CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM KOREA AND TAIWAN

Determinations of the Commission in Investigations Nos. 731–TA–563 and 564 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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C O N T E N T S

CONTENTS

Figures

Tables

CONTENTS

Tables-Continued

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-563 and 564 (Preliminary)

CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM KOREA AND TAIWAN

Determinations

On the basis of the record[1] developed in the subject investigations, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Korea and Taiwan of certain stainless steel butt-weld pipe fittings,[2] provided for in subheading 7307.23.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On May 20, 1992, a petition was filed with the Commission and the Department of Commerce by the Flowline Division, Markovitz Enterprises, Inc., New Castle, PA, alleging that an industry in the United States is materially injured by reason of LTFV imports of certain stainless steel butt-weld pipe fittings from Korea and Taiwan. Accordingly, effective May 20, 1992, the Commission instituted antidumping investigations Nos. 731-TA-563 and 564 (Preliminary).

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

[2] The merchandise covered by these investigations consists of stainless steel butt-weld pipe fittings, whether finished or unfinished, under 14 inches in inside diameter.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of May 28, 1992 (57 F.R. 22486). The conference was held in Washington, DC, on June 11, 1992, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we unanimously determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of stainless steel butt-weld pipe fittings from Korea and Taiwan that are alleged to be sold at less than fair value (LTFV).

I. The Legal Standard for Preliminary Determinations

The legal standard in preliminary antidumping investigations requires the Commission to determine whether, based on the best information available at the time of the preliminary determination, there is a reasonable indication of material injury or threat thereof to a domestic industry by reason of the subject imports. 1/ In these investigations, the Commission considered whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation." 2/ The U.S. Court of Appeals for the Federal Circuit has held that this interpretation of the standard "accords with clearly discernible legislative intent and is sufficiently reasonable." 3/

1/ 19 U.S.C. § 1673b(a). American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986); see also Calabrian Corporation v. United States International Trade Commission, Slip Op. 92-69 (Ct. Int'l Trade 1991). Whether the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

2/ American Lamb, 785 F.2d at 1001.

3/ Id. at 1004.

II. Like Product/Domestic Industry

In order to determine whether there is a reasonable indication of "material injury" or "threat of material injury," to a domestic industry by reason of the dumped imports, the Commission must first determine the parameters of the domestic "industry." Section 771(4)(A) of the Tariff Act of 1930 ("the Act") defines the relevant domestic industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 4/ "Like product" is defined as a "product that is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation." 5/

The imported articles subject to these investigations are finished and unfinished 6/ stainless steel butt-weld pipe fittings having an inside diameter of less than 14 inches. 7/ In a prior investigation of stainless

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4/ 19 U.S.C. § 1677(4)(A).

5/ 19 U.S.C. § 1677(10). The Commission's determination of what is the appropriate like product or products in an investigation is a factual determination, to which we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. In defining the like product, the Commission has considered a number of factors, including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and where appropriate, (6) price. Torrington Co. v. United States, 747 F. Supp. 744 (Ct. Int'l Trade 1990), aff'd. 938 F.2d 1278 (1991).

6/ An unfinished pipe fitting is one that has been advanced after forging but which requires at least one more processing step (e.g., forming, coining or sizing, heat treating, shot blasting, machining, grinding, die stamping, or painting) to finish the fitting. See Report of the Commission (Report) at I-6.

7/ 57 Fed. Reg. 22486 (May 28, 1992) (attached to Report at App. A); Report at I-3, n. 1.

steel butt-weld pipe fittings from Japan, the Commission determined that there was one domestic like product consisting of both finished and unfinished pipe fittings having an inside diameter of less than 14 inches. 8/ The Commission's single like product determination in that investigation was based primarily on the lack of any independent market for unfinished pipe fittings and the identical production equipment used in producing finished and unfinished pipe fittings. 9/ The record in these investigations supports the same conclusion.

Stainless steel fittings use a different raw material and are produced for a specialized market requiring a high degree of corrosion resistance for which carbon steel fittings are unsuitable. 10/ In addition, stainless steel butt-weld pipe fittings having an inside diameter of less than 14 inches are produced on different machinery and equipment than larger diameter fittings and carbon steel pipe fittings. Further, each type of pipe fitting is sold to specific types of users to meet specific needs. There is little, if any,

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8/ See Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376 (Final), USITC Pub. 2067 at 3-7 (March 1988); accord.

9/ Moreover, in prior investigations of carbon steel butt-weld pipe fittings from other countries, the Commission also determined that there is one domestic like product consisting of both finished and unfinished carbon steel butt-weld pipe fittings of less than 14 inches in inside diameter. See Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520-521 (Final), USITC Pub. 2527 at 5-7 (June 1992) (Carbon Butt-Weld); Certain Carbon Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-309 (Final), USITC Pub. 1943 at 5-6 (Jan. 1987); Certain Carbon Steel Butt-Weld Pipe Fittings from Brazil and Taiwan, Inv. Nos. 731-TA-308 and 310 (Final), USITC Pub. 1918 at 6 (Dec. 1986).

10/ Report at I-3-I-8. Although plastic fittings have a high degree of corrosion resistance, they are not suitable in high-pressure and high-heat applications. See Report at I-8.

substitution among them. 11/ Based on the record in these investigations, we determine that the like product is all domestically produced stainless steel butt-weld pipe fittings having an inside diameter of less than 14 inches, whether finished or unfinished. 12/

We further determine that the domestic industry consists of integrated producers and combination producers of finished and unfinished stainless steel butt-weld pipe fittings having an inside diameter of less than 14 inches. Integrated producers generally begin with seamless stainless steel pipe as their raw material and perform forming, machining and finishing operations. 13/ Combination producers produce some fittings in an integrated process and other fittings in a conversion process. Conversion consists of performing machining operations to a formed fitting. 14/ We determine that the domestic industry consists of all domestic producers of the like product, regardless of whether they are integrated or combination producers.

III. Related Parties

Section 771(4)(B) of the Act authorizes the Commission to exclude from the domestic industry producers (hereinafter referred to as "related parties") who are "related to the exporters or importers, or are themselves importers of

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11/ Report at I-8.

12/ No parties argued for a different like product determination in these investigations.

13/ Report at I-5.

14/ Report at I-5.

the allegedly dumped merchandise." 15/ Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case. 16/ The related parties provision has been utilized by the Commission to minimize any distortion of the aggregate data relating to the condition of the affected domestic industry that might result from including domestic producers whose operations may be shielded from the adverse effects of the unfair imports. 17/ 18/ In applying the provision, 19/ the Commission first determines whether a domestic producer meets the definition of a related party. If a producer is a related party, the Commission then determines

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15/ 19 U.S.C. § 1677(4)(B).

16/ See, e.g., Torrington Co. v. United States, Slip Op. 92-49 at 10 (Ct. Int'l Trade April 3, 1992); Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

17/ See S. Rep. No. 249, 96th Cong., 1st Sess. at 83 (1979). The Senate Report states that:

> The ITC is given discretion not to include within the domestic industry those domestic producers of the like product which are either related to exporters or importers of the imported product being investigated, or which import that product. Thus, for example, where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry.

18/ See, e.g., Sandvik, 721 F. Supp. at 1331-32 (related party appeared to benefit from dumped imports).

19/ See, e.g., Carbon Butt-Weld at 8; Polyethylene Terephthalate Film, Sheet, and Strip from Japan and the Republic of Korea, Inv. Nos. 731-TA-458 and 459 (Final), USITC Pub. 2383 at 17 (May 1991).

whether "appropriate circumstances" exist to exclude such producers from the domestic industry. 20/

In these investigations, there are 11 domestic producers of stainless steel butt-weld pipe fittings. Eight are unaffiliated with producers or importers of the subject imports and do not import or purchase unfinished pipe fittings from Taiwan or Korea. The other three producers, however, have reported imports of the subject merchandise during the period of investigation. 21/ These three producers are, thus, related parties, and we must consider whether "appropriate circumstances" exist for their exclusion. 22/

With respect to two of these producers, each accounted for a significant share of domestic production during the period of investigation, 23/ and each

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20/ 19 U.S.C. § 1677(4)(B).

21/ Report at I-13. Because of confidentiality requirements, we are unable to identify these producers in these public views.

22/ We have examined at least three factors in determining whether appropriate circumstances exist to exclude a related party from the domestic industry. Those factors include:

(1) the percentage of domestic production attributable to the importing producer;
(2) the reasons the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and
(3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

In addition, the Commission has considered other factors, such as the ratio of import shipments to U.S. production for each producer and the length of time that the producer has been engaged in domestic production. Each of these factors, and any others that the Commission deems appropriate in this case, must be evaluated for each of the three "related party" producers. See Carbon Butt-Weld at 14.

23/ Report at I-11, Table 2.

has a small ratio of purchases of subject imports to total domestic shipments. 24/ The percentage of shipments of domestic product by each remained very high. 25/ Throughout the period of investigation, each was primarily dependent on integrated production and relied only marginally on imports. Thus, neither one appears shielded from the effects of imports. Accordingly, we do not find that appropriate circumstances exist for their exclusion from the domestic industry.

It is more difficult to determine whether or not to exclude the third "related party" producer from the domestic industry. That producer also accounted for a significant share of domestic production, but in recent periods its ratio of allegedly LTFV imports purchased to total domestic shipments increased while its shipments of wholly domestic production have been decreasing. We believe, however, that its reliance on purchased imports is a recent development and did not significantly affect its performance over the period of investigation. Therefore, for purposes of these preliminary investigations, we do not find that the third producer was shielded from the effects of subject LTFV imports over the period of investigation, and we include them in the domestic industry. 26/

IV. Condition of the Domestic Industry

In a preliminary investigation, the Commission assesses whether there is a reasonable indication of material injury to a domestic industry, or threat

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24/ Report at I-16, Table 5.

25/ Report at I-16, Table 5.

26/ In any final investigations, we will further consider whether there are "appropriate circumstances" for excluding this third related party producer.

thereof, by reason of allegedly LTFV imports. 27/ In making this determination, the statute directs us to consider "all relevant economic factors which have a bearing on the state of the industry in the United States." 28/ We consider certain specific factors identified in the statute, including domestic consumption, production, shipments, market share, capacity utilization, employment, wages, productivity, domestic prices, financial performance, cash flow, the ability to raise capital, investment, and development and production efforts. The Commission evaluates all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry." 29/ 30/

During the period of investigation, domestic consumption fell from 10.8 million pounds in 1989 to 9.0 million pounds in 1990, and increased to 10.0 million pounds in 1991. In the interim period January-March 1992, consumption declined to 2.2 million pounds, compared with 2.7 million pounds in interim 1991. 31/ The market share held by domestic producers increased from 40.1 percent to 48.2 percent between 1989 to 1990, but declined to 37.8 percent in

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27/ 19 U.S.C. §§ 1671b(a) and 1673b(a).

28/ 19 U.S.C. § 1677(7)(C)(iii).

29/ 19 U.S.C. § 1677(7)(C)(iii). None of the parties suggested the existence of a business cycle or conditions of competition unique to this industry. In contrast to the market in the recent carbon steel butt-weld investigation, it does not appear that there are "approved" and "non-approved" market segments within the overall domestic market for stainless steel butt-weld pipe fittings. Compare Transcript at 37 with Carbon Butt-Weld at 17-18.

30/ Chairman Newquist, Commissioner Rohr, and Commissioner Nuzum note that no single factor is dispositive in their evaluation of the condition of the industry.

31/ Report at I-9, Table 1.

1991. 32/ Domestic production also declined during the period of investigation. Production decreased from 4.4 million pounds in 1989 to 3.9 million pounds in 1990, and increased slightly to 4.0 million pounds in 1991. In interim 1992, production decreased to 679,000 pounds, compared with 1.3 million pounds in interim 1991. 33/ Production capacity remained essentially level, increasing from 6.7 million pounds in 1989 to 6.8 million pounds in 1990 and 1991. 34/ The industry operated at approximately 60 percent of capacity throughout the period of investigation. 35/

Domestic shipments decreased during the period of investigation, increasing slightly from 4.34 million pounds in 1989 to 4.35 million pounds in 1990, and then decreasing to 3.8 million pounds in 1991. In interim 1992, shipments decreased to 895,000 pounds, compared with 1.0 million pounds in interim 1991. 36/ The value of shipments declined significantly from $40 million in 1989 to $38 million in 1990, and to $30 million in 1991. In interim 1992, the value of shipments decreased to $6.6 million, compared with $8.2 million in interim 1991. 37/ The unit value per pound for shipments also declined from $9.23 in 1989 to $8.75 in 1990, and to $7.92 in 1991. 38/

32/ Report at A-2, Table A-1.

