise, we selected sales of the most similar product sold in the relevant market for our comparisons. In determining the degree of similarity, we used the following criteria which all parties agreed were appropriate:

For seamless pipe and tube:
1. Steel grade,
2. Type of finish (hot or cold),
3. Outside diameter, and
4. Wall thickness; and

For welded pipe and tube:
1. Steel grade,
2. Outside diameter, and
3. Wall thickness.

The use of these criteria resulted in some changes from the comparison groupings proposed by respondents.

Currency Conversion

For ESP comparisons, we used the official exchange rate for the date of sale since the use of that exchange rate is consistent with section 615 of the Trade and Tariff Act of 1984 (1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations because the later law supersedes that section of the regulations.

For purchase price comparisons, we used the exchange rate described in § 353.56(a)(1) of our regulations. All currency conversions were made at the rates certified by the Federal Reserve Bank.

Verification

As provided in section 776(a) of the Act, we verified all information relied upon in making this final determination. We used standard verification procedures, including examination of all relevant accounting records and original source documents provided by the respondents on sales and production costs.

Interested Party Comments

Comment 1: Sandvik argues that seamless and welded SSHP constitute two different classes or kinds of merchandise. Sandvik bases it contention on the different physical characteristics of seamless and welded SSHP, their different ultimate uses and different channels of trade used to market the products. Furthermore, Sandvik points to ITC determinations recognizing that seamless and welded SSHP are separate "like" products produced by two separate industries.

DOC Response: We disagree. We consider seamless and welded SSHP as a single "class or kind" of merchandise for reasons outlined in the *Final Affirmative Countervailing Duty Determination: Stainless Steel Hollow Products from Sweden* (52 FR 5794 at 5805, February 26, 1987). The ITC's "like" product determination is irrelevant to the Department's "class or kind" determination since it is conducted for a different purpose.

Comment 2: Sandvik contends that petitioners lack standing to represent the industry producing seamless SSHP and, therefore, the investigation should be terminated. Sandvik argues that seamless SSHP is a separate class or kind of merchandise, therefore, petitioners must represent the affected industry. Only one of the original petitioners manufactures seamless SSHP and other members of the industry have indicated to Sandvik's counsel their opposition to the petition. The addition of the United Steel Workers Union as a co-petitioner does not satisfy the standing requirement as they entered the proceedings more then twenty days after the filing of the petition.

DOC Response: We disagree. We consider all products covered by this investigation to constitute a single class or kind of merchandise as stated in our response to Comment 1. Neither the Act nor the Commerce Regulations requires a petitioner to establish affirmatively that it has the support of a majority of a particular industry. The Department relies on petitioners representation that it has, in fact, filed on behalf of the domestic industry until it is affirmatively shown that this is not the case. Where domestic industry members opposing an investigation provide a clear indication that there are grounds to doubt a petitioner's standing, the Department will review whether the opposing parties do, in fact, represent a major proportion of the domestic industry. In this case, we have not received any opposition from the domestic industry. See *Certain Stainless Steel Hollow Products from Sweden* (52 FR 5794 at 5795, February 26, 1987), *Certain Fresh Atlantic Groundfish from Canada*, (51 FR 10041, March 24, 1986), *Frozen Concentrated Orange Juice from Brazil* (52 FR 8324, March 17, 1987). Based on the foregoing, we have determined that there is no reason to conclude petitioners lack standing in this investigation.

Comment 3: Petitioners have alleged that Sandvik's sales of redraw hollows in the FRG were made at less than the cost of production based on a comparison of Sandvik's prices to the estimated production costs utilizing petitioners experience. Specifically, they contend Sandvik has understated its cost of production in that transfer prices from the Semi-Finished to the Tubular Products Divisions were not used, and these transfer prices are higher than the cost of production. Petitioners further allege that Sandvik's claimed SG&A expenses do not include the SG&A costs incurred by the Tubular Products division, or by Sandvik GmbH.

Sandvik argues that petitioners claim of sales below cost of production is groundless and that the Department's verification established that virtually all of Sandvik's redraw hollow sales made in the FRG during the period of

investigation were above the cost of production.

DOC Response: The Department followed its usual methodology of using the actual costs incurred in production. We determined that the use of the costs incurred by the Tubular Products division and the Semi-Finished Products division of Sandvik were appropriate since they are divisions of Sandvik, not separate companies. After calculating the cost of manufacture based on actual costs, we added SG&A expenses of the corporate entities involved in the production and sale of the products sold in the FRG. We did not find sales at prices below the cost of production in substantial quantities.

Comment 4: Petitioners state that the Department should not deduct inventory carrying costs and credit expenses for the FRG and home market sales claimed by Sandvik where they were incurred prior to shipment. Sandvik defends its claims as proper and verified by the Department.

