

CERTAIN WELDED CARBON STEEL PIPES AND TUBES FROM THE PEOPLE'S REPUBLIC OF CHINA

**Determination of the Commission in
Investigation No. 731-TA-292
(Final) Under the Tariff Act
of 1930, Together With the
Information Obtained in the
Investigation**

USITC PUBLICATION 1885

AUGUST 1986



UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-292 (Final)

CERTAIN WELDED CARBON STEEL PIPES AND TUBES
FROM THE PEOPLE'S REPUBLIC OF CHINA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission unanimously determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from the People's Republic of China of certain welded carbon steel pipes and tubes, 2/ which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective April 28, 1986, following a preliminary determination by the Department of Commerce that imports of certain welded carbon steel pipes and tubes from the People's Republic of China were being sold at LTFV within the meaning of section 731 of

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

2/ For purposes of this investigation, the term "certain welded carbon steel pipes and tubes" covers welded carbon steel pipes and tubes of circular cross section, 0.375 inch or more but not over 16 inches in outside diameter, provided for in items 610.3231, 610.3234, 610.3241, 610.3242, 610.3243, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925 of the Tariff Schedules of the United States (Annotated). These products are commonly referred to in the industry as standard pipes and tubes.

the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of May 14, 1986 (51 F.R. 17682). The hearing was held in Washington, DC, on July 8, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF VICE CHAIRMAN ANNE BRUNSDALE AND COMMISSIONERS
PAULA STERN, ALFRED ECKES, SEELEY LODWICK, AND DAVID ROHR

We determine that an industry in the United States is not materially injured or threatened with material injury, nor is the establishment of an industry materially retarded, 1/ by reason of welded carbon steel standard pipes and tubes (standard pipe) from the People's Republic of China (PRC) that the Department of Commerce has found to be sold at less than fair value (LTFV). 2/

Our determination rests principally on the serious deficiencies of the Chinese pipe and the pervasive failure of the Chinese pipe imports to meet the minimum commercial requirements for standard pipe in the United States. Because of those shortcomings, Chinese pipe does not compete with other imports and with the domestic like product. Therefore, cumulation of imports is inappropriate. Moreover, the data reveal that the poor quality Chinese pipe, which has been imported only in very small quantities, has had no discernible impact on the condition of the domestic standard pipe industry. Finally, because the Chinese producers are not likely to remedy their quality problems and produce a commercially acceptable product within the near future, we find no real and imminent threat of material injury.

Like product/domestic industry

The Commission's first step in an antidumping investigation is to define the domestic industry against which to assess the impact of unfairly traded

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

2/ Chairman Liebler joins her colleagues in this opinion on the questions of the like product and the domestic industry, and condition of the domestic industry. See Additional Views of Chairman Liebler, infra, at page 17.

imports. 3/ The imported pipe and tube products that are the subject of this investigation are circular welded carbon steel pipes and tubes 0.375 inch or more but not over 16 inches in outside diameter — commonly referred to by the industry as standard pipes and tubes. 4/

Standard pipes and tubes have been the subject of many Commission investigations. 5/ The Commission has consistently found the like product for imported standard pipe to be domestic standard pipe of not more than 16 inches outside diameter and the domestic industry to consist of the producers of standard pipe. 6/ This definition has been adhered to in all recent

3/ Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "[t]he 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." 19 U.S.C. § 1677(4)(A). "Like product" is defined in section 771(10) as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" 19 U.S.C. § 1677(10).

4/ 51 Fed. Reg. 3,272 (Jan. 24, 1986).

5/ Since the first of 1985, the Commission has concluded 5 final and 11 preliminary investigations: Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan and Turkey, Invs. Nos. 731-TA-271-273 (Final), USITC Pub. 1839 (Apr. 1986) ("India, Taiwan and Turkey"); Certain Welded Carbon Steel Pipes and Tubes from Turkey and Thailand, Invs. Nos. 701-TA-253 and 731-TA-252 (Final), USITC Pub. 1810 (Feb. 1986) ("Turkey and Thailand"); Certain Welded Carbon Steel Pipes and Tubes from the People's Republic of China, the Philippines, and Singapore, Invs. Nos. 731-TA-292-294 (Preliminary), USITC Pub. 1796 (Dec. 1985) ("PRC, the Philippines, and Singapore"); Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, Turkey, and Yugoslavia, Invs. Nos. 701-TA-251-253 and 731-TA-271-274 (Preliminary), USITC Pub. 1742 (Aug. 1985) ("India, Taiwan, Turkey, and Yugoslavia"); Certain Welded Carbon Steel Pipes and Tubes from Thailand and Venezuela, Invs. Nos. 701-TA-242 and 731-TA-252-253 (Preliminary), USITC Pub. 1680 (Apr. 1985) ("Thailand and Venezuela"); and Certain Welded Carbon Steel Pipes and Tubes from Taiwan and Venezuela, Invs. Nos. 731-TA-211-212 (Preliminary), USITC Pub. 1639 (Feb. 1985).

6/ India, Taiwan and Turkey, supra, at 6.

investigations, including the preliminary investigation in this case. 7/

The parties in this investigation have not questioned the appropriateness of the definitions and no new information has been revealed to warrant any changes in them. 8/ Therefore, we adopt the prior definitions of the like product and the domestic industry. 9/

Condition of the domestic industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 10/ In this investigation, the Commission reviewed information for the period January 1983 through March 1986, as well as data for shipments of Chinese pipe that entered the United States in April-May 1986. 11/

As noted in the Commission's most recent investigation of this industry, "the domestic standard pipe industry demonstrated reasonable performance through 1981 but suffered serious setbacks in 1982 in terms of almost all

7/ For the views of Chairman Liebelier and Vice Chairman Brunsdale on the definition of the domestic industry producing standard pipes and tubes, see India, Taiwan, and Turkey, supra, at 34-39 (Views of Vice Chairman Liebelier and Commissioner Brunsdale). To the extent that the data for standard pipes and tubes are used rather than data on both standard and line together, the petitioners benefit.

8/ Transcript of the conference, July 8, 1986 (Tr.) at 40. See Tr. at 68.

9/ We note that the product under investigation is determined by the Department of Commerce. In this case, the parties in opposition to the petition (respondents) argued that standard pipe was not the proper imported product, because of defects in the imports, and further argued that the proper imported product to consider, at least in part, is steel scrap. Commerce rejected the argument on the ground that "both the sales contract and the invoice described the subject merchandise as conforming to ASTM-120 specifications." 51 Fed. Reg. 25078 (July 10, 1986).

10/ 19 U.S.C. § 1677(7)(C)(iii).

11/ The data for the present investigation cover the January-March 1986 period, for which data were not available to the Commission in our most recent investigation of the standard pipe industry. India, Taiwan, and Turkey, supra.

significant economic indicators." 12/ Thereafter, there was general improvement in most of the indicators, although some downturns occurred in 1985. 13/ Domestic production, shipments, capacity utilization, and labor productivity all increased through 1985, but key financial indicators remained quite weak. There were net operating losses in 1983 and 1984, and net operating income in 1985 was only 1.2 percent of net sales. That year, three firms reported operating losses, the same number as in 1983. 14/

Data for the January-March 1986 interim period, however, show improvement when compared to the same period of 1985. Although apparent domestic consumption decreased in interim 1986 as compared to interim 1985, domestic production increased 33.5 percent and domestic capacity utilization increased from 50 to 67 percent. 15/ Domestic shipments increased by 19 percent 16/ and accounted for 37 percent of apparent domestic consumption during interim 1986, up from 30 percent during interim 1985. 17/

The number of production and related workers, the hours they worked, their hourly wages, and the total wages paid to them all increased in interim 1986 when compared to interim 1985. Labor productivity, however, declined 3 percent and unit labor cost per ton increased 16 percent when the same periods are compared. 18/

The financial performance of the domestic industry improved in interim

12/ India, Taiwan, and Turkey, at 7-8.

13/ Id. at 7-9.

14/ Id. at 8-9; Report of the Commission (Report) at table a-9.

15/ Report at tables a-4 and a-5.

16/ Id. at table a-6.

17/ Id. at table a-4.

18/ Id. at table a-7.

1986 as compared to interim 1985. Net sales, gross profit, and operating income increased substantially. 19/ Operating income as a percentage of net sales reached 5.5 percent in the period compared to 4.3 percent for the same period of 1985, although the number of firms reporting losses remained constant. 20/

As we have observed in other steel cases, the fact that this industry as a whole shows some improvement does not provide a complete picture. Separate analysis of the data for integrated and nonintegrated producers reveals continued disparity in their financial performances. The latter have experienced some improvement in their net sales and operating income, while the former continue to struggle. 21/

Notwithstanding the improvement in the condition of the industry as a whole during the first quarter of this year, one quarter of improved performance is not sufficient to indicate the economic recovery of this long-depressed industry. 22/ 23/ 24/

19/ Id. at table a-9.

20/ Id.

21/ Id. at table a-10.

22/ Chairman Liebler and Vice Chairman Brunsdale find that the domestic industry is neither materially injured nor threatened with material injury. See India, Taiwan, and Turkey, supra, at 39-46 (Views of Vice Chairman Liebler and Commissioner Brunsdale). However, since we conclude that there is no connection between the subject imports and the condition of the domestic industry, we will assume that the domestic industry is materially injured when we assess causation. For the views of Chairman Liebler on causation, see Additional views of Chairman Liebler, infra, at 17; for the views of Vice Chairman Brunsdale, see discussion, infra.

23/ Commissioner Eckes concludes that the domestic industry is materially injured.

24/ Petitioners argue that first quarter 1986 data present an unusual picture and that the factors which led to the relatively strong performance during that quarter did not continue during the second quarter. They state that second quarter data will show significant downturns. Petitioners' Prehearing Brief at 4.

Cumulation 25/

The Commission is directed to cumulatively assess the volume and effect of imports subject to investigation if the imports: (1) compete with other imports and with the domestic like products; (2) are marketed within a reasonably coincidental period; and (3) are subject to investigation. 26/

Petitioners urge us to cumulate the imports from the PRC with imports of LTFV or allegedly LTFV standard pipe from Singapore, the Philippines, India, Turkey, and Thailand. 27/ Respondents oppose any cumulation on the ground, inter alia, that imports from the PRC do not compete with other imports and with the domestic like product because of quality deficiencies. We find

25/ In the preliminary investigation, we cumulated standard pipe imports from the PRC with imports from the Philippines, Singapore, India, Turkey, Yugoslavia, and Thailand. People's Republic of China, the Philippines, and Singapore, supra, at 12. Our conclusion was based, primarily, on the lack of information on which to assess competition between the Chinese imports and other imports, and between the Chinese imports and the like product. Those data deficiencies have been remedied in this final investigation.

26/ 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. 1156, 98th Cong., 2nd Sess. 173 (1984).

27/ Petitioners' Prehearing Brief at 8. The imports from Singapore and the Philippines were subject to preliminary affirmative determinations at Commerce and the Commission, and are now undergoing final investigations at both agencies. Imports from three other countries are subject to outstanding antidumping orders with effective dates as follows: Thailand (March 11, 1986); India (May 12, 1986); and Turkey (May 15, 1986).

respondents' argument persuasive on the facts of this case. 28/ 29/

The record indicates pervasive quality problems on each shipment of Chinese pipe that has entered the United States to date. The pipe, for one or more reasons in each case, has been grossly substandard; most of it has not conformed to ASTM specifications, the standard generally used in the United States for standard pipe. 30/ 31/ There have been very few importations of Chinese pipe, two of which were discussed at the Commission hearing.

Approximately 20 percent of the first shipment was black pipe and the

28/ Apparently in recognition of the problems with the quality of imports, petitioners urge us to cumulate the purchase orders at the time of the sale ("sales for importation") and not the imports at the time of actual entry into the United States. They assert that the orders for Chinese pipe were for articles that conformed to ASTM specifications. They further assert that injury occurs to the domestic industry at the time a purchase order is placed, which, in the case of these imports, was when the orders for importation were placed. See Offshore Platform Jackets and Piles from the Republic of Korea and Japan (Jackets and Piles), Invs. Nos. 701-TA-448 (Final) and 731-TA-259 and 260 (Final), USITC Pub. 1848 at 12 and n. 29 (May 19, 1986).

Although we believe that it is appropriate to cumulatively assess the impact of orders for importation in certain circumstances, such as illustrated in Jackets and Piles, supra, where the point of competition was in the bidding process, the facts of this investigation do not support the inference that competition occurred at the time that orders for importation were placed.

29/ Vice Chairman Brunsdale does not find this case analogous to Offshore Platform Jackets, supra. Platform jackets and piles are built to individual specifications only after a contract is awarded following a competitive bidding process. Thus, the competition for a contract to construct an offshore platform occurs before, and ceases at the point that, the contract is awarded. In contrast, the relationship between the producer of pipe and tube and the purchaser is a continuous one. The purchaser will continue to buy from the producer as long as he is satisfied with the product. Thus, with pipe and tube, competition does not occur at a single point in time, but over time. Consequently, it would be inappropriate to cumulate PRC imports with other imports solely on the basis that these imports competed at the time the first orders for PRC pipe was placed.

30/ Tr. at 7.