33/ Report at I-14, Table 3.

34/ Report at I-14, Table 3.

35/ Report at I-14, Table 3.

36/ Report at I-9, Table 1. Although domestic shipments remained almost constant between 1989 through 1990, shipments decreased by 13.1 percent in 1991.

37/ Report at I-9, Table 1.

38/ Report at I-9, Table 1.

End-of-period inventories of U.S. producers declined irregularly throughout the period of investigation. Inventories declined from 1.4 million pounds in 1989 to 1.1 million pounds in 1990, and increased to 1.2 million pounds in 1991. The ratio of inventories to shipments followed a similar trend. 39/ Employment in the domestic industry declined by 13.7 percent during the period of investigation. 40/ Hours worked also decreased, while wages and total compensation increased. 41/ The productivity of domestic workers was essentially unchanged during the period of investigation. 42/

The domestic industry's profitability declined substantially during the period of investigation. 43/ Net sales decreased, falling 7.0 percent between 1989 and 1990, and falling another 12.9 percent in 1991. 44/ Operating income decreased from $4.9 million in 1989 to $4.2 million in 1990, and to $3.2 million in 1991. In interim 1992, operating income decreased to $151,000, compared with $1.1 million in interim 1991. Operating income as a percentage of net sales also declined from 13.2 percent in 1989 to 12.2 percent in 1990, and to 10.6 percent in 1991. In interim 1992, this ratio decreased to 2.5 percent, compared with 14.4 percent in interim 1991. Finally, cash flow from operations on stainless steel butt-weld pipe fittings decreased from $5.1 million in 1989 to $4.1 million in 1990, and to $2.7 million in 1991. In

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39/ Report at I-17, Table 6.

40/ Report at I-18, Table 7.

41/ Report at I-18, Table 7.

42/ Report at I-18, Table 7.

43/ Report at I-21, Table 9.

44/ Report at I-21, Table 9.

interim 1992, cash flow decreased to a negative $133,000, compared with $1.1 million in interim 1991. 45/ 46/

Domestic prices declined during the period of investigation. 47/ For the four products for which producer pricing was provided, domestic prices fell by 10 to 26.2 percent. 48/ Data from distributors showed similar declines in price. 49/ 50/

V. Cumulation

In determining whether there is a reasonable indication of material injury by reason of the LTFV imports, the Commission is required to "cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United

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45/ Report at I-21, Table 9.

46/ Levels of capital expenditures declined and research and development expenses during the period of investigation were relatively insignificant for this industry. Report at I-23-I-24, Tables 11 and 12. Further, given the nature of the product subject to investigation, there are no significant development and production efforts geared towards derivative or more advanced products.

47/ Commissioner Rohr believes that prices are a factor which affect the condition of the industry rather than an indicator of that condition. Consequently, he believes that domestic prices should be discussed in relationship to any injury caused by subject imports rather than as indicia of the industry's condition.

48/ Report at I-33-I-34, Tables 17-20.

49/ Report at I-14 and I-32-I-35.

50/ Chairman Newquist and Commissioner Rohr conclude that the record in these preliminary investigations supports a finding of a reasonable indication of material injury for this industry.

States market." 51/ The Commission has discretion not to cumulate imports from a particular subject country if such imports are negligible and have no discernible adverse impact on the domestic industry. 52/

It is clear from the record, and there is no dispute, that imports from both Korea and Taiwan are subject to investigation and have been marketed in the United States throughout the period of investigation. We further note that Congress intended "that the marketing of imports that are [cumulated] be reasonably coincident." 53/ Thus, the only issue regarding cumulation to be resolved in these investigations is whether the imports from Korea and Taiwan compete with one another and with the domestic like product in the U.S. market.

51/ 19 U.S.C. § 1677(7)(C)(iv); Chaparral Steel Co. v. United States, 901 F.2d 1097, 1105 (Fed. Cir. 1990). In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

(1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
(4) whether the imports are simultaneously present in the market.

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product. Furthermore, only a "reasonable overlap" of competition is required. See Wieland Werke, AG v. United States, 718 F.Supp. 50-52 (Ct. Int'l Trade 1989); Granges Metallverken AB v. Untied States, 716 F.Supp. 17 (Ct. Int'l Trade 1989); Florex v. United States, 705 F.Supp. 582 (Ct. Int'l Trade 1989).

52/ 19 U.S.C. § 1677(7)(C)(v).

53/ H.R. Conf. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984); Chaparral Steel Co. v. United States at 1101.

All stainless steel butt-weld pipe fittings are required to meet the standards set by the American Society of Testing and Materials (ASTM) and the American National Standards Institute (ANSI) and can be used interchangeably. 54/ There is some evidence that Taiwanese pipe fittings are of inferior quality, 55/ but those fittings are nevertheless represented as meeting the industry standards and are sold that way. There is no evidence that pipe fittings from Korea fail to meet industry standards. 56/

Imports from Korea and Taiwan are sold nationwide and have been sold in substantial quantities throughout the period of investigation. 57/ The domestic product is also sold nationwide and is distributed through the same channels of distribution as the LTFV imports. 58/ While a difference of opinion exists regarding the quality of the imported products, there is a

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54/ Report at I-6.

55/ Four of nine U.S. producers and four of eight importers stated that stainless steel butt-weld pipe fittings from Taiwan are inferior in quality to the domestic product. Producers stated the general market perception is that the Taiwanese products are lower in quality and that they often do not meet ASTM and/or ANSI specifications for grade, dimensions, and tolerances. See Report at I-7. Petitioner has indicated that it has filed a complaint with the Federal Trade Commission (FTC) charging that some fittings imported from Taiwan are misrepresented as meeting the ASTM standard. The FTC is expected to make a decision in a few months. See Report at I-7.

56/ With respect to Korean products, three producers and one importer found differences in quality. The producers commented that the Korean products were generally lower in quality. See Report at I-7

57/ It appears that imports from Korea may be imported into the United States through the west coast, and master distributors market the fittings throughout the United States. Transcript at 25-26; Report at I-14. We have very little information on imports from Korea since importers and producers of Korean products did not respond to the questionnaires. Report at I-13 n.26.

58/ Report at I-14.

"reasonable overlap" in competition. After consideration of all relevant factors, we determine that cumulation of the imports is required.

The Korean respondents claim that the imports from Korea are "negligible" and thus should be exempted from the cumulation requirement. 59/ Section 771(7)(C)(v) of the Act, provides a limited exemption from the cumulation requirement for imports from a particular country, if the Commission determines that such imports are negligible and have no discernible adverse impact on the domestic industry. 60/ Application of the exemption authority is discretionary on the part of the Commission. In determining whether imports from a particular country are negligible, the Commission considers all relevant economic factors including whether:

> (I) the volume and market share of the imports are negligible,
>
> (II) sales transactions involving the imports are isolated and sporadic, and
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> (III) the domestic market for the like product is price sensitive by reason of the nature of the product, so that a small quantity of imports can result in price suppression or depression. 61/

59/ Postconference Brief of Korean Respondents at 4.

60/ 19 U.S.C. § 1677(7)(C)(V).

61/ 19 U.S.C. § 1677(7)(C)(V). In addition to the factors specifically referenced in the statute, the Commission has considered other factors such as: whether the domestic industry is "already suffering considerable injury and has long been battered by import price competition," trends in market penetration, the degree of competition of the imported product with the domestic product, and any relationships of foreign producers to one another and to common importers. See, e.g., Coated Groundwood Paper from Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Sweden, and the United Kingdom, Inv. Nos. 731-TA-486-494 (Preliminary), USITC Pub. 2359 at 28 (February 1991), citing, H.R. Rep. No. 40, 100th Cong., 1st Sess. at 131 (Part I 1987); Ball Bearings, Mounted or Unmounted, and Parts Thereof, from Argentina, Austria, Brazil, Canada, Hong Kong, Hungary, Mexico, the People's Republic of China, Poland, the Republic of Korea, Spain, Taiwan, Turkey and Yugoslavia, Inv. Nos. 701-TA-307 and 731-TA-498-511 (Preliminary), USITC Pub. 2374 at 25-26 (April 1991).

The volume of imports from Korea decreased from 170,000 pounds in 1989 to 100,000 pounds in 1990, but increased significantly to 524,000 pounds in 1991. 62/ During the period of investigation, the market share of imports from Korea was 1.6 percent in 1989, declined to 1.1 percent in 1990, but rose to 5.3 percent in 1991. In interim 1992, market share of imports declined to 1.0 percent, compared with 2.2 percent in interim 1991. 63/ Sales transactions involving the subject imports do not appear to be isolated or sporadic. 64/ The evidence also indicates that Korea exported the subject product to the United States continuously throughout the period of investigation.

Based on the market share and continuous marketing of the imports throughout the period, we determine that imports from Korea are not negligible and therefore should be cumulated.

VI. Reasonable Indication of Material Injury by Reason of Allegedly LTFV Imports

In determining whether there is a reasonable indication that the domestic industry is materially injured by reason of the imports under investigation, the statute directs the Commission to consider:

> (I) the volume of imports of the merchandise which is the subject of the investigation,
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> (II) the effect of imports of that merchandise on prices in the United States for like products, and
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> (III) the impact of imports of such merchandise on domestic

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62/ Report at I-29, Table 15.

63/ Report at I-30, Table 16.

64/ Report at I-13.

> producers of like products, but only in the context of production operations within the United States. 65/

In making this determination, the Commission may consider "such other economic factors as are relevant to the determination . . . ." 66/ Although we may consider information that indicates that injury to the domestic industry is caused by factors other than the LTFV imports, we do not weigh causes. 67/

The volume of cumulated imports on both an absolute and market share basis, increased overall during the period of investigation. On an absolute basis, these imports initially decreased from 1.7 million pounds in 1989 to 1.2 million pounds in 1990, but then significantly increased to 2.7 million pounds in 1991. In interim 1992, cumulated imports decreased to 585,000 pounds, compared with 678,000 pounds in interim 1991. 68/ The market share of cumulated imports, by quantity, decreased from 15.7 percent in 1989 to 13.7 percent in 1990, but then increased significantly, to 27.3 percent in 1991. In interim 1992, their market share increased slightly to 26.8 percent, compared with 25.5 percent in interim 1991. 69/

65/ 19 U.S.C. § 1677(7)(B)(i).

66/ 19 U.S.C. § 1677(7)(B)(ii).

67/ Chairman Newquist, Commissioner Rohr, and Commissioner Nuzum further note that the Commission need not determine that imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, 96th Cong., 1st Sess. 57 and 74 (1979). Rather, a finding that imports are a cause of material injury is sufficient. The Commission may also consider whether factors other than the (LTFV) imports have made the industry more susceptible to the effects of the (LTFV) imports. See, e.g., Metallverken Nederland, B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

68/ Report at I-29, Table 15.

69/ Report at I-30, Table 16.

Weighted-average prices for the four selected U.S.-produced pipe fittings for which price data were obtained declined significantly during the period of investigation. Price comparisons of domestic products and imports from Taiwan indicate substantial underselling by the subject imports. 70/ The reported price data for U.S. producers' and importers' largest quarterly sales during the period of investigation resulted in 50 direct price comparisons. The imported products were priced below the domestic product in every instance. 71/ The record indicates that the LTFV fittings are readily substitutable for the domestic products.

Given the increase in cumulated imports, their large market share, the levels of substitutability between the cumulated imports and domestic pipe fittings, the record indicates that LTFV imports led to decreased sales of the domestic like product. Consequently, the domestic industry has experienced significant declines in domestic production, market share, shipments, employment, prices, and profitability.

For all the reasons set forth above, we determine that there is a reasonable indication that the domestic industry producing stainless steel butt-weld pipe fittings is materially injured by reason of the allegedly LTFV imports from Korea and Taiwan. 72/

70/ Report at I-33-I-34, Tables 17-20.

71/ Report at I-35.

72/ Having determined that the domestic industry is materially injured, Chairman Newquist and Commissioner Rohr determine that the LTFV imports from Korea and Taiwan are a cause of that injury.