DOC Response: The inventory carrying costs are warehousing expenses which have been treated as indirect selling expenses in accordance with established practice and, as such, have only been deducted as part of the offset for indirect selling expenses incurred in the United States relative to ESP comparisons.

Comment 5: Petitioners contend that the Department should disallow Sandvik's claimed rebate allowance to one West German customer as Sandvik has not demonstrated that the rebate plan was part of its normal business practice.

Sandvik asserts that the rebate in question has been given to a longstanding customer over the last several years when the customer purchased a certain level of merchandise in a given year and that this rebate program was verified by the Department.

DOC Response: We agree with the respondent. Sandvik demonstrated that the rebates in question were a normal practice and that they reflected past experience of the company

Comment 6: Sandvik claims a cash discount adjustment for certain FRG sales based on information provided to the Department and verified in the FRG.

Petitioners argue that the Department should allow for Sandvik's cash discounts only on those individual sales where they were actually given, rather than averaging them on a per-kilogram basis over Sandvik's total sales.

DOC Response: We agree with the petitioners that the most accurate reporting of these discounts would be on the basis of individual sales However, lacking the specific data required, we have determined that the averaging of these discounts approximates their effect on Sandvik's sales prices.

Comment 7: Petitioners contend that the Department failed to back out completely the value added on Sandvik's ESP sales in the preliminary determination by not deducting an allowance for profit, related home market general operating expenses, and actual direct labor costs incurred in connection with U.S. processing operations. These three items represent significant value added that should be incorporated in the final determination calculations.

With respect to profit, petitioners further argue that the Department identify total profit and allocate it reasonably between the Swedish parent companies and the U.S. subsidiary. They claim that such an allocation is necessary to prevent circumvention of the antidumping law whereby a foreign producer could assign all its profit to the foreign parent and accordingly reduce the downward adjustment to exporter sales price.

Sandvik challenges petitioners' methodology as contrary to law and Department practice. Sandvik states petitioners are attempting to have profit considered as "increased value", in accordance with 19 U.S.C. 1677a(e)(3), which Sandvik contends is counter to the statute and regulations. Moreover, Sandvik contends that petitioners claim no similar allowance for foreign market sales, thus precluding a fair comparison of prices.

DOC Response: The Department considered general and administrative expenses incurred in Sweden to be part of the cost of the redraw hollow entering into the U.S. We considered direct labor costs in calculating value added in the U.S.; these costs had been included as factory overhead in the respondent's submission. We calculated the profit/loss of the SSHP finished and sold by Sandvik Steel Company in the U.S. and allocated this profit/loss, based on the cost of production, to the redraw hollow entering the U.S. and the additional costs incurred in the U.S. To consider profit/loss to be outside the definition of "value added" would be contrary to agency policy (See *Erasable Programmable Read Only Memories* (EPROMs) from Japan (51 FR 39680, Oct. 30, 1986). While it is not the Department's practice to deduct an element for profit attributable to the related reseller in circumstances where ESP sales do not involve additional manufacturing in the U.S., the statute does not preclude us from considering profit to be part of value added when additional manufacturing or assembly is performed.

Comment 8: Sandvik argues that the Department should not consider sales made by SAB to an unrelated distributor in a third country and resold in the United States as sales to the United States. Other than the provision that the distributor must resell the merchandise in the U.S., Sandvik has no other control over this merchandise, including the setting of terms of sale to the U.S. purchaser. Therefore, these transactions do not properly constitute the basis for U.S. purchase price and the sales should not be included in arriving at the final determination.

Petitioners argue for the inclusion of these sales based on Department practice to base United States price on the price charged by the foreign producer to unrelated middlemen or resellers outside the United States where, as here, the foreign producer knew the merchandise was destined for the U.S.

DOC Response: We normally treat sales by a respondent to an unrelated purchaser as sales to the United States where the seller knows that the merchandise is being sold for export to the United States. This is true of sales to trading companies in the country of origin or those in third country locations. *Urea from the USSR* (52 FR 19560, May 26, 1987), *Fuel Ethanol from Brazil* (51 FR 5573, February 14, 1986). Therefore, since Sandvik knew that the merchandise was being sold to the U.S., we included these sales in our analysis.

Comment 9: Sandvik argues that the Department should not consider certain sales of resold merchandise originally imported into the U.S. during 1979 for purposes of the final determination. These SSHP were sold during the period of investigation; however, these sales can no longer be considered "foreign merchandise" as defined under 19 U.S.C. 1673(1) and 19 U.S.C., 1677b(a)(1) because of their various resales within the United States between 1979 and 1985. In addition, the merchandise in question was no longer suited for the purpose for which it was originally manufactured due to prolonged outdoor storage; further, the SSHP sales reported were sold as redraw hollows of unusual dimensions at distressed prices during the POI to allow for additional processing required by the purchaser.