31/ Unfortunately, most of the data regarding the Chinese pipe imports and the defects and the deviations from ASTM specifications are confidential. Accordingly, our discussion must be in general terms and, when specific, limited to those matters publicly disclosed by the parties in their submissions to the Commission and at the Commission's hearing.

galvanized pipe. 32/ The black pipe was badly rusted and had to be sold for scrap, 33/ while the galvanized pipe had to be stripped and regalvanized. 34/ None of the pipe in that shipment met ASTM specifications. 35/ A marine surveyor reported that most of the damage to both kinds of pipe resulted from improper manufacturing and the remainder from shipping. 36/ The second shipment discussed on the public record was imported in April 1986, and none of the pipe in that shipment met ASTM specifications. 37/ Because all the data on the other shipments of Chinese pipe are confidential, we can here state only that each shipment included pipe that showed substantial deficiencies. 38/ In this investigation and in prior investigations, the petitioners have told us that imports of substandard pipe do not compete with the domestic like product. 39/

Therefore, because of the pervasive defects of the imported Chinese pipe, they do not compete either with other imports or with the domestic like product. Accordingly, one of the three criteria for cumulation is not satisfied in this instance, and we must decline to cumulate imports from the

32/ Tr. at 49.

33/ Id. at 48-49.

34/ Id. at 27, 48.

35/ Id.

36/ Respondents' prehearing brief at Appendix A. See also Tr. at 49-50.

37/ Tr. at 50, 56-57; Respondents' Prehearing Brief at Appendix B. Although the transcript of the hearing refers to a marine surveyor's report on this shipment, the report is applicable to a different shipment.

38/ Because of confidentiality, we cannot state whether all or only a significant portion of each such shipment was defective. Details of the shipments are contained in the following confidential record sources: Staff report at a-28, a-30, and a-34; GC-J-134 (Aug. 8, 1986), factual addendum; EC-J-305; staff telephone and field trip notes.

39/ Transcript of the conference, Dec. 6, 1985 (C.Tr.), at 53. See C.Tr. at 46, 51-52, and Tr. at 48.

PRC with other imports subject to investigation. 40/

No material injury by reason of LTFV imports from the PRC

In determining whether material injury exists by reason of the subject imports, the Commission is required to consider a number of factors including the volume of imports of the merchandise under investigation, the effect of such imports on domestic prices, and the impact of such imports on the domestic industry. 41/ An evaluation of these factors includes a consideration of (1) whether the volume of imports or any increase in volume is significant, (2) whether there has been significant price undercutting by the imported products, and (3) whether imports have otherwise depressed prices to a significant degree or prevented price increases. 42/ We conclude, based on the available data, that the domestic industry is not being materially injured by reason of dumped imports from the PRC.

The first importation of Chinese pipe, 813 tons, occurred in 1985. That quantity amounted to slightly more than 1/20 of 1 percent of total standard pipe imports in 1985 and slightly more than 3/100 of 1 percent of apparent

40/ Commissioner Stern notes that an interesting contrast in the role of quality can be drawn between the current investigation and the recent investigation of candles from the PRC. Candles from the People's Republic of China, Inv. No. 731-TA-282 (Final), USITC Pub. 1888 (Aug. 1986). In Candles, there were quality differences between the domestic and the imported product. In large part because candles are a consumer good without rigid buyer specifications, such quality differences were not so critical and pervasive as to eliminate effective competition between the domestic and the imported product. See Candles, *supra*, at 16 n. 59.

41/ 19 U.S.C. § 1677(7)(B).

42/ 19 U.S.C. § 1677(7)(C).

domestic consumption. 43/ In 1986, 96 tons entered in January-March period and 465 tons in April and May. 44/ Whether measured in either absolute or relative terms, these quantities are insignificant.

These PRC imports have had no demonstrable effect on the condition of the domestic industry. There is no information on record that they caused any domestic producer to lower prices or to change its selling terms. There is no evidence of sales lost to the Chinese imports. 45/ 46/ Finally, as noted above, the imports have not met ASTM specifications for standard pipe, and cannot replace the domestic like product in situations where pipe "to standard" is required, so that price differences between the PRC imports and the domestic product have little meaning. The lack of impact on the domestic industry is borne out by the fact that the shipments of Chinese pipe may all be described, as they were by petitioners at the hearing, as "trial shipments." 47/ 48/

43/ Report at tables a-4 and a-11.

44/ Id. at a-23.

45/ Petitioners have alleged a lost sale of approximately 3,000 tons in November 1985 when a sale was allegedly cancelled when the purchaser decided to purchase that quantity of Chinese pipe. Tr. at 19. The Commission investigated this allegation and found it not to be accurate, for reasons which may not be discussed on the public record. See staff telephone conversation notes of August 12, 1986, inter alia.

46/ We also note that one domestic producer made numerous allegations of sales lost to imports from the PRC, the Philippines, and Singapore. However, these allegations involved the same transactions that this same firm alleged were lost to other imports during the recent investigation on standard pipe from India and Turkey. The allegations are simply not confirmed by the detailed information of record regarding the Chinese imports. Report a-29.

47/ Tr. at 28. Petitioners have argued in prior investigations that new entrants to the market must prove their ability to supply a quality product by supplying trial shipments and, until that fact is shown, they must sell at a lower price to attract buyers and market share.

48/ The Commission has declined to find material injury by reason of imports when the imports were obviously trial shipments. Thailand and Venezuela, supra. As in Thailand and Venezuela, however, where the imports were of acceptable quality and the other criteria were met, the Commission found a threat of material injury. Id.

Therefore, we find no material injury to the domestic standard pipe industry by reason of the subject imports.

No threat of material injury by reason of imports from the PRC

In examining threat of material injury, we are directed to consider, inter alia, any increase in foreign productive capacity or existing unused capacity likely to result in a significant increase in imports to the United States, any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level, the probability that imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices, any substantial increase in inventories in the United States, and the potential for product-shifting. 49/ A finding of threat of material injury must be based on "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." 50/

Estimates of Chinese productive capacity and capacity utilization were in the same general range for the period 1983 through January-June 1986. 51/ The bulk of production is destined for the domestic market with exports taking a small and declining percentage of total production. 52/ The PRC is a net importer of standard pipe and tube, and the volume of its imports far exceeds the volume of exports. 53/ There is no information of record that the Chinese are currently increasing productive capacity for standard pipe or that they intend to increase such capacity.

49/ 19 U.S.C. 1677(7)(F)(i).

50/ 19 U.S.C. § 1677(7)(F)(ii).

51/ Report at table a-2.

52/ Id.

53/ Id. at a-7; C.Tr. at 32.

Respondents have stated that they "are interested in exporting to the United States market." 54/ An important question regarding threat of material injury is whether the PRC will be able to produce and export to the United States standard pipe that meets ASTM specifications in the near future. As expected, the parties have divergent views on the issue.

Petitioners have asserted that the Chinese are currently able to meet ASTM specifications and, therefore, can meet the ASTM standards at any time in the future. 55/ On the other hand there is a statement from an individual knowledgeable in the domestic pipe industry that, based on the condition of some of the Chinese pipe imported to date and on conversations with producers from the PRC, the Chinese industry could not be a reliable and significant factor in the market for at least two years. 56/ An importer has indicated some interest in working with Chinese producers to overcome the quality problems but anticipates the production changes necessary to remedy the problems will take "some time." 57/

54/ Tr. at 52.

55/ They argue that a representative of one of the domestic producers visited China within the last several years and found it capable of producing to specifications. Petitioners' prehearing brief at 11. The individual, however, has not been identified by name or credentials and was not a witness at the hearing. Regardless of the accuracy of his observations at the time of his visit to the PRC, the overwhelming evidence of record in this proceeding is that the Chinese producers have not exported to the United States standard pipe that complies with ASTM specifications.

Petitioners also argue that an order for 3,000 tons of Chinese pipe was cancelled because of the existence of this proceeding, not for failure to meet ASTM specifications, evidencing ability to produce to specifications. Petitioners' prehearing brief at 6. The record shows that, although the subject order was cancelled just after institution of this proceeding, that coincided with receipt of a prior shipment of standard pipe from the PRC, which shipment was defective in various ways. After receiving that defective shipment — characterized by respondents as "junk" (Tr. at 55) — the importer terminated the contract because it "wanted no more of this stuff." Id.

56/ EC-J-305.

57/ Staff field trip notes.

Petitioners have argued that there are standard pipe exports to Hong Kong and to Australia which conform to British standard specifications. They further argue that if the PRC can produce to British standard specifications, they can produce to ASTM specifications. At the hearing, respondents conceded that there are exports to Hong Kong and stated that there were no quality problems. 58/ They did not know about Australia. However, later submissions by respondents stated that exports to Australia are experiencing the same quality problems as experienced in the United States. 59/ 60/

Whether or not the Chinese exports have complied with the British standard specifications does not imply their ability to meet U.S. standards or commercial requirements. 61/

In short, the evidence is inadequate to substantiate an inference that commercially acceptable standard pipe will be produced in China and exported to the United States within the near future. Imports of such pipe are not "real and imminent." Accordingly, we find that there is no threat of material injury to the domestic standard pipe industry by reason of the LTFV imports of standard pipe from the People's Republic of China.

58/ Tr. at 71.

59/ Respondents' submission of July 29, 1986.

60/ We note that at the hearing, we requested petitioners to present information regarding the quality of exports to Australia. In response, we have received a copy of a telex that lists the quantities of imports and British standard specifications. Unfortunately, we cannot determine from the telex whether the imports to Australia actually complied with the specifications or whether these were the specifications ordered from the Chinese mills. In any event, the telex simply does not address the crucial question of quality, and we have been given no reason for this. Accordingly, we cannot conclude from the telex that the imports to Australia were up to specifications.

61/ The British standard specifications for standard pipe are, in general, less stringent than the ASTM specifications. Although certain standard pipe that meets the British standard might satisfy certain ASTM standards for pipe of equal diameter, other standards fall short of the ASTM specifications due to insufficient wall thickness and low weight. This is particularly true of pipe over one inch outside diameter where the British standard wall thickness and weight fall considerably below ASTM specifications. Report at a-23. ¹⁵

ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Pipes and Tubes from The People's Republic of China

731-TA-292 (Final)

I determine that an industry in the United States is not materially injured or threatened with material

¹
injury by reason of imports of welded carbon steel standard pipes and tubes (standard pipe) from the People's Republic of China (PRC) sold at less-than-fair-value in the United States. I join in the majority's definitions of the like product and condition of the domestic industry.

Rebuttable Presumption

In a final Title VII investigation the Commission must determine whether a domestic industry is materially injured or threatened with material injury by reason of the subsidized or dumped imports.² Title VII directs the Commission to consider among other factors the volume of imports, their effect on prices, and their impact on prices, and their impact on domestic producers of like products. In evaluating the volume of imports, Congress

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As there is an established domestic industry, "material retardation" was not raised as an issue in this investigation and will not be discussed further.

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19 U.S.C. 1671, 1673 (1982).

has directed the Commission to consider "whether the volume of imports of the merchandise, or any increase in that volume, either in absolute or relative terms to production or consumption in the United States is

significant".³ To give effect to this provision, I employ a rebuttable presumption that an import penetration ratio, after cumulating imports as required, of less than 2.5 percent of apparent United States consumption is too small to be a cause of material injury and that any increase in the import penetration to less than 2.5 percent is too small to constitute a threat of material injury. This presumption can be rebutted by showing that both demand and supply are inelastic.

There are two reasons for setting the threshold at 2.5 percent: first, because it is small and therefore unlikely to have more than an inconsequential or insubstantial adverse impact on the domestic industry; and, second, because such market share is very likely to signify a competitive process and to reflect only dumping or subsidization in a "technical" sense. These justifications will be discussed below.

Whenever a foreign producer exports products to the United States it harms the domestic industry that competes

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19 U.S.C. 1677(7)(C)(i) (1982).

in that market. An increase in supply, ceteris paribus, results in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a finding by the Department of Commerce of dumping or subsidy were all that were required for an affirmative determination, there would be no need to inquire further into the question of causation.

Congress, however, has stated that the mere presence of less-than-fair-value imports is not sufficient to

⁴ establish causation. Thus the inquiry into causation must proceed. The Senate Finance Committee instructed the Commission to search for a causal link:

While injury caused by unfair competition, such as less-than-fair-value imports, does not require as strong a causation link to imports as would be required in determining the existence of injury under fair trade import relief laws, the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury. The determination of the ITC with respect to causation is, under current law, and will be under section 735, complex and difficult,⁵ and is a matter for the judgment of the ITC.

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"[T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports." Report on the Trade Agreements Act of 1979, Senate Finance Committee, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

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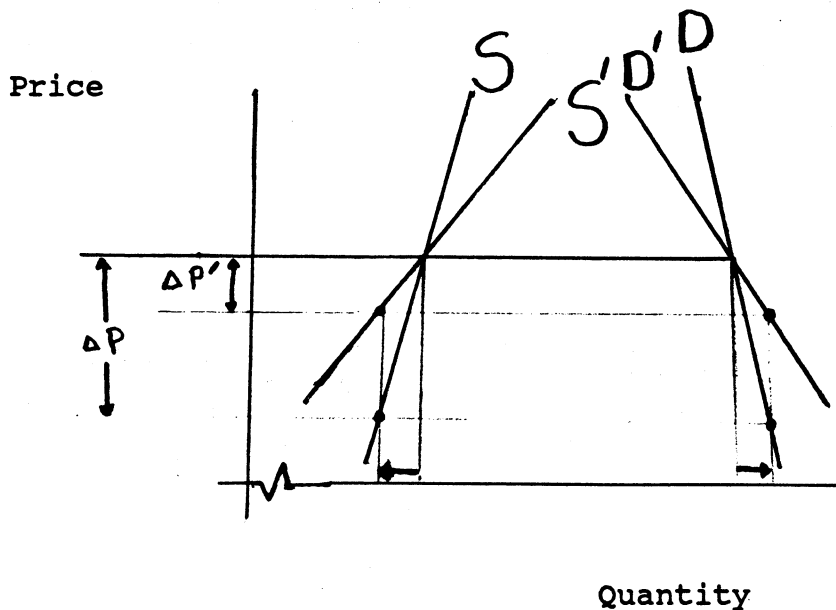
Id.