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

On May 20, 1992, the Flowline Division, Markovitz Enterprises, Inc., (Flowline), New Castle, PA, filed petitions with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) alleging that an industry in the United States is being materially injured and is threatened with material injury by reason of imports from Korea and Taiwan of certain stainless steel butt-weld pipe fittings[1] that are allegedly sold in the United States at less than fair value (LTFV). Accordingly, effective May 20, 1992, the Commission instituted antidumping investigations Nos. 731-TA-563 and 564 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. §1673b(a)) 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 into the United States.[2]

The statute directs the Commission to make its preliminary determination within 45 days after receipt of the petition or, in these investigations, by July 6, 1992. Notice of the institution of the Commission's investigations was posted in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and published in the Federal Register on May 28, 1992 (57 F.R. 22486).[3] Commerce published its notices of initiation in the Federal Register of June 15, 1992 (57 F.R. 26645). The Commission held a public conference in Washington, DC, on June 11, 1992, at which time all interested parties were allowed to present information and data for consideration by the Commission.[4]

THE PRODUCT

Description

Stainless steel butt-weld pipe fittings are used to connect pipe sections where conditions require permanent, welded connections and resistance to corrosion or oxidation and extreme temperatures as well as the ability to withstand pressure. The beveled edges of butt-weld fittings distinguish them from other types of pipe fittings, such as threaded, grooved, or bolted fittings, which rely on different fastening methods. When placed against the end of a beveled pipe or another fitting, the beveled edges form a shallow channel that accommodates the "bead" of the weld that fastens the two adjoining pieces.

Butt-weld fittings come in several basic shapes, such as elbows, tees, crosses, stub-ends, reducers, and caps (figure 1). Elbows are two-outlet

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[1] The merchandise covered by these investigations consists of stainless steel butt-weld pipe fittings, whether finished or unfinished, under 14 inches in inside diameter, as provided for in subheading 7307.23.00 of the Harmonized Tariff Schedule of the United States (HTS).

[2] Appendix A contains a summary of data collected in these investigations.

[3] Appendix B contains copies of cited Federal Register notices.

[4] Appendix C presents a list of conference participants.

Figure 1. Typical stainless butt-weld fittings

90° ELBOWS

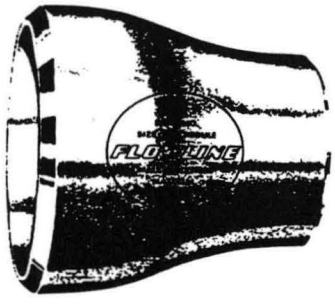
STUB ENDS

180° RETURNS

STRAIGHT TEES

STRAIGHT CROSSES

CAPS



CONCENTRIC REDUCERS

45° ELBOWS

Source: Flowline product catalog.

fittings that usually have either a 45-degree or a 90-degree bend in the pipe, tees are T-shaped fittings having three outlets, crosses have four outlets, and reducers are two-outlet fittings that connect pipes of two different diameters. Stub-ends are welded to the pipe but are used with a collar-type piece, known as a "flange," which has bolt holes. The stub-end and flange combination permits quick connection with other pipes having a stub-end and flange when periodic changes of pipes are required or where on-site welding would be difficult. Caps seal the end of a pipe or a fitting. Each of these basic product categories encompasses a wide range of fittings that vary by size, alloy type, and intended application.

Butt-weld fittings are produced from various materials: carbon steel, alloy steel, and stainless steel. For tariff purposes, the term "stainless steel" includes by definition all grades of steel containing 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. According to the petitioner, "commodity" fittings are considered to be those relatively thin-walled fittings under 14 inches in inside diameter that are requested frequently enough to be kept in inventory rather than being produced to order.[5] "Specialty" fittings include those of greater wall thickness, larger diameter, and those made of specialty alloys, such as copper-nickel, monel, inconel, and others. Only those butt-weld fittings produced from stainless steel and under 14 inches in inside diameter are covered by these investigations.

Manufacturing Process

The domestic manufacturing sector includes integrated producers and combination producers. Integrated producers begin with stainless pipe as their raw material and perform forming, machining, and finishing operations. Combination producers produce some fittings in an integrated process and other fittings in a conversion process (performing only machining and finishing operations).

Generally stainless steel butt-weld pipe fittings are cold formed from fusion-welded or seamless stainless steel pipe. However, production of some types of fittings, notably stub-ends, requires heating the raw material and performing forging operations. A number of production steps are common to every shape fitting. Steps related to forming the fitting vary, however, depending on its shape.

In manufacturing an elbow using the cold-process, the pipe is cut to length, the ends are miter-cut to a 45-degree angle, the surfaces are lubricated, and it is pushed over a mandrel (a metal rod whose diameter equals that of the desired interior diameter of the fitting) to achieve the desired degree of bend. Then it is resized in a press (coined). The cold-worked product must be heat treated (known as annealing, a controlled heating process) to relieve metallurgical stresses that build up during the cold-working process. Some of the larger sizes require more than one pass through the forming and annealing processes in order to avoid having back walls that are too thin. After annealing, the blanks are quenched in water; the oxide scale formed during heat treatment is removed in a pickling bath, and a final

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[5] Transcript of staff conference (transcript), p. 33.

sizing operation is performed in a press to achieve the required tolerances. The ends of the formed elbow are then machined to exact size and a bevel is added for welding purposes. The machined elbow is then degreased and passivated in hot diluted nitric acid to activate a chromium oxide film on the surface of the metal, which gives it a corrosion-resistant character.

As indicated earlier, most other stainless steel fittings are manufactured in a similar manner with differences in forming methods. Tees, for example, are formed by putting a pipe section is a tee-shaped die and applying fluid pressure. Stub-ends, in contrast, are usually formed by forging.

Additional finishing steps involved in the production of any stainless steel butt-weld fitting may include one or more of the following steps: grinding, die stamping, inspection, and painting. The finished fittings are inspected for flaws, defects, thickness, length dimensions, and inside and outside diameter tolerances and are tested for performance standards. End users may require that fittings meet specifications of the American Society for Testing and Materials (ASTM), the American National Standards Institute (ANSI), the Manufacturers Standardization Society (MSS), and/or the American Society of Mechanical Engineers (ASME) Boilers and Pressure Vessel Code, depending on the application. These specifications include required manufacturing processes (such as annealing) as well as sizing tolerance and performance standards. For products in these investigations, usually the pipe used is ASTM grade A-312 and the stainless steel alloy is 304L or 316L. The fittings themselves are usually designated under the performance specifications of ASTM A403/A403M-1991 and the dimensional specifications of ANSI B16.9-1986 and ANSI B16.28-1986.

According to industry officials, little difference exists between the production techniques and machinery used by domestic and foreign producers because of the diffusion of technology and forming methods.[6] For Taiwan products specifically, industry officials indicated there are no manufacturing technologies that will let Taiwan producers manufacture more efficiently, more effectively, or at less cost.[7]

Uses

The primary uses for stainless steel butt-weld pipe fittings are in "process" operations such as those in chemical plants, pharmaceutical plants, food processing facilities, breweries, cryogenic plants (including basic oxygen steel processing), waste treatment facilities, pulp and paper production facilities, gas processing (gas separation) facilities, and commercial nuclear power plants and nuclear Navy applications. In these various manufacturing sites, stainless steel butt-weld pipe fittings are used to join pipes in straight lines and to change or divide the flow of fluids.

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[6] Conversation with ***.

[7] Phil Mavrich, president, Flowline, transcript, p. 16.

Imported and Domestic Product Comparison

Questionnaire responses were mixed regarding usage and quality comparisons between U.S.-produced and imported stainless butt-weld pipe fittings. On usage, most producers (eight of nine assessing both Taiwan and Korean fittings) and importers (seven of eight on Taiwan fittings, four of six on Korean fittings) stated that the domestic and imported fittings are used interchangeably for the most part. One producer noted that most commodity fittings are purchased on price alone. Another producer indicated to the Commission that approximately 80 percent of fittings are purchased on price, 20 percent on quality.[8] On the other hand, one importer noted that some purchasers require domestic fittings only, while another importer stated that "many users" will not accept Taiwan or Korean fittings.

In assessing the quality of imports from Taiwan, four of nine U.S. producers and four of eight importers stated that stainless butt-weld pipe fittings from Taiwan are inferior in quality to the domestic product. Producers stated the general market perception that the Taiwan product is lower in quality and that stainless butt-weld fittings from Taiwan often do not meet ASTM and/or ANSI specifications for grade, dimensions, and tolerances when tested by distributors and end users. One producer stated that, in working with Taiwan producers, he found that the required heating processes and x-ray inspections were not done and that in some cases the walls of the fittings were too thin. Another U.S. producer, who previously imported stainless steel butt-weld pipe fittings from Taiwan, reported that he had attempted to take the imported fittings and rework them but that the liability for defects was too great, and he therefore stopped importing. Importers finding a quality difference noted that the Taiwan product is lower in overall quality and has thinner walls. One importer noted the lower price of the Taiwan fittings and stated, "you get what you pay for."

Petitioner indicated that he has filed a complaint with the Federal Trade Commission (FTC), charging that some fittings imported from Taiwan are misrepresented as meeting the ASTM standards when they do not.[9] Petitioner stated that the FTC has investigated major failures in pipe systems and their potential damage to environment and humans, resulting--allegedly--from inferior product.[10] The FTC expects to make a decision in a few months.[11]

In assessing the quality of imports from Korea, three producers and one importer found quality differences. Comments from producers finding quality differences indicated generally lower quality for the Korean product; one producer stated the Korean fittings did not meet industry standards. The one importer finding a quality difference stated that the U.S. product is perceived to be superior from a quality standpoint.

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[8] Conversation with ***.

[9] Transcript, p. 11.

[10] Transcript, p. 30.

[11] Conversation with ***. The exact date of the FTC's decision is undetermined.

Substitute Products

Butt-weld fittings compete with threaded, grooved, or bolted fittings. The fluid's composition or the pipe system's pressure limit the use of other types of fittings, because welded connections provide a better seal than threaded, grooved, or bolted connections, which are more likely to fail under pressure. Plastics (high-density polyethylene, polyvinylchloride) would not be used in high-pressure or high-heat applications, but are becoming more widespread in systems that carry fluids under lower pressure than do welded pipe systems. Carbon steel butt-weld pipe fittings are not considered by purchasers to be directly competitive with stainless steel butt-weld pipe fittings, primarily because of temperature and corrosion-resistance requirements.

U.S. Tariff Treatment

Imports of the subject stainless steel butt-weld pipe fittings are classified in the Harmonized Tariff Schedule (HTS) subheading 7307.23.00; no distinction is made between forged, finished, or unfinished products. This HTS subheading does not specify fitting size or diameter. The column 1-general rate of duty on stainless steel butt-weld fittings (including those from Korea and Taiwan) is 6.2 percent ad valorem; the column 2 duty rate is 45 percent ad valorem.

THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Petitioner was unable to obtain information on Korean and Taiwan home market sales in deriving the foreign market values of stainless steel butt-weld pipe fittings. Consequently, petitioner estimated constructed values on five common high-volume stainless products to arrive at alleged dumping margins. Petitioner found these margins to be 11.6-21.2 percent and 14.5-76.2 percent on imports from Korea and Taiwan, respectively.

THE U.S. MARKET

Apparent U.S. Consumption

Table 1 contains apparent consumption data for the United States during the period of investigation.