Petitioners contend that these sales should be included in the investigation as they constitute proper sales of foreign merchandise under investigation to an unrelated purchaser during the period of investigation They further argue that

Sandvik provided no evidence that the merchandise was distressed.

DOC Response: Dumping is defined in part as the sale of foreign merchandise in the United States at less than its fair value. See 19 U.S.C. 1673(1). Fair value is an estimate of foreign market value (19 CFR 353.1), and the foreign market value of imported merchandise is the price of that merchandise at the time it is first sold in the United States (19 U.S.C. S 1677b(a)(1)).

We agree with petitioners that the resold products constitute SSHP from Sweden. Sandvik, however, first sold the products at issue in 1979 to an unrelated customer in the United States. The 1979 transaction then is the only sale that may be reviewed to determine whether dumping has taken place with respect to the resold products. This transaction is outside the scope of the investigation; therefore, the 1986 sale of this merchandise was excluded from the data base.

Comment 10: Sandvik claims that the Department must adjust for differences in quantity between United States and foreign market sales. While Sandvik does not employ a price list for sales to customers, Sandvik contends their sales force does utilize an internal price list from which discounts quoted are directly related to the quantity of seamless SSHP ordered.

Avesta claims that its home market sales of less than 500 kilograms, which constitute the majority of home market sales, should not be used for fair value comparisons as there were no similar sized quantities sold in the U.S. market. If these sales are included for home market price comparisons, an adjustment for different quantities sold should be made Furthermore, as nearly half of U.S. sales were in quantities of over 5,000 kilograms, compared to only a few in the home market of such size, the Department must also make a quantity adjustment for these sales. As further justification for its quantity discount claims, Avesta maintains that its sales force utilizes an internal price list from which discounted prices are quoted to customers and that quantity ordered is directly related to the price quoted.

Petitioners contend that Sandvik and Avesta have not provided evidence that they have a quantity discount policy or that discounts were granted in the ordinary course of trade in 20 percent or more of home market sales. Avesta's comparison of average prices based on quantities sold does not take into account product specifications and differences in product mix that could account for most, if not all of the price differences. Furthermore, petitioners contend that respondents have not demonstrated any cost justification for claimed adjustments.

DOC Response: We have reviewed the respondents pricing practices and determined that no clear correlation between prices and quantities has been demonstrated. While internal price lists (which include quantity related prices) are used in setting prices, it is impossible to measure their final impact on the negotiated prices. Furthermore, no cost justification has been provided. Therefore, the claim has been denied.

Comment 11: Avesta claims that its home market prices to two Swedish distributors should be adjusted for after-sale rebates and loyalty discounts.

Petitioners contend that Avesta has not met the Department's requirements for establishing entitlement to a rebate adjustment. Petitioners also challenge Avesta's claims for loyalty discounts, claiming that these adjustments have not been supported by any evidence that they were granted to any specific transactions during the POI. Instead, petitioners argue that this alleged discount should be treated as "goodwill" and not as a discount adjustment on certain home market sales.

Petitioners argue that should the Department decide to grant these adjustments, it should ensure that none of these adjustments were instituted after the investigation began. Petitioners contend that, particularly with respect to the loyalty discount claim, some or all of these after-sale payments were made after the investigation began.

DOC Response: We verified that the discounts and rebates were granted in accordance with established company policy. However, since the respondent could not tie them to specific sales, they were allocated over all home market sales.

Comment 12: Sandvik claims the Department must make an adjustment for differences in circumstances of sale in the FRG SG&A expenses, direct selling expenses and indirect selling expenses in comparing finished pipes and tubes.

DOC Response: We have adjusted for differences in credit costs in all comparisons. Indirect selling expenses have been offset against those incurred in the United States in comparisons involving ESP. General and administrative expenses were not included in the offset, since they do not constitute selling expenses.

Comment 13: Sandvik claims that in arriving at the preliminary determination, the Department erroneously deducted certain brokerage, handling, duty, and freight and packing costs from its prices in calculating ESP for goods which were processed in the United States Sandvik claims that such deductions resulted in erroneous double- and triple-counting.

DOC Response: At verification, we confirmed that Sandvik reported these expenses in multiple categories of expenses We have adjusted these categories to ensure that the expenses are treated properly.

Comment 14: Avesta contends that the Department should utilize the currency exchange rate in effect 90 days prior to the date of purchase due to significant fluctuations in the relevant exchange rates during the period of investigation in accordance with § 353.56(b) of our regulations.

Petitioners counter that the evidence shows the overall sustained trend in the exchange rate has been a continued decline in the U.S. dollar against the Swedish krona.

DOC Response: We have determined that the changes in exchange rates have been sustained. As Avesta has not demonstrated that it revised its U.S. prices to account for the sustained changes, we have used the certified exchange rates on the date of the U.S. sales, in accordance with § 353.56(a).