This "complex and difficult" judgment begins with an examination of the import penetration ratio. There must be some import penetration level which is so small that it cannot result in material injury.

The less elastic an industry supply and demand are, the greater the effect a given import penetration will have on the domestic industry. The more inelastic the demand and supply curves, the greater will be the effect on price of a given change in imports. The following example is provided as an illustration.

If the domestic market for standard pipe were like S and D depicted in Figure I (below), imports could have a material effect on the domestic industry. A relatively small increase in supply could result in a precipitous fall in price.

Figure I



However, in the more general case, where supply and demand are somewhat more elastic, as in S' and D' (above), a 2.5 percent import penetration ratio could not have enough of an effect on price to result in material injury or threat thereof. A small change in supply, ceteris paribus, results in an inconsequential drop in price.⁶

Therefore, in the absence of a showing that the domestic supply and demand curves are highly inelastic, I presume that a 2.5 percent import penetration ratio cannot result in material injury.

A second reason for using this de minimus threshold rests on the legislative history of "technical dumping".⁷

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Note also that, under the elastic demand and supply scenario, if the unfairly traded goods were removed from the market entirely, the shift in the supply curve would have an inconsequential effect on price.

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The Senate Finance Committee stated:

(1) Technical dumping. The concept, underlying a number of International Trade (Tariff) Commission determinations, is wholly consistent with the basic philosophy and purpose of the Antidumping Act. This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. As is explained below, this distinction is of importance in the context of recent suggestions that the Antidumping Act should not be applied to imports of articles in short supply.

(Footnote continued on next page)

Import penetration ratios of 2.5 percent or less are more likely to represent technical dumping. In enacting

(Footnote continued from previous page)

Conceptually, the Antidumping Act is not directed toward forcing foreign suppliers to sell in the U.S. market at the same prices that they sell at in their home markets. Rather the Act is primarily concerned with the situations in which the margin of dumping contributes to underselling the U.S. product in the domestic market, resulting in injury or likelihood of injury to a domestic industry. Such injury may be manifested by such indicators as suppression or depression of prices, loss of customers, and penetration of the U.S. market. When clear indication of injury, or likelihood of injury, exists there would be reason for making an affirmative determination. The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.

On the other hand, the Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price. Such so-called 'technical dumping' is not anti-competitive, hence not unfair; it is procompetitive in effect. The Commission has recognized the concept of technical dumping and in a number of cases has made a negative determination in the circumstances of such dumping. It is to be noted that in the usual short supply situation or inflationary period, imports--regardless of home market price--would normally be sold to the domestic market at a price no lower than the prevailing U.S. market price, thus indicating that when dumping exists in such situations, it is likely to be a case of technical dumping in which there is not likely to be injury to a domestic industry. In other words, importers as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear. But if there is a margin of dumping in a tight supply situation, it may be due to technical reasons, which would not be injurious to domestic industries.

Report on the Trade Reform Act of 1974, Sen. Fin. Com., S. Rep. No. 1298, 93d Cong. 2d Sess. 179 (1979) (emphasis added).

Because of the virtually identical language of countervailing and antidumping duty provisions of the Tariff Act of 1930, 19 U.S.C. Sec. 1671, 1673 (1982), logic compels me to extend the reasoning embodied in this "technical dumping" analysis to subsidy cases.

the fair trade laws, Congress was not concerned with imports that were simply priced at the level necessary to enable the producer to sell his product.

Rather, Congress focused on plans by "foreign suppliers [to use] unfair price discriminative practices to the detriment of a United States industry".⁸

In a typical case, the Commission is confronted with a factual melange from which it must discern an underlying story that explains the facts. The staff report contains information on: (1) the financial condition of the domestic industry; (2) the prices of the domestic and imported products; and (3) the volume and market share of the imported product.

How much reliability should we attach to the data? Volume and market share are the most reliable data. They are generated by third parties and easily verified. In contrast, profit data are generated by the parties themselves and because they are frequently provided on a product-specific basis require subjective cost

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Id.

allocations. Such data are difficult to verify. Price data are also provided by the parties and are usually not verified beyond telephone confirmations.

Moreover, price data may reflect a variety of phenomena. First, the suppliers may not be selling a homogeneous product. If the products are not identical, there is no reason to believe that they will sell at the

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same price.

Second, because of: (a) a lack of homogeneity of the product; (b) the fact that the contracts for sale are not included on a public anonymous market; and (c) possible

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Commission opinions have traditionally found technical dumping only when no underselling has been found or, in cases when underselling has been found, when such underselling has been deemed "commercially insignificant". In the situation where the products under investigation are identical in every characteristic, this analysis would be correct. Seldom, if ever, will the Commission be dealing with such a product market. Even when dealing with products such as wheat, a homogeneous product by most standards, one might find that imports were underselling (overselling) the domestic product if certain characteristics in the product not inherent to the product, e.g. certainty of delivery, lead time, risk of loss, were worse (better) than those offered by domestic producers. Thus the price "needed to make the product competitive in the U.S. market" could be lower or higher than the price charged by domestic producers. Commission decisions have frequently neglected the impact on prices of characteristics, thereby under or overstating price differentials. Further, when dealing with heterogeneous products, the problems with straightforward price comparisons are compounded inordinately for obvious reasons.

antitrust concerns, suppliers may be unaware of the exact price at which other suppliers are concluding contracts. Third, there may be inaccuracies in the data which the Commission receives. Finally, there is at least the theoretical possibility that a supplier, although selling a product identical to his competitors, and fully aware of the market price of that product, is attempting to undersell them in order to damage their businesses. Such behavior is something akin to predatory pricing. Determining the likelihood that any one of these explanations underlies the facts is the task of the Commission in deciding the cases before it. At first it might seem that the question whether the importer is simply trying to meet the competition or, alternatively is seeking to under price the competition, could best be

resolved by examining price data.¹⁰ However, there is no plausible way to separate and distinguish the possible explanations on the basis of price data. As explained above, price data are necessarily unreliable and incomplete. Fortunately, there is an alternative way of approaching the question.

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In analyzing predation, price data are primarily relevant because of their relationship to marginal cost. Because of the unavailability of marginal cost data, price data alone are not meaningful.

In most cases, unfair price discrimination by a competitor would be irrational. An examination of the soybean farming industry illustrates the point. One of the reasons that it would be irrational for a soybean producer to undersell the market and thereby attempt to drive out his competition is that he could never hope to grow large enough (relative to the size of the market) to raise his price above the market price by dint of his now greater market power. Similarly, in the various markets which we examine, it is reasonable to conclude that unless a foreign firm has a fairly large market share, it cannot hope that by charging less than the market price it can drive out competitors and thereby gain the necessary market power to be able to charge more than the competitive price. I have chosen a conservative market share of less than 2.5 percent as inconsistent with even the most optimistic rational expectation of gaining an advantage by selling at less than the market price.

It has been suggested that the Commission does not have the power to adopt a rebuttable de minimus standard. I believe this to be incorrect. Congress chose not to determine cases itself. Instead it delegated this power to the Commission. Congress' mandate provides very broad

discretion to the Commission and very limited specific instruction on how the ITC is to conduct and decide the

11 cases before it. Moreover, the use of a de minimus standard is common in the law, and although it was not specifically mandated by Congress, neither was it precluded by our enabling statute or legislative history. Congress may be presumed to have left the use of such administrative tools to the discretion of the Commission.

In adopting this de minimus threshold, I am aware that Congress indicated that no absolute volume of imports should be considered dispositive of the issue of whether there has been material injury or threat thereof by reason
12 of imports. The 2.5 percent threshold is not based on

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Congress' attention to the cumulation issue in its 1984 revision of the statute gives further support to the use of a de minimus standard. Congress' mandating cumulation in certain cases demonstrated a sensitivity to the issue of import penetration. It was precisely because Congress was aware that certain levels of imports were insufficient to satisfy the causation standard that Congress required a summation of imports across nations in certain cases.

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The Senate Report to the 1979 Act states:

"It is expected in its investigation that the Commission will continue to focus on the conditions of trade, competition and development of the industry concerned. For one industry, an apparently small volume of imports may have a significant impact on the market; for another, the same import

(Footnote continued on next page)

the absolute volume of imports but rather on relative market share.

Cumulation

Petitioners urge us to cumulate the imports from the PRC with imports standard pipe from Singapore, the

Philippines, India, Turkey, and Thailand.

On October 30, 1984, the Trade and Tariff Act of 1984 (1984 Act) went into effect. The 1984 Act makes several changes in the provisions of Title VII of the Tariff Act of 1930, including the addition of specific provisions on cumulation.

Section 612(a)(2)(a) of the 1984 Act amended Title VII by adding a subsection at the end of subparagraph C, section 771(7)(C)(iv):

(iv) Cumulation-For purposes of clauses (i) and (ii), the Commission shall cumulatively

(Footnote continued from previous page)
 volume might not be significant."
 S. Rep. 249, 96th Cong. 1st Sess. 88 (1979).

13

Petitioners' Prehearing Brief at 8. The imports from Singapore and the Philippines were subject to preliminary affirmative determinations at the Department of Commerce and at the Commission, and are now undergoing final investigations at both agencies. Imports from three other countries are subject to outstanding anti-dumping orders with effective dates as follows: Thailand (March 11, 1986); India (May 12, 1986); and Turkey (May 15, 1986).

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 States

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market.

In the instant investigation the paramount question is whether imports currently under investigation are to be cumulated with imports from countries which are currently subject to outstanding antidumping duty orders. I believe the answer to that question is in the negative.

Specifically Title VII as currently drafted does not permit imports from countries subject to an outstanding countervailing duty order to be cumulated with imports from countries which are currently under investigation.

The language of the cumulation provision of the 1984 Act prevents the cumulation of imports from countries subject to an outstanding antidumping duty order with the imports from countries that are currently the subject of investigation. The language of the 1984 Act refers to "imports from two or more countries of like products

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subject to investigation" The plain meaning of the statute would limit its application to instances where the

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19 U.S.C. Sec 1677 (7) (c) (iv) (Supp. 1985).

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19 U.S.C. Sec. 1677(7) (c) (iv) (1985 Supp.) (emphasis added).

products are from countries that are currently the subject of an investigation. Congress has emphasized its intention not to weaken the 'subject to investigation' phrase when it stated in the Conference Report Accompanying the 1984 Act:

The provision requires cumulation of imports from various countries that each account individually for a small percentage of total market penetration but when combined may cause material injury. The conferees do intend, however, that the marketing of imports that are accumulated (sic) be reasonably coincident. Of course imports of like products from countries not subject to investigation¹⁶
would not be included in the cumulation.

In addition, it would be contrary to the injury requirement in Title VII to cumulate products from countries subject to a final countervailing duty or antidumping duty order with imports from countries that are currently under investigation. The purpose of the investigation undertaken by the Commission is to determine whether the imports from the countries under investigation are causing or threatening to cause material injury to the domestic industry. Whatever injury was caused or was

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H.R. Rep. No. 1156, 98th Cong., 2d Sess. 173 (1984) (emphasis added).

threatened by imports of the like product from countries that are now subject to a final order have been remedied by that order. Thus, it makes no sense to cumulate imports subject to a final order with those from countries under investigation. Therefore, I decline to cumulate imports from countries that are subject to a final order with imports that are the subject of a preliminary investigation. This leaves only the Phillipines and Singapore as candidates for cumulation.

The first shipment of standard pipe from the PRC arrived in the United States in 1985. The share of domestic consumption supplied by standard pipe from the

PRC reached .03 percent in that year.¹⁷ Even if it is assumed arguendo that the PRC imports do compete with the domestic and imported pipe, and hence should be cumulated with the imports from the Philippines and Singapore, the cumulated market share of the imports is still less than one percent in 1985.¹⁸

The record does not reveal any characteristic of the domestic market for standard pipe, such as highly inelastic supply and demand curves, that suggest that a

17
Report at a-11 and a-24.

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Id.

relatively small level of imports could result in any material injury or threat of material injury. In the absence of such factors, I presume that an import penetration ratio of less than 2.5 percent is too small to support a finding of a reasonable indication of material injury or threat thereof by reason of the imports under

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investigation.

Conclusion

I conclude that the domestic industry is neither materially injured nor threatened with material injury by reason of imports of subsidized or LTFV standard pipe from the People's Republic of China.

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See Certain Carbon Steel Products from Czechoslovakia, East Germany, Finland, Hungary, Norway, Poland, Romania, Sweden, and Venezuela, Inv. Nos. 701-TA-225-234, 731-TA-213-217, 219, 221-26. and 228-235 (P), (Views of Vice Chairman Liebler) at 50-52 (discussion of this presumption).

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

As a result of a preliminary determination by the U.S. Department of Commerce that imports of standard pipes and tubes 1/ from the People's Republic of China (China) are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective April 28, 1986, instituted investigation No. 731-TA-292 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports. On July 10, 1986, Commerce published notice in the Federal Register (51 F.R. 25078) of its final determination that certain small diameter welded carbon steel pipes and tubes from the People's Republic of China are being sold in the United States at LTFV. 2/ The Commission voted on this investigation on August 13, 1986, and transmitted its determination to the Department of Commerce on August 25, 1986.