Table 1
Stainless steel butt-weld pipe fittings: U.S. shipments of domestic product, U.S. imports, and apparent consumption,[1] 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March-- 1991	1992
	Volume (1,000 pounds)				
DOMESTIC PRODUCTION:					
U.S. producers' U.S. shipments of finished fittings	4,339	4,349	3,769	1,005	895
Foreign origin:					
Korea	0	0	15	0	22
Taiwan	0	4	120	0	62
Subtotal	0	4	135	0	84
Other sources	593	263	158	54	56
Total	593	267	293	54	140
U.S. origin[2]	3,746	4,082	3,476	951	755
U.S. IMPORTS:[3]					
Finished fittings:					
Korea	170	100	509	59	0
Taiwan	1,527	1,135	2,075	619	501
Subtotal	1,697	1,235	2,584	678	501
Other sources	4,774	3,445	3,607	970	788
Total	6,471	4,680	6,191	1,648	1,289
Unfinished fittings:					
Korea	0	0	15	0	22
Taiwan	0	4	120	0	62
Subtotal	0	4	135	0	84
Other sources	593	263	158	54	56
Total	593	267	293	54	140
Apparent consumption	10,810	9,029	9,960	2,653	2,184
	Value (1,000 dollars)				
DOMESTIC PRODUCTION:					
U.S. producers' U.S. shipments of finished fittings	40,065	38,075	29,851	8,199	6,553
Foreign origin:					
Korea	0	0	67	0	96
Taiwan	0	14	442	0	271
Subtotal	0	14	509	0	367
Other sources	2,441	1,258	732	233	128
Total	2,441	1,272	1,241	233	495
U.S. origin[2]	37,624	36,803	28,610	7,966	6,068
U.S. IMPORTS:[3]					
Finished fittings:					
Korea	869	407	1,452	297	0
Taiwan	7,034	5,400	10,156	2,838	2,279
Subtotal	7,903	5,807	11,608	3,135	2,279
Other sources	17,934	17,658	17,004	4,514	3,977
Total	25,837	23,465	28,612	7,649	6,256
Unfinished fittings:					
Korea	0	0	67	0	96
Taiwan	0	14	442	0	271
Subtotal	0	14	509	0	367
Other sources	2,441	1,258	732	233	128
Total	2,441	1,272	1,241	233	495
Apparent consumption	65,902	61,540	58,463	15,848	12,809

Table 1--Continued
Stainless steel butt-weld pipe fittings: U.S. shipments of domestic product, U.S. imports, and apparent consumption, 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March-- 1991	1992
	Unit value (dollars/pound)				
DOMESTIC PRODUCTION:					
U.S. producers' U.S. shipments of finished fittings	$ 9.23	$8.75	$7.92	$8.16	$7.32
Foreign origin:					
Korea	--	--	4.47	--	4.36
Taiwan	--	3.50	3.68	--	4.37
Average	--	3.50	3.77	--	4.31
Other sources	4.12	4.78	4.63	4.31	2.29
Average	4.12	4.76	4.24	4.31	3.54
U.S. origin[2]	10.04	9.02	8.23	8.38	8.02
U.S. IMPORTS:[3]					
Finished fittings:					
Korea	5.11	4.07	2.85	5.03	--
Taiwan	4.61	4.76	4.89	4.58	4.55
Average	4.66	4.70	4.49	4.62	4.55
Other sources	3.76	5.13	4.71	4.65	5.05
Average	3.99	5.01	4.62	4.64	4.85
Unfinished fittings:					
Korea	--	--	4.47	--	4.36
Taiwan	--	3.50	3.68	--	4.37
Average	--	3.50	3.77	--	4.37
Other sources	4.12	4.78	4.63	4.31	2.29
Average	4.12	4.76	4.24	4.31	3.54
Apparent consumption	6.10	6.82	5.87	5.97	5.86

[1] To avoid double counting of unfinished product, apparent consumption consists of U.S. producers' shipments of finished fittings less their imports/purchases of unfinished fittings plus total imports.

[2] U.S. producers' shipments of finished fittings minus their imports/purchases of unfinished fittings equal fittings of U.S. origin.

[3] Total imports equal official import statistics. Figures for unfinished fittings come from U.S. producers' reported imports of unfinished product (no importers reported unfinished imports) and U.S. producers' reported purchases of unfinished fittings from importers. Total U.S. imports less reported unfinished imports/purchases equal imports of finished fittings.

Note.--Due to rounding, figures may not total to amounts shown.

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

U.S. Producers

The petition contained a list of eight known U.S. producers of stainless steel butt-weld pipe fittings under 14 inches inside diameter. Through other sources, the Commission identified several other domestic manufacturers. Table 2 provides a list of these producers, their type of production, position on the petition, plant locations, and share of 1991 U.S. shipments, by quantity.

Table 2
Stainless steel butt-weld pipe fittings: U.S. producers, position on investigation, plant location, and share of 1991 U.S. production

Firm	Position	Plant location	Share of production Percent
Integrated producers:			
Alloy Piping Products...	***	Shreveport, LA	***
American Fittings, Inc..	***	Travelers Rest, SC	***
Bestweld, Inc.....	***	Norristown, PA	***
Custom Alloy Corp.....	***	Califon, NJ	***
Flo-Bend, Inc.....	***	Tulsa, OK	***
Flo-Mac.....	***	Los Angeles, CA	***
Flowline.....	***	New Castle, PA Whiteville, NC	***
Jero, Inc.....	***	Florence, KY	***
Ladish Co., Inc.....	***	Cynthiana, KY	***
Combination producers:			
Gerlin, Inc.....	***	Carol Stream, IL	***
Taylor Forge Stainless, Inc.....	***	North Branch, NJ	***

[1] Did not respond to Commission's questionnaire.
[2] ***.
[3] ***.

Note.--Due to rounding, figures do not total 100.

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

Flowline, the petitioner, manufactures virtually all sizes of stainless steel butt-weld pipe fittings, although most sales occur in the commodity products. ***. Flowline also produces stainless steel flanges and various alloy fittings; these products usually account for *** percent of total sales.

Alloy Piping Products, Inc. (APP), Shreveport, LA, an integrated producer,[12] manufactures a host of commodity and specialty stainless steel fittings, with significant production of larger fittings. APP derives about *** of its companywide sales from larger stainless fittings and carbon steel and other alloy pipe fittings. ***.[13]

Based in South Carolina, American Fittings, Inc. (American), a producer of commodity fittings, sells stainless steel butt-weld pipe fittings through distributors nationwide. American ***.[14]

Bestweld, Inc. (Bestweld), located in Norristown, PA, makes fittings of stainless steel, copper-nickel, and other alloys. Unlike the other producers, Bestweld exclusively produces long-tangent or belled-end stainless steel butt-weld pipe fittings of 6 inches in diameter and under.[15] This type of fitting allows for easier installation in the field and commands a higher price than the commodity fittings manufactured by the other domestic and foreign firms.[16]

According to ***, Custom Alloy Corp. (Custom), the commodity stainless steel portion of his firm's production represents roughly *** percent of its sales. ***.[17]

Flo-Bend, Inc. (Flo-Bend), located in Oklahoma, derives approximately *** percent of its revenue from sales of stainless steel butt-weld pipe fittings. Commodity fittings account for *** percent, or $*** (an estimated *** pounds), of these stainless sales. Its primary areas of activity are carbon and chrome and nickel alloy fittings along with various flanges.

Flo-Mac, Inc. (Flo-Mac) is a small integrated manufacturer of stainless and other alloy fittings. It primarily functions ***. Flo-Mac concentrates on the production of fittings made of alloys other than stainless steel, generating roughly *** percent of its revenue from the sale of these specialty products.

Jero, Inc. (Jero) of Florence, KY, entered the market for stainless steel butt-weld pipe fittings in ***. ***[18] and that stainless steel commodity fittings have accounted for a *** share of Jero's production.[19] ***.

Ladish Co., Inc. (Ladish), an integrated fittings producer, manufactures *** quantities of stainless steel butt-weld pipe fittings in its Cynthiana, KY, plant. Its main product line consists of advanced forgings of titanium, high-temperature alloys, steel, and aluminum for the aerospace industry. ***.[20] ***.

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[12] ***.

[13] Conversations with ***.

[14] Conversation with ***.

[15] These fittings have added pipe length on either end; these ends may also contain a socket or flange.

[16] Conversation with ***.

[17] ***.

[18] ***.

[19] ***.

[20] ***.

Gerlin, Inc. (Gerlin) specializes in the production of specialty fittings that normally have larger diameters and/or thicker walls than commodity products. ***.

Taylor Forge Stainless, Inc. (Taylor Forge), a combination producer located in North Branch, NJ, produces a range of stainless steel butt-weld pipe fittings with the bulk of its production between 0.5 and 14 inches in inside diameter. ***.[21] In addition to stainless steel butt-weld pipe fittings, Taylor Forge generates approximately *** of its business from fittings made of alloys other than stainless steel.[22]

The 1988 antidumping investigation of stainless steel butt-weld pipe fittings from Japan revealed that Davis Pipe and Metal Fabricators (Davis Pipe) of Blountville, TN, accounted for *** percent of U.S. producers' domestic shipments. In early 1992, Davis Pipe abandoned the production of stainless steel butt-weld pipe fittings to concentrate on its stainless steel pipe business.[23]

Of the nine firms which returned producer questionnaires, *** provided complete information; ***,[24] *** returned partial data;[25] and *** responses are essentially unusable. *** did not return producer questionnaires; ***.

U.S. Importers

The Commission sent 67 importer questionnaires to firms involved in the production, distribution, and importation of stainless steel butt-weld pipe fittings. Thirteen of these firms reported imports from either Korea or Taiwan, 26 notified the Commission that they do not import stainless steel pipe fittings, and the remainder did not respond.

Three producing firms reported imports of the subject merchandise during the period of investigation. *** imports finished and unfinished fittings ***. *** has imported unfinished fittings from ***. *** imports finished fittings from several countries, ***. The other responding producers reported no imports of stainless steel butt-weld pipe fittings.

According to the ***, only two companies--***--import significant quantities of stainless steel butt-weld pipe fittings from Korea. Neither firm responded to the Commission's requests for information.[26]

Several large importers of the Taiwan product exist. Silbo Industries, Inc. (Silbo) of Montvale, NJ, a party to these investigations, imports material from ***. Norca Corp. (Norca), located in Great Neck, NY, has imported *** Taiwan fittings over the past 3 years. Like Silbo, Norca

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[21] ***.

[22] ***.

[23] ***.

[24] Staff estimated capacity, production, and shipment data for *** based on ***.

[25] ***.

[26] ***.

distributes fittings ***. Industry sources identified *** as a large importer of stainless steel pipe fittings from Taiwan. *** failed to respond to the Commission's questionnaire. A number of other firms import from Taiwan; however, none appears to account for a large share of total U.S. imports of Taiwan product.

Channels of Distribution

A vast majority of sales of stainless steel butt-weld pipe fittings go through distributors. Many distributors, especially the master distributors, carry a full line of fittings products as well as pipe, flanges, and other related items. These distributors, situated across the country, market fittings to all types of end users. U.S. producers sell directly to end users on occasion, usually in conjunction with special orders.

CONSIDERATION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

U.S. Production, Capacity, and Capacity Utilization

Table 3 reports the capacity utilization rates for the seven firms which provided both capacity and production data.

Table 3
Stainless steel butt-weld pipe fittings: U.S. capacity, production, and capacity utilization, 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March-- 1991	1992
Average-of-period capacity (1,000 pounds)	6,654	6,787	6,782	1,641	1,694
Production (1,000 pounds) . . .	4,435	3,914	3,961	1,261	679
Average-of-period capacity utilization (percent)	66.7	57.7	58.4	76.8	40.1

Note.--Capacity utilization is calculated using data of firms providing both capacity and production information.

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

Capacity increased slightly between 1989 and 1991 chiefly because of ***. Capacity utilization fell in 1990 and remained at roughly the 1990 level in 1991. Comparison of the capacity utilization rates for the first quarters of 1991 and 1992 shows a precipitous decline in 1992; utilization fell from 76.8 percent to 40.1 percent.

U.S. Producers' Domestic and Export Shipments

Table 4 shows U.S. producers' shipments of finished stainless steel butt-weld pipe fittings during the period of investigation.

Table 4
Stainless steel butt-weld pipe fittings: Shipments by U.S. producers, by types, 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March--1991	January-March--1992
	Quantity (1,000 pounds)				
Domestic shipments	4,339	4,349	3,769	1,005	895
Exports	***	***	***	***	***
Total	***	***	***	***	***
	Value (1,000 dollars)				
Domestic shipments	40,065	38,075	29,851	8,199	6,553
Exports	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (per pound)				
Domestic shipments	$ 9.23	$ 8.75	$ 7.92	$8.16	$ 7.32
Exports	***	***	***	***	***
Average	***	***	***	***	***

Note.--Unit values are calculated using data of firms supplying both quantity and value information.

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

Domestic shipments were flat in 1989 and 1990; in 1991, they fell by 13 percent, in volume terms. Shipments declined by 11 percent between interim periods. The unit value of domestic shipments declined steadily, by 5 percent in 1990 and by 9 percent in 1991. The first quarter of 1992 recorded the lowest unit value of $7.32 per pound. Throughout the period, exports remained at less than *** percent of the total volume of shipments by U.S. producers.