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of stainless steel hollow products from Sweden that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall continue to require a cash deposit or the posting of a bond on all entries equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown in the table below The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/producer/exporter	Average margin percentage
Sandvik AB	26.46
Avesta Sandvik Tube AB	34.50
All Others	28.60

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding

will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on stainless steel hollow products from Sweden entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price

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

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

October 5, 1987.

[FR Doc. 87-23486 Filed 10-8-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Stainless Steel Pipes and Tubes from Sweden

Inv. No. : 731-TA-354 (Final)

Date and time : October 13, 1987 - 9:30 a.m.

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

In support of the imposition of antidumping duties:

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

The Specialty Tubing Group and the United Steelworkers of America, AFL/CIO

Frank Haynes, Manufacturing Analysis Specialist, Carpenter Technology Corporation

Frank J. Petro, President, Crucible Specialty Metals Division, Crucible Materials Corporation

Clark K. Riley, Vice President - Sales and Marketing, Al Tech Specialty Steel Corporation

Economic Consulting Services Inc.

Bruce Malashevich, Vice President

Benji Makovitzky, Analyst

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

In opposition to the imposition of antidumping duties:

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

Avesta Sandvik Tube AB (AST) and
Avesta Stainless Inc. (ASI)

Lennart Hallergard, President,
Avesta Stainless Inc.

Lars Klang, Product Manager, Avesta
Stainless Ltd.

John K. Tien, Ph.D. Henry Marion Howe Chair
Professor of Metallurgy and Materials
Science, Columbia University, and
Director of Columbia University's Center
for Strategic Materials

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

Rhode & Qualey--Counsel
New York, N.Y.
on behalf of

Sandvik AB, AB Sandvik Steel, and Sandvik
Steel Company

Edward R. Nuzzaci, Sandvik Steel Co.

Edward E. Martin, Economist, Edward E.
Martin & Associates

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

APPENDIX C

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

Table C-1
Stainless steel seamless pipe and tube Product 1 (pipe): Net U.S. f.o.b. prices and quantities of product sold to distributors, by hot-finished or cold-rolled, by quarters, January 1984-June 1987

* * * * * * *

Table C-2
Stainless steel seamless pipe and tube Product 2 and Product 3 (mechanical tubing): Net U.S. f.o.b. selling prices and quantities of product sold to distributors, by hot finished or cold rolled, by quarters, January 1984-June 1987

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Table C-3
Stainless steel seamless pipe and tube Product 4 (redraw hollows): Net U.S. f.o.b. prices and quantities of product sold to redrawers, by hot finished or cold rolled, by quarters, January 1984-June 1987

* * * * * * *

Table C-4
Stainless steel welded pipe and tube Product 5 (Pipe): Net U.S. f.o.b. selling prices and quantities of the U.S. produced and imported product sold to distributors, by quarters, January 1984-June 1987

* * * * * * *

Table C-5
Stainless steel welded pipe and tube Product 6 (Pipe): Net U.S. f.o.b. selling prices and quantities of the U.S. produced and imported product sold to distributors, by quarters, January 1984-June 1987

* * * * * * *

APPENDIX D

NET WEIGHTED-AVERAGE U.S. DELIVERED PURCHASE PRICES AND QUANTITIES OF REPRESENTATIVE DOMESTIC AND IMPORTED SWEDISH STAINLESS STEEL PIPE AND TUBE PRODUCTS REPORTED BY U.S. PURCHASERS DURING THE FINAL INVESTIGATION

Table D-1
Stainless steel welded pipe and tube products 8 to 10 purchased by distributors in the Eastern, Midwestern, and Western U.S. market: Net delivered prices and quantities of the U.S.-produced and imported Swedish products purchased by distributors, by steel grade, and by quarters, January 1985-December 1986 1/

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APPENDIX E

DISCUSSIONS DURING THE PRELIMINARY SUBSIDY INVESTIGATION WITH OTHER PURCHASERS OF STAINLESS STEEL SEAMLESS AND WELDED PIPES AND TUBES

During the preliminary subsidy investigation, the Commission staff was able to contact four other purchasers of the stainless steel pipes and tubes to whom U.S. producers claim they lost sales but were unable to document specific examples. The four purchasers indicated that delivered prices of the imported stainless steel seamless and welded pipes and tubes from Sweden have generally been less than domestic producers' delivered prices during 1983-86. According to these firms, the delivered price advantage of the Swedish stainless steel products ranged from 5 to 12 percent during this period. Quality of the domestic and Swedish stainless steel pipes and tubes was judged to be comparable. In addition, the purchasers discussed here agreed that the seamless and welded products were generally used in separate applications, with price premiums for the seamless products ranging from 12 to 40 percent over the welded products. Conversations with representatives of the four firms contacted are discussed in detail below.

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