Notice of the institution of the Commission's investigation and of a public hearing to be held in connection with the investigation was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of May 14, 1986 (51 F.R. 17682). 3/ The hearing was held in the Commission's hearing room on July 8, 1986, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 4/

Background

This investigation results from a petition filed on November 13, 1985, by counsel for the Committee on Pipe & Tube Imports (CPTI) 5/ and the individual members of the CPTI. 6/ In response to that petition, the Commission

1/ For purposes of this investigation, the term "standard pipes and tubes" refers to welded carbon steel pipes and tubes of circular cross section, 0.375 inch or more but not over 16 inches in outside diameter, provided for in items 610.3231, 610.3234, 610.3241, 610.3242, 610.3243, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925 of the Tariff Schedules of the United States Annotated (TSUSA) (items 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247 prior to Apr. 1, 1984).

2/ A copy of Commerce's final determination is presented in app. A.

3/ A copy of the Commission's notice is presented in app. B.

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

5/ The CPTI is a nonprofit trade association headquartered in Washington, DC. As of the filing of this petition, the CPTI had 41 member producers.

6/ The CPTI is divided into subcommittees, including one for standard pipes and tubes. The 12 members of the standard pipe subcommittee in support of the petition are Allied Tube & Conduit Corp.; American Tube Co., Inc.; Bull Moose Tube Co.; Century Tube Corp.; LaClède Steel Co.; Maruichi American Corp.; Pittsburgh-International Division of Pittsburgh Tube Co.; Sawhill Tubular Division of Cyclops Corp.; Sharon Tube Co.; Southwestern Pipe, Inc.;^a Western Tube & Conduit; and Wheatland Tube Corp.

conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured 1/ by reason of imports of the subject merchandise (51 F.R. 788, Jan. 8, 1986).

On November 13, 1985, the CPTI also filed antidumping petitions concerning imports of standard pipes and tubes from the Philippines and Singapore and light-walled rectangular pipes and tubes from Singapore. On May 20, 1986, Commerce extended its deadline for making its final determinations in these investigations to September 11, 1986 (51 F.R. 18475). The Commission must make its final injury determinations in these investigations by October 27, 1986.

The Products

Description and uses

For the most part, the terms "pipes," "tubes," and "tubular products" can be used interchangeably. In some industry publications, however, a distinction is made between pipes and tubes. According to these publications, pipes are produced in large quantities in a few standard sizes, whereas tubes are made to each customer's specifications regarding dimension, finish, chemical composition, and mechanical properties. Pipes are normally used as conduits for liquids or gases, whereas tubes are generally used for load-bearing or mechanical purposes. Nevertheless, there is apparently no clear line of demarcation in many cases between pipes and tubes.

Steel pipes and tubes can be divided into two general categories according to the method of manufacture--welded or seamless. Each category can be further subdivided by grades of steel: carbon, heat-resisting, stainless, or other alloy. This method of distinguishing between steel pipe and tube product lines is one of several methods used by the industry. Pipes and tubes typically come in circular, square, or rectangular cross sections.

The American Iron & Steel Institute (AISI) distinguishes among the various types of pipes and tubes according to six end uses: standard pipe, line pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods. 2/

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM), the American Society of Mechanical

1/ Chairwoman Stern and Vice Chairman Liebler determined that there was a reasonable indication that an industry in the United States was threatened with material injury.

2/ For a full description of these items, see Certain Welded Carbon Steel Pipes and Tubes From the Republic of Korea: Determination of the Commission in Investigation No. 701-TA-168 (Final) . . ., USITC Publication 1345, February 1983.

Engineers, and the American Petroleum Institute. Comparable organizations in Japan, West Germany, the United Kingdom, the U.S.S.R., and other countries have also developed standard specifications for steel pipes and tubes.

The imported pipe and tube products that are the subject of this investigation are circular welded carbon steel pipes and tubes over 0.375 inch but not over 16 inches in outside diameter (O.D.) that are known in the industry as standard pipes and tubes. Standard pipes and tubes are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. They may also be used for light load-bearing or mechanical applications, such as for fence tubing. These steel pipes and tubes may carry fluids at elevated temperatures and pressures but may not be subjected to the application of external heat. They are most commonly produced to ASTM specifications A-120, A-53, and A-135.

Manufacturing processes

Standard pipes and tubes are made by forming flat-rolled steel into a tubular configuration and welding it along the joint axis. There are various ways to weld pipes and tubes; the most popular are the electric-resistance weld (ERW), the continuous weld (butt weld) (CW), the submerged-arc weld, and the spiral weld. The submerged-arc weld and spiral weld are normally used to produce pipes and tubes of relatively large diameter. The standard pipes and tubes in this investigation are generally welded by either the ERW or CW process. Both ERW and CW pipes and tubes are manufactured from skelp, a flat-rolled, intermediate product that is typically an untrimmed band of hot- or cold-rolled sheet. Immediately after welding, the product may be reduced in diameter by rolling or stretch reducing or may be further formed into squares, rectangles, or other shapes by using forming rolls.

In the ERW process, skelp is cold-formed by tapered rolls into a cylinder. The weld is formed when the joining edges are heated to approximately 2,600° F. Pressure exerted by rolls squeezes the heated edges together to form the weld. ERW mills produce both pipe in standard sizes and tubular products from 0.375 to 24 inches in outside diameter.

In the CW process, skelp is heated to approximately 2,600° F and hot-formed into a cylinder. The heat, in combination with the pressure of the rolls, forms the weld. Continuous-weld mills generally produce the higher volume, standardized pipe products from 0.375 through 4.5 inches in outside diameter.

The advantage of the CW process lies in its ability to produce pipe at speeds up to 1,200 feet per minute compared with the ERW process maximum of approximately 110 feet per minute. Thus, economies associated with high-volume production may make CW pipe cheaper to produce than ERW pipe of the same grade and specification. The CW process is especially suited for the manufacture of standardized, high-volume, small-diameter pipe products, such as ASTM A-120.

The ERW process has gained increased popularity with U.S. producers in recent years because it requires significantly less energy per pipe produced, since only the joining edges of the product are heated, creating a weld of comparatively high integrity within the product specification. Also, it can be used to produce pipes in sizes up to 24 inches in outside diameter, compared with the 4.5-inch maximum outside diameter usually attainable in the CW process.

Requirements concerning chemical and mechanical properties for ASTM standard pipes differ for various specifications and grades. There are two grades of ASTM A-53 and A-135 standard pipes and one grade of ASTM A-120 standard pipe. Standard pipes are inspected and tested at various stages in the production process to ensure strict conformity to ASTM specifications.

U.S. tariff treatment

Imports of the standard pipes and tubes covered by this investigation are classified and reported for tariff and statistical purposes under TSUSA items 610.3231, 610.3234, 610.3241, 610.3242, 610.3243, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925, 1/ which cover welded pipes and tubes (and blanks therefor 2/) of iron (except cast iron) or of nonalloy (carbon) steel, of circular cross section, having an outside diameter of 0.375 inch or more but not more than 16 inches.

The current column 1 rate of duty 3/ for standard pipes and tubes classified in Tariff Schedules of the United States (TSUS) item 610.32 is 1.9 percent ad valorem. This rate of duty was modified as a result of the Tokyo Round of Multilateral Trade Negotiations (MTN) from the 0.3-cent-per-pound rate in effect prior to January 1, 1982; there are no further duty modifications scheduled. The current column 1 rate of duty for standard pipes and tubes classified in TSUS item 610.49 is 8.4 percent ad valorem and is scheduled to be reduced to 8.0 percent in 1987 as a result of the Tokyo Round of the MTN. Imports from China are dutiable at the column 1 rates.

1/ Prior to Apr. 1, 1984, subject products were classified in TSUSA items 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247.

2/ Blanks are semifinished pipe or tube hollows that are purchased by producers and further processed.

3/ The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, imports of standard pipes and tubes are eligible for duty-free entry, if the products of designated beneficiary countries under the Caribbean Basin Economic Recovery Act or the United States-Israel Free Trade Area Agreement. The current col. 2 rates of duty, applicable to imports from the Communist countries enumerated in general headnote 3(d), are 5.5 percent ad valorem for imports under TSUS item 610.32 and 25 percent ad valorem for imports under TSUS item 610.49.

Antidumping duties are currently in effect with respect to imports of standard pipes and tubes from India, Taiwan, Thailand, and Turkey. Countervailing duties are currently in effect with respect to imports from Thailand and Turkey. Until recently, countervailing duty and dumping orders were in effect with respect to imports from the Republic of Korea and a countervailing duty order was in effect with respect to imports from Yugoslavia. The dumping margins from pending investigations, outstanding dumping and countervailing duty orders recently issued, and recently terminated (other than negative) title VII cases are presented in table a-1.

Nature and Extent of Sales at LTFV

In its final determination, Commerce concluded that China is a state-controlled economy country for the purpose of its investigation. Thus, in calculating the foreign-market value of standard pipes from China, Commerce used information concerning the foreign-market value of pipes and tubes produced in a surrogate country. It selected Argentina as the appropriate surrogate country. To calculate the LTFV margin, Commerce compared the weighted-average prices of pipes and tubes exported from Argentina to the United States with the prices of pipes and tubes exported from China to the United States during January-November 1985. On July 10, 1986, Commerce published in the Federal Register its final affirmative determination of sales at LTFV, finding a weighted-average margin of 30.00 percent applicable to all Chinese producers, manufacturers, and exporters of standard pipes and tubes.

The President's Program on Voluntary Restraints of Exports to the United States

In September 1984, the President outlined a nine-point program designed to assist the U.S. steel industry in a number of areas, including trade. Under this program, the U.S. Government would negotiate surge-control arrangements (and self-initiate proceedings under the trade laws, if necessary) with understandings, or suspension agreements, with countries "whose exports to the United States have increased significantly in recent years due to an unfair surge in imports." Unfair surges were described in the President's decision as dumping, subsidization, or diversion from other importing countries that have restricted access to their markets. The countries that have signed voluntary restraint agreements (VRAs), which include the steel pipes and tubes under investigation, as of June 1, 1986, are as follows:

Australia	Mexico
Austria	Poland
Brazil	Portugal
Czechoslovakia	Republic of Korea
East Germany	Romania
Finland	South Africa
Hungary	Spain
Japan	Venezuela
	Yugoslavia

Table a-1.--Standard pipes and tubes: Current and recent title VII investigations, most recent dumping and subsidy margins, and import-to-consumption ratios, by sources, 1983-85, January-March 1985, and January-March 1986

Item	Weighted-average margin	Date of bond or order <u>1/</u>	Ratio of imports to apparent U.S. consumption				
			1983	1984	1985	January-March--	
						1985	1986
-----Percent-----							
Antidumping investigations/orders:							
Pending antidumping investigations:							
China (instant investigation)-----	30.00	July 10, 1986	-	-	<u>2/</u>	0.1	<u>2/</u>
The Philippines-----	<u>3/</u> 10.2	Apr. 29, 1986	-	-	0.1	-	-
Singapore-----	<u>3/</u> 25.47	Apr. 29, 1986	-	<u>2/</u>	.3	<u>2/</u>	0.4
Outstanding antidumping orders:							
India-----	<u>4/</u> 7.08	May 12, 1986	<u>2/</u>	0.1	.9	.5	.3
Thailand-----	<u>5/</u> 15.67	Mar. 11, 1986	-	<u>2/</u>	1.4	.2	2.7
Turkey-----	<u>6/</u> 14.74	May 15, 1986	<u>2/</u>	.1	1.5	1.2	.1
Recently terminated antidumping investigations:							
Brazil (to 4.5" O.D.) <u>7/</u> -----	3.23	Dec. 31, 1984	2.5	7.7	2.0	4.4	2.5
Spain (to 4.5" O.D.) <u>8/</u> -----	40.75	Dec. 31, 1984	.9	3.4	.6	2.6	<u>2/</u>
Venezuela <u>9/</u> -----	26.19	June 3, 1985	.6	1.9	.9	1.7	-
Yugoslavia <u>10/</u> -----	33.26	Dec. 31, 1985	-	.6	.5	.6	.2
Countervailing duty investigations/orders:							
Outstanding countervailing orders:							
Thailand-----	1.79	Aug. 14, 1985	-	<u>2/</u>	1.4	.2	2.7
Turkey-----	<u>11/</u> 17.80	Mar. 7, 1986	<u>2/</u>	.1	1.5	1.2	.1
Recently terminated countervailing duty investigations:							
Mexico <u>12/</u> -----	0.67-23.65	Jan. 31, 1985	4.7	4.0	1.8	2.5	3.6
Spain (to 4.5" OD) <u>8/</u> -----	1.14	Oct. 10, 1984	.9	3.4	.6	2.6	<u>2/</u>
Venezuela <u>13/</u> -----	-	-	.6	1.9	.9	1.7	-
Recently revoked countervailing duty order:							
Yugoslavia <u>14/</u> -----	74.50	Oct. 16, 1985	-	.6	.5	.6	.2

1/ Date the antidumping or countervailing duty order was issued. If there is no order, and if a preliminary finding of subsidy or less-than-fair-value sales has been issued, the date of the posting of the bond is reported here.

2/ Less than 0.05 percent.

3/ These are the preliminary LTFV margins.

4/ This is the margin for TISCO which accounted for virtually all of the LTFV imports from India.

5/ Commerce determined final margins as follows: Saha Thai (15.69 percent ad valorem), Thai Steel (15.60) percent, and all other companies (15.67 percent).

6/ Commerce determined final margins as follows: Borusan (1.26 percent ad valorem), Mannesmann and Erkorbu (23.12 percent ad valorem), and all other companies (14.74 percent ad valorem).