U.S. Producers' Purchases

Four of the responding producers reported purchases of finished and/or unfinished fittings from domestic and/or foreign sources. Table 5 displays these purchases from each source as a ratio to shipments for these four firms and for the industry as a whole.

Table 5
Stainless steel butt-weld pipe fittings: The ratio of own production and purchases/imports of finished and unfinished fittings to U.S. producers' shipments of finished fittings, 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March-- 1991	1992
* * *	*	*	*	*	
U.S. INDUSTRY:[1]					
Shipments of own production.....	78.7	87.8	83.1	87.1	72.0
Purchases/imports of finished:					
Domestic origin.....	8.2	6.3	5.0	4.2	6.2
Foreign origin:					
Korea.....	0.0	0.0	0.0	0.0	0.0
Taiwan.....	0.0	0.1	2.0	3.7	1.9
Other sources.....	0.3	0.1	1.1	0.0	1.4
Subtotal.....	8.4	6.5	8.1	7.9	9.5
Purchases/imports of unfinished:					
Domestic origin.....	0.3	0.0	1.6	0.1	4.3
Foreign origin:					
Korea.....	0.0	0.0	0.4	0.0	2.2
Taiwan.....	0.0	0.1	2.9	0.0	6.3
Other sources.....	12.5	5.7	3.9	4.9	5.7
Subtotal.....	12.8	5.8	8.8	5.0	18.5
Total.....	100.0	100.0	100.0	100.0	100.0

[1] Includes shipment data for all reporting firms.

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

These data indicate that domestic producers commonly purchase from one another or from foreign sources. According to industry participants, these purchases allow producers to fill out their product line and produce more cost effectively; they also enable producers to meet strict delivery deadlines, especially on special orders. With the exception of ***, these purchases normally represent a small percentage of each company's sales.

U.S. Producers' Inventories

Table 6 provides information on U.S. producers' reported inventories.

Table 6
Stainless steel butt-weld pipe fittings: End-of-period inventories of U.S. producers, 1989-91, January-March 1991, and January-March 1992

Item	1989	1990	1991	January-March-- 1991	1992
Inventories (1,000 pounds)	1,427	1,054	1,233	1,015	987
Ratio of inventories to--					
Production (percent)	32.4	27.2	31.4	20.3	36.7
U.S. shipments (percent)	33.1	24.4	33.0	25.5	27.8

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Six firms reported inventories of stainless steel butt-weld pipe fittings.[27] Generally speaking, firms stock the smaller size fittings and manufacture the larger ones to order. Flowline, for example, maintains a 1-3 month supply of commodity products and a limited selection of larger or specialty items.[28]

U.S. Employment, Wages, and Productivity

Seven of the responding U.S. producers supplied the Commission with employment and wage data. Table 7 shows this information.

[27] Few producers or importers in this industry accurately track their inventories by weight. The figures in this table and table 13 generally result from estimates made by personnel at each firm.

[28] Phil Mavrich, transcript, pp. 32-3.

Table 7
Average number of U.S. production and related workers producing stainless steel butt-weld pipe fittings, hours worked,[1] wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,[2] 1989-91, January-March 1991, and January-March 1992[3]

Item	1989	1990	1991	January-March-- 1991	1992
Production and related workers (PRWs)	314	281	271	293	242
Hours worked by PRWs (1,000 hours)	668	599	604	168	123
Wages paid to PRWs (1,000 dollars)	5,600	5,449	5,680	1,633	1,173
Total compensation paid to PRWs (1,000 dollars)	6,858	6,766	7,121	1,971	1,538
Hourly wages paid to PRWs	$8.38	$9.10	$9.40	$9.72	$9.54
Hourly total compensation paid to PRWs	$10.27	$11.30	$11.79	$11.73	$12.50
Productivity (pounds per hour)	6.6	6.5	6.6	7.5	5.6
Unit labor costs (per pound)	$1.55	$1.73	$1.78	$1.56	$2.25

[1] Includes hours worked plus hours of paid leave time.
[2] On the basis of total compensation paid.
[3] Firms providing employment data accounted for 100 percent of reported total U.S. shipments (based on quantity) in 1991.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information.

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

The number of workers producing stainless steel butt-weld pipe fittings in these firms declined by 14 percent between 1989 and 1991. Interim data for 1991 and 1992 reveal a further 17-percent reduction in the labor force. Hours worked by these employees fell by 10 percent in 1990 and then rose fractionally in 1991. Between January-March 1991 and January-March 1992, these figures plunged by 27 percent. Hourly wages and total compensation and unit labor costs rose throughout the period of investigation.

Financial Experience of U.S. Producers

Five producers, accounting for 70.8 percent of U.S. production of stainless steel butt-weld pipe fittings in 1991, furnished financial data on

both their overall establishment operations and on their operations producing stainless steel butt-weld pipe fittings.[29]

Overall Establishment Operations

In addition to the products under investigation, these producers indicated that they also produce larger and/or other types (alloys) of pipe fittings, as well as other types of forged and/or formed steel products. Stainless steel butt-weld pipe fittings (under 14 inches in inside diameter) accounted for 44 percent of overall establishment sales in 1989, 43 percent in 1990, and 37 percent in 1991. *** for the petitioner (Flowline), the subject products accounted for *** percent of its overall establishment sales in 1991. Income-and-loss data on the U.S. producers overall establishment operations are presented in table 8.

Operations on Stainless Steel Butt-Weld Pipe Fittings

The aggregate income-and-loss experience of the U.S. producers of butt-weld pipe fittings is presented in table 9. Net sales decreased by 7.0 percent from $37.0 million in 1989 to $34.4 million in 1990. Sales in 1991 were $30.0 million, a decline of 12.9 percent from 1990 sales. Operating income was $4.9 million in 1989, $4.2 million in 1990, and $3.2 million in 1991. Operating income ratios, as a share of net sales, were 13.2 percent in 1989, 12.2 percent in 1990, and 10.6 percent in 1991. None of the firms incurred operating losses in the full fiscal years.

Net sales in interim 1992 were $6.1 million, a decline of 23.5 percent from interim 1991 sales of $7.9 million. Operating income was $1.1 million in interim 1991 and $151,000 in interim 1992. Operating income margins were 14.4 percent in interim 1991 and 2.5 percent in interim 1992. Operating losses were incurred by one producer in interim 1992. Aggregate operating income margins declined slightly between 1989 and 1991 but, in interim 1992, aggregate industry profitability declined sharply compared to interim 1991.

Selected income-and-loss data of the U.S. producers, by firms, are shown in table 10. Each of the producers had declines in net sales and profitability between interim 1991 and interim 1992.

Some companies had difficulty preparing the questionnaire data. Estimates were used to varying degrees by all of the companies. The product mix for the producers has not remained constant over the course of the investigation; therefore, the per-unit computations may be influenced by changing product types as well as changes in a particular product's per-unit sales value or cost. This impact is exacerbated as overall average per-unit sales values have declined and the overall quantity sold has decreased.

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[29] These producers are ***. Three *** producers (***) provided establishment income-and-loss data, but were unable to allocate their costs to the subject product. Except for ***, the stainless steel producers do not manufacture carbon steel butt-weld pipe fittings, the subject product of investigations Nos. 731-TA-520-21 (Final).

Table 8
Income-and-loss experience of U.S. producers[1] on the overall operations of their establishments wherein stainless steel butt-weld pipe fittings are produced, fiscal years 1989-91, January-March 1991, and January-March 1992[2]

Item	1989	1990	1991	January-March-- 1991	1992
	Value (1,000 dollars)				
Net sales	85,100	79,640	80,456	19,819	22,748
Cost of goods sold	60,437	56,826	58,039	14,132	17,324
Gross profit	24,663	22,814	22,417	5,687	5,424
Selling, general, and administrative expenses	16,360	15,055	14,036	2,790	2,930
Operating income	8,303	7,759	8,381	2,897	2,494
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income before income taxes	7,572	5,747	5,877	1,847	1,477
Depreciation and amortization	1,650	2,051	2,419	638	613
Cash flow[3]	9,222	7,798	8,296	2,485	2,090
	Ratio to net sales (percent)				
Cost of goods sold	71.0	71.4	72.1	71.3	76.2
Gross profit	29.0	28.6	27.9	28.7	23.8
Selling, general, and administrative expenses	19.2	18.9	17.4	14.1	12.9
Operating income	9.8	9.7	10.4	14.6	11.0
Net income before income taxes	8.9	7.2	7.3	9.3	6.5
	Number of firms reporting				
Operating losses	0	0	0	0	0
Net losses	0	0	0	0	1
Data	5	5	5	4	4

[1] These producers are ***.
[2] Fiscal years end on *** for all producers except ***.
[3] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 9
Income-and-loss experience of U.S. producers[1] on their operations producing stainless steel butt-weld pipe fittings, fiscal years 1989-91, January-March 1991, and January-March 1992[2]

Item	1989	1990	1991	January-March-- 1991	1992
	Value (1,000 dollars)				
Net sales	37,038	34,440	29,991	7,914	6,053
Cost of goods sold	25,658	24,051	21,817	5,641	5,115
Gross profit	11,380	10,389	8,174	2,273	938
Selling, general, and administrative expenses	6,478	6,172	4,984	1,136	787
Operating income	4,902	4,217	3,190	1,137	151
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income or (loss) before income taxes	4,373	3,220	1,815	811	(343)
Depreciation and amortization	742	868	883	279	210
Cash flow[3]	5,115	4,088	2,698	1,090	(133)
	Ratio to net sales (percent)				
Cost of goods sold	69.3	69.8	72.7	71.3	84.5
Gross profit	30.7	30.2	27.3	28.7	15.5
Selling, general, and administrative expenses	17.5	17.9	16.6	14.4	13.0
Operating income	13.2	12.2	10.6	14.4	2.5
Net income or (loss) before income taxes	11.8	9.3	6.1	10.2	(5.7)
	Number of firms reporting				
Operating losses	0	0	0	0	1
Net losses	0	0	1	0	2
Data	5	5	5	4	4

[1] These producers are ***.
[2] Fiscal years end on *** for all producers except ***.
[3] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 10
Selected income-and-loss data of U.S. producers on their operations producing stainless steel butt-weld pipe fittings, by firms, fiscal years 1989-91, January-March 1991, and January-March 1992

* * * * * * *

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

The unit sales and costs of the producers differ, because of product mix and degree of integration. A summary of the sales unit values and cost unit values for each producer is shown in the tabulation below (in dollars per pound, except as noted):

* * * * * * *

Investment in Productive Facilities

U.S. producers' investment in property, plant, and equipment and returns on investment are shown in table 11.

Capital Expenditures

Capital expenditures by U.S. producers are shown in table 12.

Research and Development Expenses

Research and development expenses were $473,000 in 1989, $893,000 in 1990, $607,000 in 1991, $178,000 in interim 1991, and $130,000 in interim 1992.

Impact of Imports on Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of stainless steel butt-weld pipe fittings from Korea and/or Taiwan on their existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix D.

Table 11
Value of assets and return on assets of U.S. producers' establishments wherein stainless steel butt-weld pipe fittings are produced, fiscal years 1989-91, January-March 1991, and January-March 1992

Item	As of the end of fiscal year-- 1989	1990	1991	As of March 31-- 1991	1992
	Value (1,000 dollars)				
All products:					
Fixed assets:					
Original cost	34,379	28,329[1]	31,063	26,681	31,165
Book value	17,285	19,191	19,627	19,187	19,837
Total assets[2]	59,473	52,214[1]	56,528	57,881	55,335
Stainless steel butt-weld pipe fittings:					
Fixed assets:					
Original cost	24,271	17,638[1]	18,786	18,317	18,857
Book value	10,633	11,670	11,476	11,638	11,662
Total assets[3]	41,906	34,754[1]	36,876	38,591	35,956
	Return on book value of fixed assets (percent)[4]				
All products:					
Operating return[5]	45.2	38.0	40.4	60.4	50.3
Net return[6]	41.0	27.6	27.8	38.5	29.8
Stainless steel butt-weld pipe fittings:					
Operating return[5]	45.2	35.4	27.1	39.1	5.2
Net return[6]	40.2	26.9	15.2	27.9	(11.8)
	Return on total assets (percent)[3]				
All products:					
Operating return[5]	13.1	14.0	14.0	20.0	18.0
Net return[6]	11.9	10.1	9.7	12.8	10.7
Stainless steel butt-weld pipe fittings:					
Operating return[5]	11.5	11.9	8.4	11.8	1.7
Net return[6]	10.2	9.0	4.7	8.4	(3.8)

[1] The decline in assets was due to ***.
[2] Defined as book value of fixed assets plus current and noncurrent assets.
[3] Total establishment assets are apportioned, by firm, to product groups on the basis of the ratios of the respective book values of fixed assets.
[4] Computed using data from only those firms supplying both asset and income-and-loss information and, as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.
[5] Defined as operating income or loss divided by asset value.
[6] Defined as net income or loss divided by asset value.