7/ Terminated by the Commission, effective Mar. 20, 1985, following withdrawal of petition, prior to a final determination by Commerce. Ratios are calculated on the basis of imports and apparent U.S. consumption of all standard pipes and tubes, the majority of which are under 4.5" O.D.

8/ Terminated by the Commission, effective Feb. 4, 1985, following withdrawal of petition, prior to a final determination by Commerce. Ratios are calculated on the basis of imports and apparent U.S. consumption of all standard pipes and tubes, the majority of which are under 4.5" O.D.

9/ Terminated by Commerce prior to making its final determination, effective Oct. 23, 1985, following withdrawal of petition.

10/ Terminated by the Commission, effective Apr. 4, 1986, prior to a final determination by the Commission, following withdrawal of petition.

11/ In its final determination, Commerce found the subsidy to be 18.81 percent but the bonding or cash deposit rate was adjusted to 17.80 percent to take into account changes occurring after the review period.

12/ Terminated by Commerce, effective Apr. 2, 1985, following withdrawal of petition.

13/ Terminated by Commerce prior to making its preliminary determination, effective Nov. 13, 1985, following withdrawal of petition.

14/ Terminated by Commerce after making its final determination, effective May 29, 1986, following withdrawal of petition.

Source: Margins and date of bond or order obtained from U.S. Department of Commerce; ratio of imports to apparent consumption, compiled from official statistics of the U.S. Department of Commerce and data submitted in response to questionnaires of the U.S. International Trade Commission.

After agreements were negotiated with Brazil, Mexico, Spain, Venezuela, and Yugoslavia, unfair trade petitions concerning standard pipes and tubes from these countries were withdrawn by the petitioners prior to the completion of the investigations. In addition, the antidumping and countervailing duty orders concerning imports of standard pipes from Korea were revoked after the Korean Government signed a VRA. The countervailing duty orders concerning standard pipes and tubes from Yugoslavia have also been revoked.

Petitioners and respondents assert that one reason countries that did not export to the United States previously are able to do so now is a void in the marketplace previously filled by imports from countries that have signed VRAs with the United States. Petitioners also point out that the impetus for increased imports from new entrants in the U.S. market comes from U.S. importers that are turning to these suppliers in an attempt to retain their share of the market.

The European Community Pipe and Tube Agreement

On January 11, 1985, the Office of the United States Trade Representative announced an agreement with the European Community (EC) on imports of steel pipes and tubes. The agreement, effective from January 1, 1985, through December 31, 1986, is intended to reduce the EC share of the U.S. pipe and tube market from the 14.6-percent share held during January-October 1984 to 7.6 percent in 1985 and 1986. This agreement followed an embargo on pipe and tube imports from the EC from November 29, 1984, through December 31, 1984.

The Producers in China

Limited information regarding China's standard pipe and tube industry was provided by the Department of State. It reported that * * *. All sales were made through the state owned and controlled China National Metals and Minerals Import and Export Corp. (Minmetals), which acts as the trading organization for all pipes and tubes exported from or imported into the People's Republic of China.

Information provided by counsel for Minmetals on Chinese production, capacity, capacity utilization, domestic shipments, and exports is presented in table a-2. Production and capacity were reported to be constant during the period of investigation. Capacity utilization remained within a range of * * * to * * * percent during January 1983-March 1986. Home-market shipments accounted for more than * * * percent of total shipments during 1983-85.

China's exports of standard pipe and tube to the United States rose steadily during the period of investigation, but accounted for only * * * percent of total exports and * * * percent of total shipments in the peak year of 1985. China has been a net importer of standard pipe and tube, importing * * * to * * * times the volume it exported during 1983-85.

Table a-2.--Standard pipes and tubes: Chinese production, capacity, capacity utilization, domestic shipments, and exports, 1983-85, January-June 1985, and January-June 1986

Item	1983	1984	1985	January-June--	
				1985	1986
Production <u>1/</u> ----short tons--:	***	***	***	***	***
Capacity-----do-----:	***	***	***	***	***
Capacity utilization <u>1/</u> percent--:	***	***	***	***	***
Shipments to the domestic market-----short tons--:	***	***	***	<u>2/</u>	<u>2/</u>
Exports to: <u>3/</u> United States-----do-----:	***	***	***	***	***
All other countries--do-----:	***	***	***	<u>2/</u>	<u>2/</u>
Total exports-----do-----:	***	***	***	<u>2/</u>	<u>2/</u>

1/ * * *.

2/ * * *.

3/ * * *.

Source: Provided by counsel for Minmetals.

U.S. Producers

Standard pipe and tube producers may be divided into two types: large, fully integrated producers, that make raw steel and produce a variety of steel products, and smaller, nonintegrated or partially integrated producers that concentrate on fewer product lines. The integrated producers, which include LTV Steel Corp. (LTV) and United States Steel Corp. (U.S. Steel), 1/ concentrate production in the high-volume, standardized pipe products. The nonintegrated producers manufacture the low-volume, more specialized tubular products as well as the high-volume products.

In 1985, there were 23 known U.S. producers of standard pipes and tubes. One other producer, Bethlehem Steel Corp., an integrated steel producer, permanently closed its standard pipe and tube mill located at Sparrows Point, MD, effective April 30, 1983. Umran, a Turkish producer, bought Bethlehem's plant and is in the process of setting it up in Turkey. A nonintegrated producer, Merchants Metals, Inc., ceased producing standard pipes and tubes in January-March 1984. In December 1984, LTV Steel announced the closing of its two standard pipe mills at Aliquippa, PA, and in October 1985, it announced the closing of a standard pipe mill at Youngstown, OH. On July 17, 1986, LTV Corp. (parent of LTV Steel) filed for bankruptcy. In early 1985, Central Steel Tube of Iowa filed for bankruptcy. U.S. production of standard pipes and tubes is concentrated in the East, where the integrated producers are located. The U.S. producers of standard pipes and tubes and their shares of 1985 domestic shipments are shown in table a-3.

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1/ U.S. Steel Corp. changed its name to USX Corp. in July 1986.

Table a-3.--Standard pipes and tubes: U.S. producers, 1/ their shares of domestic shipments, and plant locations, by firms, 1985

Firm	Share of 1985 domestic shipments Percent	Plant locations
CPTI member firms:		
Allied Tube & Conduit-----	***	Harvey, IL.
American Tube Co-----	***	Phoenix, AZ.
Bernard Epps & Co-----	***	Los Angeles, CA.
Bull Moose Tube Co-----	***	Gerald, MO.
		Chicago Heights, IL.
		Trenton, GA.
Century Tube Corp-----	<u>2/</u>	Pine Bluff, AR.
Cyclops Corp., Sawhill		
Tubular Division-----	***	Sharon, PA.
LaClede Steel Co-----	***	Alton, IL.
Maruichi American Corp-----	***	Santa Fe Springs, CA.
Pittsburgh Tube Co-----	***	Fairbury, IL.
Sharon Tube Co-----	***	Sharon, PA.
Western Tube & Conduit-----	***	Long Beach, CA.
Wheatland Tube Corp-----	***	Wheatland, PA.
Non-CPTI firms:		
American Cast Iron Pipe Co-----	***	Birmingham, AL.
ARMCO, Inc-----	***	Middletown, OH.
Berger Industries, Inc-----	***	Edison, NJ.
Harris Tube-----	***	Los Angeles, CA.
J.M. Tull Industries, Inc-----	<u>3/</u>	Gardena, CA.
		Norcross, GA.
Lock Joint Tube Co., Inc-----	***	South Bend, IN.
LTV Steel Corp-----	***	Youngstown, OH.
		Aliquippa, PA.
		Birmingham, AL.
		Counce, TN.
United States Steel Corp-----	***	Fairless Hills, PA.
		Lorain, OH.
		Geneva, UT.
		Baytown, TX.
		McKeesport, PA.
United Tube Corp-----	***	Medina, OH.

1/ In addition, there are 2 other known producers that together accounted for an estimated 1 percent of U.S. producers' total domestic shipments.

2/ * * *.

3/ * * *.

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

U.S. Importers

According to the net import file, 3 U.S. firms, * * *, * * *, and * * *, imported standard pipes and tubes from China in 1985 and 1986. * * * accounted for * * * percent of the imports, * * * accounted for * * * percent of the imports, and * * * accounted for * * * percent of the imports. Each of these firms is a large trading concern that imports and exports numerous products worldwide.

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The U.S. Market

Channels of distribution

According to AISI data, 69 percent of standard pipes and tubes shipped by U.S. manufacturers in 1984 and 1985 were sold to service centers/distributors. Service centers/distributors are middlemen that buy large quantities of pipes and tubes, usually from both domestic producers and importers, warehouse the products, and sell smaller quantities to end users. The service centers/distributors may also have some simple finishing equipment to cut pipe to lengths or to thread and couple it. Most direct shipments to end users were made to the electrical equipment and oil and gas industries in 1985.

Apparent U.S. consumption

Apparent U.S. consumption of standard pipes and tubes increased from 2.1 million tons in 1983 to 2.4 million tons in 1984, or by 17 percent (table a-4). Then, in 1985, consumption of standard pipes and tubes decreased 1 percent below that of 1984. During January-March 1986, consumption of standard pipes and tubes decreased 4 percent compared with that in the corresponding period of 1985.

Table a-4.--Standard pipes and tubes: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1983-85, January-March 1985, and January-March 1986

Period	U.S.	Imports	Apparent	Ratio to	
	producers' domestic shipments			consumption	Producers' shipments
	1,000 tons			Percent	
1983-----	897	1,182	2,079	43	57
1984-----	897	1,544	2,441	37	63
1985-----	974	1,434	2,408	40	60
January-March--					
1985-----	163	382	545	30	70
1986-----	194	328	522	37	63

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

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U.S. production, capacity, and capacity utilization

U.S. production of standard pipes and tubes increased steadily from 886,000 tons in 1983 to 982,000 tons in 1985, representing an increase of 11 percent (table a-5). During January-March 1986 production increased 34 percent compared with production in the corresponding period of 1985. The capacity of reporting U.S. producers to produce standard pipes and tubes increased by 5 percent from 1.7 million tons in 1983 to 1.8 million tons in 1985. Utilization of production capacity by standard pipe and tube producers increased steadily from 51 percent in 1983 to 54 percent in 1985. During January-March 1986 capacity utilization was 67 percent.

Table a-5.--Standard pipes and tubes: U.S. production, capacity, and capacity utilization, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March--	
				1985	1986
Production-----1,000 tons--:	886	906	982	161	215
Capacity <u>1/</u> -----do-----:	1,714	1,736	1,803	319	324
Capacity utilization <u>2/</u> percent--:	51	52	54	50	67

1/ To the extent that 1 producer did not supply capacity figures, these figures are understated.

2/ Capacity utilization rates were calculated using data from firms that provided information on both production and capacity.

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

1/ Information in this section of the report was compiled from data submitted in response to questionnaires of the Commission in connection with the instant investigation, the recently completed investigations concerning standard pipes and tubes from India and Turkey, investigations Nos. 731-TA-271 and 273 (Final), * * *. Questionnaire responses were received from 20 of 23 known producers of standard pipes and tubes. Interim year data were supplied by 12 firms, accounting for 73 percent of reported production in 1985. Capacity, production, domestic shipments, and end-of-period inventory figures are different from those originally presented in the prehearing report and in the final report for investigations Nos. 731-TA-271 through 274 (Final), Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, Turkey, and Yugoslavia, because of questionnaire revisions made by several U.S. producers and because of one additional respondent. Some of the difference in the reported capacity is also due to using end-of-period capacity instead of average-of-period capacity as was used previously. The questionnaire for the present investigation only requested end-of-period capacity. For this investigation, * * *.

In its questionnaire, the Commission requested the producers to provide detailed information concerning their capacity to produce welded carbon steel pipes and tubes. This information includes the capacity to manufacture products, other than standard pipes, on their standard pipe mills, and information concerning the duration and nature of equipment that has been idled.

U.S. producers of standard pipes and tubes devoted an average of 48 percent of the total productive capacity of their standard pipe and tube mills to producing standard pipes and tubes in 1983 and 1984, and 49 percent in 1985. Four producers reported having idled production capacity between January 1983 and March 1986. * * *

U.S. producers' domestic shipments

U.S. producers' domestic shipments of standard pipes and tubes rose from 897,000 tons in 1983 and 1984 to 974,000 tons in 1985, or by 9 percent. During January-March 1986, shipments of standard pipes and tubes rose 19 percent compared with that in the corresponding period of 1985 (table a-6).

Table a-6.--Standard pipes and tubes: U.S. producers' domestic shipments, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March--	
				1985	1986
Quantity-----1,000 tons--:	897	897	974	163	194
Value <u>1</u> /-----1,000 dollars--:	480,998	532,899	562,300	102,981	115,258
Unit value <u>2</u> /-----per ton--:	\$565	\$605	\$586	\$630	\$593

1/ Firms accounting for 1 to 5 percent of shipments during 1983-85 did not provide value data.

2/ Unit values were calculated using data from firms that provided information on both the quantity and value of shipments.

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

U.S. exports

Exports of standard pipes and tubes accounted for less than 1 percent of total shipments during 1983-85, as shown in the following tabulation:

<u>Period</u>	<u>Quantity</u> (tons)	<u>Value</u> (1,000 dollars)	<u>Unit value</u> (per ton)
1983-----	***	***	\$***
1984-----	***	***	\$***
1985-----	***	***	\$***
January-March--			
1985-----	***	***	\$***
1986-----	***	***	\$***

U.S. producers' inventories

U.S. producers' yearend inventories of standard pipes and tubes dropped from 128,000 tons in 1983 to 127,000 tons in 1985, or by 1 percent. These inventories increased 27 percent, as of March 31, 1986, compared with inventories in the corresponding period of 1985. As a share of annual shipments, these inventories remained essentially constant at 13 to 15 percent, as shown in the following tabulation:

	<u>Inventories</u> (1,000 tons)	<u>Ratio of inventories</u> <u>to shipments</u> ^{1/} (percent)
As of Dec. 31--		
1983-----	128	15
1984-----	129	15
1985-----	127	13
As of Mar. 31--		
1985-----	90	14
1986-----	114	15

^{1/} Ratios were calculated using data from firms that provided information on both inventories and shipments. Firms accounting for 4 to 5 percent of shipments during 1983-85 did not provide inventory data.

Employment and wages

The number of workers employed in the production of standard pipes and tubes decreased from 3,021 in 1983 to 2,812 in 1985, representing a decrease of 7 percent (table a-7). Hours worked by such workers increased by 2 percent during the same period. With the 2-percent increase in hours worked and the 11-percent increase in production, labor productivity, as measured by tons produced per hour, increased by 8 percent between 1983 and 1985. In January-March 1986, however, labor productivity declined by 3 percent compared with productivity in January-March 1985. The hourly wages earned by these workers increased by 12 percent during 1983-85. Hourly wages in January-March 1986 were 13 percent higher compared with such wages in the corresponding period of 1985. When the increase in productivity is taken into account, however, U.S. producers actually posted a 1-percent decrease in unit labor costs during 1983-85. Workers at 13 of the 20 reporting firms, which accounted for approximately 90 percent of domestic shipments in 1985, are represented by unions.

In its questionnaire, the Commission requested U.S. producers to provide detailed information concerning reductions in the number of production and related workers producing standard pipes and tubes occurring between January 1983 and March 1986. Five domestic producers responded.

* * * * *

Table a-7.--Average number of production and related workers producing standard pipes and tubes, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March--	
				1985	1986
Production and related workers:					
Number-----	3,021	2,820	2,812	1,644	2,138
Percentage change-----	-	-7	-0.3	-	+30
Hours worked by production and related workers:					
Number-----1,000 hours--	5,357	5,229	5,479	962	1,313
Percentage change-----	-	-2	+5	-	+36
Wages paid to production and related workers:					
Value-----1,000 dollars--	68,542	71,153	78,195	11,784	18,139
Percentage change-----	-	+4	+10	-	+54
Total compensation paid to production and related workers:					
Value-----1,000 dollars--	101,659	99,407	110,515	16,134	24,711
Percentage change-----	-	-2	+11	-	+53
Labor productivity:					
Quantity----tons per hour--	0.165	0.171	0.178	0.173	0.168
Percentage change-----	-	+4	+4	-	-3
Hourly compensation: <u>3/</u>					
Value-----	\$12.79	\$13.61	\$14.27	\$12.25	\$13.81
Percentage change-----	-	+6	+5	-	+13
Unit labor costs: <u>4/</u>					
Value-----per ton--	\$115	\$111	\$114	\$97	\$112
Percentage change-----	-	-3	+3	-	+16

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

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

3/ Based on wages paid excluding fringe benefits.

4/ Based on total compensation paid.

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

Financial experience of U.S. producers 1/

Operations on welded carbon steel pipes and tubes.--Thirteen U.S. producers supplied usable income-and-loss data on their operations on all welded carbon steel pipes and tubes that are produced in their establishments within which standard pipes and tubes are produced (table a-8). Aggregate net sales of the 13 reporting firms increased 20.2 percent from \$542.7 million in 1983 to \$652.4 million in 1985. Sales for the interim period ended March 31, 1986, were \$180.0 million, an increase of 7.0 percent from sales of \$168.2 million in the interim period ended March 31, 1985. An operating loss of \$16.5 million, or 3.0 percent of sales, was sustained in 1983. The companies reported operating income of \$3.0 million in 1984 and \$11.9 million in 1985. Operating income margins were 0.5 percent in 1984 and 1.8 percent in 1985, respectively. In interim 1985, operating income of \$7.3 million, or 4.3 percent of sales, was reported and for interim 1986, operating income was \$9.7 million, or 5.4 percent of sales. Three firms incurred operating losses in 1983, one firm in 1984, and two firms in 1985. In both interim 1985 and 1986, one firm sustained an operating loss.

* * *. It reported financial information for the establishments within which it produced small diameter standard pipes and tubes * * *. As shown in the following tabulation, * * * sustained gross and operating losses in 1983:

<u>Item</u>	<u>1983</u>
Net sales-----1,000 dollars--	***
Gross (loss)-----do-----	***
Operating (loss)-----do-----	***
Ratio of gross (loss) to net sales-----percent--	***
Ratio of operating (loss) to net sales-----do-----	***

Operations on standard pipes and tubes.--Thirteen producers, which accounted for 85 percent of reported domestic shipments of standard pipes and tubes in 1985, furnished usable income-and-loss data (table a-9). Net sales rose 15.3 percent from \$426.6 million in 1983 to \$491.8 million in 1985. Interim 1986 sales were \$130.6 million, an increase of 12.1 percent from interim 1985 sales of \$116.5 million. Operating losses of \$21.4 million (or 5.0 percent of sales) and \$3.5 million (or 0.8 percent of sales) were sustained in 1983 and 1984, respectively. Operating income was \$5.7 million in 1985, or 1.2 percent of sales. For the interim period of 1985, operating income was \$5.0 million, or 4.3 percent of sales. The 1986 interim period operating income was \$7.2 million, or 5.5 percent of sales. Operating losses were sustained by three companies in 1983 and 1985, and one company in 1984. Two companies sustained operating losses in the 1985 and 1986 interim periods.

1/ The questionnaire response from * * *.

Table a-8.--Income-and-loss experience of 13 U.S. producers on their operations on all welded carbon steel pipes and tubes produced in their establishments within which standard pipes are produced, accounting years 1983-85 and interim periods ending March 31, 1985, and March 31, 1986 1/

Item	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Net sales-----1,000 dollars--:	542,679	621,817	652,374	168,183	180,028
Cost of goods sold-----do----:	508,992	567,342	586,904	143,798	150,706
Gross profit-----do----:	33,687	54,475	65,470	24,385	29,322
General, selling, and admin- istrative expenses	:	:	:	:	:
1,000 dollars--:	50,204	51,492	53,557	17,084	19,671
Operating income or (loss)-----do----:	(16,517)	2,983	11,913	7,301	9,651
Interest expense-----do----:	4,059	7,528	6,125	2,293	2,422
Other income, net-----do----:	461	683	485	82	48
Net income or (loss) before income taxes-----do----:	(20,115)	(3,862)	6,273	5,090	7,277
Depreciation and amortization: expense included above	:	:	:	:	:
1,000 dollars--:	7,878	7,992	9,810	2,940	3,786
Cash flow or (deficit) from operations-----do----:	(12,237)	4,130	16,083	8,030	11,063
As a share of net sales:	:	:	:	:	:
Cost of goods sold	:	:	:	:	:
percent--:	93.8	91.2	90.0	85.6	83.7
Gross profit-----do----:	6.2	8.8	10.0	14.4	16.3
General, selling, and administrative expenses	:	:	:	:	:
percent--:	9.3	8.3	8.2	10.2	10.9
Operating income or (loss) percent--:	(3.0)	0.5	1.8	4.3	5.4
Net income or (loss) before: income taxes----percent--:	(3.7)	(0.6)	1.0	3.0	4.0
Number of firms reporting:	:	:	:	:	:
Operating losses-----:	3	1	2	1	1
Net losses-----:	4	3	5	2	3
Data-----:	13	13	13	10	10

1/ Data for * * * and * * * are for their operations producing standard pipes and tubes only. Data for * * * do not cover the 2 interim periods.
* * *

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

Table a-9.--Income-and-loss experience of 13 U.S. producers on their operations producing standard pipes and tubes, accounting years 1983-85 and interim periods ending March 31, 1985, and March 31, 1986 ^{1/}

Item	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Net sales-----1,000 dollars--:	426,569	468,903	491,807	116,528	130,632
Cost of goods sold-----do-----:	406,154	430,891	441,503	97,770	106,760
Gross profit-----do-----:	20,415	38,012	50,304	18,758	23,872
General, selling, and admin- istrative expenses	:	:	:	:	:
1,000 dollars--:	41,853	41,543	44,567	13,770	16,685
Operating income or (loss)-----do-----:	(21,438)	(3,531)	5,737	4,988	7,187
Interest expense-----do-----:	2,537	4,037	3,802	1,341	1,683
Other income, net-----do-----:	442	406	402	66	50
Net income or (loss) before income taxes-----do-----:	(23,533)	(7,162)	2,337	3,713	5,554
Depreciation and amortization: expense included above	:	:	:	:	:
1,000 dollars--:	5,861	5,857	7,352	2,619	2,878
Cash flow or (deficit) from operations-----do-----:	(17,672)	(1,305)	9,689	6,332	8,432
As a share of net sales:	:	:	:	:	:
Cost of goods sold percent--:	95.2	91.9	89.8	83.9	81.7
Gross profit-----do-----:	4.8	8.1	10.2	16.1	18.3
General, selling, and administrative expenses percent--:	9.8	8.9	9.1	11.8	12.8
Operating income or (loss) percent--:	(5.0)	(0.8)	1.2	4.3	5.5
Net income or (loss) before income taxes----percent--:	(5.5)	(1.5)	0.5	3.2	4.3
Number of firms reporting:	:	:	:	:	:
Operating losses-----:	3	1	3	2	2
Net losses-----:	4	3	4	3	2
Data-----:	13	13	13	10	10

^{1/} Data for * * * do not cover the 2 interim periods. * * *.

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

***. As shown in the following tabulation, *** sustained gross and operating losses in 1983:

<u>Item</u>	<u>1983</u>
Net sales-----1,000 dollars--	***
Gross (loss)-----do-----	***
Operating (loss)-----do-----	***
Ratio of gross (loss) to net sales-----percent--	***
Ratio of operating (loss) to net sales-----do-----	***

Table a-10 presents a breakdown of the income-and-loss experience of integrated and nonintegrated producers. The nonintegrated producers, in the aggregate, have been profitable throughout the reporting period. ***.

Capital expenditures and research and development expenses.--Six U.S. producers supplied information on their capital expenditures for land, buildings, and machinery and equipment used in the production of standard pipes and tubes, and one company furnished data on its research and development expenses. Capital expenditures for standard pipes and tubes declined from \$3.4 million in 1983 to \$2.4 million in 1984, then rose to \$* * * in 1985. ***. For the interim periods ended March 31, 1985 and 1986, capital expenditures were \$* * * and \$* * *, respectively. Research and development expenses for standard pipes and tubes were \$* * *, \$* * *, \$* * *, \$* * *, and \$* * * in 1983, 1984, 1985, and interim 1985 and 1986, respectively, as shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Capital expenditures</u>	<u>Research and development expenses</u>
1983-----	3,353	***
1984-----	2,365	***
1985-----	***	***
Interim period ended Mar. 31--		
1985-----	***	***
1986-----	***	***

Table a-10.--Income-and-loss experience of 13 U.S. producers on their operations producing standard pipes and tubes, by nonintegrated producers and specified integrated producers, accounting years 1983-85 and interim periods ending March 31, 1985, and March 31, 1986

Item	1983	1984	1985	Interim period ended Mar. 31--	
				1985	1986
Value (1,000 dollars)					
Net sales:					
Nonintegrated firms-----	***	***	***	***	***
* * * <u>1/</u> -----	***	***	***	***	***
* * *-----	***	***	***	***	***
Total-----	426,569	468,903	491,807	116,528	130,632
Gross profit or (loss)					
Nonintegrated firms-----	***	***	***	***	***
* * * <u>1/</u> -----	***	***	***	***	***
* * *-----	***	***	***	***	***
Total-----	20,415	38,012	50,304	18,758	23,872
Operating income or (loss):					
Nonintegrated firms-----	***	***	***	***	***
* * * <u>1/</u> -----	***	***	***	***	***
* * *-----	***	***	***	***	***
Total-----	(21,438)	(3,531)	5,737	4,988	7,187
Percent of net sales					
Gross profit or (loss):					
Nonintegrated firms-----	***	***	***	***	***
* * * <u>1/</u> -----	***	***	***	***	***
* * *-----	***	***	***	***	***
Weighted average-----	4.8	8.1	10.2	16.1	18.3
Operating income or (loss):					
Nonintegrated firms-----	***	***	***	***	***
* * * <u>1/</u> -----	***	***	***	***	***
* * *-----	***	***	***	***	***
Weighted average-----	(5.0)	(0.8)	1.2	4.3	5.5

1/ * * *.

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

Investment in productive facilities.--Seven U.S. producers supplied data concerning their investment in productive facilities employed in the production of standard pipes and tubes. Their investment in such facilities, valued at cost, rose from \$55.9 million as of the end of 1983 to \$62.7 million as of the end of 1985. The interim amounts, valued at cost, were \$62.1 million for 1985 and \$64.6 million for 1986. The book value of such assets was \$22.0 million as of March 31, 1986, as shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Original cost</u>	<u>Book value</u>
1983-----	55,865	21,172
1984-----	58,666	20,669
1985-----	62,661	22,375
Interim period ended Mar. 31--		
1985-----	62,123	21,371
1986-----	64,649	22,006

Capital and investment.--The Commission requested U.S. producers to describe any actual or potential negative effects of imports of standard pipes and tubes from China on their firms' growth, investment, and ability to raise capital. None of the firms issued statements specific to imports of standard pipes and tubes from China.