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

Table 12
Capital expenditures by U.S. producers of stainless steel butt-weld pipe fittings, by products, fiscal years 1989-91, January-March 1991, and January-March 1992

(In thousands of dollars)

Item	1989	1990	1991	January-March-- 1991	1992
All products:					
Land and land improvements	***	***	***	***	***
Building and leasehold improvements	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	4,777	3,411	2,802	215	109
Stainless steel butt-weld pipe fittings:					
Land and land improvements	***	***	***	***	***
Building and leasehold improvements	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	3,053	1,515	1,402	140	76

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

CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY

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 the merchandise, the Commission shall consider, among other relevant economic factors[30]--
>
> > (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),

[30] 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."

(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,

(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 706 or 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[31]

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[31] Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall

(continued...)

Neither subsidies (item (I) above) nor agricultural products (item (IX)) are issues in these investigations. 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 Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in appendix D. Available information follows on U.S. inventories of the subject product (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets.

U.S. Importers' Inventories

Table 13 shows the data collected from six importers of fittings from Korea and Taiwan.

Table 13
Stainless steel butt-weld pipe fittings: End-of-period inventories of U.S. importers, by products and by sources, 1989-91, January-March 1991, and January-March 1992

(In thousands of pounds)

Item	1989	1990	1991	January-March-- 1991	1992
Finished fittings:					
Taiwan	36	94	212	76	229
Other sources	0	2	0	0	0
Total	36	96	212	76	229
Unfinished fittings:					
Taiwan	0	0	10	0	0
Other sources	0	0	0	0	0
Total	0	0	10	0	0
All fittings:					
Taiwan	36	94	222	76	229
Other sources	0	2	0	0	0
Total	36	96	222	76	229

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

[31] (...continued)
consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

These data show a large increase in reported inventories of the Taiwan product.[32] Between 1989 and 1991, inventory levels of all fittings jumped dramatically, from 36,000 pounds to 222,000 pounds. These inventories in interim 1992 stood 200 percent higher than the same inventories in January-March 1991.

Ability of Foreign Producers to Generate Exports and the Availability of Export Markets Other Than the United States

Petitioners listed 4 Korean and 10 Taiwan producers of stainless steel butt-weld pipe fittings. According to information provided by counsel for the Korean manufacturers, two of the firms (Sung Kwang Bend Co., Ltd. and Tae Kwang Bend Ind. Co., Ltd.) do not produce stainless steel pipe fittings, while the other two (Dai-Yung Metal Co., Ltd. and Sammy, Ltd.) do not export fittings to the United States.[33] Respondents' brief identified one Korean manufacturer, Asia Bend Co., Ltd. (Asia Bend), which sells stainless steel butt-weld pipe fittings in the United States. Asia Bend reportedly sold $*** of stainless steel butt-weld pipe fittings in the United States in 1991; information on Asia Bend's production is unavailable.[34]

Three producers of Taiwan product provided the Commission with information on their business operations. These three firms--Tachia Yung Ho Machine Industry Co., Ltd. (Tachia), Tru-Flow Industrial Co., Ltd. (Tru-Flow), and Tung Teng Machine Industry Co., Ltd. (Tung Teng)--appear to be among the major Taiwan producers.[35] Table 14 presents their data.[36]

Table 14
Stainless steel butt-weld pipe fittings: Taiwan's production capacity, inventories, production, and shipments, 1989-91, January-March 1991, January-March 1992, and projections for 1992-93

* * * * * * *

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

Production capacity of the Taiwan producers grew nearly two-thirds between 1989 and 1991, although these firms expect a 6-percent decrease in

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[32] No importer reported inventories of fittings from Korea.

[33] Korean respondents' postconference brief, exhibit 1.

[34] U.S. Department of State telegram, U.S. Embassy, Seoul, June, 1992, message reference 190741.

[35] The U.S. Embassy in Taipei notes that these three companies plus Ta Chen Stainless Pipe Co., Ltd. (Ta Chen) account for over 95 percent of Taiwan production of stainless steel butt-weld pipe fittings. U.S. Department of State, U.S. Embassy, Taipei, June, 1992, message reference 171018. According to counsel for Ta Chen, ***.

[36] Commission staff estimated complete 1992 and 1993 data for Tru-Flow based on partial projections for those years.

capacity in calendar 1992. Production fell by 8 percent in 1990 and then climbed dramatically, by 62 percent, in 1991. Production increased slightly between the interim periods. Exports to the United States nearly doubled between 1989 and 1991, and these shipments ran 31 percent higher in interim 1992 than in interim 1991. Taiwan's home market has consumed a declining share of the output of these companies; its share fell from 44 percent in 1989 to 22 percent in 1991. At the same time, the U.S. market accounted for a rising share of Taiwan production, growing from 40 percent in 1989 to 47 percent in 1991. Data for the first quarter of 1992 show that one-half of Taiwan's production of stainless steel fittings went to the United States. Other key markets for Taiwan product include Australia, Japan, Indonesia, and several European countries.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

U.S. Imports

Table 15 contains Commerce's official import data[37] for stainless steel butt-weld pipe fittings.

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[37] The data overstate the amount of subject stainless steel butt-weld pipe fitting imports, because the HTS classification for pipe fittings does not specify the size of the fittings. Certain quantities of stainless steel butt-weld pipe fittings with inside diameters greater than 14 inches enter the United States under this HTS number; nevertheless, the Commission has found no evidence to suggest that significant amounts of larger fittings come from Korea or Taiwan.

Table 15
Stainless steel butt-weld pipe fittings: Imports, by sources, 1989-91, January-March 1991, and January-March 1992

Source	1989	1990	1991	January-March-- 1991	1992
	Volume (1,000 pounds)				
Korea.....	170	100	524	59	22
Taiwan.....	1,527	1,139	2,195	619	563
Subtotal.....	1,697	1,239	2,719	678	585
Other sources..	5,368	3,707	3,764	1,024	843
Total.....	7,065	4,946	6,483	1,702	1,428
	Value (1,000 dollars)				
Korea.....	869	407	1,519	297	96
Taiwan.....	7,034	5,414	10,598	2,838	2,550
Subtotal.....	7,903	5,821	12,117	3,135	2,646
Other sources..	20,375	18,915	17,737	4,747	4,106
Total.....	28,278	24,736	29,854	7,882	6,752
	Unit value (dollars/pound)				
Korea.....	$5.11	$4.07	$2.90	$5.03	$4.36
Taiwan.....	4.61	4.75	4.83	4.58	4.53
Average.....	4.66	4.70	4.46	4.62	4.52
Other sources..	3.80	5.10	4.71	4.64	4.87
Average.....	4.00	5.00	4.60	4.63	4.73

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

The volume of imports of stainless steel butt-weld pipe fittings from Korea dropped by 41 percent in 1990 and then grew by over 400 percent the following year. Between January-March 1991 and January-March 1992, these imports decreased by 63 percent. Imports from Taiwan declined by one-quarter in 1990 and nearly doubled in 1991. Interim import data fell by 9 percent. Imports from the subject countries followed the general trend as imports from other sources, declining in 1990, rising in 1991, and dipping again in interim 1992. In percentage terms, the 1991 increase in the subject imports, however, was substantially larger than the increase in imports from all other sources.

U.S. Market Shares

Table 16 shows the market penetration of imports from Korea and Taiwan since 1989.

Table 16
Stainless steel butt-weld pipe fittings: Share of apparent consumption supplied by subject imports, 1989-91, January-March 1991, and January-March 1992

Source	1989	1990	1991	January-March-- 1991	1992
	Share of the quantity of U.S. consumption (percent)				
Korea.....	1.6	1.1	5.3	2.2	1.0
Taiwan.....	14.1	12.6	22.0	23.3	25.8
Total.....	15.7	13.7	27.3	25.5	26.8
	Share of the value of U.S. consumption (percent)				
Korea.....	1.3	0.7	2.6	1.9	0.7
Taiwan.....	10.7	8.8	18.1	17.9	19.9
Total.....	12.0	9.5	20.7	19.8	20.6

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

Market penetration of the subject imports decreased from 15.7 percent in 1989 to 13.7 percent in 1990. The market share of these imports then expanded to 27.3 percent in 1991. The Taiwan product attained a significantly higher market share than the Korean product in each of the periods examined. In interim 1992, Korean market penetration fell to 1.0 percent, while the Taiwan market share surpassed one-quarter of domestic consumption for the first time.

Prices

Marketing Considerations

Six U.S. producers and eight importers of Taiwan product reported pricing and related information concerning their U.S. sales of stainless steel butt-weld pipe fittings.[38] Most of the U.S. producers market their product nationwide.[39] Two of the larger U.S. producers, ***, have regional storage facilities from which they sell stainless steel butt-weld pipe fittings. Most of the importers of the Taiwan pipe fittings also market their product nationally.[40] Two of these importers, ***, reported that they have regional storage facilities. *** does not own regional storage facilities but can obtain them if necessary.

U.S. producers of stainless steel butt-weld pipe fittings generally quote prices on an f.o.b. factory or f.o.b. warehouse basis for orders of less than $8,000 after discount. *** pay shipping charges for orders exceeding

[38] The Commission contacted two firms that reportedly imported Korean stainless steel butt-weld pipe fittings, but these firms did not respond.
[39] ***.
[40] ***.

$8,000 after discount. U.S. producers' sales terms are typically 1-2 percent 10 days, net 30 days.

Most importers of Taiwan stainless steel butt-weld pipe fittings quote prices on an f.o.b. port of entry or f.o.b. warehouse basis for orders of less than $2,000 after discount. Importers of the Taiwan product generally pay shipping charges on orders exceeding $2,000 after discount. Common sales terms are net 30 days. One small importer, ***, offers sales terms of net 30, 60, 90, or 120 days.

Most of the responding U.S. producers publish standardized industry price lists.[41] Transaction prices are determined through discounts to these common list prices. Discounts are based on the total quantity or value purchased and competing discount offers.[42] Three of the eight responding importers of the Taiwan product publish price lists.[43] Two importers of Taiwan product, ***, do not publish their own price lists, but use U.S. producers' price lists as a point of reference. Importers of Taiwan product discount their list prices based on the size of the order and competitive market conditions.[44] Those importers that do not follow list prices establish transaction prices based on a percentage markup of cost and competitive market conditions.

U.S. producers' transportation costs are relatively small, ranging from 1.3 to 2.5 percent of the total delivered price of stainless steel butt-weld pipe fittings. Average lead times for sales of the U.S. product from stock varied from 1 to 3 days, whereas lead times for sales of made-to-order U.S. product ranged from 3 to 8 weeks. Transportation costs for imported Taiwan stainless steel butt-weld pipe fittings varied in a wider range, from 0.5 to 5.0 percent of the total delivered price. Average lead times for sales of imported Taiwan stainless steel butt-weld pipe fittings from U.S. warehouse stock were similar to U.S. stock lead times, ranging from 1 to 3 days. However, lead times for sales of the made-to-order Taiwan product were significantly greater than U.S. made-to-order lead times, ranging from 8 to 22 weeks.

Stainless steel butt-weld pipe fittings are typically made from welded stainless steel pipe. This raw material cost is an important component of the

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[41] See p. 20 of the petition. This statement is supported by the fact that the two price lists that were submitted to the Commission (by ***) are identical.

[42] Discounts in the industry are typically made using multiplier factors ranging from 0.36 to 0.58 depending on the producer, the size or value of the order, and the competing discounts being offered by other suppliers. The total value from the price list is multiplied by the appropriate factor in order to arrive at the actual transaction price. This results in discounts from list price ranging from 64 percent to 42 percent.

[43] The only importer price list submitted to the Commission (by ***) is identical to the price lists submitted by the domestic producers ***.