The Question of the Threat of Material Injury

Consideration factors

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

Information on the market penetration of the subject products is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and the LTFV Imports." Available information on the depressing or suppressing effect of the imported products on domestic prices is presented in the pricing section of this report. Available information on China's capacity, production, and exports, and the potential for product shifting is presented in the section of the report entitled "The Producers in China."

U.S. importers' inventories

Two firms, * * * and * * *, which accounted for about * * * percent of U.S. imports of standard pipes and tubes from China in 1985, reported * * *.

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

U.S. imports

Total U.S. imports of standard pipes and tubes increased from 1.2 million tons in 1983 to 1.5 million tons in 1984, or by 31 percent (table a-11). These imports decreased to 1.4 million tons in 1985, or 21 percent above the level of imports in 1983. During January-March 1986, imports fell to 328,000 tons, down from 382,000 tons during the corresponding quarter of 1985.

Although the Chinese have been producing pipe for some time, exports of standard pipe and tube to the United States are relatively new, as none appeared before 1985 when 813 tons entered the United States. These imports accounted for less than 0.06 percent of total imports in 1985. In January-March 1986, 96 tons were imported from China. An additional 465 tons were imported in April-May 1986. Imports from China during January-May 1986 totaled 561 tons, or 60 percent greater than the 350 tons imported in the corresponding period of 1985.

According to counsel for the petitioners, the Chinese have been able to produce pipe to meet British standard specifications for standard pipe and tube production. BS 1387, a British specification for steel pipe and tubular products, corresponds to ASTM A-53 and ASTM A-120 standard pipe specifications. BS 1387 contains specific thickness and weight specifications for light, medium, and heavy standard pipe that corresponds to ASTM specifications for Schedule 40 (standard) and Schedule 80 (extra-strong) standard pipe. In general, the ASTM specifications are more stringent than the British specifications. Although certain standard pipe meeting BS 1387 requirements could also satisfy ASTM A-53 and ASTM A-120 requirements for pipe of equal diameter, other British standard specifications fall short of the ASTM specifications because of insufficient wall thickness and low weight. This is especially true of pipe over 1 inch in outside diameter where the British standard wall thickness and weight fall considerably below ASTM specifications.

According to * * *, * * * percent of the product it imported in 1985 was substandard. Specifically, * * *.

The shipment of black pipe imported by * * *. * * *.

* * * * *

Table a-11.--Standard pipes and tubes: U.S. imports for consumption, 1/ by selected sources, 1983-85, January-March 1985, and January-March 1986

Item	1983	1984	1985	January-March--	
				1985	1986
Quantity (tons)					
China-----	0	0	813	350	96
Brazil-----	52,174	186,958	47,143	23,988	13,256
Canada-----	88,660	165,057	140,707	37,997	30,237
India-----	556	1,985	22,306	2,564	1,339
Japan-----	69,212	123,688	172,951	51,709	25,873
Philippines-----	0	0	3,445	0	0
Republic of Korea--	575,008	499,036	561,361	119,805	123,958
Singapore-----	0	51	7,454	155	2,249
Taiwan-----	141,199	31,306	59,056	12,110	32,112
Thailand-----	0	50	33,678	1,188	14,003
Turkey-----	505	2,578	36,277	6,546	546
West Germany-----	12,473	39,066	46,985	21,824	11,500
Yugoslavia-----	0	13,553	11,517	3,137	1,041
All other-----	241,864	480,814	289,836	100,364	71,582
Total-----	1,181,652	1,544,141	1,433,530	381,736	327,792
Value (1,000 dollars)					
China-----	-	-	239	96	34
Brazil-----	15,291	61,109	15,884	8,157	4,216
Canada-----	43,279	77,125	62,854	16,787	13,674
India-----	194	629	7,834	774	499
Japan-----	30,407	56,655	80,134	23,750	12,192
Philippines-----	-	-	1,176	-	-
Republic of Korea--	185,574	187,839	212,665	47,571	46,928
Singapore-----	-	16	2,272	47	628
Taiwan-----	41,916	10,268	19,207	4,112	10,097
Thailand-----	-	15	11,841	408	4,318
Turkey-----	200	821	12,389	2,080	165
West Germany-----	5,383	15,755	16,464	5,615	5,656
Yugoslavia-----	-	3,953	3,960	967	369
All other-----	76,925	160,678	104,867	37,519	24,972
Total-----	399,169	574,863	551,784	147,885	123,748
Unit value					
China-----	-	-	293	275	351
Brazil-----	293	327	337	340	318
Canada-----	488	467	447	442	452
India-----	349	317	351	302	372
Japan-----	439	458	463	459	471
Philippines-----	-	-	341	-	-
Republic of Korea--	323	376	379	397	379
Singapore-----	-	314	305	306	279
Taiwan-----	297	328	325	340	314
Thailand-----	-	291	352	344	308
Turkey-----	396	318	342	318	301
West Germany-----	432	403	350	257	492
Yugoslavia-----	-	292	344	308	355
All other-----	318	334	362	374	349
Average-----	338	372	385	387	378

1/ Includes imports in TSUSA items 610.3231, 610.3232, 610.3234, 610.3241, 610.3242, 610.3243, 610.3244, 610.3247, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925.

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

* * * * *

* * * * *

Counsel for the Chinese exporter argues that because of these quality differences, standard pipes and tubes from China do not compete with standard pipes imported from other countries. Accordingly, counsel argues, the Commission should not cumulate imports from China with imports from other countries when assessing the impact of such imports upon the U.S. industry.

A further discussion of specific transactions involving imports from China is included in the "Prices" section of this report.

Market penetration

Imports of standard pipes and tubes from China accounted for less than 0.05 percent of U.S. consumption of standard pipes and tubes in 1985, 0.1 percent during January-March 1985, and less than 0.05 percent during January-March 1986. ^{1/} There were no imports of the product prior to 1985.

Petitioners request that the Commission cumulate imports of standard pipes and tubes from China with imports of similar products from other countries currently or recently subject to investigation. Market penetration by standard pipes and tubes from countries currently or recently subject to investigation by the Commission or the Department of Commerce is presented in table a-1.

The U.S. customs districts through which imports of standard pipes and tubes from China entered the United States in 1985, as compiled from official statistics of the U.S. Department of Commerce, are presented in the following tabulation:

Source and customs district	Quantity	Share of total quantity
	<u>Short tons</u>	<u>Percent</u>
China:		
Houston, TX-----	463	56.9
Los Angeles, CA-----	350	43.1
Total-----	813	100.0

^{1/} As a result of the importation of 465 tons of standard pipe from China in April-May 1986, it is estimated that import penetration during January-May 1986 will be approximately 0.6 percent.

Prices

The Commission requested U.S. producers and importers of standard pipes and tubes from China to provide information concerning their prices on large representative sales of the following commonly traded standard pipe and tube products:

- PRODUCT 1: ASTM A-120 schedule 40 standard pipe, carbon welded, black, plain end, 1.050-inch O.D. (3/4-inch nominal), 0.113-inch wall thickness.
- PRODUCT 2: ASTM A-120 schedule 40 standard pipe, carbon welded, galvanized, plain end, 2.375-inch O.D. (2-inch nominal), 0.154-inch wall thickness.
- PRODUCT 3: ASTM A-120 schedule 40 standard pipe, carbon welded, galvanized, plain end, 1.315-inch O.D. (1-inch nominal), 0.133-inch wall thickness.

Four domestic producers provided usable price data for products 1 and 2. No usable price data were received for product 3. Domestic producers generally quote prices f.o.b. mill. Many producers distribute price lists, and the great majority of sales are discounted from the list price.

Domestic prices.--Industry sources report that during late 1984 and early 1985 U.S. demand for standard pipe began to decline somewhat. Accordingly, domestic prices began to decline in late 1984 and 1985, and have not shown any significant recovery during 1986. Domestic weighted-average prices were calculated for selected standard pipe products (table a-12), and demonstrate this trend. The price of product 1 reached a peak at \$33.00 per hundred feet in April-June 1984, and then declined, in net terms, 14.1 percent to \$28.35 per hundred feet in January-March 1986. After reaching a high at \$* * * per hundred feet in July-September 1984, the price of product 2 declined * * * percent through July-September 1985, and rebounded during October-December 1985 and January-March 1986 to reach a new high of \$* * * per hundred feet.

Although sales of domestic material have increased somewhat, sales of imported pipe have dropped off. The Commission staff was informed that as a result of slackened demand a number of countries bound by quotas were unable to fill their quotas and were forced to lower prices. Others responded by exporting lower quality pipe at low prices to fill their quotas. Consequently, prices have declined, causing purchasers to view the Chinese material as less and less of a bargain in terms of both price and quality. 1/

Transactions involving imports.--During the course of this investigation the Commission staff determined that there have been four shipments of standard pipe from China received in the United States. * * *. The details of each of these transactions are provided below.

1/ Based on an interview with * * *, July 16, 1986.

Table a-12.--Standard pipes and tubes: Weighted-average sales prices for U.S. produced standard pipes and tubes, by quarters, January 1983-March 1986

(Per hundred feet)

Period	Product 1 <u>1/</u>	Product 2 <u>2/</u>
1983:		
January-March-----	\$27.97	<u>3/</u> \$ ***
April-June-----	29.30	100.14
July-September-----	28.06	105.44
October-December-----	27.51	<u>3/</u> ***
1984:		
January-March-----	30.62	104.55
April-June-----	33.00	116.77
July-September-----	32.86	<u>3/</u> ***
October-December-----	31.43	112.26
1985:		
January-March-----	30.43	<u>3/</u> ***
April-June-----	28.24	108.96
July-September-----	27.23	102.76
October-December-----	30.48	<u>3/</u> ***
1986:		
January-March-----	28.35	<u>3/</u> ***

1/ Product 1: ASTM A-120 schedule 40 standard pipe, carbon welded, black, plain end, 1.050-inch O.D. (3/4-inch nominal), 0.113-inch wall thickness.

2/ Product 2: ASTM A-120 schedule 40 standard pipe, carbon welded, galvanized, plain end, 2.375-inch O.D. (2-inch nominal), 0.154-inch wall thickness.

3/ Only 2 observations reported.

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

Imports by * * * .--* * * .

*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

* * * * *

Imports by * * * .--* * * .

* * * * *

Imports by * * * .--* * * .

* * * * *

* * * * *

* * * * *

Chinese prices.--Because only three shipments of Chinese pipe were imported, it was not possible to derive a weighted-average price or a price trend for the Chinese material. In addition, because the pipe products selected for sampling were not exhaustive of all the sizes and varieties of Chinese pipe imported, price comparisons are not possible except in a very few cases. * * * .

There were two known transactions of product 2. In * * * .

* * * * *

Transportation costs

Fourteen U.S. producers of standard pipe and tube responded with data detailing their firms' transportation costs. Of these producers, seven listed their market area as nationwide; three as Midwestern; two as the Western United States; and two as the Eastern United States.

The Commission requested U.S. producers to estimate the percentage of shipments in which their firms absorb some transportation costs to effect a sale. Nine producers responded with such data. Six indicated that they absorb some transportation costs in 75 percent of their shipments, two in 10 to 20 percent, and five in 5 percent or less of their shipments.

Other purchase decision factors

The Commission also asked U.S. producers to state their standard minimum quantity requirements for a sale, as well as the average lead time between a customer's order and shipment date. Seven producers listed 20 tons (one

truckload) as their minimum quantity requirement, one listed 2.5 tons, and one cited no minimum quantity requirement. Referring to lead time between receipt of a customer's order and shipment date, seven producers cited their firms' average lead time as 5 days or less, two indicated 7 to 14 days, and three said more than 14 days.

Exchange rates

Because the value of China's currency is determined by the Chinese Government, exchange rates are not reported.

Lost sales and lost revenues

Because most producers and importers sell their merchandise to pipe distributors where pipe often loses its identity, it is difficult for domestic producers to know to which countries they may have lost sales and/or revenues. For the same reason, it is difficult for distributors to confirm or deny allegations of lost sales and lost revenues.

* * * * *

* * * * *

There were no specific allegations of lost revenues made in this investigation.

APPENDIX A
COMMERCE'S FINAL LTFV DETERMINATION

Avenue, NW., Washington, DC 20230; telephone (202) 377-3963 or 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

Based on our investigation, we have determined that pipes and tubes from the PRC are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The weighted-average margin of sales at less than fair value is listed in the "Suspension of Liquidation" section of this notice.

Case History

On November 13, 1985, we received a petition filed in proper form from the Standard Pipe Subcommittee of the Committee on Pipe and Tube Imports and by each of the member companies which produces standard pipe and tube on behalf of the U.S. industry producing pipes and tubes. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673), and that these imports are materially injuring, or threatening material injury to, a U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated the investigation on December 3, 1985 (50 FR 51274), and notified the ITC of our action.

On December 30, 1985, the ITC found that there is a reasonable indication that imports of pipes and tubes from the PRC are threatening material injury to a U.S. industry (USITC Pub. No. 1796, December, 1985).

On January 16, 1986, a questionnaire was sent to the China National Metals and Minerals Import and Export Corporation (Minmetals), which accounted for all known exports of standard pipe and tube from the PRC during the period of investigation.

On February 21, 1986, Minmetals filed a response to our questionnaire. Minmetals submitted a supplemental response on April 9, 1986. On April 22, 1986, we made an affirmative preliminary determination that pipes and tubes from the PRC are being, or are likely to be, sold in the United States at less than fair value (51 FR 15938).

We verified the respondent's questionnaire response on May 19 through May 23, 1986.

[A-570-505]

Certain Small Diameter Welded Carbon Steel Pipes and Tubes From the People's Republic of China; Final Determination of Sales at Less than Fair Value

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that certain small diameter welded carbon steel pipes and tubes (pipes and tubes) from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We have notified the United States International Trade Commission (ITC) of our determination and the ITC will determine within 45 days of publication of this notice whether these imports are materially injuring or threatening material injury to a United States industry. We have directed the U.S. Customs Service to continue to suspend liquidation on all entries of the subject merchandise as directed in the "Suspension of Liquidation" section of this notice and to require a cash deposit or posting of a bond for each such entry in amounts equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: July 10, 1986.

FOR FURTHER INFORMATION CONTACT: Jess M. Bratton or Charles E. Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution

We conducted a public hearing on June 6, 1986.

As discussed under the "Foreign Market Value" section of this notice, we have determined that the PRC is a state-controlled-economy country for the purpose of this investigation.

Scope of Investigation

The products covered by this investigation are small diameter welded carbon steel pipes and tubes of circular cross-section, 0.375 inch or more but not over 16 inches in outside diameter, currently classifiable in the *Tariff Schedules of the United States Annotated* (TSUSA), under items 610.3231 and 610.3234, 610.3241, 610.3242, 610.3243, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925. These products are commonly referred to in the industry as standard pipes or tubes produced to various ASTM specifications, most notably A-120, A-53 and A-135.

Because Minmetals accounted for all exports of this merchandise to the United States, we limited our investigation to that firm. We investigated all sales of pipes and tubes for the period January 1, 1985 through November 31, 1985.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

We used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price of pipes and tubes, as provided in section 772 of the Act, on the basis of the C&F packed price, with deductions for foreign inland freight and ocean freight. We used an inland freight rate from Argentina as a free-market substitute for the yuan-denominated inland freight rate.

Foreign Market Value

In accordance with section 773(c) of the Act, we used prices of pipes and tubes imported into the United States from Argentina as the basis for determining foreign market value.

Petitioners alleged that the PRC is a state-controlled-economy country and that sales of the subject merchandise in that country do not permit a determination of foreign market value under section 773(a). After an analysis of the PRC economy, and consideration of the briefs submitted by the parties,

we concluded that the PRC is a state-controlled-economy country for the purpose of this investigation. Central to our decision on this issue is the fact that the central government of the PRC controls the prices and levels of production of pipes and tubes or steel products as well as the internal pricing of the factors of production.

As a result, section 773(c) of the Act requires us to use either the prices or the constructed value of such or similar merchandise in a non-state-controlled-economy country. Our regulations establish a preference for foreign market value based upon sales prices. They further stipulate that, to the extent possible, we should determine sales prices on the basis of prices in a non-state-controlled-economy country at a stage of economic development comparable to the state-controlled-economy country.

After an analysis of the economies of countries producing standard pipe and tube, we determined that Egypt, India, Indonesia, Morocco, Pakistan, the Philippines, Sri Lanka and Thailand were the countries at the most comparable stages of economic development, and it would, therefore, be appropriate to base foreign market value on prices of companies in these countries. Of those companies which were sent questionnaires, only one response was received. However, that response was considered unsuitable for the purpose of our final determination.

Lacking home market price or cost information from companies in countries at a level of economic development comparable to that of the PRC, we have based foreign market value on the prices of imports of the same class or kind of merchandise into the United States. Of the countries exporting pipe and tube to the United States, we chose Argentina since, of these exporting countries, it was at the most comparable level of economic development to the PRC. We have based foreign market value on the weighted-average C&F price of pipe and tube from Argentina for export to unrelated purchasers in the United States. We gathered weighted-average price information from Special Steel Invoice (SSSI) statistics, and made deductions for ocean freight and foreign inland freight. We made an addition to this price in the amount of export subsidies found in the countervailing duty investigation of oil country tubular goods from Argentina (49 FR 46564) since the possibility exists that pipes and tubes from Argentina benefit from the same subsidies. We made comparisons of merchandise of the same size and grade as that which the PRC exported to the United States.

In arriving at the decision to use the price of Argentine exports to the United States as the basis of foreign market value, we considered using the exports of several other countries. None of these other countries provided nearly the same degree of product matches to the PRC's exports as did Argentina. Furthermore, these other countries were signatories of voluntary restraint agreements (VRAs) with the United States. Since under the terms of a VRA the amount of goods a country may export to the United States is limited, it is possible that these VRAs lead to an increase in the prices manufacturers in these countries charge. Therefore, we decided, for the purpose of this final determination, to base foreign market value on the value of goods from Argentina rather than from VRA countries.

Verification

In accordance with section 776(a) of the Act, we verified all the information submitted by the respondent used in making this determination. We were granted access to the books and records of the company. We used standard verification procedures including examination of accounting records and other selected documents containing relevant information.

Petitioner's Comments

Comment No. 1: Petitioners argue that Argentina is not an acceptable surrogate country because the ITA has determined that oil country tubular goods from Argentina are benefiting from export subsidies (49 FR 46564) and there is, therefore, a possibility that pipes and tubes benefit from the same subsidies.

DOC Position: As we stated recently in our final-determination in the antidumping duty investigation of steel wire nails from the PRC (51 FR 10247), we would prefer not to use countries as surrogates where we have evidence that products from such countries may be benefiting from export subsidies. Nonetheless, for the purposes of this investigation we have decided that, despite the existence of export subsidy for oil country tubular goods in Argentina, that country is the most appropriate surrogate.

Of those countries that export pipes and tubes to the United States, Argentina is at the most comparable stage of economic development to the PRC. Argentina has exports of pipes and tubes which offer the greatest degree of product match to pipes and tubes from the PRC. We were able to find direct Argentine matches for each size, type and grade of pipes and tubes exported

from the PRC. In addition, the export subsidy in the investigation of oil country tubular goods from Argentina was small, less than one percent. All of the other possible surrogates are subject to VRAs. Since under the terms of a VRA the amount of goods a country may export to the United States is limited, it is possible that VRAs lead to an increase in the prices manufacturers in these countries charge. For this reason, we prefer not to use VRA countries as surrogates, where, as in this case, there is a more suitable option.

Thus, we have determined that, notwithstanding our usual reluctance to use as surrogates countries that offer export subsidies, it is appropriate to use Argentina in this case. We have also determined that it is appropriate to adjust the price of the pipes and tubes from Argentina to offset the effect of any possible export subsidy.

Comment No. 2: Petitioners argue that India should be used as the surrogate country since the antidumping duty order to which imports into the United States of pipes and tubes from India are subject does not invalidate the use of India's home market prices. Petitioners also suggest that the price list of India's Joint Planning Committee should be used in determining these home market prices.

DOC Position: We followed our usual procedures for obtaining the names of companies in the countries we were considering as surrogates. For India, each of those companies was a respondent in the recently completed investigation of pipes and tubes from India. We were led to understand that it was extremely unlikely, given that investigation, that cooperation would be forthcoming in such an investigation of the same products from China.

We then considered petitioners' proposition that we use a price list put out by India's Joint Planning Committee to determine home market prices, which petitioners maintained did not have to be verified. We found this option unsuitable. We have no evidence of any uniformity of prices in India notwithstanding the existence of such a list. In our investigation of pipes and tubes from India, there was no evidence of any adherence to standard prices. We therefore could not consider such prices representative of actual Indian home market prices.

Considering the above constraints we found India to be an unsuitable choice as a surrogate.

Comment No. 3: Petitioners maintain that the Department should not make adjustments for physical differences in merchandise for either the rusted black pipe or the deficiencies in the zinc

coating applied to the galvanized pipe. The petitioners argue that the adjustment should be denied because the pipes and tubes were invoiced as conforming to ASTM-120 specifications and Minmetals has made no reimbursement for claims submitted by the importer for merchandise deficiencies.

DOC Position: We agree (see DOC Position in response to Respondent's Comment No. 1).

Respondent's Comments

Comment No. 1: The respondent argues that the Department should adjust the price of galvanized pipe for the cost or regalvanization in order to account for the physical differences in the pipes imported during the period of investigation from the PRC, and those imported from Argentina. The respondent maintains that, notwithstanding the merchandise description on the invoice, the price charged reflects a risk that the pipes and tubes would not meet specifications. Therefore, they argue that adjustments for physical differences are required regardless of whether Minmetals reimbursed the importer.

DOC Position: We verified that both the sales contract and the invoice described the merchandise as conforming to ASTM-120 specifications. We cannot adjust for unquantifiable and unsupported "risk factors." Since no reimbursement was made by Minmetals to the importer, an adjustment in price is inappropriate.

Comment No. 2: The respondent argues that the Department should terminate its investigation of the black pipe on the grounds that, having been sold by the importer as scrap because of its rusted condition, it is outside the scope of investigation.

DOC Position: The Department disagrees for the same reasons as offered in the DOC Position in response to Respondent's Comment No. 1.

Comment No. 3: The respondent argues the Department should use Argentine imports for foreign market value, as was done at the preliminary determination.

DOC Position: We agree (see DOC Position in response to Petitioners' Comment No. 1).

Continuation of Suspension of Liquidation

In accordance with section 733(b) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of pipes and tubes from the PRC entered, or withdrawn from warehouse, for consumption on or after April 29, 1986.

The United States Customs Service will require the posting of a cash deposit, bond, or other security in amounts based on the following weighted-average margin.

Company	Weight-average margin (percent)
All producers, manufacturers and exporters	30.00

ITC Notification

Pursuant to section 733(f) of the Act, we will notify the ITC and make available to it all non-privileged and non-confidential information relating to this determination. We will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not discuss such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the date of this determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on pipes and tubes from the PRC that are entered, or withdrawn from warehouse for consumption on or after the date of suspension of liquidation, equal to the amount by which the foreign market value exceeds the United State price.

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

Paul Freedenberg,
Assistant Secretary for Trade Administration,
July 7, 1986.

[FR Doc. 86-15592 Filed 7-9-86; 8:45 am]

BILLING CODE 3510-06-M

APPENDIX B

NOTICE OF THE INVESTIGATION BY THE COMMISSION

[Investigations Nos. 731-TA-292, 293, 294, and 296 (Final)]

Welded Carbon Steel Pipes and Tubes From the People's Republic of China, the Philippines, and Singapore

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-292, 293, 294, and 296 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the following welded carbon steel pipes and tubes, which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV).

Standard pipes and tubes ¹ from the People's Republic of China (China), the Philippines, and Singapore (investigations Nos. 731-TA-292 through 294 (Final))

Light-walled rectangular pipes and tubes ² from Singapore (investigation No. 731-TA-296 (Final))

Unless the investigations are extended, Commerce will make its final LTFV determinations on or before July 7, 1986 and the Commission will make its final injury determinations by Aug. 25, 1986 (see sections 735(a) and 735(b) of

¹ For purposes of these investigations, the term "standard pipes and tubes" covers welded carbon steel pipes and tubes of circular cross section, 3/8 inch or more but not over 16 inches in outside diameter, provided for in Items 610.3231, 610.3234, 610.3241, 610.3242, 610.3243, 610.3252, 610.3254, 610.3256, 610.3258, and 610.4925 of the *Tariff Schedules of the United States (Annotated) (TSUSA)*.

² For purposes of this investigation, the term "light-walled rectangular pipes and tubes" covers welded carbon steel pipes and tubes of rectangular (including square) cross section, having a wall thickness less than 0.156 inch, provided for in Item 610.4928 of the TSUSA.

the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

EFFECTIVE DATE: April 28, 1986.

FOR FURTHER INFORMATION CONTACT: Abigail Eitzroth (202-523-0289), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain welded carbon steel pipes and tubes from China, the Philippines, and Singapore are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in a petition filed on November 13, 1985, by counsel for the Committee on Pipe & Tube Imports (CPTI) and the individual members of the CPTI. In response to those petitions the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (51 FR 788, Jan. 8, 1986).

Participation in the Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the *Federal Register*. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)).

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

Staff Report

A public version of the prehearing staff report in these investigations will be placed in the public record on June 20, 1986, pursuant to section 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on July 8, 1986 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on June 27, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on July 2, 1986 in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is July 2, 1986.

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

Written Submissions

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of section

207.24 (19 CFR 207.24) and must be submitted not later than the close of business on July 15, 1986. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before July 15, 1986.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 207.8 of the Commission's rules (19 CFR 207.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 207.6 of the Commission's rules (19 CFR 207.6).

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

Issued: May 9, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86-10879 Filed 5-13-86; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

LIST OF WITNESSES APPEARING AT THE
COMMISSION'S HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Welded Carbon Steel Pipes and Tubes from The People's Republic of China

Inv. No. : 731-TA-292 (Final)

Date and time : July 8, 1986 - 10:00 a.m.

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

In support of the imposition of antidumping duties:

Schagrin Associates--Counsel
Washington, D.C.
on behalf of

The Standard Pipe and Mechanical Tubing Subcommittees of the Committee on Pipe and Tube Imports, and the individual member-producers of those subcommittees

James McCammack, General Manager of the Fence Division, Allied Tube and Conduit

Roger B. Schagrin)
Paul W. Jameson)--OF COUNSEL

In opposition to the imposition of antidumping duties:

Mudge, Rose, Guthrie, Alexander & Ferdon--Counsel
Washington, D.C.
on behalf of

The China National Metals and Minerals Import and Export Corporation (Minmetals), a producer and exporter of steel pipes and tubes

Carol Skerik, Consultant, International Business and Economic Research Corporation

N. David Palmeter)
Kevin B. Dwyer)--OF COUNSEL