[44] Most importers of Taiwan product use the same discounting method that domestic producers use. Since both the domestic producers and importers of Taiwan product generally use the same list prices as reference points, purchasers can usually compare domestic and Taiwan transaction prices by comparing the multiplier factors being offered.

total cost of producing the subject product, accounting for roughly 30 percent of the f.o.b. price of stainless steel butt-weld pipe fittings. Available data show that prices for welded stainless steel pipe declined significantly during April 1989-March 1991.[45]

Most U.S. producers and importers of the Taiwan subject product reported that U.S. and Taiwan stainless steel butt-weld pipe fittings are used interchangeably. However, several U.S. producers and importers also reported that the quality of the Taiwan product was inferior to that of the domestic product. For a more detailed discussion of quality differences see the sections of this report entitled "Imported and Domestic Product Comparison" and "Lost Sales and Lost Revenues."

Questionnaire Price Data

The Commission requested U.S. producers and importers to provide U.S. f.o.b. prices (i.e., plant and U.S. point-of-shipment, respectively) and total quantities and values of four representative stainless steel butt-weld pipe fitting products. For each product listed below, the Commission requested price data for the largest sale to unrelated U.S. distributors for each quarter during January 1989-March 1992.

> Product 1: **Elbows**: Stainless steel butt-weld, finished, 2-inch nominal diameter, 90°, schedule 10S, long radius, of 304L alloy steel meeting ASTM grade A-403 or equivalent specifications.
>
> Product 2: **Elbows**: Stainless steel butt-weld, finished, 2-inch nominal diameter, 90°, schedule 10S, long radius, of 316L alloy steel meeting ASTM grade A-403 or equivalent specifications.
>
> Product 3: **Elbows**: Stainless steel butt-weld, finished, 3-inch nominal diameter, 90°, schedule 10S, long radius, of 304L alloy steel meeting ASTM grade A-403 or equivalent specifications.
>
> Product 4: **Tees**: Stainless steel butt-weld, finished, 2-inch inside nominal diameter, schedule 10S, of 304L alloy steel meeting ASTM grade A-403 or equivalent specifications.

Five U.S. producers and five importers of the Taiwan subject product provided pricing data, although not necessarily for all products or quarters during January 1989-March 1992. No importers reported pricing data for imports of Korean product. The five responding U.S. producers accounted for 70.4 percent of total reported U.S. shipments of domestic stainless steel butt-weld pipe fittings in 1991. The responding importers of the subject product from Taiwan accounted for 41 percent of total reported U.S. imports of the Taiwan products in 1991. F.o.b. prices for sales of products 1-4 to distributors are presented in tables 17-20.

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[45] ***.

Table 17
Weighted-average net f.o.b. prices for sales to distributors of 2-inch elbows of 304L alloy steel reported by U.S. producers and importers and margins of underselling, by quarters, January 1989-March 1992

Period	United States		Taiwan		
	Price	Quantity	Price	Quantity	Margin
	$/piece	Pieces	$/piece	Pieces	Percent
1989:					
January-March.....	$***	***	$***	***	38.6
April-June.....	***	***	***	***	17.8
July-September....	***	***	***	***	36.3
October-December..	***	***	***	***	12.0
1990:					
January-March.....	***	***	***	***	14.3
April-June.....	***	***	***	***	32.9
July-September....	***	***	***	***	26.0
October-December..	***	***	***	***	24.5
1991:					
January-March.....	***	***	***	***	24.6
April-June.....	***	***	***	***	22.1
July-September....	***	***	***	***	25.2
October-December..	***	***	***	***	21.3
1992:					
January-March.....	***	***	***	***	26.4

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

Table 18
Weighted-average net f.o.b. prices for sales to distributors of 2-inch elbows of 316L alloy steel reported by U.S. producers and importers and margins of underselling, by quarters, January 1989-March 1992

Period	United States		Taiwan		
	Price	Quantity	Price	Quantity	Margin
	$/piece	Pieces	$/piece	Pieces	Percent
1989:					
January-March.....	$***	***	$***	***	22.8
April-June.....	***	***	***	***	17.5
July-September....	***	***	***	***	28.0
October-December..	***	***	***	***	13.4
1990:					
January-March.....	***	***	***	***	21.6
April-June.....	***	***	***	***	23.1
July-September....	***	***	***	***	21.3
October-December..	***	***	***	***	32.9
1991:					
January-March.....	***	***	***	***	28.9
April-June.....	***	***	***	***	25.8
July-September....	***	***	***	***	30.7
October-December..	***	***	***	***	24.4
1992:					
January-March.....	***	***	***	***	25.4

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

Table 19
Weighted-average net f.o.b. prices for sales to distributors of 3-inch elbows of 304L alloy steel reported by U.S. producers and importers and margins of underselling, by quarters, January 1989-March 1992

Period	United States		Taiwan		
	Price	Quantity	Price	Quantity	Margin
	$/piece	Pieces	$/piece	Pieces	Percent
1989:					
January-March.....	$***	***	$***	***	26.1
April-June.....	***	***	***	***	22.7
July-September....	***	***	***	***	17.7
October-December..	***	***	***	***	9.9
1990:					
January-March.....	***	***	***	***	14.9
April-June.....	***	***	***	***	5.6
July-September....	***	***	***	***	11.0
October-December..	***	***	***	***	29.4
1991:					
January-March.....	***	***	***	***	31.5
April-June.....	***	***	***	***	19.2
July-September....	***	***	***	***	20.2
October-December..	***	***	***	***	19.9
1992:					
January-March.....	***	***	***	***	22.8

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

Table 20
Weighted-average net f.o.b. prices for sales to distributors of 2-inch tees of 304L alloy steel reported by U.S. producers and importers and margins of underselling, by quarters, January 1989-March 1992

Period	United States		Taiwan		
	Price	Quantity	Price	Quantity	Margin
	$/piece	Pieces	$/piece	Pieces	Percent
1989:					
January-March.....	$***	***	$***	***	(1)
April-June.....	***	***	***	***	(1)
July-September....	***	***	***	***	20.4
October-December..	***	***	***	***	30.4
1990:					
January-March.....	***	***	***	***	20.1
April-June.....	***	***	***	***	32.5
July-September....	***	***	***	***	22.4
October-December..	***	***	***	***	33.7
1991:					
January-March.....	***	***	***	***	33.0
April-June.....	***	***	***	***	28.5
July-September....	***	***	***	***	19.1
October-December..	***	***	***	***	33.8
1992:					
January-March.....	***	***	***	***	22.9

[1] No sales reported.

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

Price trends for U.S.-produced stainless steel butt-weld pipe fittings

During January 1989-March 1992, weighted-average f.o.b. prices for U.S. products 1-4 declined overall by 16, 13, 10, and 26 percent, respectively. Prices for product 1 decreased through the first quarter of 1990, increased sharply in the second quarter of 1990, then fell irregularly during the rest of the period. Product 2 prices fluctuated between $*** per piece and $*** per piece during 1989-90, then declined during the rest of the period. Prices for product 3 fell during 1989, increased sharply to their highest point in the first quarter of 1991, then fell sharply to their lowest point at the end of the period. Product 4 prices increased in the second quarter of 1989, then fell continuously for the rest of the period

Price trends for imported Taiwan stainless steel butt-weld pipe fittings

During January 1989-March 1992, prices for Taiwan products 2 and 4 declined by 16 percent and 32 percent, respectively. Prices for products 1 and 3 did not show consistent trends during the period. Prices for product 1 fluctuated widely between $*** per piece and $*** per piece during 1989. After 1989, product 1 prices fluctuated less, generally declining during the rest of the period. Prices for product 2 were variable, but showed a fluctuating downward trend. Product 3 price increased to their highest point in the second quarter of 1990, then fell irregularly to their lowest point at the end of the period. Available price data for product 4 fluctuated slightly, but showed a downward trend.

Price comparisons

The reported price data for U.S. producers' and importers' largest quarterly sales during January 1989-March 1992 resulted in 50 direct f.o.b. price comparisons with four products from Taiwan. The imported Taiwan products were priced below the domestic product in all 50 instances. Margins of underselling ranged from 12.0 to 38.6 percent for product 1, 13.4 to 32.9 percent for product 2, 5.6 to 31.5 percent for product 3, and 19.1 to 33.7 percent for product 4. In 37 of the 50 available price comparisons, margins of underselling exceeded 20 percent.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the currencies of the two countries subject to this investigation fluctuated in relation to the U.S. dollar over the period from January-March 1989 through January-March 1992 (table 21).[46] The nominal value of the Korean currency depreciated by 11.6 percent while the Taiwan currency appreciated 9.8 percent. When adjusted for movements in producer price indexes in the United States and the specified countries, the respective values of the Korean and Taiwan currencies depreciated 4.9 percent and 0.7 percent during the periods for which data were collected.

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[46] International Financial Statistics, June 1992.

Table 21
Exchange rates:[1] Indexes of nominal and real exchange rates of selected currencies, and indexes of producer prices in those countries,[2] by quarters, January 1989-March 1992

Period	U.S. producer price index	Korea			Taiwan		
		Producer price index	Nominal exchange rate index	Real exchange rate index[3]	Producer price index	Nominal exchange rate index	Real exchange rate index[3]
1989:							
January-March.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
April-June.....	101.8	100.8	101.6	100.6	99.7	105.3	103.1
July-September.....	101.4	100.7	101.3	100.6	97.9	107.4	103.7
October-December...	101.8	101.2	100.7	100.1	96.6	106.5	101.0
1990:							
January-March.....	103.3	101.8	98.1	96.7	96.1	105.6	98.3
April-June.....	103.1	104.0	95.4	96.3	96.9	102.8	96.6
July-September.....	104.9	105.5	94.7	95.2	98.8	101.5	95.6
October-December...	108.1	108.2	94.7	94.8	99.8	101.5	93.7
1991:							
January-March.....	105.9	109.8	93.9	97.3	99.2	101.7	95.3
April-June.....	104.8	110.0	93.4	98.0	98.7	101.4	95.5
July-September.....	104.7	110.6	92.4	97.7	98.0	103.3	96.7
October-December...	104.8	111.5	89.9	95.7	96.5	106.2	97.7
1992:							
January-March.....	104.6	112.5	88.4	95.1	94.5[4]	109.8[4]	99.3

[1] Exchange rates expressed in U.S. dollars per unit of foreign currency.
[2] Producer price indexes--intended to measure final product prices--are based on period-average quarterly indexes presented in line 63 of the International Financial Statistics.
[3] The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and the specified countries.
[4] Derived from Taiwan exchange rate and price data reported for January only.

Note.--January-March 1989 = 100. The real exchange rates, calculated from precise figures, cannot in all instances be derived accurately from previously rounded nominal exchange rate and price indexes.

Source: International Monetary Fund, International Financial Statistics, June 1992.

Lost Sales and Lost Revenues

The Commission received 11 lost sales allegations from *** producers: ***. These allegations concerned sales of stainless steel butt-weld pipe fittings worth $552,003 allegedly lost due to competition from imports from Taiwan. Two other U.S. producers, ***, reported losing sales because of Taiwan import competition but could not cite specific instances. *** also alleged losing revenues because of Taiwan import competition, but neither was able to cite specific instances. *** submitted numerous sales call reports as evidence of Taiwan price suppression.

*** was named by *** in *** lost sales allegations totalling $*** worth of stainless steel butt-weld pipe fittings allegedly purchased from Taiwan sources. ***, a representative of ***, could not address the specific allegations. *** reported that *** bought approximately $*** worth of stainless steel pipe fittings in 1991, of which $*** were from Taiwan. *** reported that *** does not buy foreign product for inventory, but will buy imported product if it cannot supply an order from existing stock. *** maintains that availability, not price, determines which firm will get the sale. *** stated that 8 months ago prices for the U.S. product were 30-40 percent above prices for the Taiwan product. Recently, prices for the U.S. product have declined to the point where they are 20-25 percent above Taiwan prices. *** believes that imports and general market conditions are reasons for the U.S. price decline.

*** stated that there are significant differences in the quality of the U.S.-produced and Taiwan stainless steel butt-weld pipe fittings. *** reports that ***. *** cited major quality problems experienced by *** as evidence that the quality of Taiwan stainless steel butt-weld pipe fittings is inferior.

*** was named by *** in *** lost sales allegations totalling $*** allegedly purchased from Taiwan sources. ***, a representative of ***, denied the allegations, stating that *** has never distributed Taiwan stainless steel butt-weld pipe fittings. *** has developed a customer base that prefers to buy domestic product, and the firm concentrates on these customers. *** stated that a lot of purchasers buy strictly on price, and he believes that ***. *** maintains that *** does not reveal price quotes of its suppliers and that manufacturers generally set prices.

*** was named by *** in *** lost sales allegation of $*** of stainless steel butt-weld pipe fittings allegedly purchased from Taiwan sources. ***, a representative of ***, could not address the specific allegation. *** maintains that there are no differences in the quality of the U.S.-produced and imported Taiwan product, and the products are used in the same end uses. *** stated that, if the end user accepts Taiwan pipe fittings, *** must offer lower priced Taiwan product or it cannot compete on price. *** estimated that 10-20 percent of the U.S. market only buys domestic product and that prices for the Taiwan product are 15-percent lower than prices for the U.S. product.

APPENDIX A

SUMMARY DATA TABLE

Table A-1
Stainless steel butt-weld pipe fittings: Summary data concerning the U.S. market, 1989-91, January-March 1991, and January-March, 1992

Item	Reported data			Jan.-Mar.		Percentage change	Jan.-Mar.
	1989	1990	1991	1991	1992	1989-91	1991-92
U.S. consumption[1]	10,810	9,029	9,960	2,653	2,184	(7.9)	(17.7)
U.S. imports:							
Subject imports:							
Quantity[1]	1,697	1,239	2,719	678	585	60.2	(13.7)
Share of consumption[2]	15.7	13.7	27.3	25.5	26.8	11.6	1.3
Value[3]	7,903	5,821	12,117	3,135	2,646	53.3	15.6
Share of consumption[2]	12.0	9.5	20.8	19.8	20.6	8.8	0.8
Unit value[4]	$4.66	$4.70	$4.46	$4.62	$4.52	(4.3)	(2.2)
Ending inventories[1]	36	94	212	76	229	489	201
Total imports:							
Quantity[1]	7,065	4,946	6,483	1,702	1,428	(8.2)	(16.1)
Value[3]	28,278	24,736	29,854	7,882	6,752	5.6	(14.3)
Unit value[4]	$4.00	$5.00	$4.60	$4.63	$4.73	15.0	2.2
U.S. producers'--							
Average capacity[1]	6,654	6,787	6,782	1,641	1,694	1.9	3.2
Production[1]	4,435	3,914	3,961	1,261	679	(10.7)	(46.2)
Capacity utilization[2]	66.7	57.7	58.4	76.8	40.1	(8.3)	(36.7)
U.S. shipments:							
Quantity[1]	4,339	4,349	3,769	1,005	895	(13.1)	(10.9)
Share of consumption[2]	40.1	48.2	37.8	37.9	41.0	(2.3)	3.1
Value[3]	40,065	38,075	29,851	8,199	6,553	(25.5)	(20.1)
Share of consumption[2]	60.8	61.9	51.3	51.7	51.1	(9.5)	(0.6)
Unit value[4]	$9.23	$8.75	$7.92	$8.16	$7.32	(14.2)	(10.3)
Export shipments:							
Quantity[1]	***	***	***	***	***	***	***
Value[3]	***	***	***	***	***	***	***
Unit value[4]	$***	$***	$***	$***	$***	***	***
Export/shipment ratio[2]	Less	than ***	percent				
Ending inventories[1]	1,427	1,054	1,233	1,015	987	(13.6)	(2.8)
Inventory/shipment ratio[2]	33.1	24.4	33.0	25.5	27.8	(0.1)	2.3
Production workers	314	281	271	293	242	(13.7)	(17.4)
Hours worked (1,000s)	668	599	604	168	123	(9.6)	(26.8)
Total compensation paid[3]	6,858	6,766	7,121	1,971	1,538	3.8	(19.7)
Hourly compensation paid	$10.27	$11.30	$11.79	$11.73	$12.50	14.8	6.6
Productivity[5]	6.6	6.5	6.6	7.5	5.6	0.0	(25.3
Unit labor costs[4]	$1.55	$1.73	$1.78	$1.56	$2.25	14.8	44.2
Net sales[3]	37,038	34,440	29,991	7,914	6,053	(19.0)	(23.5)
COGS/sales ratio[2]	69.3	69.8	72.7	71.3	84.5	3.4	13.2
Operating income[3]	4,902	4,217	3,190	1,137	151	(34.9)	(86.7)
Op. income/sales ratio[2]	13.2	12.2	10.6	14.4	2.5	(2.6)	(11.9)

[1] In 1,000 pounds. [2] In percent. [3] In 1,000 dollars. [4] Per pound. [5] Pounds per hour.

Note.--"Percentage changes" of ratios are expressed as percentage point changes.

Source: Compiled from data presented in the body of this report.

APPENDIX B

FEDERAL REGISTER NOTICES

BILLING CODE 7020-02-M

[Investigation Nos. 731-TA-563 and 564 (Preliminary)]

Certain Stainless Steel Butt-Weld Pipe Fittings From Korea and Taiwan

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of preliminary antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation Nos. 731-TA-563 and 564 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b (a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Korea and Taiwan of

certain stainless steel butt-weld pipe fittings, provided for in subheading 7303.23.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. The Commission must complete preliminary antidumping investigations in 45 days, or in this case by July 6, 1992.

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

EFFECTIVE DATE: May 20, 1992.

FOR FURTHER INFORMATION CONTACT: Jeff Doidge (202–205–3183), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on May 20, 1992, by the Flowline Division, Markovitz Enterprises, Inc., New Castle, PA.

Participation in These Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary of the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these preliminary investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on June 11, 1992, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Jeff Doidge (202–205–3183) not later than June 8, 1992, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before June 16, 1992, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to section 207.12 of the Commission's rules.

Issued: May 22, 1992.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 92–12500 Filed 5–27–92; 8:45 am]

BILLING CODE 7020–02–M

DEPARTMENT OF COMMERCE

International Trade Administration

[A-580-813, A-583-816]

Initiation of Antidumping Duty Investigations: Certain Stainless Steel Butt-Weld Pipe Fittings from the Republic of Korea and Taiwan

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

EFFECTIVE DATE: June 15, 1992.

FOR FURTHER INFORMATION CONTACT: Stefanie Amadeo, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone, (202) 377-1174.

INITIATION OF INVESTIGATIONS:

The Petitions

On May 20, 1992, we received petitions filed in proper form by Flowline Division of Markovitz Enterprises, Inc. (petitioner). In accordance with 19 CFR 353.12, the petitioner alleges that certain stainless steel butt-weld pipe fittings (stainless butt-weld pipe fittings) from the Republic of Korea (Korea) and Taiwan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

The petitioner has stated that it has standing to file the petitions because it is an interested party, as defined under section 771(9)(C) of the Act, and because the petitions were filed on behalf of the U.S. industry producing the product subject to these investigations. If any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, wishes to register support for, or opposition to, these petitions, it should file a written notification with the Assistant Secretary for Import Administration.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements are contained in 19 CFR 353.14.

Scope of Investigations

The products subject to these investigations are stainless steel butt-weld pipe fittings, whether finished or unfinished, under 14 inches inside diameter.

Stainless steel butt-weld pipe fittings are used to connect pipe sections in piping systems where conditions require welded connections. The subject merchandise is used where one or more of the following conditions is a factor in designing the piping system: (1) Corrosion of the piping system will occur if material other than stainless steel is used; (2) contamination of the material in the system by the system itself must be prevented; (3) high temperatures are present; (4) extreme low temperatures are present; (5) high pressures are contained within the system.

Stainless steel butt-weld pipe fittings come in a variety of shapes, with the following five shapes the most basic: "elbows", "tees", "reducers", "stub ends", and "caps". The edges of finished fittings are beveled. Threaded, grooved, and bolted fittings are excluded from these investigations. The stainless steel butt-weld pipe fittings subject to these investigations are classifiable under subheading 7307.23.00 of the Harmonized Tariff Schedule of the United States (HTSUS).

Although the HTSUS subheading is provided for convenience and customs purposes, our written description of the scope of these investigations is dispositive.

United States Price and Foreign Market Value

Korea

Petitioner based its estimates of United States price (USP) on quoted prices for stainless steel butt-weld pipe fittings, f.o.b. port of export. Petitioner made no adjustments to USP for movement expenses. No further adjustments were made to the quoted USPs.

Petitioner's estimate of foreign market value (FMV) is based on constructed value (CV) because petitioner was unable to obtain pricing information for the subject merchandise in either the home market or a third country.

The cost of raw materials was based on petitioner's own consumption at prices in Korea reported in a November 1991, antidumping petition filed with the

Department. Petitioner based direct and supervisory labor, natural gas, and electricity expenses on its own usage at wage rates and energy rates in Korea. The cost of utilities other than electricity and natural gas, tools and supplies, direct manufacturing overhead, and packing are based on petitioner's actual experience during 1991.

Pursuant to section 773(e) of the Act, petitioner added the statutory minima of ten percent for general expenses and eight percent for profit to the cost of manufacturing (COM).

Taiwan

Petitioner based its estimates of USP on quoted prices for stainless steel butt-weld fittings, c.i.f. port of U.S. entry. Petitioner deducted foreign inland freight, ocean freight, marine insurance and brokerage charges from the quoted USP. No further adjustments were made to USP.

Petitioner's estimate of FMV is based on CV because petitioner was unable to obtain pricing information for the subject merchandise in either the home market or a third country.

The cost of raw materials was based on petitioner's own consumption at prices in Taiwan reported in a November 1991, antidumping petition filed with the Department. Petitioner based direct and supervisory labor, natural gas, and electricity expenses on its own usage at wage rates and energy rates in Taiwan. The cost of utilities other than electricity and natural gas, tools and supplies, direct manufacturing overhead, and packing are based on petitioner's actual experience during 1991.

Pursuant to section 773(e) of the Act, petitioner added the statutory minima of ten percent for general expenses and eight percent for profit to the COM.

Based on the above information, petitioner alleges dumping margins ranging from 11.6 percent to 21.2 percent for stainless butt-weld fittings from Korea, and 14.5 percent to 76.2 percent for stainless butt-weld fittings from Taiwan.

Petitioner also alleges that "critical circumstances" exist, within the meaning of section 733(e) of the Act, with respect to imports of the subject merchandise from Korea and Taiwan.

Initiation of Investigations

We have examined the petitions on stainless butt-weld fittings from Korea and Taiwan, and have found that the petitions meet the requirements of 19 CFR 353.12. Therefore, we are initiating antidumping duty investigations to determine whether imports of stainless butt-weld fittings from the above-referenced countries are being, or are likely to be, sold in the United States at less than fair value.

ITC Notification

Section 732(d) of the Act requires us to notify the International Trade Commission (ITC) of these actions and we have done so.

Preliminary Determinations by the International Trade Commission

The ITC will determine by July 6, 1992, whether there is a reasonable indication that imports of stainless butt-weld fittings from Korea and/or Taiwan are materially injuring, or threaten material injury to, a U.S. industry. Any ITC determination which is negative will result in the respective investigation being terminated; otherwise, the investigations will proceed to conclusion in accordance with the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act and 19 CFR 353.13(b).

Dated: June 9, 1992.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 92-14022 Filed 6-12-92; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX C

WITNESS LIST

WITNESS LIST

The individual listed below appeared as a witness at the United States International Trade Commission's staff conference:

Subject	:	Certain stainless steel butt-weld pipe fittings from Korea and Taiwan
Invs. Nos.	:	731-TA-563 and 564 (Preliminary)
Date and Time	:	June 11, 1992 - 9:30 a.m.

In Support of Imposition of Antidumping Duties:

Phil Mavrich, President, Flowline Division, Markovitz Enterprises (Flowline), New Castle, PA

APPENDIX D

IMPACT OF IMPORTS OF STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM KOREA AND TAIWAN ON U.S. PRODUCERS' GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL, AND EXISTING DEVELOPMENT EFFORTS

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of stainless steel butt-weld pipe fittings from Korea and Taiwan on their growth, investment, ability to raise capital, or existing development and production efforts (including efforts to develop a derivative or improved version of stainless steel butt-weld pipe fittings). Producers were also asked whether the scale of capital investments undertaken has been influenced by the presence of imports of this product from Korea and Taiwan. Their responses are shown below:

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